

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

REPORT OF TEMPORARY RECEIVER'S ACTIVITIES
JANUARY 8, 2004 THROUGH JANUARY 15, 2004

Entry and Control

The Temporary Receiver learned of his appointment in the afternoon of January 8, 2004. On the morning of January 9th the Temporary Receiver entered the Financial Advisory Consultants (FAC) premises in Lake Forest, CA and changed the locks. On that same day the Temporary Receiver took steps to take control of the mail and changed the mailing addresses for FAC and Mr. Lewis.

The Temporary Receiver understands that the Federal Bureau of Investigation (FBI) removed many of the records from the premises. However, the FBI did not seize a significant number of records. The Temporary Receiver has taken control of those records and has removed them from the premises.

Included in the mail that was onsite and in the mail delivered during the day of January 9th were checks from 17 investors totaling \$321,009.46. The Temporary Receiver intends to return these checks to the investors.

The Temporary Receiver met with FAC's long time computer consultant to gain an understanding of which processes were automated and which were not. FAC maintained all investor information in an electronic database. The current database contains a complete transactional history for each investor dating back to August 1994. Investor records prior to August 1994 are contained in paper records generated from the prior computer system. No other FAC office functions, most importantly an accounting system for disbursements not related to investors, were automated.

The Temporary Receiver has left messages for Mr. Lewis at all known telephone numbers but has not received a return call. The Temporary Receiver's staff has also visited Mr. Lewis' residence in Villa Park, CA and no one answered the door.

Investor Data

The computer consultant installed the investor database in the Temporary Receiver's office. The computer consultant and the Temporary Receiver's computer specialists have extracted certain key statistics from the database.

| | |
|--------------------------------------------------------------|---------------|
| Number of active and closed accounts | 5,211 |
| Number of active accounts | 4,102 |
| Number of investors ¹ | 3,290 |
| | |
| Gross total account balances | \$813,880,081 |
| Actual principal balances after removing calculated interest | \$118,289,014 |

The actual principal balance figure in the table is subject to further adjustments. This is because of the 1994 computer conversion and other issues. At that time, about 225 investors with gross account balances of \$17.5 million were transferred to the present computer system. The Temporary Receiver is in possession of the historical paper records for these transferred accounts and will calculate the actual principal balances.

Of the 4,102 active accounts, 1,340 are IRA or other retirement accounts with gross balances totaling \$214,901,941. The Temporary Receiver intends to prepare all required Internal Revenue Service forms and reports associated with these accounts. The Temporary Receiver has not been able to locate any evidence that Mr. Lewis was approved by the Internal Revenue Service as an IRA custodian.

The database reflected unprocessed withdrawal requests of \$14,762,168.

The table below summarizes the location of about 90% of the investors.

| | |
|------------|--------|
| California | 1, 891 |
| Idaho | 337 |
| Utah | 186 |
| Washington | 135 |
| Arizona | 101 |
| Oregon | 71 |
| Florida | 66 |
| Texas | 43 |
| Nevada | 43 |
| Colorado | 40 |
| All others | 377 |

¹ A number of investors have multiple accounts, which causes the number of investors to be less than the number of accounts.

The Temporary Receiver will need to further study and confirm the accuracy and integrity of the database.

Assets Identified and Located

After reviewing documents filed by the Securities and Exchange Commission (SEC), records and documents located at the FAC premises, and other public records, the Temporary Receiver has identified a preliminary list of assets. When seized records, including checks and bank statements, become available, and a reconstruction of cash activity can be completed, the Temporary Receiver may locate additional assets.

The assets that are described in the following paragraphs may be worth about \$10.4 million, before any selling expenses, and the Temporary Receiver hopes to recover that amount. There is another \$6.8 million invested in three of the described assets, but recovery of that amount needs further investigation. Recorded liens against these assets total about \$1.0 million. As noted above, liability to the investors, minus calculated interest, appears to total about \$118 million, subject to further adjustments.

Cash

The Temporary Receiver's staff has communicated with the 11 financial institutions that were served by the SEC when the Temporary Restraining Order was issued. The staff has also provided the Order appointing the Temporary Receiver to 14 other financial institutions whose names surfaced during the review of additional documents and records. Five of these additional institutions have informed the Temporary Receiver that no accounts exist now or existed in the past. Consequently, identified and controlled cash remains at \$2,228,174.50, the amount frozen by the SEC.

Cash Deposits

The Temporary Receiver's staff has confirmed that Mr. Lewis delivered a \$50,000 deposit in August 2002 for the future purchase of a Maybach automobile selling for \$409,500. The automobile was not delivered and the Temporary Receiver has requested that the automobile dealer return the deposit. The attorney for the automobile dealer, Fletcher Jones Motorcars, has taken the position the deposit is nonrefundable because Mr. Lewis did not fulfill the purchase agreement. The Temporary Receiver intends to pursue this matter further. The Temporary Receiver's staff will search for additional purchase deposits when seized financial records, including checks and bank statements, become available.

Commodities and Stock Broker Accounts

As stated earlier, five additional institutions, including three brokerage firms, have informed the Temporary Receiver that no accounts exist now or existed in the past. Consequently, identified and controlled commodities and stockbroker accounts remain at \$180,286.44, the amount frozen by the SEC.

Real Property

The table below contains a summary of real property interests belonging to James P. Lewis Jr. The information was gathered from property tax bills located at the company premises and confirmed by public records. Two of the properties have been inspected only from the street. The Temporary Receiver is arranging for Lis Pendens to be recorded in California and an appropriate Notice to be recorded in Connecticut. The Temporary Receiver's staff will continue to inspect public records in other locations and follow up on possible vesting in other's names for the benefit of Lewis if the seized financial records indicate such a possibility.

| Property Address | Owner Name | Other Information |
|------------------------------------------------------|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| 24 Newcastle Lane Laguna Niguel, CA 92677-9327 | James & Sally Lewis | Purchased 8/30/96 for \$860,000, assessed value \$960,000. Real Quest value \$1,500,000. |
| 18607 Villa Drive Villa Park, CA 92861-2851 | James Lewis & Blakney A. Boggs | Purchased 11/19/99, price unknown; assessed value \$1,397,000. Real Quest value \$1,800,000. Recorded lien of \$1,000,000 |
| 21 Mackenzie Glen Greenwich, CT 06830-3421 | Sharon C. Lefevers James Lewis | Purchase date unknown; assessed value \$1,404,130. Real Quest Value \$2,300,000. |
| 22972 El Toro Road El Toro, CA 92630-4961 | James P. Lewis Jr. Sally A. Lewis | Grant Deed recorded 5/21/81, Sale price unknown; assessed value \$270,000. Real Quest value \$550,000. |
| 348 Tomahawk Drive Palm Desert, CA 92211-8951 | James P. Lewis Sally A. Lewis | Purchased 5/18/98. Purchase price unknown; Assessed value \$519,000. Real Quest value \$810,000. |
| 817 Coronado Court San Diego, CA 92109-8111 | James P. Lewis, Jr. Sally A. Lewis | Purchased 1/12/00 for \$441,500. Real Quest value \$850,000. |

The current information indicates the properties may be worth about \$7.8 million, with liens totaling about \$1.0 million, or a net equity of about \$6.8 million.

This valuation information was provided by Real Quest.com, an online real property data and valuation service. However, the properties have not been inspected or appraised and the possibility of additional liens has not been researched.

Automobiles

The Temporary Receiver's staff located renewal notices from the Department of Motor Vehicles and automobile insurance papers at the company premises. The insurance agent stated that he is unaware of any additional automobiles owned by Mr. Lewis or FAC. Following is a table containing a summary of the automobiles identified as owned by Mr. Lewis.

| Make | Owner Name | Other Information |
|---------------------------------|-------------------------------------|------------------------------------------------------|
| 2001 Mercedes S600 4 door Sedan | James P. Lewis Jr. & Sally A. Lewis | ID # WDBNG78J81A208354 Listed on Insurance Policy |
| 2000 BMW 540I 4 door Sedan | James P. Lewis Jr. & Sally A. Lewis | ID # WBADN6342YGM68557 Listed on Insurance Policy |
| 2000 Mercedes Sedan | James P. Lewis | ID # WDBJF70J4YB040911 Listed on DMV Renewal |
| 1999 Cadillac Sedan | James Paul Lewis Jr. | ID # 1G6KF549XXU725687 Listed on DMV Renewal |
| 1997 Mercedes S600 4 door Sedan | James P. Lewis Jr. & Sally A. Lewis | ID # WDBGA57G5VA360845 Listed on Insurance Policy |

There are no liens identified for any of the automobiles. Current NADA and Kelley Blue Book valuations total about \$170,000. However, none of the automobiles has been located or inspected.

Other Possible Assets

On February 14, 2002 Mr. Lewis opened a commodity futures trading account in his individual name with Peregrine Financial Group, Inc. (Peregrine). On September 17, 2002 Peregrine liquidated 600 contracts for future delivery of Euros after issuing a margin call for \$743,850. Mr. Lewis met the margin call on September 16, 2002 and demanded arbitration, claiming actual damages of \$16,320,000.

The staff of the Temporary Receiver has discussed the merits of the claim with Mr. Lewis' former attorney and is continuing to evaluate the cost-benefit of completing the arbitration.

Mr. Lewis is a defendant in litigation filed by Harrah's in Laughlin, NV related to Sun West International LLC (Sun West), a defunct airline passenger service.

There is no cross-complaint filed and, subject to further review, this litigation does not appear to have any potential value for the Estate.

The Temporary Receiver's staff completed a search of financing statements filed with the California and Utah Secretary of State to locate other possible assets that may be, or were, financed. There was no record of any financing statements.

Public records obtained by the SEC indicate Sun West, owned or controlled by Mr. Lewis, owned two aircraft. Mr. Lewis's former attorney stated that Sun West is out of business, all aircraft were repossessed, and there are no other assets. Sun West and Mr. Lewis are defendants in the pending action described earlier.

Business Investments

Information in the pleadings filed by the SEC state that Income Fund, Ltd. purportedly invested in equipment leasing and insurance premium financing programs and that Growth Fund, Ltd. purportedly bought and sold distressed businesses for profit. The Temporary Receiver has found no evidence of profits generated either from the sale or operation of businesses. The following paragraphs summarize all information located to date about business investments.

Information in pleadings filed by the SEC state that Mr. Lewis may have furnished \$5.0 million in loans and stock purchases to Commercial Cash Register Corporation, dba Comcash. The company develops and sells computerized point-of-sale systems. A company officer and director, Jerry Snyder, has stated in a conversation with the Temporary Receiver's staff that sales for 2004 should increase and the company may be profitable.

Future discussions with company officers will cover potential methods to recover the loans and liquidate the stock. The actual amount of cash furnished to Comcash will be confirmed when the seized records become available. The realizable value of this asset is subject to additional evaluation.

Records located at the company office indicate Mr. Lewis invested several hundred thousand dollars in a failed retail paint store called Vinyl Coatings. One of the officers of Comcash was also an officer of Vinyl Coatings. There presently appears to be no possibility of any recovery from this investment.

Information in pleadings filed by the SEC state that Mr. Lewis may have furnished \$800,000 to Pyro Shield, Inc. located in Indiana. The company imports flame resistant material from Russia and sells it to installers for commercial flame retardant and protection systems. A company officer stated in a conversation with the Temporary Receiver's staff that annual sales are about \$1.2 million and the operations are breaking even.

Pyro Shield, Inc. is to send additional financial information and documentation of the payments by Mr. Lewis to the Temporary Receiver's office. There is currently no plan to repay the advances. The actual amount of cash furnished to Pyro Shield, Inc. will be confirmed when the seized records are available. The realizable value of this asset is subject to additional evaluation.

The defunct status of Sun West International LLC and the pending litigation against it and Mr. Lewis were discussed above. The amount transferred to it, presently based only on totals from incomplete check records, is \$603,000. Except for investigating possible recovery from unknown third parties, the company has no assets.

From 1996 until 2000, Mr. Lewis became a partner in and provided \$64,500 to an operation named Fantasy Faces, which provided exotic face shields to beauty shops. The records indicate the business is closed and, except for possible recovery from the former partner, there are no assets.

In May 1997 Mr. Lewis became a 51% partner in Flightline Aerospace, LLC, a supplier of aircraft tube connections. FAC initially provided a \$125,000 advance. Letters indicate that transfers by Mr. Lewis may have reached \$500,000, although totals from incomplete check records are \$197,000. Mr. Lewis and FAC apparently withdrew from this investment and stopped funding in January 2001. It is not known at this time if the company is still operating or if any funds can be recovered.

Some other advances appear on the incomplete check records. Southwinds received \$383,000 and West Jet Airlines received \$122,000. The Temporary Receiver's staff will attempt to locate information about these entities and the related advances when the seized records are available.

Accounting

Except for the investor database, no other computer/electronic accounting has been located.

The FBI seized all bank statements that were located on the premises. The Temporary Receiver is working with the FBI to gain access to the bank statements and other records in its possession.

All financial activity, except possibly for payments made directly to investors, will have to be reconstructed from cancelled checks, deposit slips and bank statements. This reconstruction will include all payments to Mr. Lewis, his relatives, third parties, business investments and loans, and purchases of real estate, cars, jewelry, and other personal luxury items.

The Temporary Receiver located FAC checkbook registers in Mr. Lewis' desk for two bank accounts. One checkbook register is for the period of October 18, 1999 to December 31, 2001. The second checkbook register is for the period of September 30, 2000 to December 31, 2002.

While the checkbook registers are for a relatively short time period and are far from complete accounting records, there are some very interesting notations documenting some of the expenditures². The table below presents a summary of some of the expenditures from the checkbook registers.

| | |
|----------------------------|----------------|
| Eric Boggs | \$528,446.90 |
| David Boggs | \$50,000.00 |
| Frances Boggs | \$10,000.00 |
| Kim Boggs | \$12,118.00 |
| Bryan Lefevers | \$361,928.88 |
| Robert Lewis | \$204,712.72 |
| Credit card payments | \$351,235.92 |
| Automobiles | \$244,707.38 |
| Clothing | \$100,817.80 |
| Trading activities | \$2,350,000.00 |
| James Lewis – cash | \$60,000.00 |
| James Lewis-loans | \$3,500,000.00 |
| James Lewis – unclassified | \$4,720,000.00 |

It appears that Eric Boggs, David Boggs, Frances Boggs, and Kim Boggs are related to Blakney A. Boggs, the co-owner of the Villa Park, CA property. It appears that Bryan Lefevers is related to Sharon C. Lefevers, the co-owner of the Greenwich, CT property. The Temporary Receiver believes that Robert Lewis is a brother of James P. Lewis.

During these same time periods, the checkbook registers reflect deposits from investors of about \$82,000,000.

It is very clear from reviewing the FAC checkbook registers that there was a substantial amount of funds commingled between funds received from investors and funds for Mr. Lewis' personal or beneficial use.

The Temporary Receiver also has possession of one of Mr. Lewis' personal bank account statements for the period of November 26, 2003 through December 22, 2003. The bank statement evidences further commingling of funds. Three checks totaling \$80,000 appear to be payments to investors. One of those checks matches the amount the computer system listed as a pending withdrawal.

² Many of the expenditures do not have notations indicating their purpose.

Communication with Victims

Based on a number of conversations, email communications, and letters from victims, the personal contact information and gross account balances appear to be accurately stated on the computer records. On January 10, 2004, the Temporary Receiver posted an information page on the Internet (www.facreceiver.com) with a brief summary of the Court's appointment and activity and providing the Temporary Receiver's contact information, including an email address. The site now includes a copy of the Court's Order appointing the Temporary Receiver and a link to the SEC's press release.

The Temporary Receiver's staff has received hundreds of telephone calls, numerous emails, letters, and occasional visits from investors.

Before January 30, 2004 the Temporary Receiver will prepare and mail a letter to each active investor. The letter will include the known information about the assets available, a summary of Lewis's activities and financial dealings, and a description of the receivership process.

The Temporary Receiver is investigating the possibility of conducting meetings to present information and answer questions in several locations where there are concentrations of victims.

Conclusion

All of the information available to the Temporary Receiver suggests that Mr. Lewis, at least in recent years, made no profitable investments in operating businesses and has received no returns on millions of dollars of investments. Therefore, the disbursements made by FAC could only have come from investor funds.

Because there is about a \$100 million shortfall between the assets currently located and principal amount owed to investors, the Temporary Receiver believes it is urgent and essential to begin a forensic accounting when the underlying bank documents are received from the FBI or directly from financial institutions.

Respectfully Submitted,

Robb Evans
Temporary Receiver