

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,

Robb Evans
Receiver