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OPERATOR OF LONG-RUNNING PONZI SCHEME IN ORANGE COUNTY INDICTED ON FEDERAL FRAUD, MONEY LAUNDERING CHARGES

James P. Lewis Jr., who ran Financial Advisory Consultants, claimed to have nearly \$814 million under management - but had only \$2 million in bank

The man who ran Financial Advisory Consultants (FAC), allegedly bilking several thousand victims out of millions of dollars, was indicted today on federal mail fraud and money laundering charges for allegedly operating a massive Ponzi scheme

James Paul Lewis Jr., a 57-year-old resident of Villa Park, was indicted today by a federal grand jury in Santa Ana on five counts of mail fraud and nine counts of money laundering.

After special agents with the Federal Bureau of Investigation executed a search warrant at FAC on December 22, 2003, Lewis apparently fled Southern California. Lewis was named in a federal criminal complaint filed on January 14. Lewis was arrested on January 22 by FBI agents at a hotel in Houston, and he is currently being transported back to Orange County by the United States Marshals Service.

“The swift action in this case demonstrates the Justice Department’s resolve to aggressively pursue and prosecute con men, fraudsters and other white-collar crooks,” said United States Attorney Debra W. Yang, who is a member of the Corporate Fraud Task Force.

“While FAC operated for many years, a grand jury has indicted Mr. Lewis only six weeks after the FBI first searched his company. In addition to seeking the appropriate punishment for Mr. Lewis, we will also diligently work to recover as much of the victims’ money as possible.”

According to court documents, Lewis offered investors two purported investment opportunities: a Growth Fund and an Income Fund. Lewis, through false and fraudulent brochures and other promotional material issued by FAC, told investors that they would earn annual rates of return of up to 18 percent in the Income Fund,

which claimed to generate revenue from the leasing of medical equipment, commercial lending and financing insurance premiums. FAC promised investors 40 percent annual returns in the Growth Fund, which claimed to generate revenue through the purchase and sale of distressed businesses.

Lewis induced investors to contribute at least \$200 million to FAC.

Instead of using the investors' money as promised, Lewis used the funds to further the scheme and to enrich himself and others. Lewis used investors' funds to purchase homes in Villa Park, Laguna Niguel, Palm Desert, San Diego and Greenwich, Connecticut. He also allegedly used investors' money to purchase luxury automobiles, jewelry and other gifts for himself, friends and family members.

In addition to spending the money on consumer goods, Lewis used FAC money from 1996 to 2003 to trade currency futures, incurring losses of at least \$22 million. Lewis also utilized investors' funds to invest in companies, including one where he served as president.

To conceal the scheme at FAC, Lewis used the money of new investors, or subsequent investments of existing investors, to pay the rates of return promised to prior investors to effectuate a Ponzi scheme.

As of December 2003, according to court documents, FAC's computer records showed that FAC had nearly 3,300 investors with a purported total balance of \$813,932,080. However, on December 22, 2003, FAC and Lewis's bank accounts held only slightly more than \$2 million. Investigators and a court-appointed receiver are still calculating the actual losses suffered by victims.

"The accused, James Paul Lewis Jr., will face swift and certain justice at the hands of the United States Department of Justice and on behalf of the many victims who entrusted him with their life savings," said James Sheehan, Acting Assistant Director in Charge of the FBI Field Office in Los Angeles. "This case should serve as a reminder to the investing public that they should closely scrutinize how they invest their hard-earned money and with whom, and to be ever mindful of the old financial truism that if it sounds too good to be true, it probably is."

An indictment contains allegations that a defendant has committed a crime. Every defendant is presumed innocent until and unless proven guilty.

If he is convicted of all 14 counts in the indictment, Lewis faces a maximum possible sentence of 240 years in federal prison.

This case is the product of an extensive and ongoing investigation by the Federal Bureau of Investigation and IRS-Criminal Investigation.