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**SACRAMENTO MAN ARRESTED  
IN \$8 MILLION INVESTMENT FRAUD SCHEME**

SACRAMENTO--United States Attorney McGregor W. Scott announced today the unsealing of an indictment charging MICHAEL F. EGAN, 59, formerly of Sacramento and of Shingle Springs, California, with mail fraud, money laundering, and filing false tax returns in connection with an alleged investment fraud scheme. EGAN was arrested by FBI agents on Friday in the Myrtle Beach area of South Carolina, and will make his initial appearance today before a U.S. Magistrate Judge in Florence, South Carolina. It is anticipated that EGAN will be ordered to appear in Sacramento for further proceedings in the case.

According to Assistant United States Attorney Benjamin B. Wagner, who is prosecuting the case, the charges in the indictment arise from a major investment fraud scheme based in Sacramento that targeted investors, many of them elderly, in the Northern California area. The indictment unsealed today alleges that EGAN ran the investment fraud scheme from 1997 to 2002 through an entity he controlled called Philanthropic Charities. The indictment alleges that EGAN told potential investors that they could earn high rates of return through investing in private annuity contracts with Philanthropic Charities, or in various other high yield investment programs which he represented were risk-free. EGAN also told investors that Philanthropic Charities could set up private foundations for clients and could obtain matching funds to be used to fund various religious, educational and humanitarian projects. From 1997 through 2000, the indictment states, EGAN took in approximately \$8 million from investors. The indictment alleges, however, that most of the funds taken in to Philanthropic Charities were used to make "ponzi payments" to other investors, or were routed back to EGAN and other agents of Philanthropic Charities, for their personal use, through bank accounts in the Bahamas. EGAN left the Sacramento area abruptly in 2002 after becoming aware that he was being investigated by the FBI and IRS.

Two other persons who served as brokers for the Philanthropic Charities investment program have already pleaded guilty to felonies. LARRY T. BALENTINE, 64, of Salinas, California, pleaded guilty in U.S. District Court on October 23, 2003, to charges of aiding and abetting mail fraud, and money laundering in connection with his conduct as a broker for Philanthropic Charities. BALENTINE will be sentenced on January 15, 2004. RANDALL ALAN HUFFMAN, 41, of Morgan Hill, California, pleaded guilty in U.S. District Court on

December 4, 2003 to a charge of misprision of a felony. HUFFMAN's sentencing is set for March 04, 2004.

The indictment charges EGAN with 11 counts of mail fraud, two counts of money laundering, one count of engaging in a monetary transaction with proceeds of unlawful activity, and two counts of filing false tax returns for the years 1998 and 1999. All of the charges are felonies. He faces a maximum sentence of up to 5 years in prison, a \$250,000 fine, and a three-year term of supervised release on each of the mail fraud counts, up to 20 years in prison, a \$250,000 fine, and a three-year term of supervised release on each of the money laundering charges, up to 10 years in prison, a \$250,000 fine, and a three-year term of supervised release on the monetary transaction charge, and up to three years in prison, a \$250,000 fine, and a one-year period of supervised release on each of the false tax return counts.

The charges against EGAN are only accusations, and he is presumed innocent until and unless proven guilty beyond a reasonable doubt.

The case was investigated by the Federal Bureau of Investigation and the Internal Revenue Service-Criminal Investigations.

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