

The logo for The Orange County Register. It features the words "THE ORANGE COUNTY" in a smaller, sans-serif font above the word "REGISTER" in a large, bold, serif font. To the left of the word "REGISTER" is a stylized orange and green graphic.

Public administrator overreached, heirs of TapouT co-founder say

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Charles "Mask" Lewis Jr. lived life in the fast lane until a late-night encounter with a drunken driver in a speeding Porsche sent his Ferrari into a Newport Beach light pole. The TapouT co-founder died in the driver's seat.

Lewis, a former San Bernardino sheriff's deputy, didn't leave a will, but he did leave behind two children – the only heirs to a multimillion-dollar estate that included the largest interest in mixed martial arts clothier TapouT, a stable of customized European sports cars and an assortment of luxury Swiss watches.

Orange County Public Administrator/Public Guardian John S. Williams moved quickly to take control of Lewis' fortune, which he initially valued at up to \$15 million, arguing that he was better suited to handle the "large, complex estate" than Diane Larson, the mother of Lewis' children. Orange County Probate Court Judge Gerald G. Johnston agreed in May 2009, turning the estate over to Williams.

"The Public Administrator is forcing itself into this Estate where it is neither needed nor wanted," Adam Steltzer, an attorney for Larson, complained in court filings.

Eleven months later, the 4th District Court of Appeal would agree, accusing Williams of overreaching his authority and chastising Johnston for abusing his discretion. The estate was eventually handed back to Larson.

By then, it was too late. The public administrator had already agreed to sell TapouT at a price other shareholders would later call "pennies on the dollar." It sold Lewis' Bentley and Mercedes-Benz for \$58,000 less than their appraised values, and paid \$45,000 to Lewis' former business partners for funeral expenses they promised to provide for free, court records and interviews show.

County attorneys said they were not aware of the funeral offer.

Williams declined to comment for this article, but in a statement sent to The Orange County Register by his attorney, he insisted that "Ms. Larson had no legal priority to act as administrator because she does not personally inherit from the Estate. ... Since Ms. Larson did not have legal priority, and there were Estate assets that needed to be properly handled, the Public Administrator was under a legal duty to seek appointment."

In a quirk of Orange County government, Williams is elected public administrator and then appointed public guardian by the Board of Supervisors. Each year, the agency handles estates valued at more than \$38 million.

Williams, who has political ties to District Attorney Tony Rackauckas and former Orange County Republican Chairman Tom Fuentes, was elected public administrator/public guardian in 2003 after taking medical retirement from the marshal's office. He holds a master's degree in public administration but is not a lawyer.

In the past few years, Williams has been criticized for unnecessarily taking control of people's estates. In addition to the Lewis case, in which he was rebuked by the 4th District, he was criticized in back-to-back Orange County grand jury reports in 2009 for "egregious" mismanagement, including dubious internal promotions that cost taxpayers hundreds of thousands. In the wake of those reports, Williams narrowly escaped having the Board of Supervisors strip his appointment as public guardian.

In two other recent cases with similar overtones, lawyer and community activist Ruth Hull-Richter is trying to

prevent Williams from taking control of the affairs of her 92-year-old mother in Santa Ana. There is no need, Hull-Richter says, because she is willing and able to care for her mother. And an attorney for a 90-year-old woman suffering from dementia fought Williams' attempt in 2009 to sell the woman's Mission Viejo home, saying that she had \$500,000 in the bank to pay for her care and had already willed the home to her only daughter. A judge agreed and assigned a private fiduciary to oversee the Mission Viejo woman's affairs instead of the public guardian. The case of Hull-Richter's mother remains under investigation.

It's not clear why Williams would intercede in cases in which he was not needed – cases that courts would later take away from him. Critics of the public administrator/public guardian system have suggested that such public officials have a vested conflict of interest – they need fees from large estates to help fund their office. In the Lewis case, for instance, Williams, county attorneys and other have rung up \$191,411 in fees – even though the courts handed control of the estate to Larson, the mother of Lewis' children.

Confidentiality laws, Williams told the Register in September, often prohibit him from discussing specific cases or defending the actions of his office. All actions by his office, he said, must be approved by county counsel and the courts.

“We are not trying to take their estates,” Williams said in that interview, which concerned accusations against his office, including those made by Hull-Richter. “We put the money in a trust fund, and we use it for the conservatees. We try to find a viable option for them.

“To say we're doing it to take their money is absolutely insane,” he added. “This is how it's done in every county in California.”

County supervisors last year hired a law firm to look into Williams' handling of such cases. The review, which is protected by attorney-client privilege, was scheduled to be finished earlier this month. It still hasn't been completed, county spokesman Howard Sutter confirmed.

Williams is not the first public administrator or public guardian in California to be accused of overstepping or mismanaging.

The Ventura County public guardian's office was so poorly managed in the early 2000s that workers stole from clients and rarely showed up to work, Ventura's treasurer-tax collector, who oversees the office, admitted in 2006.

In Fresno last October, a company hired by that county's public guardian to manage the affairs of elderly and mentally ill clients was accused in a county audit of overbilling for its services. The owner of the company was a personal friend of the county official who managed the public guardian's office, according to the auditors.

A lack of oversight and the inherent confidential proceedings make such systems vulnerable from their inception, said Larry Frolik, a law professor specializing in guardianship and elder law at the University of Pittsburgh.

“If you have a guardian who is not held accountable, you have the opportunity for the misuse, abuse and incompetent use of the power,” Frolik said. “You're basically turning over people's care, telling them to make decisions about their lives and you're not any paying any attention to what they're doing. It's a recipe for a disaster.”

Political ties that come with being an elected official can also make it difficult to remove someone who has become entrenched, Frolik said.

“Whenever you set up a conflict of interest, good people eventually do bad things,” Frolik said. “The whole point of the system is to help people. It's not a system to make money.”

Patricia Wenskunas, chief executive and founder of Crime Survivors Inc., stood with crime victims outside Williams' office in September and begged the Board of Supervisors and the California attorney general to look into how Williams handles the estates of the dead and those who cannot manage their own affairs.

“How many more people have suffered and are afraid to come forward?” Wenskunas asked.

Love and loss

Diane Larson and Charles Lewis were childhood friends in San Bernardino. They grew up, fell in love, got married on the Fourth of July in 1992. They had two children: a boy they named Boaz and a girl named Cheyenne.

The American love affair didn't last – the couple divorced in 1998. Larson took the children to Illinois. Lewis stayed in California, building a multimillion-dollar empire.

A drunken driver intervened, killing Lewis, 45, and leaving 16-year-old Boaz and 13-year-old Cheyenne to inherit their father's fortune.

Larson's attorney was in Orange County Probate Court in April 2009, filing papers necessary for Larson to administer the estate for her minor children, when a probate court staffer called the public administrator's office to inform them of Larson's petition, attorneys for both sides agree. A county lawyer for Williams showed up at the hearing. The court postponed a decision.

A week later, Williams filed his own petition to administer the estate, saying that Larson, the children's mother and caregiver, wasn't their guardian in the eyes of the law.

"She therefore has absolutely no priority to act as administrator and cannot be appointed," Williams argued in April 8, 2009, court papers.

Williams also said that Larson had posted a "completely inadequate \$10,000 bond" and had no idea of the true value of her ex-husband's estate. Williams suggested the court consider appointing an outside representative to look out for the financial interests of the children Larson had cared for since birth.

As Larson's attorneys struggled to get their case heard, Williams' office spent \$20,345 repairing and detailing Lewis' Bentley GT Touring and Mercedes-Benz S63 AMG, towing them around the county before eventually selling them for \$58,000 less than their appraised values. The county even lost money on the dead man's rare pet, an eel called a Hawaiian dragon, spending \$780 to feed and care for the fish for a year, then finally selling it for \$250.

Meanwhile, attorneys for Larson had filed an appeal, saying that the judge had made a mistake in appointing Williams.

"Petitioner, as the biological and legal guardian of the minor children, has priority, and is the natural choice to be appointed the Administrator of Decedent's estate," Larson's attorney argued in court papers.

Williams responded by accusing Larson of looking out for herself instead of her children and the estate.

"Ms. Larson is now mired in a conflict of interest; She is putting her personal interests above those of the minor heirs by delaying Estate administration in a desperate and ultimately futile effort to obtain appointment," Williams' attorneys wrote.

Last May, the 4th District Court of Appeal sided with the mother, overturning the probate court's decision to hand over the estate to Williams.

"Larson's sole contention on appeal is that the court 'erred by appointing the public administrator, whose statutory authority is below all persons other than creditors and legal strangers, rather than the mother and legal guardian of the children, who has primary statutory priority,'" the justices wrote.

"Larson is correct. ... Children are second in order on the priority list, compared to the public administrator in 16th place," the court said.

"The court's order must be reversed because, in the absence of a finding that Larson was not competent to act as personal representative, the court lacked statutory authority to appoint the public administrator, instead of Larson, to administer decedent's estate and thereby abused its discretion," the justices said.

Sale in dispute

In August, while Larson was struggling to get the \$4 million bond the probate court required for her to take over the estate, Williams agreed to the sale of TapouT, the cornerstone of Lewis' wealth, to Authentic Brands Group, or ABG. The sale came three months after the 4th District Court of Appeal ruled Williams had no right

to administer the Lewis estate, and over the objections of Larson, according to court filings.

Phil Greer, a private attorney for Williams, noted in a statement sent to the Register that the public administrator did not negotiate that sale.

"The sale was negotiated by existing management of TapouT with the buyer, ABG. The Public Administrator was not involved in those negotiations and was not even informed of them until the sale of assets was negotiated, approved by TapouT's Board of Directors, and reduced to a Letter of Intent."

The exact value of the privately held company isn't clear. TapouT owners had claimed in 2009 that they had revenues of just under \$200 million a year, proceeds from selling everything from workout gear to \$900 beds. Lewis' share – 28 percent of the company – was valued by the public administrator at \$6.37 million in June 2010, according to an accounting filed in court.

The details of TapouT's sale and the sale price have been kept secret, but two shareholders in the company quickly filed suit against TapouT executives, ABG and other individuals involved in the sale, saying the price was "unconscionably inadequate."

"In a matter of a few weeks, the Individual defendants agreed to sell the Company without seeking out other alternatives and despite management stating its view that TapouT was substantially undervalued in the market and that its value was well in excess of the Transaction consideration," read the lawsuit, filed by TapouT shareholders Bert Bedrosian and Kenneth Stickney in a Los Angeles court last month.

The public administrator never told the court of the "fire sale," or made any mention of the TapouT sale to the court even though Lewis' share made up the bulk of his fortune, Larson's attorneys alleged. "The lack of disclosure in Orange County's report of the true extent of the (mis)management of the Decedent's assets is nothing short of fraud against the Court."

The total value of the estate turned over to the children was valued by Williams in September at \$7.1 million.

Williams sold the majority of the Lewis children's inheritance "for a song," said Blake Rummel, the attorney for the children.

Greer, Williams' attorney, said a quick sale was necessary because the company faced bankruptcy.

"Ms. Larson's attorneys were kept fully informed, both by County Counsel and by TapouT management, about the progress of the negotiations and the terms of the sale. They were informed, as we were, that TapouT was nearly insolvent and would file bankruptcy within days if the sale was not agreed to," Greer wrote.

"All the other major shareholders agreed to the sale, including the receiver for the PEM Group (appointed by the Federal Court), whose counsel told us that they had an audit of TapouT and believed that the company was about to collapse financially and the sale to ABG was the only option."

Shutting the gates

Larson came to Orange County in September to collect the last of Lewis' belongings. The public administrator told Larson she'd need to bring a tow truck. One of the cars didn't run.

But when no tow truck showed up, public administrator staff members rolled the car out to the street and closed the gates behind, leaving Larson to figure out what to do, Rummel said.

Larson's brother managed to get it running, but with expired tags and mechanical problems, the car didn't even make it a quarter-mile before he was pulled over by police and ticketed, Rummel said.

Williams and county attorneys have totaled up \$191,411 in fees accumulated while Larson was fighting to get the estate back. Included in the request are \$17,402.60 for tax return preparation and attorneys' fees, and \$5,656.43 for storage and towing and \$84,176.35 in statutory fees, an amount that officials say can be claimed by both the estate's administrators and their attorneys.

A judge will decide whether those fees are warranted and how they should be distributed.

Larson's attorneys have asked for that hearing to be moved out of Orange County. That request is scheduled

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to be heard Feb. 17.

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