U.S. SECURITIES AND EXCHANGE COMMISSION

U.S. Securities and Exchange Commission

Litigation Release No. 18525 / December 24, 2003

SEC Halts $800 Million Investment Fraud in Orange County

Securities And Exchange Commission v. James P. Lewis, Jr., Individually and Doing Business as Financial Advisory Consultants, Income Fund, Ltd. and Growth Fund, Ltd. (Case No. CV-03-9354 (ABC)(C.D. Cal., S. Div.)

The Securities and Exchange Commission announced today the filing of charges to halt a fraudulent scheme in which over 5,200 investor accounts purportedly hold investments of over $813 million through an Orange County, Calif. business known as Financial Advisory Consultants (FAC). The SEC's complaint, filed yesterday in federal district court names James P. Lewis, Jr., of Laguna Niguel, California, who allegedly has sold securities in two funds, known as the Income Fund, Ltd. and the Growth Fund, Ltd., since 1983 through FAC.

The Honorable Audrey B. Collins, United States District Judge for the Central District of California, issued a temporary restraining order against Lewis, which temporarily restrains him from committing future securities fraud violations and freezes the assets of Lewis, FAC, and the Funds.

The Commission's complaint alleges that for almost 20 years, Lewis, doing business as FAC, sold interests in the Funds. According to the Funds' offering documents, the Income Fund purportedly invests in equipment leasing and insurance premium financing programs and has purportedly realized an average annual return of more than 19% per year since its inception in 1983; and the Growth Fund purportedly buys and sells distressed businesses and has purportedly realized an average annual return of almost 39% per year since its inception in 1987. Lewis has paid about $1.6 million per month in regular withdrawals and about $4 to $7 million per month in other withdrawals. Lewis, FAC, and the Funds are not registered with the Commission.

The Commission's complaint further alleges that since about June 2003, Lewis has not honored many requests to withdraw monies by investors in the Funds. Instead, Lewis has misrepresented to the investors that FAC's and the Funds' accounts had been frozen by the Department of Homeland Security. The Commission's complaint

alleges that the Department of Homeland Security has not frozen FAC's and the Funds' accounts, and that Lewis, either directly or indirectly, posed as a Department of Homeland Security official in an attempt to convince FAC administrative personnel that the freeze existed.

The Commission complaint further alleges that while he has failed to honor many withdrawal requests, Lewis has been accepting new investments into the Funds, reinvesting the investors' purported profits in the Funds, soliciting certain investors to make additional large investments in the Funds, and honoring certain investors' withdrawal requests. In addition, about the time that Lewis began to tell Fund investors that FAC's and the Funds' accounts had been frozen by the Department of Homeland Security, Lewis withdrew $3 million from his Income Fund account.

The district court's order temporarily restrains Lewis from future violations of the antifraud provisions of Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The court's order also freezes the assets of Lewis, FAC, and the Funds; orders Lewis to account for his, FAC's, and the Funds' assets and not to destroy any documents; grants expedited discovery; and orders Lewis to show cause why a preliminary injunction should not be entered against him. A hearing on the preliminary injunction is scheduled for January 7, 2004.

In addition to the emergency relief granted on December 23, 2003, the Commission seeks against Lewis a permanent injunction from future securities fraud violations, disgorgement of all ill-gotten gains plus interest, and civil penalties.

http://www.sec.gov/litigation/litreleases/lr18525.htm