

ROBB EVANS
Receiver of
Assets of James P. Lewis, Jr.,
Financial Advisory Consultants,
Income Fund Ltd. &
Growth Fund Ltd.

11450 Sheldon Street
Sun Valley, California 91352-1121
Telephone No.: (818) 768-8100
Facsimile No.: (818) 768-8802

Securities and Exchange Commission v. James P. Lewis, Jr., et al.
CASE No. CV 03-9354 ABC (VBKx)

Notice of Motion and Motion for Order:

- (1) Approving Receiver's Report for the Period of March 1, 2004 Through December 31, 2004; and**
- (2) Approving Receiver's Proposed Claims Filing and Allowance Procedures;**

Memorandum of Points and Authorities and Declaration of Robb Evans in Support Thereof

Filed January 21, 2005

1 Gary Owen Caris (State Bar No. 088918)
2 Lesley Anne Hawes (State Bar No. 117101)
3 FRANDZEL ROBINS BLOOM & CSATO, L.C.
4 6500 Wilshire Boulevard
5 Seventeenth Floor
6 Los Angeles, California 90048-4920
7 Telephone: (323) 852-1000
8 Facsimile: (323) 651-2577

2005 JUN 21 PM 3:30

9 Attorneys for Receiver, ROBB
10 EVANS

11 **UNITED STATES DISTRICT COURT**
12 **CENTRAL DISTRICT OF CALIFORNIA, WESTERN DIVISION**

13 SECURITIES AND EXCHANGE
14 COMMISSION,

15 Plaintiff,

16 v.

17 JAMES P. LEWIS, JR.,
18 individually and doing business
19 as FINANCIAL ADVISORY
20 CONSULTANTS, INCOME FUND, LTD.
21 AND GROWTH FUND, LTD.,

22 Defendant.

CASE NO. CV 03-9354 ABC (VBKx)

**NOTICE OF MOTION AND MOTION FOR
ORDER: (1) APPROVING
RECEIVER'S REPORT FOR THE
PERIOD OF MARCH 1, 2004 THROUGH
DECEMBER 31, 2004; AND (2)
APPROVING RECEIVER'S PROPOSED
CLAIMS FILING AND ALLOWANCE
PROCEDURES; MEMORANDUM OF
POINTS AND AUTHORITIES AND
DECLARATION OF ROBB EVANS IN
SUPPORT THEREOF**

**Date: February 14, 2005
Time: 10:00 a.m.
Place: Courtroom 680
255 E. Temple Street
Los Angeles, CA**

23 PLEASE TAKE NOTICE that on February 14, 2005 at 10:00 a.m.
24 in Courtroom 680 of the above-referenced Court, located at 255 E.
25 Temple Street, Los Angeles, California, the permanent receiver,
26 Robb Evans ("Receiver") will move the Court for an order: (1)
27 approving the Report of Receiver's Activities for the period

28 415173.1

1

78410-022

MOTION FOR ORDER APPROVING RECEIVER'S REPORT AND APPROVING RECEIVER'S PROPOSED
CLAIMS PROCEDURES

1 March 1, 2004 through December 31, 2004 (the "Receiver's Third
2 Report"); and (2) approving the Receiver's proposed claims filing
3 and allowance procedures as set forth more fully in this Motion.
4

5 PLEASE TAKE FURTHER NOTICE that this Motion is served in
6 accordance with the Court's prior order entered July 14, 2004
7 limiting notice of motions made under Local Rule 66-7.¹ Pursuant
8 to the Second Omnibus Order, this Motion and the Receiver's Third
9 Report have been posted on the Receiver's website at
10 www.facreceiver.com where they may be reviewed in their entirety.
11 The Motion and the Receiver's Third Report have also been mailed
12 to those creditors and other interested parties who have made
13 requests for notice in accordance with the procedures set forth
14 in the Second Omnibus Order. Hard copies of the Motion and the
15 Receiver's Third Report will be provided upon written request for
16 copies submitted to the Receiver's office at: Robb Evans &
17 Associates, 11450 Sheldon Street, Sun Valley, California 91352-
18 1121, Attn: Lillian Lee, Deputy to the Receiver.

19 ///

20 ///

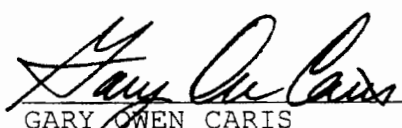
21

22 The order is entitled "Order Granting Motion by Receiver
23 for Second Omnibus Order: (1) Approving Sale of Coin Collection
24 by Private Sale and Modifying Sale Procedures of 28 U.S.C.
25 sections 2001 and 2004 in Connection Therewith; (2) Approving
26 Sale of All Ownership and Other Claims and Interests in Pyro
27 Shield, Inc., and Related Compromises and Modifying Sale
28 Procedures of 28 U.S.C. Sections 2001 and 2004 in Connection
Therewith; (3) Approving and Authorizing Payment of Receivership
Expenses [January 6, 2004 through April 30, 2004]; and (4)
Limiting Notice" (the "Second Omnibus Order").

FRANDZEL ROBINS BLOOM & CSATO, L.C.
6500 WILSHIRE BOULEVARD, 17TH FLOOR
LOS ANGELES, CALIFORNIA 90048-4920
(323) 852-1000

1 PLEASE TAKE FURTHER NOTICE that this motion is made pursuant
2 to Local Rule 66-7(c) and (d) and is based upon this Notice of
3 Motion and Motion, accompanying Memorandum of Points and
4 Authorities and Declaration of Robb Evans attached hereto and
5 served and filed herewith, and upon all other further pleadings,
6 oral and documentary evidence as may be presented at or before
7 the time of the hearing on the motion.

8 DATED: January 21, 2005 FRANDZEL ROBINS BLOOM & CSATO, L.C.
9 GARY OWEN CARIS
LESLEY ANNE HAWES

10
11 By: 
12 GARY OWEN CARIS
13 Attorneys for Receiver, ROBB
14 EVANS
15
16
17
18
19
20
21
22
23
24
25
26
27
28

FRANZEL ROBINS BLOOM & CSATO, L.C.
6500 WILSHIRE BOULEVARD, 17TH FLOOR
LOS ANGELES, CALIFORNIA 90048-4920
(323) 852-1000

1 MEMORANDUM OF POINTS AND AUTHORITIES

2
3 I.

4 INTRODUCTION

5 The Receiver was originally appointed as temporary receiver
6 pursuant to this Court's Order Appointing Temporary Receiver Over
7 the Assets of James P. Lewis, Jr., Individually and Doing
8 Business as Financial Advisory Consultants, Income Fund, Ltd.,
9 and Growth Fund, Ltd. filed January 6, 2004. The Receiver
10 learned of his appointment as temporary receiver on January 8,
11 2004 and commenced work as temporary receiver the following day.
12 Thereafter, the Receiver was appointed as permanent receiver
13 pursuant to this Court's Preliminary Injunction Order and Orders:
14 (1) Freezing Assets; (2) Prohibiting the Destruction of
15 Documents; (3) Granting Expedited Discovery; (4) for Accountings;
16 and (5) Order Appointing a Permanent Receiver ("Permanent
17 Receivership Order"). The Permanent Receivership Order provided
18 that Robb Evans was appointed as permanent receiver over the
19 assets of Defendant James P. Lewis, Jr. ("Lewis"), Financial
20 Advisory Consultants ("FAC"), Income Fund, Ltd. ("Income Fund")
21 and Growth Fund, Ltd. ("Growth Fund"), and their subsidiaries and
22 affiliates, with full powers of an equity receiver, including but
23 not limited to, full power over all funds, assets, collateral,
24 premises, choses in action, books, records, papers and other
25 property belonging to or in the possession of or control of
26 Lewis, FAC, Income Fund and Growth Fund. The Receiver's powers
27 are more particularly described in Section VIII of the Permanent
28 Receivership Order.

FRANZEL ROBINS BLOOM & CSATO, L.C.
6500 WILSHIRE BOULEVARD, 17TH FLOOR
LOS ANGELES, CALIFORNIA 90048-4920
(323) 852-1000

1 By this motion, the Receiver seeks approval of the
2 Receiver's Third Report described in further detail in this
3 Motion. Second, the Receiver seeks instructions regarding the
4 administration of the estate and specifically approval of his
5 proposed claims filing and allowance procedures set forth in
6 detail hereafter.

7
8 **II.**

9 **THE RECEIVER SEEKS APPROVAL OF THE RECEIVER'S THIRD REPORT**

10 The Receiver's Third Report covers the period from March 1,
11 2004 through December 31, 2004. The Receiver's initial reports
12 on file with the Court discussed the Receiver's initial control
13 over receivership property; described investor data discovered at
14 the business premises; preliminarily identified and described
15 receivership assets including cash, deposits, commodities and
16 stock broker accounts, real property, automobiles, and other
17 potential assets including litigation claims and business
18 investments; discussed his preliminary review of the Defendant's
19 financial records, including payments disclosed by those records;
20 and summarized communications with victims. The Second Report
21 filed March 8, 2004 provided updated financial and investor
22 information and a current summary of major issues confronted by
23 the receivership estate; described in greater detail the
24 receivership assets, communications with various parties who are
25 listed with Lewis as co-owner of real estate and who are the
26 recipients of substantial amounts of real and personal property,
27 including Sharon Lefevers, Blakney Boggs, and Sally Lewis;
28 detailed the Receiver's initial reconstruction of investor data

1 and financial records, including a preliminary schedule of
2 sources and uses of funds over the last seven years highlighting
3 transfers made to or for the benefit of Lewis and his friends and
4 relatives; detailed the Defendant's business investments; and
5 discussed communications with the Internal Revenue Service and
6 continued communications with victims.

7
8 The Receiver's Third Report for which approval is sought in
9 this Motion describes the status of assets of the estate which
10 have been liquidated or which are subject to pending or
11 anticipated settlements and proposes a claims filing and
12 allowance procedure in anticipation of a motion to begin interim
13 distributions by June 30, 2005. The Receiver's Third Report
14 describes settlements obtained for liquidation of the estate's
15 interests and claims in Commercial Cash Register Corporation for
16 \$332,459; in Pyro Shield, Inc. for a total of \$100,000 of which
17 \$56,250 has been received in cash to date; in various vehicles of
18 which \$71,750 in proceeds have been recovered; and in a coin
19 collection liquidated for above market value at \$25,266 in cash.

20
21 The Receiver's Third Report also details the status of
22 negotiations and settlements regarding four real properties co-
23 owned by Lewis and his estranged spouse, Sally Lewis. The
24 parties have reached a proposed resolution of their disputes, and
25 settlement documents are out for signature. When approved, the
26 settlement will authorize the Receiver to sell the four
27 properties, and the Receiver estimates the receivership estate
28 will obtain gross recoveries in excess of \$2.5 million from those

1 sales. The Receiver has also negotiated a tentative agreement
2 with Blakney Boggs, subject to documentation, to sell the Villa
3 Park property co-owned by Lewis and Boggs.

4
5 The Receiver also sought instructions from the Court
6 regarding Opt Out Procedures pertaining to participation in
7 assets collected by the Receiver through these receivership
8 procedures. As set forth in the Report, the Receiver gave
9 written notice of the Opt Out Procedures to all known investors
10 with a potential claim against the estate and provided 30 days'
11 opportunity for them to reply and opt out. None of the investors
12 elected to opt out.

13
14 The Receiver has also made demand on approximately 400
15 investors to return amounts received by them in excess of the
16 principal amount of their investments. The Receiver is presently
17 evaluating responses to those demands, which include information
18 and documentation relating to the ability of the winning
19 investors to satisfy any claim made by the Receiver against them.
20 In some cases, the winning investors have provided documentation
21 demonstrating they in fact do not have the resources to satisfy
22 the demand at all or may only have resources to pay a portion of
23 the amounts sought. In other cases, winning investors have
24 resources, and the Receiver is in the process of contacting and
25 negotiating with all of those to whom a demand has been made.
26 The Receiver has negotiated settlements of claims against Winning
27 Investors totaling approximately \$2 million through December 31,
28 2004.

1 The Receiver's Third Report also addresses the status of
2 claims against the receivership. Subject to approval of the
3 claims filing and allowance procedures detailed in the next
4 section of this Motion, the Receiver anticipates that he may be
5 able to commence making distributions by June 30, 2005. The
6 Receiver cannot estimate the potential recovery that may be made
7 by investors at this time.

8
9 Pursuant to L.R. 66-7(c), the permanent receiver is required
10 to give notice by mail to all parties to the action and to all
11 known creditors of the receivership of the time and place for a
12 hearing on reports of the receiver. The Court has previously
13 entered the Second Omnibus Order which limited notice of motions
14 brought under Local Rule 66-7, and the Receiver has served this
15 Motion and provided notice to the interested parties in
16 accordance with that order.

17
18 **III.**

19 **THE RECEIVER SEEKS APPROVAL OF A CLAIMS FILING AND ALLOWANCE**
20 **PROCEDURE**

21 The Receiver's Third Report proposes certain procedures for
22 the filing and allowance of claims against the receivership
23 estate in anticipation of making initial distributions to
24 claimants by June 30, 2005. The Receiver has analyzed the
25 financial records of the receivership and for each investor has
26 calculated and determined what the Receiver believes is (a) the
27 amount the investor paid to Lewis for investment purposes, and
28 (b) the amount Lewis paid to the investor on account of the

1 investment. The Receiver contends that the investment scheme
2 operated by Lewis is a Ponzi scheme by which "interest" or
3 investment "returns" were paid with funds paid into the scheme by
4 later investors, that the investments in fact generated only
5 losses, and that the investment enterprise did not generate
6 "profits" from which interest or returns could legitimately be
7 paid.

8
9 As a result, the Receiver proposes the following treatment
10 of investor accounts and claims:

11
12 1. Investor account balances will be credited for funds
13 actually deposited or paid by the investor to Lewis;

14
15 2. Credits characterized as interest and applied by Lewis
16 to increase investor account balances will be reversed;

17
18 3. Actual payments of interest and actual payments for any
19 other purposes, such as withdrawals of investment amounts, will
20 be treated as a return of capital and the investor account
21 balance reduced accordingly. "Paper" transfers from one account
22 to another account or to another account holder will be
23 disregarded because in such instances there was no actual
24 transfer of funds to an investor by Lewis.

25
26 After the Court approves this procedure, the Receiver will
27 provide formal written notice to each investor of the Receiver's
28 calculation of the investor's account balance and the amount the

1 Receiver calculates as the claim of the investor based on the
2 treatment of the account and payments and adjustments set forth
3 above. The Receiver proposes that the investor/claimant be
4 provided 30 days from the date of service of written notice of
5 the calculation of the claim to object to the proposed claim
6 amount. The objection by the investor must be in writing and
7 received by the Receiver within the 30-day period of the notice.
8 If the investor creditor fails to timely object to the notice and
9 the Receiver's calculation of the investor claim amount, then the
10 amount set forth in the notice shall be the Approved Investor
11 Claim Amount upon which future distributions in the case will be
12 made.

13
14 The Receiver proposes that non-investor claimants, if any,
15 be provided with a similar written notice of the amount the
16 Receiver calculates is owed to the creditor based on the records
17 of the receivership. The Receiver proposes that the creditor
18 have 30 days from the date of service of the notice to object to
19 the proposed allowed amount of the creditor's claim and that if
20 no timely written objection is received by the Receiver within
21 that 30-day period, that the amount stated in the notice will
22 become the creditor's Approved Creditor Claim Amount.

23
24 If the Receiver receives a timely objection to any proposed
25 claim amount, the Receiver will attempt to resolve the claim
26 dispute through negotiation. If the parties are unable to
27 resolve the dispute through negotiation, the Receiver will
28 resolve claims objections by motion filed by the Receiver

1 pursuant to Local Rule 7 to determine the proper allowed amount
2 of the claim.

3
4 The Receiver is not yet in a position to make distributions
5 to claimants and will make a subsequent motion to authorize
6 distributions when the claims filing and allowance procedures
7 have been approved and implemented. Nevertheless, by this
8 Motion, the Receiver seeks approval for allowance and payment of
9 Approved Investor Claims on a pro rata basis. As used in these
10 claims procedures, "pro rata" means the ratio of the amount that
11 the Approved Investor Claim bears to the total amount of all
12 Approved Investor Claims. The Receiver is evaluating whether to
13 recommend subordination of Approved Creditor Claims to Approved
14 Investor Claims, and will make a recommendation once the claims
15 process has been completed and in conjunction with the Receiver's
16 first motion to authorize distributions.

17
18 IV.

19 **THE COURT HAS BROAD AUTHORITY TO APPROVE AND IMPLEMENT CLAIMS**
20 **ALLOWANCE PROCEDURES**

21 The "general equity power" of the District Court in issuing
22 orders addressing the administration of a receivership estate was
23 discussed at length by the Ninth Circuit in S.E.C. v. Hardy, 803
24 F. 2d 1034 (9th Cir. 1986). Recognizing the limited body of
25 reported decisions in federal receiverships, the Court
26 nevertheless articulated two overriding principals gleaned from
27 the case law:

28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

First, a district court's power to supervise an equity receivership and to determine the appropriate action to be taken in the administration of the receivership is extremely broad. . . . The basis for broad deference to the district court's supervisory role in equity receiverships arises out of the fact that most receiverships involve multiple parties and complex transactions.

. . . .

Secondly, we have acknowledged that a primary purpose of equity receiverships is to promote orderly and efficient administration of the estate by the district court for the benefit of creditors. [Citations omitted.]

Accordingly, we generally uphold reasonable procedures instituted by the district court that serve this purpose. [Citations omitted.]

S.E.C. v. Hardy, 803 F. 2d at 1037-1038.

The Ninth Circuit has noted these policies support its upholding the use of summary proceedings in the receivership court to resolve claims:

The use of such proceedings enables a receiver to consolidate all litigation concerning his receivership in a single district court and before a single district judge, and to avoid formalities that would

FRANDZEL ROBINS BLOOM & CSATO, L.C.
6500 WILSHIRE BOULEVARD, 17TH FLOOR
LOS ANGELES, CALIFORNIA 90048-4920
(323) 852-1000


1 slow down the resolution of disputes. This
2 promotes judicial efficiency and reduces
3 litigation costs to the receivership.
4 [Citations omitted.] The primary purpose of
5 allowing courts to establish receiverships in
6 securities fraud actions is to prevent
7 further dissipation of assets of the
8 defrauded investors; the use of summary post-
9 judgment proceedings helps to effectuate
10 this.
11 S.E.C. v. Wencke, 783 F. 2d 829, 837 n. 9 (9th Cir. 1986), cited
12 with approval in S.E.C. v. Hardy, 803 F. 2d 1034.

13
14 v.

15 **CONCLUSION**

16 For the reasons set forth herein, it is respectfully
17 requested that this Court issue an order: (1) approving the
18 Receiver's Third Report; and (2) approving the Receiver's
19 proposed claims filing and allowance procedures set forth above.

20
21 DATED: January 21, 2005 FRANDZEL ROBINS BLOOM & CSATO, L.C.
22 GARY OWEN CARIS
23 LESLEY ANNE HAWES

24 By: 
25 GARY OWEN CARIS
26 Attorneys for Receiver, ROBB
27 EVANS
28

1 ("FAC"), Income Fund, Ltd. ("Income Fund") and Growth Fund, Ltd.
2 ("Growth Fund"), and their subsidiaries and affiliates, with full
3 powers of an equity receiver, including but not limited to, full
4 power over all funds, assets, collateral, premises, choses in
5 action, books, records, papers and other property belonging to or
6 in the possession of or control of Lewis, FAC, Income Fund and
7 Growth Fund.

8
9 3. I have participated in the preparation of a Report of
10 Receiver's Activities for the period of March 1, 2004 through
11 December 31, 2004 ("Receiver's Third Report"), the original of
12 which is attached hereto as Exhibit 1.

13
14 4. The Receiver's Third Report for which approval is
15 sought in this Motion describes the status of assets of the
16 estate which have been liquidated or which are subject to pending
17 or anticipated settlements. The Report also proposes a claims
18 filing and allowance procedure in anticipation of my moving the
19 Court for authority to begin making interim distributions by June
20 30, 2005. The proposed claims filing and allowance procedures
21 are addressed in detail in the motion.

22 //

23 //

24 //

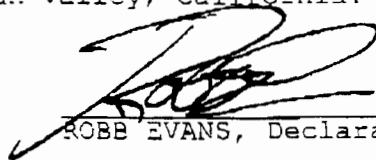
25 //

26 //

27 //

28 //

1 I declare under penalty of perjury that the foregoing is
2 true and correct and that this declaration was executed this 21st
3 day of January, 2005, at Sun Valley, California.

4
5 
6 _____
7 ROBB EVANS, Declarant

8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

ROBB EVANS
Receiver of the
Assets of James P. Lewis, Jr. individually and DBA
Financial Advisory Consultants, Income Fund, Ltd. &
Growth Fund, Ltd.

REPORT OF RECEIVER'S ACTIVITIES
MARCH 1, 2004 THROUGH DECEMBER 31, 2004

This is the third report to the Court. The purpose of this report is to:

- Provide updated asset recovery information.
- Seek approval to commence a claims administration procedure.
- Provide updated financial information.

This report does not constitute an audit of the financial condition of the receivership; it is intended only for the information of the Court and should not be relied upon for other purposes.

Status of Assets

Properties held jointly by James P. Lewis, Jr. and Sally Lewis

As previously reported, the Receiver's counsel has been in communication with attorneys for Sally Lewis, who is listed with James Lewis (Lewis) as a co-owner of four parcels of real property: her primary residence in Laguna Niguel, a vacation home in Palm Desert, a residential rental property in San Diego and FAC's business office in El Toro.

After a series of meetings and conversations with Sally Lewis' attorney, the Receiver has reached a tentative agreement with Sally Lewis, which will result in a substantial recovery to the receivership estate and avoid expensive and prolonged litigation. Under the agreement the Receiver would obtain all net proceeds from the liquidation of the Palm Desert, El Toro, and San Diego properties and one-half of the proceeds from the liquidation of the Laguna Niguel property. The Receiver intends to present a settlement agreement to this Court in January 2005.

Property held jointly by Lewis and Blakney Boggs

The Receiver's counsel has been in communication with counsel for Blakney Boggs (Boggs), who is listed as a co-owner of the house in Villa Park. Recently, the parties have reached a tentative interim agreement allowing the Receiver to sell the property and hold net sale proceeds pending a further order of this Court. If an interim agreement is finalized, it will be presented to this Court.

Settlement with Commercial Cash Register Corporation

On May 3, 2004 this Court approved the Receiver's motion for a settlement with Commercial Cash Register Corporation. The proceeds of that settlement were \$332,459.

Settlement with Pyro Shield, Inc.

On July 14, 2004 this Court approved the Receiver's motion for a settlement with Pyro Shield, Inc. To date, \$56,250 has been received from Pyro Shield. An additional \$43,750 is expected in seven remaining monthly installment payments.

Other Assets

The Receiver took possession of six automobiles owned by Lewis. Three have been sold in conformance with procedures approved by this Court, resulting in net proceeds of \$71,750. The other three automobiles are being marketed for sale. One additional automobile is garaged at the Villa Park home. The Receiver anticipates taking control of and marketing this automobile when an agreement with Boggs is finalized.

The Receiver sold the coin collection for \$25,266, which was above its appraised value.

Investor Issues

Opt Out Procedures

On October 15, 2004 this Court approved the Receiver's Motion for Instructions re: Establishment of Claimant's Distribution Agreement and Opt Out Procedures Related Thereto. The Receiver mailed the Opt Out Procedures to all known investors with a claim and gave investors 30 days to reply. No investors elected to opt out.

Claims Against the “Winning” Investors

The Receiver has made demand on over 400 investors to return amounts received that were in excess of their investment.

It is too early in the process to predict how much the estate will recoup from the winning investors. While numerous negotiations with investors and with attorneys who represent investors are continuing and are in various stages, the responses received to date fall into the following broad categories:

- Those who have the resources to repay the entire amount
- Those who have the resources to make some repayment, but do not have the resources to repay the entire amount
- Those who do not have the resources to make any payment

To date, the Receiver has negotiated settlements of about \$2 million.

The Receiver is obtaining and evaluating financial statements from those who cannot repay the entire amount. During the first quarter of 2005 the Receiver intends to present a comprehensive recommendation to the Court as to the settlement of many of the claims.

Claims Procedure

With this Court’s approval, the Receiver intends to initiate a claims procedure during the first quarter of 2005¹. The Receiver believes that sufficient assets will be available to make an initial distribution to investors by June 30, 2005, assuming a claims procedure has been approved and implemented by that time.

It is recommended that all distributions be made on a pro rata basis based on the adjusted claim balance. Pro rata means the ratio that the amount of the approved investor claim bears to the total amount of all investor claims.

Adjustment is appropriate to place investors on an equitable basis with one another. The adjustments should produce an account balance reflecting the investor’s actual out-of-pocket loss. This loss is the total amount of the investor’s actual investment, less any returns or distributions the investor received from any source. A key element is the adjustment for payments labeled as interest.

¹ The proposed claims procedure is generally described in this report. The details of the proposed claims procedure are more particularly set forth in the motion which seeks approval of this report and implementation of such procedures.

Despite whatever agreements or documents exist, there were no actual payments of interest, but rather a payment of funds belonging to earlier investors or an artificial credit to accounts. Therefore, upon Court approval of this report:

- Payments of interest will be treated as a return of capital and accounts reduced accordingly.
- Payments stated as interest and credited to accounts will be reversed.
- In the case of payments for other purposes, such as partial withdrawals of amounts invested, those payments shall be treated as a return of capital and accounts reduced accordingly.

The investors will be advised of their adjusted claim amounts. Investors will be given 30 days to object to their adjusted claim amounts. In the event the Receiver is not able to resolve a disputed claim, the Receiver will present the disputed claim to this Court for a final determination.

The adjusted balance will be considered as the approved investor claim amount, upon which distributions will be based. That will also be the basis of establishing a total of approved investor claims against the estate.

Prior to making a recommendation to this Court requesting approval for an initial distribution, it will be necessary to complete a claims process. That process cannot commence until procedures are approved and implemented. Once the claims process is completed, the Receiver will make a formal distribution recommendation to the Court.

Projected Recovery

Until the negotiations with winning investors have progressed further, the Receiver will not be able to project a recovery amount. The Receiver is hopeful a projected recovery amount can be estimated by June 30, 2005.

Financial Information

The Receiver has continued to reconstruct the financial history of the enterprise. The second report detailed the businesses in which Lewis invested. The Receiver does not anticipate any additional recoveries from these investments. Under Tab 1 is an updated Preliminary Schedule of Sources and Uses of Funds (Schedule²). The Schedule was compiled from the underlying bank statements, checks, wire transfers, and deposit activity from FAC bank accounts and from Lewis' bank and brokerage accounts.

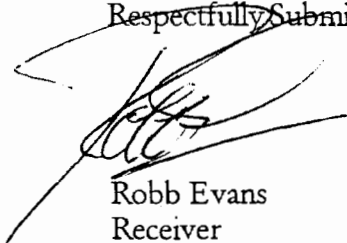
² The Receiver has not fully completed the compilation for parts of 1995, 1996 and 1997.

In summary, the updated preliminary financial information shows that Lewis spent about \$67.1 million of investor funds in the following broad categories:

- Invested \$15.5 million in businesses that generated no returns
- Lost \$20 million in foreign exchange and commodities trading activities
- Transferred at least \$15.4 million for his personal use
- Transferred at least \$5.5 million to family members
- Transferred about \$4.9 million to Blakney Boggs and her family
- Transferred about \$4.8 million to Sharon Lefevers and her family
- Made unexplained payments to others of about \$1 million

The Receiver continues to investigate payments made by Lewis and possible sources of recovery.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Robb Evans', is written over a large, stylized scribble that also forms a checkmark-like shape.

Robb Evans
Receiver

Robb Evans, Receiver of James P Lewis, Jr. dba Financial Advisory Consultants
Preliminary Schedule of Sources & Uses of Funds (1)
 July 1, 1990 to December 22, 2003

Sources of Funds:

Investors Deposits	\$283,489,602.08
Deposits Awaiting Bank Documentation	2,252,699.24
Subtotal	285,742,301.32
Interest Income	254,191.53
Total Sources of Funds	\$285,996,492.85

Uses of Funds:

Payments to Investors	\$213,979,152.25
Loss on Foreign Exchange & Commodities Futures Trading	20,166,218.01

Business Investments

Com Cash	6,650,995.83
Sun West International LLC	5,952,251.05
Flightline Aerospace	967,379.87
Pyro-Shield	840,000.00
Structured Capital LLC	250,000.00
Vinyl Coatings of California, I	245,000.00
SunFest International	204,791.58
Second Millennium Technologies	200,000.00
Freedom Hanger	142,902.53
Fantasy Faces	65,800.00
Pi Omega Delta	29,965.00
Christo Prieto - Stock Purchase	1,000.00
Total Business Investments	15,550,085.86

James P Lewis, Jr.

Real Properties

Greenwich, Ct	1,730,000.00
18607 Villa Dr., Villa Park	1,271,538.89
Property Expenses	
Landscaping	562,961.81
Property Tax	135,933.40
Utilities	111,121.94
Irvine Apartment Communities	87,589.85
Property Expenses - Other	81,222.27
Rent Payments - Apartments	42,162.50
Josephine County Title Co.	38,311.38
Executive Guild of El Toro	37,610.63
Kil & Sang Kwon	24,431.75
Pool Services	23,765.74
Pest Control	20,967.80
Real Estate Service	10,049.86
ATOMIC Property Service	9,115.00
Homeowners Associations	6,210.95
Outdoor Services	5,500.00
Condo Fees	4,094.00
Embarcadero Marina	3,727.12
Chung Il Han	3,465.00
Armstrong Garden Centers, Inc.	801.00

Robb Evans, Receiver of James P Lewis, Jr. dba Financial Advisory Consultants
Preliminary Schedule of Sources & Uses of Funds (1)
July 1, 1990 to December 22, 2003

Washington Mutual	938,642.36
Pacific Coast Escrow Corp.	500,000.00
817 Coronado Court, SD	432,694.94
Westlake Plaza Realty Inc.	270,807.87
Indian Ridge	229,967.55
Cal Fed	195,668.07
22972 El Toro Road, El Toro	167,676.99
Home Improvement	136,845.13
Home Savings of America	64,826.64
American Savings Bank	34,405.63
First American Title	23,923.22
Burrow Escrow Co.	12,210.20
20062 E. Santiago Cyn	10,000.00
Total Real Properties	7,228,249.49
Credit Cards	2,296,873.55
Cash	1,851,103.00
Automobiles	1,211,060.98
Jewelry & Accessories	856,945.05
Furniture	414,413.11
Clothing	293,013.05
Sporting Events	257,004.60
Misc. Expenses	254,283.28
Telephone	220,655.34
Travel	182,627.54
Insurance	161,947.80
Church Donations	106,500.00
Automobile Repair & Maintenance	81,180.06
Donations	65,322.64
Life Insurance	51,493.92
Art	51,344.64
Automobile Registration	38,742.71
Medical Expenses	26,687.49
Massage Therapist	18,932.00
Entertainment	16,702.56
Media Systems	10,087.10
State Income Taxes	7,569.10
Storage	7,356.00
Debit Card Payments	2,700.00
Loans to Others	(3,100.00)
Federal Income Taxes	<u>(269,003.74)</u>
Total James P Lewis, Jr.	15,440,691.27

James P Lewis, J Family Members

Sally Lewis	
Sally Lewis	1,439,855.64
Expressions	369,767.90
Prop. Expenses	79,012.33
Ralph A and Marie Weber - Aunt	36,412.21
Stephanie Gingrich - Niece	14,000.00
Ocean Ranch at Bear Brand	13,774.94
Barbara Gingrich - Sister	10,000.00
Total Sally Lewis	1,962,825.02

Robb Evans, Receiver of James P Lewis, Jr. dba Financial Advisory Consultants
Preliminary Schedule of Sources & Uses of Funds (1)
 July 1, 1990 to December 22, 2003

James Lewis III	1,023,751.76
Robert Lewis	969,665.18
Allison Lewis	
Allison Lewis	306,346.48
Cresta Verde Escrow, Inc.	159,545.33
Total Allison Lewis	465,891.81
Heather Lewis	385,921.89
Bartlett Family	
Nancy Bartlett	215,795.88
Richard Bartlett	42,100.00
Ruth Bartlett	4,400.00
Rachel Bartlett	3,950.00
Ana Bartlett	3,446.30
Bartlett Family - Other	1,577.00
Anna Bartlett	1,131.00
Sharon Bartlett	1,000.00
Joseph P Bartlett	500.00
Total Bartlett Family	273,900.18
Sheila Sanchez	243,083.72
To be Identified	100,000.00
James Lewis Sr.	72,548.12
Tyce Routson	60,000.00
Tom Lewis	4,000.00
James P Lewis, J Family Members - Other	2,000.00
Janet Lewis	1,075.00
Total James P Lewis, J Family Members	5,564,660.68
Blakney Boggs & Family	
Blakney Boggs	3,591,723.22
Eric Boggs	1,309,459.07
Frances C Boggs	44,200.00
Kim Boggs	12,118.00
Total Blakney Boggs & Family	4,957,500.29
Sharon Lefevers & Family	
Sharon Lefevers	4,156,234.67
Bryan Lefevers	593,194.93
Jerry Lefevers	37,710.00
Sean Goodwin - Son	7,000.00
Total Sharon Lefevers & Family	4,794,139.60
Unclassified Disbursements	
Unclassified Disbursements - Other	2,261,402.88
Cashier's Check	279,880.00
Total Unclassified Disbursements	2,541,282.88

Robb Evans, Receiver of James P Lewis, Jr. dba Financial Advisory Consultants
Preliminary Schedule of Sources & Uses of Funds (1)
 July 1, 1990 to December 22, 2003

Business Expenses	
Payroll Expenses	713,225.35
Printing	151,117.71
Legal Fees	61,753.59
Equipment & Computers	55,969.51
Office Supplies & Furniture	52,006.05
Bank Charges	35,988.73
Postage	20,469.02
Misc. Expenses	18,484.21
Bonneville Market Information	7,987.60
Computer Consultant	7,501.02
Vending Machine	4,084.98
Bookkeeping Service	3,426.00
Business Renewal Fee	100.00
Cleaning Services	100.00
Total Business Expenses	1,132,213.77
 Unclassified Disbursements under Investigation	
Donald Hall-Washington Mutual	300,000.00
Laura Barragan - set up a spa	179,500.00
James Fausett	100,000.00
Century Title Agency, Inc.	81,500.00
Leslie Shahinian	60,750.00
Jerry Snyder	51,295.00
Tom Stepanski - Golf Partner	35,000.00
Mary Lopez	34,445.00
Mortgage Payments	34,328.96
Insurance Payments for 3rd Part	28,459.71
James DeRuvo	25,000.00
Jack D. Fitchett	22,946.87
Gary Lopez	22,500.00
Clyde Weinman	20,100.00
John Ladd	18,205.58
John Fitzgerald	15,000.00
Jeannie Oldja	10,000.00
Michelle Rasool	5,000.00
Thomas R Lewis	1,000.00
JDRF Orange County, Chapter 404	1,000.00
Payments to Others Under Invest - Other	(2,031.68)
Total Unclassified Disbursements under Investigation	1,043,999.44
Awaiting Bank Documents	608,801.49
Brokerage Account	21,459.83
Total Uses of Funds	\$285,800,205.37

- (1) The schedule was prepared from available financial institution records from July 1990. It does not cover the complete period that James P. Lewis Jr. operated Financial Advisory Consultants.

FRANZEL ROBINS BLOOM & CSATO, L.C.
6500 WILSHIRE BOULEVARD, 17TH FLOOR
LOS ANGELES, CALIFORNIA 90048-4920
(323) 852-1000

SERVICE LIST

- 1
- 2 Gregory C. Glynn, Esq. Attorneys for Plaintiff
Peter F. Del Greco, Esq. Securities and Exchange
3 Securities and Exchange Commission Commission
Randall R. Lee, Regional Director
4 Sandra J. Harris, Associate
Regional Director
5 5670 Wilshire Blvd., 11th Floor
Los Angeles, CA 90036-3648
6 Tel.: (323) 965-3998
Fax: (323) 965-3908
7
- 8 Thomas H. Bienert, Jr., Esq. Attorneys for Sally Lewis
Steven L. Krongold, Esq.
Bienert & Krongold
9 107 Avenida Miramar, Suite B
San Clemente, California 92672-6713
10 Tel.: (949) 369-3700
Fax: (949) 496-6753
11
- 12 Kerry L. Steigerwalt, Esq. Attorneys for Blakney Boggs
The Law Offices of
Kerry L. Steigerwalt, A.P.L.C.
13 3555 Fourth Avenue
San Diego, California 92103
14 Tel.: (619) 297-2800
Fax: (619) 908-3836
15
- 16 Joseph G. Dicks, Esq. Attorneys of Blakney Boggs
Law Offices of
Joseph G. Dicks, APC
17 2720 Symphony Towers
750 B Street
18 San Diego, CA 92101-8129
Tel.: (619) 685-6800
19 Fax: (619) 557-2735
20
- 20 Michael Handwerker, Esq. Attorneys for Byron
Hankin, Handwerker & Mazel, PLLC Lefevers and Sharon
21 7 Penn Plaza, Suite 904 Lefevers
New York, NY 10001
22 Tel.: (212) 349-1668
Fax: (212) 227-7317
23
- 24 George H. David, Esq. Attorneys for Leonard and
George H. David Law Corporation Charmaine Mackenzie
19800 Macarthur Blvd., Ste. 500
25 Irvine, CA 92612
Tel.: (949) 757-4153
26 Fax: (949) 726-4770
27
28

- 1 Dean T. Kirby, Jr., Esq. Attorney for Harlan Loomas
Kirby & McGuinn, A.P.C.
2 600 B Street, Suite 1950
3 San Diego, CA 92101-4515
- 4 Michael Wischkaemper, Esq. Attorney for Harlan Loomas
Law Offices of Michael Wischkaemper
1808 Aston Avenue, Suite 240
5 Carlsbad, CA 92008
6 Tel.: (760) 438-1222
Fax: (760) 438-7888
- 7 David M. Robinson, Esq. Attorneys for Janet
Robinson & Schmidt Goldblatt
8 12121 Wilshire Blvd., Suite 1400
9 Los Angeles, CA 90025
10 Tel: (310) 914-2444
Fax: (310) 207-6308
- 11 Edward W. Cochran, Esq. Attorneys for Janet
Cochran & Cochran Goldblatt
12 2872 Broxton Road
Shaker Heights, Ohio 44120
13 Tel.: (216) 751-5546
Fax: (216) 751-6630
- 14 Frank H. Tomlinson, Esq. Attorneys for Janet
Pritchard, McCall & Jones, L.L.C. Goldblatt
15 505 North 20th Street, Suite 800
16 Birmingham, AL 35203
17 Tel.: (205) 328-9190
Fax: (205) 458-0035
- 18 Paul S. Rothstein Attorney for Janet
626 NE First Street Goldblatt
19 Gainesville, FL 32601
20 Tel.: (352) 376-7650
Fax: (352) 352-374-7133
- 21 Sean A. OKeefe, Esq. Counsel to Timothy Robinson
Winthrop Couchot, PC Eames, Cari Eames, Garth
22 660 Newport Center Drive, Ste. 400 Geddes Eames, Edna Lou
Newport Beach, CA 92660 Eames, Barry H. Lloyd, Jill
23 Tel.: (949) 720-4100 Lloyd, Kent Mathis Harman,
24 Fax: (949) 720-4111 Tamara Harman, Jack Merrill
Harman, Shelley Harman, Bob
25 Merrill Harman, Twila
26 Harman, Brent Maurice
27 Harman, Kristin Harman,
Kurt Ivie Harman and Robin
28 Harman and other investors

FRANZEL ROBINS BLOOM & CSATO, L.C.
6500 WILSHIRE BOULEVARD, 17TH FLOOR
LOS ANGELES, CALIFORNIA 90048-4920
(323) 852-1000

1 James P. Lewis, Jr.
c/o Santa Ana City Jail
2 62 Civic Center Plaza
Santa Ana, CA 92701-4060
3

4 James S. Brasher, Esq.
Law Offices of James J. Warner
3233 Third Avenue
5 San Diego, CA 92103
Tel.: (619) 243-7333
6 Fax: (619) 243-7343

Attorney for James P.
Lewis, Jr.

7 Kenneth I. Gross, Esq.
Perliss & Gross
8 555 S. Flower Street, Ste. 4520
Los Angeles, CA 90071
9 Tel.: (213) 627-0218
Fax: (213) 623-4628
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Attorneys for Investor and
Interested Party John Kovak