



U.S. Department of Justice
United States Attorney
Eastern District of Pennsylvania

615 Chestnut Street
Suite 1250
Philadelphia, Pennsylvania 19106-4476
(215) 451-5200

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NEWS RELEASE

PHILADELPHIA -- Michael R. Stiles, U.S. Attorney for the Eastern District of Pennsylvania, Bob C. Reutter, Special Agent in Charge, Federal Bureau of Investigation, and Edward J. Litchko, Chief, Criminal Investigation Division, Internal Revenue Service, announced today (9/27/96) that a federal grand jury in Philadelphia has returned a 82 count indictment,* charging John G. Bennett, Jr., president of the Foundation for New Era Philanthropy (New Era), with crimes relating to the operation of New Era.

Bennett, 59, formerly of 291 Stonegate Drive, Devon, Pennsylvania, was charged with sixteen counts of mail fraud, eighteen counts of wire fraud, one count of bank fraud, one count of false statements to the government, three counts of filing false tax returns, one count of impeding the administration of the revenue laws, fifteen counts of money laundering, and twenty-seven counts of money laundering to promote an unlawful activity. The maximum penalty for the bank fraud count is 30 years imprisonment and a \$1 million fine. For some of the money laundering counts, the maximum penalty is 10 years imprisonment and a \$250,000 fine. The penalties for the fraud counts are 5 years imprisonment and a \$250,000 fine. The total maximum penalty for these offenses is 907 years imprisonment, a \$28,000,000 fine, 5 years of supervised release, and a \$4,100 special assessment.

The charges against Bennett stem from his operation of New Era, which resulted in losses of \$135,000,000 and the filing for bankruptcy protection in May, 1995. As charged in the indictment, the scheme began in 1989 as an attempt to cover a bank fraud: the original donations by philanthropists, solicited by Bennett on behalf of New Era and other charitable organizations, went to cover bad checks written by Bennett.

* An indictment is an accusation. A defendant is presumed to be innocent unless and until proven guilty.

The indictment also charges that Bennett made personal payments of \$51,000 to Andrew Cunningham, the accountant in charge of auditing the New Era accounts. Bennett made the payments to Cunningham specifically to stop him from asking difficult questions in reviewing New Era's books. In a related information," Andrew Cunningham, 34, of 6318 Fairfield Drive, Flourtown, Pennsylvania, is charged with one count of wire fraud and aiding and abetting, and one count of impeding the administration of the revenue laws. The total maximum penalty for these offenses is 8 years imprisonment, a \$500,000 fine, 3 years of supervised release, and a \$100 special assessment.

As charged in the indictment, Bennett operated the New Concepts program at New Era. New Concepts offered individual benefactors a chance to double their gifts to charity. The funds to double the gifts allegedly came from "anonymous donors." Later in the scheme, non-profit organizations were offered the opportunity to double funds by submitting them to New Era. These organizations could send money to New Era and have the funds matched by the anonymous donors and returned. The matching allegedly occurred after a three to nine month holding period.

The indictment also charges that Bennett attempted to expand the scheme overseas. Bennett opened offices in Hong Kong and London. Bennett also had an employee make contacts with officials in the Chinese government and had explored the possibility of providing instruction to the Chinese in business ethics.

The grand jury charges that the operation of this scheme brought in approximately \$354,000,000. The indictment says that, in order to obtain funds from benefactors and non-profit organizations, Bennett made various representations about the operation of New Era, all of which were false. Some of these are:

- that the anonymous donors existed, that they provided matching funds, and that there were trust agreements with these anonymous donors, when in fact there were no anonymous donors and money from later donors provided the matching payments for earlier donors.
- that Bennett was not paid for his work at New Era, when in fact he transferred over \$3.3 million from New Era accounts to the accounts of New Era Philanthropy, Inc, and Bennett Group International, Bennett's consulting firms. Bennett took more money for Bennett controlled companies, Human Service Systems and Multi-Media Communicators. Bennett also did not tell contributors to New Era that money that they deposited would be used for first class air fare and other

" An information is an accusation. A defendant is presumed to be innocent unless and until proven guilty.

transportation fares for Bennett, his wife, his daughters, and his future sons-in-law.

- that money from benefactors and non-profits was being held in escrow or "quasi-escrow" accounts at Prudential Securities during the holding period, when in fact the funds were being used to secure a large loan at Prudential. Some of the funds used to repay contributors to New Era were paid from the loan account.
- that New Era had a board of directors of prestigious individuals, when in fact Bennett was the only director.

The indictment also charges that Bennett concealed information from the Internal Revenue Service during an audit in October, 1994. During this audit, Bennett did not tell the auditor about the matching program, concealed transfers from New Era to Bennett companies, failed to tell the auditor that New Era had substantial liabilities, and claimed that New Era had a board of directors. Bennett presented the auditor with false and backdated minutes of the directors' meetings.

The indictment charges that Bennett laundered money by making various expenditures of criminally derived money. These included:

- Payment of over \$570,000 for a house in Devon, Pennsylvania.
- Payment of over \$227,000 for a house for his daughter.
- Payment of \$15,000 to the political campaign of his accountant.
- Payment of over \$49,000 for first and business class travel from Philadelphia to New Zealand.
- Payment of over \$53,000 for the purchase of a Lexus automobile.

Organizations named in the fraud counts include the American Red Cross, the Salvation Army, the United Way, World Harvest Mission, the Juvenile Diabetes Foundation, Mission to the Americas, the Franklin Institute, the Free Library of Philadelphia, the Detroit Institute of the Arts, the Philadelphia Orchestra, and Drexel University.

Prosecution has been assigned to Assistant U.S. Attorneys Richard W. Goldberg and Judy Goldstein Smith and the investigation was conducted by the Federal Bureau of Investigation, the Internal Revenue Service, and the Pennsylvania Attorney General's Office.

Inquirer
3/18/97

Judge restricts defense strategy in New Era case as trial nears

John G. Bennett Jr.'s lawyers had cited mental illness and religious zealotry for his actions.

By Joseph A. Slobodzian
INQUIRER STAFF WRITER

A federal judge yesterday limited the ability of John G. Bennett Jr., founder of the bankrupt Foundation for New Era Philanthropy, to use an unusual defense that mental illness made it impossible for him to form the criminal intent to defraud those investing in his double-your-money plan.

U.S. District Judge Edmund V. Ludwig ruled that Bennett's attorneys may present — if relevant — general evidence by psychiatric ex-

perts of Bennett's purported mental illness and its characteristics.

But the judge said Bennett's psychiatric experts may not give the jury their expert opinion that his illness would have made it impossible for him to form the criminal intent to defraud the hundreds of individuals and groups who invested more than \$354 million into the foundation from 1989 to 1995.

Odell Guyton, one of Bennett's attorneys, said he could not comment on the ruling.

At a hearing before Ludwig

March 3, Bennett's lawyers argued that their rarely used defense strategy would be gutted unless they were allowed to introduce evidence to back up their theory that a personality disorder produced in Bennett a religious zealotry so strong that he did not believe what he did was wrong. The personality disorder was aggravated by brain damage sustained in two automobile accidents before New Era was established, his attorneys have said.

Robert L. Sadoff, director of forensic psychiatry at the University of Pennsylvania Medical Center, testified for the defense at the March 3 hearing that Bennett "could rationalize anything he did based on his

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INQUIRER
3/18/97

Judge limits defense tactic in New Era case

NEW ERA from B1
focus of doing everything for the glory of God and to change the world."

Bennett, 59, of Phoenixville, is scheduled to go to trial April 7 on an 82-count indictment charging fraud, money laundering and tax violations involving his management of New Era.

Bennett drew more than \$354 million in investments nationwide from Christian, charitable, cultural and other nonprofit groups by promising he could double their investment from an anonymous group of fabulously wealthy — but secretive — benefactors.

But when Bennett's securities broker called a \$45 million credit line in May 1995, the foundation collapsed in a bankruptcy that is still being sorted out. Prosecutors alleged that Bennett's benefactors never existed and that New Era was a giant Ponzi scheme in which early investors were paid with the money from later investors.

Although Bennett's lawyers told Judge Ludwig last October that they

were considering the insanity defense, they announced at the March 3 hearing that they wanted to use the more complicated attack on Bennett's ability to form the criminal intent necessary for a jury to convict him.

The traditional insanity defense lets a criminal defendant be acquitted if the jury finds that mental illness made it impossible for the accused to understand the difference between right and wrong, or the consequences of his or her actions.

Bennett's defense, however, would concede that he knew the difference between right and wrong. Instead, Bennett's witnesses would testify that he is so steeped with religious fervor that he had no doubt what he was doing was morally and legally correct — he could not form a "criminal intent."

The defense was approved by the U.S. Court of Appeals for the Third Circuit for the federal courts in this region 10 years ago in *U.S. v. Pohl*. In that case, the defendant was still convicted of hiring a hit man to kill his wife.



John Bennett
suffers from a personality disorder, his lawyers say.

INQUIRER
9/19/97
10F2

Psychiatrist: Bennett faking mental illness

During a sentencing hearing, the prosecution witness described the New Era founder as a "malingerer."

By Joseph A. Slobodzian
INQUIRER STAFF WRITER

The psychiatrist who worked the cases of presidential assailant John Hinckley, serial killer Jeffrey Dahmer, and millionaire murderer John du Pont told a federal judge yesterday that he believed John G. Bennett Jr. was a "malingerer" who was faking mental illness for his sentencing in the collapse of the Foundation for New Era Philanthropy.

"In my opinion, [Bennett] never suffered from any delusions or other psychotic symptoms involving the existence of anonymous benefactors," Dr. Park Dietz told U.S. District Judge Edmund V. Ludwig.

If Bennett's purported hallucina-

tions and other symptoms of mental illness were true, Dietz said, "it would be a complete novelty in psychiatry."

"It's impossible to have hallucinations only occur on selected Sundays," Dietz added, referring to Bennett's testimony on Wednesday of meetings he said he held on Sundays in the foundation's Radnor office with anonymous — and nonexistent — wealthy benefactors.

"Hallucinations occur when the brain makes them happen, not on a particular schedule," explained Dietz, who was called as a witness by federal prosecutors.

Bennett's attorneys are urging Ludwig not to sentence the 60-year-old Phoenixville resident to a no-

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Doctor: Bennett is faking

BENNETT from B1
parole prison term of between 20 and 25 years, contending that the New Era fraud was caused by Bennett's diminished mental capacity.

Dietz was one of about a half-dozen witnesses to testify during the third day of Bennett's sentencing hearing, which was to continue today in the U.S. Courthouse in Center City. Ludwig has said the sentencing could take up to seven days, but lawyers for both sides said they might be able to complete testimony by the end of today.

Dietz also disagreed with the findings of psychological experts, hired by Bennett's legal team, that the New Era founder was suffering from a personality disorder likely brought on by brain damage sustained in a 1984 automobile accident. The purported brain damage, Bennett's experts say, pushed his devout Christianity into a state of "unchecked religious fervor."

The defense theory is that Bennett, though legally sane, did not have the mental ability to form the criminal intent necessary to be convicted by a jury because he believed everything he did was motivated by doing "God's work."

Judge Ludwig has made rulings restricting Bennett's ability to use that defense at trial, and Bennett pleaded no contest in March to the 82-count indictment charging him with fraud, money laundering and tax evasion in the May 1995 collapse of the foundation, what has been called the largest charity fraud in U.S. history.

Although Bennett will now be sentenced as if he had pleaded guilty, his no-contest plea lets him challenge Ludwig's pretrial rulings in the U.S. Court of Appeals for the Third Circuit. If he wins, Bennett can withdraw his plea and go to trial.

Federal prosecutors have maintained that New Era was nothing more than a giant Ponzi scheme, a con that attracted more than \$354 million from hundreds of charities, church groups and other nonprofit institutions between 1989 and 1995, when the foundation imploded, causing a loss of about \$135 million.

Dietz spent much time on the stand yesterday reviewing records of Bennett's 1984 car accident and the possible effect of the injuries he sustained. Bennett has testified that the head-on collision on West River Drive threw him through the windshield and that he was unconscious until after he arrived at Bryn Mawr Hospital.

But reviewing hospital records handed him by Assistant U.S. Attorney Judy Goldstein Smith, Dietz noted that doctors found that Bennett just bumped his head on the windshield and never lost consciousness.

Dietz also testified that Bennett's performance on a battery of psychological tests showed no evidence of brain damage.

"The tests ... show malingering and trying to appear to have brain damage when he does not," Dietz said. "... I believe that this defendant committed crimes and they were not the result of diminished mental capacity."

Philanthropy Flimflam

New era in Bennett's life

The John Bennett Scoreboard

FIRST FULL DAY IN JAIL: Today.
SENTENCE: 12 years.
POSSIBLE TIME OFF FOR GOOD BEHAVIOR: two years.
POSSIBLE HALFWAY HOUSE TIME: One year — the last year in custody.
AGE ON RELEASE FROM CUSTODY: 70.

PERSONALLY STOLE: \$7.7 million, according to the government.
AMOUNT SPENT ON AIRFARE: \$146,146.
AMOUNT SPENT ON HIS DEVON HOME: \$653,000.

REPAID: About \$1.5 million — the value of homes for himself and daughters, his Lexus and other assets.

JAIL SENTENCE FOR EACH DOLLAR STOLEN AND NOT REPAID: 1 minute, 1 second.



Bennett walks into federal court yesterday.

FOUNDATION FOR NEW ERA PHILANTHROPY REVENUES 1989-1995: \$355.8 million.

FOUNDATION'S LOSS AT BANKRUPTCY: \$100 million.

FOUNDATION'S LOSS AFTER CIVEBACKS BY GRANT BENEFICIARIES: \$20 million.

BIG LOSER: Prudential Securities, New Era's banker. Paid \$18 million to settle negligence claims.

LARGEST LOSER: Laurence Rockefeller, at \$4.9 million.

TOTAL LOSERS: About 1,400.

MONEY LOST BY ORGANIZATIONS: \$303.5 million.

MONEY LOST BY INDIVIDUALS AND FAMILY TRUSTS: \$52.3 million.

NUMBER OF PHONY ANONYMOUS DONORS: 9.

SENTENCE SUGGESTED BY PROSECUTION: 19 to 24 years.

SENTENCE SUGGESTED BY DEFENSE: 18 months.

Scam's chief gets 12 years in prison

by Jim Smith

Daily News Staff Writer

They dined on ham and baloney sandwiches, this man and his family who had enjoyed the lush life of mansions and fancy cars from money he had swindled from the gullible.

It was the last supper with his family for Jack Bennett, the man who claimed to be a born-again Christian who only wanted to do good but managed to enrich himself and loved ones at the expense of the people who run some of the area's biggest educational, charitable and religious institutions — and those of more modest means — all of whom really believed he could double their money.

After sentencing Bennett to 12 years in prison without parole yesterday, U.S. District Judge Edmund V. Ludwig gave him an hour to spend with his family and defense attorneys, Odell Guyton and Gino Benedetti, in a small room outside Ludwig's 12th-floor courtroom.

Humble fare was provided from a nearby deli, washed down with cartons of milk and bottled soft drinks.

A dozen friends stood praying, hand-in-hand in a circle, in the hallway.

Afterwards, Bennett was taken in handcuffs by deputy U.S. marshals to a nearby jail to await word from the U.S. Bureau of Prisons on what lockup will house and feed him for maybe the next decade.

The trash can in the small room was filled with the dismal remains of half-eaten sandwiches and empty drink containers.

Evidence showed Bennett profited handsomely from his swindle, diverting more than \$7 million during the period 1989-1995, when his Foundation for New Era Philanthropy was flying high.

The money went either to his own use or to companies in which he had a big financial stake, said Assistant U.S. Attorney Richard Goldberg and Judy Goldstein Smith, the case prosecutors.

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After the Ponzi-like scheme collapsed, Bennett forfeited a \$653,000 home in Devon, one he bought with New Era cash, along with homes he purchased for his daughters, and other assets, including his \$50,000 Lexus, all having a total value of about \$1.5 million.

Bennett could have been sentenced to 19 years in prison, but the judge cut him a break.

Ludwig seemed to agree with Bennett's excuse for his swindling ways, saying the thief "may have been blinded by his intense hopes to 'save the world.'"

But he also deplored Bennett's "reprehensible and societally destructive behavior."

Bennett's wife, Joyce, whom Bennett called his "jewel" and "best friend," seemed to be in a state of shock, motionless, her eyes red from months of worry.

His two married daughters, whom Bennett thanked for talking him out of suicide, wept in anguished silence throughout much of the 35-minute hearing, then, in the end, embraced their father for a sad farewell. One of them is now pregnant with the first Bennett grandchild.

Bennett, 60, a former science teacher and drug and alcohol counselor from Olney, had pleaded no defense to federal charges of fraud and money laundering arising from the \$100 million charity scam he said he ran in God's name.

He still has admitted no wrongdoing — only wrong-headedness.

"Hundreds, maybe thousands, suffered because of my irresponsible actions," Bennett said, referring to the May 1995 collapse of New Era.

John Bennett's friends and family leave federal courthouse after his sentencing yesterday

ANDREA MIHALIK
DAILY NEWS



The bankruptcy came at a time when New Era, which had taken in nearly \$356 million in six years, owed more than \$100 million to individuals, family trusts, and nonprofit organizations, big and small, nationwide.

Bennett, a charismatic con man who could call on billionaires and poor churchgoers alike, had promised donors he could double their contributions with matching funds from a stable of wealthy but anonymous benefactors who existed only in Bennett's mind.

The benefactors are now a nightmarish "delusion" to Bennett, and an outright scam to the FBI and IRS agents who investi-

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BENNETT

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gated him.

In reality, early donors were paid with money from later donors until funding dried up, causing the collapse — a classic "Ponzi" or pyramid scheme.

"What a sin of pride to think I could change the world," Bennett said, reading from a prepared text.

There is no parole from a federal sentence, but Bennett is likely to get about two years off for good behavior, and the last year could be served in a halfway house close to home.

"We're very happy with the severity of the sentence," Goldberg, the prosecutor, told a reporter later in the day.

Judge Ludwig agreed with the case prosecutors that federal sentencing guidelines called for a prison term of between 19 and 24

years.

The stiff guidelines were calculated mainly because of the \$100 million loss as of the date of the New Era bankruptcy, as well as for other factors.

But the judge said other factors prompted mercy.

One was Bennett's charitable and civic work prior to the start of New Era in 1989.

"It is evident that for many years leading up to 1989 Mr. Bennett made a large number of civic, charitable, and public service contributions and performed good works in the area of substance abuse, children and youth, and juvenile justice.

"These went far beyond the community contributions generally made even by very civic-minded and good-hearted people," the judge noted.

Bennett's voluntary decision to give up the \$1.5 million, "the bulk of his personal and company-held assets," also warranted some mercy, the judge noted.

The judge noted that the initial \$100 million loss has been cut to about \$20 million by the bankruptcy trustee, mostly in give-backs by those whose money was doubled by New Era before the collapse.

Lastly, the judge said he was being lenient because of "evidence of several personality disorders," including narcissism, hypomania and obsessive-compulsive personality. ■