

NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA

San Diego, California

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For Immediate Release

FORMER INMATE TURNED PASTOR BARRY MINKOW PLEADS GUILTY TO BILKING CONGREGATION

NEWS RELEASE SUMMARY – January 22, 2014

United States Attorney Laura E. Duffy announced today that former convict, turned fraud investigator and pastor, Barry Minkow, admitted embezzling and defrauding the San Diego Community Bible Church (“SDCBC”) and its congregation out of more than \$3 million. Minkow, who is currently in custody after his conviction on unrelated securities fraud charges, entered a guilty plea today in federal court in San Diego before the Honorable William Gallo, United States Magistrate Judge.

As part of his guilty plea, Minkow admitted to a litany of improper conduct, including opening unauthorized bank accounts on behalf of the SDCBC, forging signatures on SDCBC checks, using funds drawn on legitimate church accounts for his personal benefit, and charging unauthorized personal

expenses on church credit cards. In addition, Minkow confessed to diverting SDCBC member donations for his own benefit and embezzling money intended as church donations. In all, Minkow admitted purloining – and concealing from the IRS – at least \$3 million from SDCBC’s parishioners and lenders. As described in court documents, Minkow’s conduct continued for over a decade.

U.S. Attorney Laura E. Duffy remarked: “Barry Minkow is again convicted of fraud, this time for stealing money from the parishioners of San Diego Community Bible Church. With our law enforcement partners, we stand vigilant against those who cheat and steal without regard to the consequences wrought on their victims and their communities.” The U.S. Attorney observed that in the course of each fraudulent transaction, Minkow abused the position of trust bestowed upon him by SDCBC and its congregation.

Acting Special Agent in Charge of Internal Revenue Service Criminal Investigation for the Los Angeles Field Office, Joel P. Garland stated, "Barry Minkow pled guilty today to embezzling over \$3.0 million in money intended as church donations (while employed as a pastor) and concealing it all from the IRS. Barry Minkow has admitted not only his fraud, but his omission of over \$890,000 in unreported income and over \$250,000 in tax. Today's court action reaffirms IRS Criminal Investigation's commitment to investigating crimes involving tax and other financial crimes."

The fraud on SDCBC is just the latest fraud perpetrated by Minkow. In December 1988, Minkow was convicted of running a Ponzi scheme related to his ZZZZ Best carpet cleaning enterprise, a NASDAQ-traded entity. In that case, Minkow bilked banks and investors of millions of dollars, for which he was sentenced to 25 years in prison. While incarcerated, Minkow became involved in the Christian ministry, and upon his release in 1995 after having served approximately seven and a half years, he went to work at the Church at Rocky Peak in Chatsworth, California.

In 1997, Minkow became the pastor at SDCBC and soon thereafter founded the Fraud Discovery Institute (“FDI), a for-profit entity, which allegedly was aimed at the detection and prevention of fraudulent business practices. Through the work of FDI, Minkow soon garnered national media attention as a fraud detection expert, and his turn-around story was profiled on 60 Minutes in August 2006.

Yet even while working through FDI to detect fraud, Minkow was engaged in manipulating the stock prices of the companies he was investigating. Most prominently in 2009, Minkow released a report accusing major homebuilder Lennar of massive accounting irregularities and fraud. In the wake of this report, Lennar's share price was sliced in half – from 11.57 a share to \$6.55 a share. According to court records, unbeknownst to the public, Minkow shorted Lennar stock in advance of the issuance of his report. Based on these transactions, Minkow was charged with conspiracy to commit securities fraud, and on March 30, 2009, he pled guilty in Miami to conspiring to manipulate Lennar's share price, for which he was sentenced to serve five years in prison and to pay \$583.5 million in restitution to Lennar. Minkow is currently serving that sentence at the Federal Medical Center in Lexington, Kentucky.

After pleading guilty today, Minkow faces a maximum of five years in prison, a fine of up to \$250,000, and the payment of restitution to his victims. Sentencing is scheduled for April 7, 2014 before U.S. District Court Judge Michael Anello.

U.S. Attorney Laura E. Duffy praised the exacting effort and close cooperation of the Federal Bureau of Investigation and IRS Criminal Investigations -- the investigative agencies on this case.

DEFENDANT

Barry Minkow

Case Number:

14CR0153-MMA

SUMMARY OF CHARGES

Conspiracy To Commit Mail Fraud, Wire Fraud, Bank Fraud and To Defraud the United States, in violation of Title 18, United States Code, Section 371 - Maximum penalties: Five years in prison, \$250,000 fine, term of supervised release of three years, restitution, and \$100 special assessment.

INVESTIGATING AGENCY

Federal Bureau of Investigation
IRS Criminal Investigations