

# Los Angeles Times

## Report Triples Figure in O.C. Fraud Case

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Orange County money manager James P. Lewis Jr. fraudulently raised \$311.4 million from investors, three times the amount initially estimated, and lost far more of their money than originally thought, a court-appointed receiver said Monday.

The receiver's report, filed in federal court in Los Angeles, provided the most detailed glimpses so far into how Lewis allegedly squandered investors' money. The report's litany included \$13 million sunk into businesses with no returns, \$20 million lost trading foreign currencies and commodities, and \$10.7 million for Lewis' personal use.

Lewis also gave \$5 million to his immediate family, \$4.4 million to Connecticut girlfriend Sharon Lefevers and her family and \$3.8 million to another flame in Orange County, Blakney A. Boggs, and her family, according to the report by Robb Evans, a veteran receiver often used by the courts in major fraud cases.

"We've seen a lot of other cases where bad business decisions were made and a lot of money stolen," said Kenton Johnson, an executive vice president at Evans' firm, Robb Evans & Associates in Sun Valley. "But this is the biggest. It's disgusting, really."

Beginning in 1983, Lewis raised \$311.4 million from about 3,300 investors, Evans found. That compared with an estimate of about \$100 million that the Securities and Exchange Commission made in January. Most of the investors — about 2,600 — lost money, Evans said. He pegged those losses at \$169.5 million, up from his own initial estimate of \$118.3 million.

But others profited, authorities said, because Lewis operated a Ponzi scheme, paying some people big returns in hopes they would entice their friends and families to invest as well.

Evans said about 700 investors came out ahead by a total of \$88.6 million — money Evans said he would attempt to recover, by lawsuits if necessary.

Lewis, 57, has pleaded not guilty to 14 counts of fraud and money laundering. He was arrested in Houston on Jan. 22 by FBI agents, who said they found maps marked with a route to Mexico and a list of possible disguises in his motel room.

At the request of prosecutors, U.S. Magistrate Judge Arthur Nakazato in Santa Ana last month denied bail. Lewis was due back in court today for another bail hearing. His lawyer, Deputy Federal Public Defender Robert Carlin, didn't return phone calls.

Assistant U.S. Atty. Gregory Staples filed a brief opposing Lewis' release, attaching maps of Mexico on which Lewis allegedly had highlighted Mazatlan, Cancun and Cabo San Lucas, and what appeared to be drafts of farewell letters to Lewis' wife and girlfriends. The writing, including apparent access codes for bank accounts, contained apologies to the women in Lewis' life but not to his victims, prosecutors said.

Evans said he would soon ask for court permission to file lawsuits "to recover various funds, including funds paid to investors in excess of the amounts they invested."

Much, however, appears gone forever.

Lewis spent \$58 million in all on his personal expenses and ill-fated business and trading ventures, along with the payments to his family, girlfriends and others, the report said.

Evans also told the court he was meeting resistance in attempting to recover assets. Lewis' estranged 58-year-old wife, Sally Lewis, was "extremely uncooperative" with efforts to seize the couple's \$810,000 vacation home in Palm Desert and an \$850,000 rental property in San Diego, the receiver said.

Sally Lewis finally turned over the key to those properties after receiving a draft of a motion to seize them, Evans said, adding that he was evaluating further claims against her. She received at least \$1.3 million in cash payments from Lewis over the last seven years, the period in which proceeds of fraud may legally be recovered, the report said.

Evans said he had agreed to allow her to remain, at least temporarily, in the Lewises' \$1.5-million home in Laguna Niguel.

Sally Lewis' lawyers didn't return a call seeking comment.

Evans said that Boggs, 37, Lewis' girlfriend when his financial empire collapsed, at first agreed to relinquish title to the \$1.8-million Villa Park home they had shared, but now was contesting efforts to take it away.

Evans also has contacted a lawyer for former Lewis girlfriend Lefevers, whose family allegedly got \$4.4 million in investors' funds. He said he had "not yet" demanded possession of Lefevers' \$2.3-million home, but was "continuing to evaluate all of his rights and potential litigation claims against her."

Lefevers' attorney, Michael Handwerker of New York, declined to comment.