

## Ex-Money Manager Gets 30 Years

**James Lewis expresses regret at his sentencing for swindling investors of \$156 million.**

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Orange County money manager James P. Lewis Jr. was sentenced Friday to 30 years in prison for swindling 1,600 investors of \$156 million in a Ponzi scheme so calculated and long-running that the judge called it a "crime against humanity."

Lewis slumped back in his seat as U.S. District Judge Cormac Carney pronounced the maximum sentence, rejecting pleas by Lewis' lawyer that it would be "a death sentence for a 60-year-old." Lewis turns 60 next month.

Carney calculated that 19 1/2 years in prison would be the most under nonbinding federal sentencing guidelines. But he said those rules "never contemplated this kind of case."

For nearly 20 years, the judge noted, Lewis solicited retirement funds from investors who now face the prospect of humiliation and poverty in their senior years.

"Obviously, Mr. Lewis has robbed you of security, peace of mind and the pursuit of happiness," Carney said. He added that when Congress set 30 years as the maximum sentence for mail fraud, "I just can't believe they could have conceived of a worse case than this."

The judge's decision was handed down after a four-hour, 20-minute hearing in a packed Santa Ana courtroom filled with weeping testimony from victims and Lewis' family, as well as angry outbursts from some investors.

Asked by the judge to address the court, Lewis delivered a rambling speech that began with apologies to his victims, saying he was "full of sorrow, shame and deep remorse." In a high-pitched voice, he then described at length the hard-core criminals he had come to know in jail — men with names such as Trigger, Hit Man and Cutthroat — and said he hoped to someday reform them through Bible study.

As the sentence was read, one of Lewis' daughters screamed and burst into tears while many of the 60 other spectators applauded. Several victims said they had thought the sentence would be light because Carney had seemed sympathetic to the argument about Lewis' age during the hearing.

"He was sounding like he'd be lenient on him," said Janet Goldblatt, an investor who told the judge she had lost a nest egg from working 25 years as a designer for Mattel Inc.

"To say I'm happy doesn't begin to describe it — it's satisfaction that the justice system works," Goldblatt said. "At least we know where he's going to spend his retirement."

Defense attorney Scott M. Schlegel said he would appeal the sentence, saying it was cruel and unusual punishment for a man of Lewis' age.

The judge praised Lewis for giving up his right to a trial, which he said could have overwhelmed the already devastated investors. Lewis pleaded guilty in October to one count of mail fraud and one count of money laundering.

Among his clients were many fellow Mormons who had learned of Lewis' Financial Advisory Consultants in Lake Forest through church connections, and talked friends and family members into investing as well.

Lewis has been held without bail since January 2004, when he was arrested at a budget motel in Texas after a nationwide manhunt. He had a disguise and a guidebook to Mexico at the time.

Over two decades, he raised \$311 million from investors who had heard glowing accounts of people earning returns of as much as 40% a year. Billing his operation as perfect for individual retirement accounts, Lewis lulled investors by paying them dividends and other returns, leaving investors with a net loss of about \$156 million.

But as he admitted in October, the payments were made using funds from other investors in a classic Ponzi scheme.

Lewis' fraud succeeded for so long in part because he was taking in money that investors had earmarked for retirement and weren't seeking returns on for years, said Barry Minkow, who spent seven years in prison for defrauding investors when he operated ZZZZ Best carpet-cleaning company in Reseda.

Minkow, now an anti-fraud consultant, tipped authorities to Lewis' scam after worried investors asked his firm to look into what they suspected was a scam.

Lewis told his victims he was turning big profits by buying and selling distressed businesses, leasing equipment to medical offices and financing medical insurance premiums.

In fact, Assistant U.S. Atty. Gregory W. Staples reminded the judge, Lewis made only a few small investments and squandered millions on cars and expensive homes for his ex-wife in Laguna Niguel, a girlfriend in Villa Park and another girlfriend in Greenwich, Conn.

Receiver Robb Evans & Associates of Sun Valley has been liquidating Lewis' assets and suing hundreds of clients who were paid more than the money they invested, hoping to reclaim some for the losing investors.

Evans has recovered nearly \$11 million, of which investors will get \$9.5 million after expenses, said Evans' chief operating officer, Brick Kane.

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