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Fugitive investor arrested in Texas

CRIME: FBI catches James Paul Lewis Jr., adviser accused of running a 20-year, Ponzi-like scheme in Orange County.

By PAM EASTON
The Associated Press

An Orange County investment adviser suspected of stealing millions of dollars from thousands of clients across the country was arrested Jan. 23 at a Houston motel.

Lewis

James Paul Lewis Jr., 57, had arrived at the motel in a Mercedes-Benz and was taken into custody before dawn, said FBI spokesman Bob Doguim. A federal judge told Lewis later that day to contact his attorney and scheduled another court appearance for him Friday.

"He's a real nice guy. A lot of people trusted him, and that's too bad."

GERALD VAN REUSEN
former Lewis business associate in the '80s

Lewis was booked on a single count of fraud, and California federal prosecutors said more charges are possible. If convicted on the fraud count, Lewis could face up to 30 years in prison and a $1 million fine, federal prosecutor Michael Kusin said.

Federal authorities allege that Lewis, who owned the Lake Forest firm Financial Advisory Consultants, operated a 20-year, Ponzi-like scheme, stealing from new investors to pay off older ones.

"That money was never invested in anything," Doguim said.

A New York attorney, Michael Handwerker, said he had been contacted about Lewis' arrest but had not been retained as counsel, adding: "I really don't have any comment. I don't even want to say anything."

U.S. Magistrate Judge Frances Stacy told Lewis his arraignment and trial would take place in Orange County.

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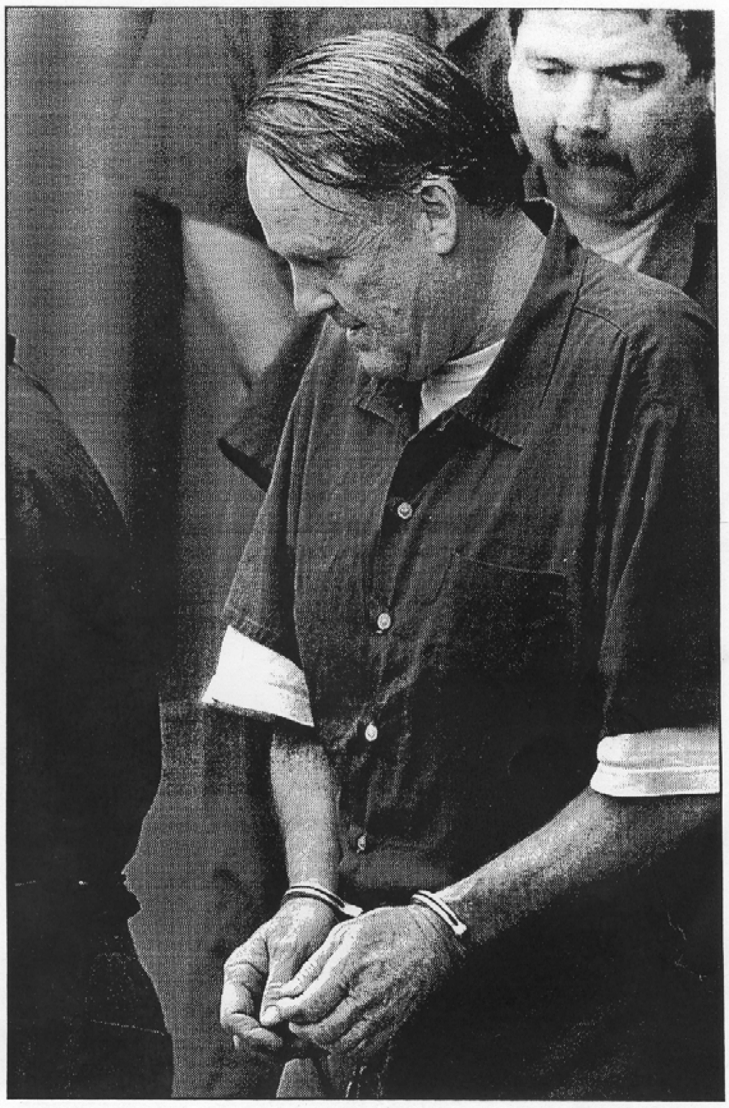

PAT SULLIVAN/The News

CAUGHT: Investment adviser James Paul Lewis, Jr. of Laguna Niguel leaves the federal courthouse in Houston on Friday after his arrest the day before.

Fraud

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When the FBI raided his office Dec. 22, Lewis was supposed to have $814 million for 3,290 clients worldwide, but bank accounts held about $2.3 million. Federal authorities froze those accounts.

The FBI and Securities and Exchange Commission allege that Lewis fabricated more than $730 million in interest payments to his investors.

Lewis withdrew $3 million in July at the same time he was telling clients they could not have their money, authorities said.

Affidavits allege that Lewis told investors he was unable to pay them because the U.S. Department of Homeland Security had frozen his accounts. According to the criminal complaint, Lewis had not lost access to the accounts at that time.

The FBI alleged that Lewis also diverted clients' investments to high-risk trading in foreign currency and to luxury items. The FBI has seized five automobiles, including two Mercedes and a BMW.

Over the past decade, Lewis has handled more than 5,200 accounts.

A former business associate reacted to the news that Lewis is accused of running scams.

"That surprises me, it really does," said Gerald Van Reusen of Huntington Beach, a business associate of Lewis in the 1980s who hasn't spoken to him for more than a decade.

"He's a real nice guy. A lot of people trusted him, and that's too bad. Apparently, I guess, he's guilty of something or I guess he wouldn't be on the run."

An arrest warrant was issued this month after the FBI was unable to find Lewis.

"We had information that he was in Tallahassee, Florida," Doguim said. "We just missed him there, and we were able to track him to the hotel. I think he was just passing through."