

# Los Angeles Times

## Money Manager to Plead Guilty

**James Lewis is expected to admit to mail fraud and money laundering in a Ponzi scheme.**

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James P. Lewis Jr., the Orange County money manager accused of fraudulently raising \$311 million from investors over 20 years, has agreed to plead guilty to mail fraud and money laundering, federal authorities said Friday.

Lewis, 59, faces as many as 30 years in prison for fleecing investors, many of them fellow Mormons whom he met through church contacts. He is scheduled to appear Monday before U.S. District Judge Cormac Carney in Santa Ana, who is expected to accept the pleas to the two counts and set sentencing for a later date.

Authorities say Lewis lured his victims by guaranteeing annual returns of 18% to 40% at his Lake Forest-based Financial Advisory Consultants Inc. Lewis said he earned the profits by buying and selling distressed businesses, leasing equipment to medical offices and financing medical insurance premiums.

In fact, prosecutors said, the company and the two funds it supposedly operated were long-running scams by Lewis, who paid returns to some investors by looting the funds of others — the "rob-Peter-to-pay-Paul" tactic known as a Ponzi scheme. He also lost \$22 million trading foreign currency futures from 1994 through 2003, authorities said.

"He will be acknowledging that Financial Advisory Consultants was a fraud, and that there was no income or growth investment funds," said Assistant U.S. Atty. Gregory Staples. "It was in fact a Ponzi scheme."

Lewis has been held without bail since January 2004, when he was arrested after a nationwide manhunt at a budget motel in Texas, where he had used a senior discount card to knock \$6 off the room rate.

His attorney, Scott Schlegel of San Diego, couldn't be reached for comment Friday.

Under a court order obtained by the Securities and Exchange Commission, Lewis' assets were turned over to a receiver, Robb Evans & Associates of Sun Valley, which is liquidating Lewis' property holdings. The receiver also is suing about 400 of Lewis' clients who were paid more than the money they invested, in hopes of at least partially recouping funds for investors who lost money.

The lawsuits claim that those gains were stolen property. As of August, about \$2.5 million had been recovered in settlement of the suits, according to a report to the court.

Robb Evans has sold five automobiles and homes in San Diego and Palm Desert and expects to sell homes in Laguna Niguel, Villa Park and Greenwich, Conn., said Brick Kane, Robb Evans' chief operating officer. The firm also recovered some cash and small amounts from selling Lewis' interests in some small businesses.

So far, though, the total recovery has been about \$5 million after expenses — only 3% of the \$156 million that is owed to investors. Kane said the \$5 million was expected to be distributed in December.

Lewis' plea agreement requires him to cooperate with Robb Evans in locating any extra funds or property, but they haven't yet had discussions, Kane said.