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## O.C. Money Manager Arrested at Texas Motel

### Nationwide search for James P. Lewis, accused of fraud, ends with his capture in Houston.

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Times Staff Writer

Fugitive Orange County money manager James P. Lewis Jr., accused of running an \$814-million fraud, was arrested Thursday at a budget motel in Texas, where he had used a senior discount card to knock \$6 off the room rate.

A nationwide dragnet for the founder of Lake Forest-based **Financial Advisory Consultants** Inc. ended at 2 a.m., when FBI agents burst into a room at a Comfort Inn in downtown Houston and took Lewis into custody, the FBI said. He was booked on a charge of felony mail fraud.

"He had dozens and dozens of credit cards and several maps, including a map of Mexico," said FBI spokeswoman Laura Bosley.

Lewis, 57, had spent the three nights before his arrest at three hotels in Tallahassee, Fla., registering under his own name and paying with cash, before driving a Mercedes-Benz to Houston, Bosley said. Lewis used a credit card to pay for the Comfort Inn room.

"It doesn't exactly hinder our investigation when a fugitive uses his credit card," Bosley said.

Ray Patel, a clerk at the Comfort Inn, said Lewis checked in at 9:01 p.m. Wednesday using an American Express credit card in his full name, James Paul Lewis.

"It was like \$61.99 for the night, but he was like, 'I have an AARP card; I'm with the Triple A.'"

"So I gave him the room for \$55.99," Patel said. "That's the AARP rate."

Lewis appeared briefly before U.S. Magistrate Judge Francis H. Stacey in Houston, who scheduled a hearing for him today, Bosley said. Lewis refused to give permission for

authorities to search his motel room and car, so the FBI was attempting to obtain search warrants.

The Securities and Exchange Commission charged Lewis last month with leading one of the longest-running Ponzi schemes in history, soliciting money from more than 5,200 people since 1983. Investigators say Lewis boasted to investors of making profits of up to 40% a year by buying and selling distressed companies.

In fact, federal authorities said, he used money from new investors to pay off other clients and also engaged in high-risk currency trading.

Lewis spent hundreds of thousands of dollars on jewelry and custom-tailored suits, according to court filings, and millions on homes and cars.

About two dozen of Lewis' aggrieved investors gathered Thursday outside a federal courtroom in Los Angeles, where a hearing was held on the SEC's civil suit.

Most expressed hope that Lewis would cooperate with authorities and help them recover at least some of their investments. But Luann Joan Long of Riverside doubted that Lewis would disclose any assets he may have hidden.

"If he's lied this long, why would he tell the truth now?" she said. "Because he's going to jail anyhow."

Long said she had handed her retirement savings over to Lewis last spring, along with the life insurance payment she received when her husband died — millions of dollars in all — with only her home remaining as an asset.

"I put my house up for sale and got two offers right away," she said. "I'm grateful for that."

A firefighter from Temecula said he had sold his home to add \$150,000 last November to the \$75,000 he already had invested with Lewis. The firefighter, a 34-year veteran preparing to retire, said his last statement from FAC showed a balance of \$350,000, all funds he had counted on for retirement.

He said he had talked with Lewis personally two or three times, finding him a "very nice, very sincere man."

"I just can't believe a person can have no conscience and live like that, destroying lives," said the firefighter, who asked that his name not be used.

Janet Goldblatt of Century City, retired after a lengthy career as a designer for Mattel Inc., said she had been paying her \$2,600 monthly rent out of the \$5,000 a month she earned from FAC.

Now "completely penniless" at 61, Goldblatt was trying to come to grips with her need to return to work and find cheaper quarters with a roommate.

Outside the courtroom, Goldblatt handed around a sheet of paper, encouraging other alleged victims to list their names and any tips for investigators.

"We're going to need to set up a network of victims, a support group," she said. "If you haven't been in this situation, you can't begin to understand how broken and helpless we feel.

"We need to grieve our losses together."

At the hearing, U.S. District Judge Audrey Collins made permanent her appointment of Robb Evans & Associates in Sun Valley as receiver to take control of Lewis' operation and determine how much money may be left for investors to recover.

FBI agents raided Lewis' company Dec. 22 after complaints by investors. The SEC filed its civil fraud suit a day later, and the Justice Department filed its criminal mail fraud complaint Jan. 14.

The criminal complaint said Lewis accepted investors by referral only. He never discussed the details of his businesses with the investors or his two clerical employees at FAC, according to declarations by Brad Howard, an FBI agent specializing in white-collar-crime investigations.

At the time the firm was shut down, Lewis owed \$813.9 million to 3,290 investors nationwide. In a report filed Friday with the court, authorities calculated Lewis' total liquid assets — cash plus real estate that could be sold — at about \$10.4 million, which falls about \$100 million short of the sum his clients would need to recoup their original investments.

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