

NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA San Diego, California

***United States Attorney
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For Immediate Release

NEWS RELEASE SUMMARY - February 13, 2007

United States Attorney Carol C. Lam announced that today John Harrell, Daniel Anderson, Kenneth Hodgell, John Reitz, and Gregg Stavros pled guilty to federal fraud and tax charges relating to their roles in a cult-like investment scheme that operated out of San Diego beginning in the late 1980's. All the guilty pleas were entered in U.S. District Court in San Diego, California, before the Honorable Thomas J. Whelan.

The indictment charged the defendants with operating a fraudulent enterprise that purported to raise millions of dollars from investors for several stated purposes, including, but not limited to, qualifying for the release of funds to be used for various insurance-related ventures, financing and operating insurance-related companies, mining and refining gold, issuing a consumer rebate card, operating community social development centers, and financing medical research and development. In truth, however, the defendants spent all of the investor money, over \$20 million, on themselves. For example, the defendants used investor money to pay their rent, to pay for privately chartered flights, and to rent cars for themselves. The rental car bill alone was over \$400,000 per year. The defendants targeted many of their victims through churches.

According to Assistant U.S. Attorney Jason A. Forge, who prosecuted the case, Harrell, the leader of the criminal enterprise, admitted to a conspiracy that defrauded investors out of over \$20 million, as well as 14 counts of wire fraud and 13 counts of money laundering. Harrell, who was not offered a plea agreement, faces a maximum sentence of 335 years imprisonment. The remaining defendants all pled guilty to wire fraud and tax charges; they each face a maximum sentence of 8-10 years.

United States Attorney Lam said, "For years, these defendants exploited the trust of fellow parishioners, relatives, and others. Now, they'll have years to reflect on the consequences of their actions."

FBI Special Agent in Charge Daniel R. Dzwilewski said, "Today's successes in this investigation demonstrate the FBI's commitment to dismantling criminal enterprises. Mr. Harrell and his coconspirators utilized a complex fraud scheme to steal millions through promises of high rates of return with no risk. He also preyed on his victims' religious faiths and their suspicion of government. Today's result will allow the U.S. Attorney's office to seek a sentence which will make others think twice before defrauding the American public."

"The prosecution of individuals who hide their income and evade taxes is a vital element in keeping the public's confidence in our tax system. Honest taxpayers should not have to foot the bill for those who intentionally conceal income from the government," said Kenneth J. Hines, Special Agent in Charge, IRS Criminal Investigation, San Diego Field Office.

According to Assistant U.S. Attorney Forge, "The investigation which culminated in today's guilty pleas has now led to the convictions of 15 defendants and the seizure of over \$2.4 million in cash."

DEFENDANTS

Case Number 03cr0850W

John Harrell
Kenneth Hodgell
John Reitz
Daniel Anderson
Gregg Alan Stavros

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