

NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA

San Diego, California

***United States Attorney
Karen P. Hewitt***

For Further Information, Contact:

Assistant U. S. Attorneys Jason A. Forge (619) 557-7463 or Stacey H. Sullivan (619) 557-7087

For Immediate Release

NEWS RELEASE SUMMARY - January 8, 2008

United States Attorney Karen P. Hewitt announced that John Harrell was sentenced yesterday in federal court in San Diego by United States District Judge Thomas J. Whelan to serve 25 years in custody and a three-year term of supervised release, forfeit \$2,366,805.75, and pay \$40,556,065.30 in restitution to more than 50 victims. In February 2007, Harrell pled guilty to 28 counts of federal fraud and money laundering charges relating to his role in a cult-like investment scheme that operated out of San Diego beginning in the late 1980's.

In sentencing Harrell, the Court found that he was the leader and organizer of a fraudulent enterprise that cheated investors out of tens of millions of dollars. The defendants had purported to be raising money for several purposes, including qualifying for the release of funds to be used for various insurance-related ventures, helping the needy, supporting religious activities, and financing medical research and development. In truth, however, for over a decade, the defendants spent all of the investor money on themselves. The defendants used investor money to pay their rent, pay for privately chartered flights, rent cars for themselves,

and provide themselves with daily cash stipends. Nearly all of the defendants evaded the income taxes due on these and other benefits. The defendants targeted many of their victims through churches.

United States District Judge Whelan has previously sentenced over a dozen members of the enterprise. In August 2007, Judge Whelan sentenced co-defendant Kenneth Kempton to 87 months in custody and a three-year term of supervised release. He also ordered Kempton to forfeit \$2.3 million and pay \$20,282,532 in restitution. He sentenced co-defendant Kenneth Hodgell to serve 10 years in custody and a three-year term of supervised release; he also ordered Hodgell to forfeit \$2.3 million and pay \$40,565,065 in restitution. In December 2007, Judge Whelan sentenced co-defendant Daniel Anderson to serve 10 years in custody, complete a three-year term of supervised release, and pay \$40,556,065.30 in restitution.

United States Attorney Hewitt praised the investigative work by the Federal Bureau of Investigation and the Internal Revenue Service - Criminal Investigation Division in this case.

FBI Special Agent in Charge Keith Slotter commented, "Individuals who commit this type of criminal activity will be aggressively pursued by the FBI. The fact that they preyed on the elderly and others because of their religious affiliations makes their behavior even more egregious."

"Today marks the end of an elaborate investor fraud enterprise that targeted and exploited the trust of many individuals for many years," said Special Agent in Charge Debra D. King, IRS Criminal Investigation, Los Angeles Field Office. "Mr. Harrell and his associates siphoned an exorbitant amount of money from fellow churchgoers, friends and family that were used to fund Mr. Harrell and his associates' lavish lifestyle. IRS special agents are committed to working financial fraud, tax fraud, and money laundering investigations in an effort to maintain the public's confidence in our tax system."

DEFENDANT

Case Number 03cr0850W

John Harrell

SUMMARY OF CHARGES

Title 18, United States Code, Section 371 - Conspiracy to Commit Wire Fraud

Title 18, United States Code, Section 1343 - Wire Fraud

Title 18, United States Code, Section 1956(h) - Conspiracy to Launder Money

Title 18, United States Code, Section 1956 - Money Laundering

Title 26, United States Code, Section 7201 - Income Tax Evasion

Title 26, United States Code, Section 7206(1) - False Return

AGENCIES

Federal Bureau of Investigation

Internal Revenue Service - Criminal Investigation Division