



## Federal Bureau of Investigation Los Angeles Division

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### **JAMES PAUL LEWIS, DOING BUSINESS AS FINANCIAL ADVISORY CONSULTANTS IN ORANGE COUNTY, CALIFORNIA, ARRESTED BY AGENTS IN HOUSTON, TEXAS, FOR OPERATING 20 YEAR "PONZI" SCHEME WITH LOSSES IN EXCESS OF 800 MILLION DOLLARS**

Acting Assistant Director in Charge of the FBI' Los Angeles Division, James Sheehan, announced today that James Paul Lewis, Jr., who allegedly operated one of the largest Ponzi schemes in United States history and victimized thousands of investors throughout the country, was apprehended last night by Agents with the FBI's Houston, Texas, Field Office. At approximately 2:00a.m. Central Time, acting on information provided by the FBI in Los Angeles, Lewis was taken into custody at a Comfort Inn motel located on Katy Freeway in the city of Houston. Lewis was held overnight at the Federal Detention Center in downtown Houston and will be afforded an initial appearance before United States Magistrate Francis Stacey at 2:00pm in U.S. District Court in Houston. Lewis was alone at the time of the arrest and was found with dozens of credit cards in his possession, as well as a laptop computer and several maps, including a map of Mexico. FBI Agents are in the process of obtaining a search warrant for Lewis' personal items and for his vehicle. Lewis had spent the previous three nights at three different motels in the Tallahassee, Florida, area. Although he checked into the hotel using his true name, Lewis paid cash for his stays in the Tallahassee motels. Agents believe Lewis used a 1997 Mercedes Benz registered in his name to travel from Florida to Texas. The vehicle was impounded and Agents anticipate searching it once a warrant is authorized.

For background:

Lewis was named in a criminal complaint filed in United States District Court in the Central District of California. The complaint, which was filed on January 14th and later unsealed, charges Lewis with defrauding thousands of investors across the country by luring them with claims of large annual returns on investment funds purportedly offered by Financial Advisory Consultants (FAC). Specifically, Lewis' promotional material promised up to a 40% annual return in FAC's Growth Fund and an 18% annual return in its Income Fund. As of December 2003, FAC's records showed that investors held more than 800 million dollars in both funds. The FBI's investigation thus far has determined that no such funds exist.

The FBI searched FAC's offices in Orange County, California, on December 22nd, 2003, after receiving a complaint that Lewis told investors he was unable to make disbursements because the Department of Homeland Security froze his bank accounts. Lewis told investors there was a freeze on his accounts because some of the money had come from suspected terrorists. (The government has no reason to believe any terrorist activity is involved in this case but that Lewis concocted this excuse to stall investors).

Lewis told investors that FAC earned its high returns by buying and selling distressed businesses, leasing medical equipment, financing insurance premiums and other business activities. Specific information regarding FAC's business projects was not disclosed in the monthly statements and newsletters sent to its investors.

According to the complaint, church members and clergy referred many of Lewis' investors and Lewis did not accept investments from anyone unless an existing investor referred them. Lewis never discussed the details of his business with his investors or with his two clerical employees at FAC. In fact, Lewis' employees have stated they never saw any evidence of his projects or business activities beyond the processing of investor checks. The complaint alleges that Lewis paid off existing investors with funds obtained from new investors and diverted those funds for his own personal use by engaging in high risk commodities trading and purchasing luxury items.

Acting Assistant Director in Charge Sheehan said, "This case is about a cowardly con-man who took the money and ran, but could not outrun the long arm of the law, and who in his wake, left behind thousands of victims who have suffered millions of dollars in losses. Our next challenge will be to locate the ill-gotten gains that Lewis allegedly stole and return the money to his victims."

According to Richard Garcia, who heads the FBI's Houston office and was most recently named to head the FBI's Los Angeles Field Office said, "The arrest of James Lewis in Houston after his flight from California and subsequent travels, demonstrates the ability of FBI Agents in offices across the country to work cohesively and achieve a successful outcome."

"In a matter of just a few short weeks, prosecutors in my office and FBI agents put together a mail fraud case that tracks 20 years of fraudulent conduct," said United States Attorney Debra W. Yang. "This case, like other recent matters involving huge Ponzi schemes and corporate malfeasance, demonstrates the Justice Department's commitment to aggressively investigate and prosecute significant fraud cases. "Mr. Lewis was tracked down in Texas after fleeing Southern California. Through the creative and dogged efforts of FBI agents, Mr. Lewis is now in custody instead becoming a fugitive in Mexico."

The State of California Department of Corporations provided considerable assistance during this investigation. The Securities and Exchange Commission continues to pursue a civil suit against Lewis and Financial Advisory Consultants. This case will be prosecuted by the United States Attorney's Office, Central District of California, in Santa Ana.

The public is reminded that a criminal complaint contains only allegations of misconduct and that the defendant is presumed innocent until and unless proven guilty in a court of law.

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