

**ROBB EVANS**  
**Receiver of Fisherman Johnny Companies, Inc. et al.**

**REPORT OF RECEIVER'S ACTIVITIES**  
**May 1, 2002 through April 23, 2003**

**Appointment of Receiver**

On May 1, 2002, a Stipulated Order between Fisherman Johnny Companies, Inc., and Guaranty Business Credit Corporation was entered in the Superior Court of California, County of Los Angeles. The Stipulated Order appointed Robb Evans as Receiver over Fisherman Johnny Companies, Inc., dba Nalbandian & Son, Inc., dba J&J Seafood Co., dba J&J Seafood Co. Las Vegas, Nevada, dba J&J Olde Port Fisheries and Fisherman Jon, dba J&J Seafood Co. Reno/Tahoe (FJC) for the purpose of liquidating the collateral of the primary secured lender, Guaranty Business Credit Corporation (GBCC).

This report covers the activities of the Receiver since his appointment. This is the first and final Report to the Court on the progress of the receivership. It does not constitute an audit of financial condition and is intended only to provide information for use by the Court in assessing the progress of the receivership and determining if this receivership should be closed and the Receiver discharged.

**Facilities, Equipment and Inventory**

FJC operated two primary facilities under the name, J&J Seafood Company. The first facility was located in Vernon, California and the second was located in Las Vegas, Nevada. On May 2, 2002, the Receiver's Deputies visited each of the above locations to personally view the facilities, inventory (fresh and frozen seafood products, work in process and finished goods), and the equipment, fixtures, etc. deemed to be collateral of GBCC.

The furniture and fixtures in both facilities ranged from very old to rather new. However, most of the newer, more valuable equipment was leased. The liquidation value of the non-leased furniture and fixtures, because of its age and condition, was minimal.

Both facilities were leased property and accordingly no equity existed, from that source, for the benefit of the receivership estate. FJC records listed the fresh and frozen seafood product inventory book value at \$860,000. As discussed later in this report, the Receiver determined that the value of the inventory was overstated in FJC records and therefore, several adjustments to the initial book value were made.

**Sale of Perishable Inventory and Personal Property**

Immediately after the Receiver's appointment, we began soliciting and receiving inquiries from interested parties regarding the possible sale of the perishable product inventory of FJC. After notice to and approval from the Parties, the Receiver accepted an offer of \$430,000 for the product inventory. It was agreed that the purchase price was subject to adjustment based on a hand count of the inventory immediately preceding the receipt of the funds by the Receiver.

During the interim period, from the date an agreement was reached to the time the purchaser transferred the funds to the Receiver, the Receiver was able to sell almost \$121,000 of the inventory to retail customers, which cost approximately \$60,000. The Receiver conducted a hand count of the remaining product inventory and adjusted the purchase price from \$430,000 to \$400,000.

The Receiver was able to negotiate a sale of the personal property located in the Las Vegas facility for \$25,000 to the same company that purchased the product inventory. The Receiver was able to avoid significant claims against the estate from the landlord and other vendors by facilitating a smooth transfer of obligations from FJC to the new owner.

The landlord of the Vernon facility made significant claims against FJC for rent and liquidated damages for breach of the lease. The Receiver was able to negotiate the sale of the personal property at this facility to the landlord for \$20,000, with the further understanding that there will be no claim for any rent due on the Vernon facility or other damages for breach of the lease agreement.

## **Accounts Receivable**

The Receiver was able to produce an aging of accounts receivable from FJC's computer records. Those records indicated there was an adjusted total of \$3,500,000 due to FJC, however it was discovered that the records were faulty in several respects. Many of the accounts were very old and not collectible. Other accounts were overstated or were due from customers that had filed bankruptcy, disputed the amount due, had gone out of business or were simply not reachable using the contact information contained in the database. The Receiver also discovered several fictitious accounts. The Receiver has determined that approximately \$1,115,000 of the accounts receivable listed by FJC were not collectable and the realistic collectable amount was therefore \$2,385,000.

The Receiver immediately took control of the incoming mail and is providing an accounting to GBCC and FJC of all monies received. The Receiver initially retained the services of the controller of FJC, and also hired a former FJC employee who was very familiar with the individual accounts, to assist in the collection of accounts receivable. As of April 23, 2003, we have collected \$2,303,000 of the total outstanding balances.

Included in the amount written off is \$169,000 due from a vendor who is refusing to pay because of their claim that their pre-receivership offset of goods for debt is not subject to this Court's Order. This vendor had extended a line of credit to FJC for approximately \$150,000. Several days before FJC executed the Stipulated Order, this vendor took a total of approximately \$145,000 worth of seafood products from the FJC facilities in Vernon and Las Vegas. The Receiver investigated the alleged agreement between this vendor and FJC and has reason to believe that the parties may not have acted in good faith in light of the pending Stipulated Order. The Receiver has made three demands for payment, all of which have been rejected by attorneys for this vendor. The Receiver has consulted his counsel regarding the advisability of initiating legal action to collect the amount due. It is felt that the Receiver has exhausted all reasonable collection efforts against this debtor and has written off the amount due as not collectible.

During the Receivership, the Receiver collected \$213,000 from a customer in the restaurant business that claimed an inability to pay timely since September 11, 2001. At the time of the Receiver's appointment, this company's outstanding balance of \$232,000 was substantially more than 90 days past due. Based on the Receiver's discussions with the company management and the available supporting documents, the company agreed to pay about \$211,000. The Receiver was able to secure a commitment to pay certain amounts of payments over certain periods of time. The Receiver visited this company from time to time to understand the business conditions and collect the payments in person. The Receiver received the final payment in the second week of April 2003.

On September 5, 2002, the Receiver placed 28 accounts, totaling \$112,000 with a collection agency. As of the date of this report \$18,000 has been collected from these accounts and additional credits have been granted to various accounts in the amount of \$17,000. The Receiver has determined that due to inadequate accounting records maintained by FJC, the cost versus the potential benefit of pursuing the remaining accounts through litigation cannot be justified.

On December 9, 2002, counsel for Johnny Nalbandian and FJC informed the Receiver of a potential claim which FJC, FJC Specialty Foods, Inc., and Mr. Nalbandian wish to pursue against Pacific Seafood Group, presenting a claim alleging tortious conduct including defamation, trade libel, interference with business contracts and breach of fiduciary duties (tort case).

Counsel for Nalbandian and FJC has informed the Receiver that because the plaintiffs in such case will be FJC, FJC Specialty Foods, Inc., and Johnny Nalbandian, the Receiver is entitled to a 1/3 interest in the net proceeds of the tort case. Although the Receiver has not interviewed witnesses or made any other independent evaluation of this potential tort case, the Receiver does not believe that it is worthwhile keeping the Receivership Estate open, potentially for a period of years, while the tort case is being litigated and perhaps appealed.

The Receiver proposes that this Report and the notice being given hereby to all substantial claimants of FJC, constitutes notice to such claimants of an opportunity to purchase the Receivership Estate's 1/3 interest in the tort case. Such an interest may be "purchased" by any claimant submitting the highest sealed written bid to counsel for the Receiver, Alan M. Mirman, at the address listed on the moving papers in support of approval of this Final Report.

The purchase of the Receiver's interest is "as is," with no representations or warranties whatsoever. Any obligations of the successful bidder to pay any costs or undertake any action relating to the tort case are unknown to the Receiver, and any bidder must do his/her own due diligence and investigation. Any such bid must be in writing, unqualified, unconditional and received by Mr. Mirman no later than seven (7) calendar days prior to the hearing scheduled for approval of the Final Report.

Mr. Mirman will notify the successful bidder no later than three (3) days prior to the hearing on approval of the Final Report. A cashier's check payable to "Robb Evans, Receiver for FJC" must be presented to the Receiver at the time of the hearing on approval of the Final Report.

In the event that no such bid is received, then the Receiver proposes abandoning the tort case to Mr. Nalbandian.

## **Summary**

The secured lender, GBCC, reported to the Receiver that the gross loan balance, at the time of the appointment of the Receiver, was \$3,326,000. At that time GBCC also maintained a reserve of approximately \$800,000, resulting in a net loan balance of approximately \$2,526,000. The amounts turned over to GBCC by the Receiver to date total approximately \$2,589,000, or about \$63,000 more than the principal balance. To date GBCC has incurred over \$84,000 in expenses - approximately \$50,000 for audit expenses and \$32,000 for legal fees. According to the Loan & Security Agreement, GBCC is entitled to be repaid its reasonable costs and expenses, including reasonable attorney's fees and legal expenses. As there will be no funds available for distribution to unsecured creditors, the Receiver recommends that the estate be closed.

## **Financial Report**

Under Tab 1 is the Receiver's Report of Sales and Collections from the May 1, 2002 inception of the Receivership Estate through April 23, 2003. Under Tab 2 is the Report of Business Expenses and Receivership Administration Expenses. Under Tab 3 is the Summary of Cashflow during Receivership. These administrative costs and expenses have been reported to the parties' respective attorneys of record and/or other designated personal agent in accordance with the Order appointing the Receiver.

## **Requests of the Court**

The Court is requested to:

1. Approve this Report
2. Order that the actions and activities of the Receiver and his staff are approved.
3. Authorize payment of any residual funds in the Receiver's account to the plaintiff, Guaranty Business Credit Corporation.
4. Authorize payment of the expenses incurred by the Receiver, as detailed under Tab 2.
5. Authorize the Receiver to turn over the records of FJC to Michael White, counsel for FJC and Johnny Nalbandian, and to destroy and records not picked up from the Receiver within 30 days of this hearing.
6. Approve the Receiver's recommendation for sale or abandonment of the "tort claim" described above.
7. Upon faithful completion of the above items to terminate the receivership, discharge and relieve Robb Evans as Receiver, his agents, employees and representatives of all duties, liabilities and responsibilities and exonerate the Receiver's bond.

Respectfully submitted,  
Robb Evans, Receiver