



Department of Justice

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Northern District of California**

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FORMER OWNER OF CIGARETTES CHEAPER! SENTENCED TO FIVE YEARS FOR BANK FRAUD

Defendant and father sentenced for submitting false borrowing reports to Comerica

SAN JOSE, Calif. – Ned Roscoe was sentenced yesterday to five years in prison, and his father John Roscoe was sentenced to five years probation with 12 months home detention, United States Attorney Melinda Haag announced. Ned and John Roscoe were former owners and officers of Cigarettes Cheaper!, which at its height had nearly 800 retail stores nationwide and \$1 billion in annual revenue.

Following a month-long jury trial, Ned Roscoe, 51, of Fairfield, Calif., was convicted on Feb. 22, 2011, of all 28 charges. During the trial, evidence showed that Ned Roscoe had conspired to defraud and make false statements to Comerica Bank, committed 13 acts of bank fraud, and made 13 false statements to Comerica Bank when he knowingly submitted weekly borrowing base reports of inventory to Comerica from Aug. 22, 2003, through Nov. 14, 2003, with inflated inventory valuations, eventually inflating the inventory by more than \$16 million. The jury also found that Ned Roscoe had caused an additional false statement be made to Comerica Bank when he directed an employee to falsely explain the cause of the inventory inflation. U.S. District Court Judge Ronald M. Whyte, who sentenced Ned Roscoe, found that Ned Roscoe's actions caused a loss to the bank of more than \$10.7 million.

John Roscoe, 82, of Green Valley, Calif. pleaded guilty on Jan. 21, 2011, to conspiracy to make false statements to Comerica Bank. According to the plea agreement, John Roscoe

admitted that from Aug. 22, 2003, through Nov. 24, 2003, Ned Roscoe intentionally prepared, or caused to be prepared, falsely inflated valuations of Company inventory reported to Comerica, that John Roscoe agreed with Ned Roscoe that he prepare, or cause to be prepared, these borrowing base reports, and that John Roscoe agreed that they be submitted to Comerica Bank. John Roscoe further admitted that he was aware that an employee was directed to falsely explain the cause of the inventory inflation.

The Federal Bureau of Investigation initiated its investigation in 2004 after a referral from Comerica Bank. Ned and John Roscoe were indicted by a federal grand jury on June 16, 2007. On Sept. 30, 2011, the grand jury returned a second superseding indictment, containing 28 counts.

The sentences were handed down by Judge Whyte, who also sentenced Ned Roscoe to a five year period of supervised release. Ned Roscoe is scheduled to begin serving his sentence on March 21, 2012. John Roscoe will begin serving his sentence immediately. Judge Whyte scheduled a hearing for March 5, 2012, to determine the amount of restitution Ned and John Roscoe will have to pay to Comerica.

Eumi Choi and Grant Fondo are the Assistant U.S. Attorneys who are prosecuting the case with the assistance of Kamille Singh. The prosecution is the result of a three-year investigation by the Federal Bureau of Investigation.

Further Information:

Case #: CR 07-00373 RMW

A copy of this press release may be found on the U.S. Attorney's Office's website at www.usdoj.gov/usao/can.

Electronic court filings and further procedural and docket information are available at <https://ecf.cand.uscourts.gov/cgi-bin/login.pl>.

Judges' calendars with schedules for upcoming court hearings can be viewed on the court's website at www.cand.uscourts.gov.

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