

La Jolla man convicted in investment scam, fraud

By Onell R. Soto

UNION-TRIBUNE STAFF WRITER

April 5, 2005

A La Jolla man who collected \$37.5 million from investors by promising to double their money in about two weeks in overseas bank transactions was convicted of money laundering and wire and tax fraud yesterday.

James F. Garro, 61, faces about 15 years in prison. He has been in custody without bail since his arrest in October 2002.

Garro testified during his trial in San Diego federal court that he acted in good faith but was unable to find a way to deliver on his promises. He said he bought a \$5.2 million beachfront La Jolla home as an investment for one of the people who gave him money.

By reaching a verdict in 2½ hours, jurors sided with prosecutors who said he was a con man who stole from, among others, charities looking to leverage benefactors' cash.

One of the victims was a Florida woman who hoped to start a charity to help horses and disadvantaged families.

Another was a now-defunct Idaho charity called Child's Hope that wanted to help children worldwide.

"What kind of guy steals from people like that, women and children?" prosecutor Sanjay Bhandari said outside court.

Another victim was a scammer who was running a Ponzi scheme and gave Garro \$20 million.

Ernest Cossey, sentenced in 2002 to 57 months in federal prison for defrauding elderly investors of \$146 million, testified that he hoped to recoup some of the money to repay investors in his scam.

Bhandari said Garro is among a group of people who tout overseas bank transactions as the key to quick wealth.

The scam, known as a "prime bank" scheme because con artists say they're investing with the top banks in the world, is on the decline but people still fall for it, Bhandari said.

In September and October 1999, Garro got money by telling investors they could get in on a secret, risk-free program available only to people who planned to use the proceeds for charitable purposes, the prosecutor said in a court filing.

But such investment programs don't exist.

Garro funneled the money through a variety of bank and brokerage accounts and spent more than \$8 million on houses in La Jolla and Santa Fe, N.M., for himself and another home in Encinitas for his daughter, the prosecutor said.

When investors began clamoring for their money, he paid some of it back, eventually paying out \$23 million in what Bhandari called "lulling payments."

He kept telling investors there were problems with the banks and the investments and that their money was on the way until his arrest in 2002 by FBI and Internal Revenue Service agents.

While the adage "If it sounds too good to be true, it probably is" would have saved the investors from risking their money, slick talkers can still overcome such caution, said Denise Rubin, the special agent in charge of IRS criminal investigations in San Diego.

"It's salesmanship that sells it," she said. "Unfortunately, some people fall into that."

Investors can learn more about prime bank scams from the Securities and Exchange Commission's Web site:
<http://www.sec.gov/divisions/enforce/primebank.shtml>.

Onell Soto: (619) 293-1280; onell.soto@uniontrib.com

Copyright 2005 Union-Tribune Publishing Co.