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SACRAMENTO MAN SENTENCED TO 70 MONTHS PRISON AND ORDERED TO PAY OVER \$6 MILLION IN RESTITUTION FOR LEADING INVESTMENT FRAUD SCHEME

SACRAMENTO-- United States Attorney McGregor W. Scott announced that MICHAEL F. EGAN, 62, of Sacramento, was sentenced to 70 months imprisonment today by United States District Judge David F. Levi for his role in an investment fraud scheme that took in over \$8 million from victim investors. EGAN, who earlier had pled guilty to one count of mail fraud and one count of filing a false income tax return in connection with scheme, was immediately remanded into custody. He was also ordered to pay over \$6.8 million in restitution to victims.

The case was the result of a joint investigation by the Federal Bureau of Investigation and the Internal Revenue Service Criminal Investigation.

According to Assistant United States Attorneys Benjamin B. Wagner and Philip A. Ferrari, who prosecuted the case, EGAN admitted in his plea agreement that he had perpetrated the fraud scheme through an entity named Philanthropic Charities, Inc., and other entities in California and the Bahamas with similar names. EGAN told potential investors that they could earn high rates of return through investing in private annuity contracts with Philanthropic Charities, or in "donor-advised accounts," which he represented were risk-free. Many of the investors were elderly and were convinced to invest their retirement savings. In fact, most of the money was not invested at all, but instead routed back to EGAN himself through bank accounts in the Bahamas, or routed to others who helped EGAN promote the fraud scheme. EGAN admitted that he caused account statements to be sent to investors which falsely reported that the investments were earning high returns. He also used some of the investors' own funds to make interest or annuity payments back to the investors. Beginning in about 1999, when he was unable to make payments to investors, EGAN made numerous various false statements to investors about the reasons for the delays. In 2002, after a federal search warrant was executed at his home in Shingle Springs, California, EGAN fled to South Carolina, where he was arrested in December, 2003.

With respect to the charge of filing a false income tax return, EGAN admitted that in October 1999, he filed a United States Individual Income Tax Return on Form 1040 for the year 1998 that falsely reported taxable income of only \$4,293. In fact, EGAN's taxable income was substantially higher, and he had receipts of at least \$279,000 from the Philanthropic Charities investment program.

EGAN's sentencing date was previously scheduled for May 22, 2007, but he failed to appear and became a fugitive. A warrant issued for his arrest, and the government began forfeiture proceedings against the property which a relative had posted to secure his release. EGAN appeared at a hearing set this morning to discuss the status of the forfeiture proceeding. Judge Levi ordered him into custody and proceeded immediately to sentencing.

Two other persons who served as brokers for the Philanthropic Charities investment program have already pleaded guilty to felonies. LARRY T. BALENTINE, 67, of Salinas, California, pleaded guilty to charges of aiding and abetting mail fraud, and money laundering in connection with his conduct as a broker for Philanthropic Charities, and RANDALL ALAN HUFFMAN, 44, of Morgan Hill, California, pleaded guilty to a charge of misprision of a felony. Both are awaiting sentencing.

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