

Money Manager Pleads Guilty in Fraud Case

By E. Scott Reckard / Los Angeles Times

October 18, 2005

SANTA ANA — James P. Lewis Jr., the money manager accused of defrauding investors for 20 years, pleaded guilty Monday to one count of mail fraud and one count of money laundering, telling a federal judge in Santa Ana that he knew he could be sentenced to as many as 30 years in prison.

A handful of victims and family members looked on as bailiffs led Lewis, 59, into U.S. District Judge Cormac Carney's courtroom wearing jailhouse khakis. His face looked puffy and his eyes were downcast as he walked slowly to the defense table, wearing handcuffs attached to a chain at his waist.

The shackles allowed Lewis to raise his right hand only slightly as he swore to tell the truth. But his voice was clear as he told Carney that he was in full possession of his faculties, was giving up his right to a trial, and realized his sentence could be lengthy.

"Yes sir," he said, "I understand that. I understand the maximum is 30 years."

Federal authorities have charged Lewis with an elaborate plot to deceive investors, who were told that he was earning returns of 18 percent to 40 percent a year by leasing medical equipment, financing purchases of medical insurance, making commercial loans and buying distressed businesses that he reorganized and sold at hefty profit.

Federal prosecutors allege those investments were fictitious, and the minority of Lewis investors who actually saw cash returns were receiving funds taken from other investors in what's known as a Ponzi scheme. In the meantime, they said, Lewis used investors' funds to buy homes and cars for himself, his wife and family, and two girlfriends; he also lost \$22 million trading foreign currencies, the prosecutors said.

The government agreed to dismiss 12 counts of its 14-count indictment in return for Lewis' guilty pleas. In addition to a prison sentence, Lewis could be fined \$500,000 or twice the losses his victims sustained, said Assistant U.S. Attorney Gregory Staples.

Staples told Carney that the net losses would probably total \$70 million to \$80 million. With a loss of more than \$50 million, he noted, federal sentencing guidelines suggest Lewis should go to prison for 30 years — the maximum possible under the two charges he pleaded guilty to.

Lewis' attorney, Scott Schlegel, said he would argue that a 17-year sentence was appropriate under the guidelines. But he also said he might ask Carney not to apply them, because a series of appeals-court decisions has made the guidelines no longer binding on judges.

Schlegel said he might also argue that the recent appellate decisions required Carney to impanel a jury to determine the exact losses sustained by the 3,300 people who entrusted money, much of it retirement savings, to Lewis and his Financial Advisory Consultants Inc.

Carney scheduled a hearing for Nov. 28 to consider that matter, with sentencing set for Jan. 23.