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S.E.C. Release No.

*1 SECURITIES AND EXCHANGE
COMMISSION V. LARRY W. TYLER,
ADVANCED FINANCIAL SERVICES, INC., ET
AL. (U.S.D.C., NORTHERN DISTRICT OF
TEXAS, DALLAS DIVISION, CIVIL ACTION
NO. 3:02-CV-0282-P)
February 25, 2002

On February 21, 2002, Judge Jorge Solis of the United States District Court for the Northern District of Texas granted the Commission's application for a preliminary injunction and the appointment of a receiver against defendants Larry W. Tyler, of Fort Worth, Texas, and his company, Advanced Financial Services, Inc. ("AFS"), a Texas corporation headquartered in Fort Worth. The Court found that Tyler and AFS made material misrepresentations and omissions that "were unquestionably deliberate and clearly intentional" in connection with fraudulent sales of AFS-issued investments backed by viaticals. (Viaticals are interests in the death benefits of insurance policies insuring the lives of terminally ill persons.) The Court further stated that Tyler and AFS made "false guarantees about the investments' liquidity, interest rates and 'fixed' maturity dates" and that Tyler failed to disclose his commissions for the sales. Thus, the Court concluded that the "Defendants' actions adequately demonstrate an intentional pattern to deceive." In addition to the granting of a preliminary injunction and the appointment of a receiver, the court also ordered an asset freeze and an interim accounting, prohibited the alteration or destruction of documents and authorized expedited discovery.

The Commission alleged in its complaint, filed February 11, 2002, that since May 1998, the defendants raised at least \$30 million and that Tyler

personally reaped over \$5.2 million in undisclosed commissions, by fraudulently enticing more than 480 mostly elderly investors into purchasing investments issued by his company, AFS. According to the Commission, Tyler deceived the elderly investors with false guarantees about the AFS investment's liquidity, above-market interest rates and "fixed" maturity dates. Tyler used investors' funds to buy viaticals which rendered the guarantees false because, by definition, viaticals are illiquid investments with no fixed maturity dates and uncertain rates of return. Tyler hid the fact that the underlying viaticals could not fulfill the promises that he had made to investors and that the investors had to rely on him and AFS to carry through on the promises of guaranteed returns, fixed maturities and liquidity. Two weeks before the Commission filed its suit, Tyler and AFS both filed for bankruptcy.

The Commission also named as relief defendants in its action two Tyler-controlled limited partnerships, Granbury Plaza Ltd. ("Granbury Plaza") and Benbrook Lake L.P. ("Benbrook Lake"), and a Tyler-controlled Texas corporation, FWLT Holding Company ("FWLT"). The relief defendants received investor funds totaling \$116,000, \$1,000,000 and \$325,000, respectively. The court also subjected the relief defendants to his receivership order and further ordered an asset freeze of their assets and an interim accounting. The Commission seeks the return of all investor funds received, with prejudgment interest.

*2 In its complaint, the Commission charges Tyler and AFS with violating the antifraud provisions of the federal securities laws, specifically, 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. In addition, the Commission charges the defendants with violations of the securities registration provisions, Sections 5(a) and 5(c) of the Securities Act. The Commission also seeks disgorgement with pre-judgment interest and a civil money penalty

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against the defendants. Further, the Commission seeks an order finding that Tyler is in violation of a May 17, 2001, Order to Cease and Desist entered in *the Matter of Larry W. Tyler*, Administrative Proceeding File No. 3-10487. (In its order, the Commission barred Tyler from association with a securities broker or dealer for defrauding investors, most of whom - as in the instant action - were elderly.)

The Commission would like to thank the Texas State Securities Board for its assistance in the investigation of this matter.

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