

ROBB EVANS
ROBB EVANS & ASSOCIATES
Receiver of SkyBiz.com, Inc., World Service Corporation,
Nanci Corporation International, Worldwide Service Corporation

REPORT OF RECEIVER'S ACTIVITIES
FROM AUGUST 25, 2001 THROUGH SEPTEMBER 21, 2001

This report covers the activities of the Receiver since the second Report of the Temporary Receiver. 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.

Overview

The Receiver's activities since his last report have continued to center on monitoring the companies' activities which included ensuring customer support was available to existing website purchasers, a detailed review and management of accounts payable requests and balancing those requests with available funds, and reviewing and approving or modifying requests for new postings to the SkyBiz.com website.

The Receiver has been asked by the receivership defendants to review a proposed business plan for the on-going operations of SkyBiz.com. The Receiver's staff began a detailed review of the plan during the reporting period. As of this writing, the Receiver has preliminarily concluded that based on sales projections provided by SkyBiz.com combined with the financial obligations of the companies, SkyBiz.com cannot become profitable. Part of the support for this conclusion arises from the tentative nature of income projections contrasted with the absolute nature of liabilities. The companies' outside CPA, Woodrum, Kemendo & Cuite, P.C. has calculated tax liabilities for year-ending June 30, 2000 for SkyBiz.com that are estimated to be \$2,700,000 plus potential penalties and interest.

The Receiver has also taken steps to secure funds held in offshore bank accounts by affiliates of the receivership defendants.

The Receiver has monitored the financial activities of Nanci Corporation International in accordance with this Court's June 12, 2001 and August 2, 2001 Orders. The issues addressed in this report do not pertain to Nanci Corporation International.

Accounts Payable

As previously reported a procedure was established with the accounting department in Tulsa whereby the accounting department submits to the Receiver's office a weekly spreadsheet itemizing and prioritizing accounts payable. The accounting department in Tulsa also provides the Receiver's office copies of all invoices supporting the payable requests. The Receiver's office evaluates the requests, against criteria set by the companies' chief operating officer, and follows-up for any needed additional information.

To fund accounts payable requests of the company and to comply with this Court's Order to continue to provide customer service to existing SkyBiz.com associates, the Receiver's office negotiated a partial release of the funds held by Card Service International to secure a credit card merchant processing account for Worldwide Service Corporation. Of the \$3 million deposit, Card Service International agreed to release \$1.4 million and held the residual funds and accrued interest as a reserve against possible consumer credit card chargebacks.

Legal Proceedings

SkyBiz.com, Inc. dba SkyBiz 2000, and its affiliate SkyBiz International Ltd., filed a law suit against World Capital Management Ltd., dba World E Cash to attempt to recover merchant credit card reserves allegedly still held by World E Cash. The Receiver's staff has pursued documentation from World E Cash to ascertain if World E Cash's claims against the funds are valid. To date, World E Cash has not turned over any documentation to the Receiver. The matter will continue to be pursued.

On September 17, 2001 the Australian Competition and Consumer Commission filed suit against SkyBiz.com alleging misleading or deceptive practices. A copy of that lawsuit is under Tab 1. The Receiver is attempting to analyze with his counsel in Perth Australia what impact, if any, the Australian Government's action has on the company and what impact, if any, there may be on the proposed business plan of SkyBiz.com.

At the June Preliminary Injunction hearing, this Court authorized payment of legal fees for the defense of Mr. Habib Tata, an employee of World Service Corporation. It was reported to the Court that Mr. Tata's passport had been confiscated by the Enforcement Directorate of the Indian Government. It was the Receiver's understanding that the Court authorized \$22,000 payment was for Mr. Tata's passport problem. The Receiver learned from an August 28th email (Tab 2) that the payment included \$12,000 for representation of SkyBiz.com. Also under Tab 2 is an email correspondence between one of the Receiver's colleagues and Mr. Tata's counsel in India. It appears this may be a very complicated matter, which may take several weeks if not months to resolve. The Receiver is awaiting documents from India in an effort to gain an understanding of what this case is about. Mr. Tata's counsel has requested an additional \$10,000 to continue to defend Mr. Tata.

Other Matters

Because certain officers of the companies have not been as forthcoming and cooperative as anticipated by the Court and the Receiver, the Receiver has been required to expend substantial resources to comply with this Court's Orders to oversee the operations of the companies. Issues such as failure to disclose and produce bank documents, the apparent authorization of substantial expense commitments to outside contractors for web site development, contrary to assertions that no such efforts would be undertaken, and making unauthorized bank deposits for consumers apparently anticipating commission payments under the former SkyBiz compensation program are among the items addressed by the Receiver. Information is still being developed on the matter of website development efforts.

The Australian office of World Service Corporation has had frequent discussions with the Receiver's staff expressing frustrations with the Tulsa accounting department for not being understanding or responsive. The Receiver's staff has, thus far, been able to facilitate communications and make necessary payments to the Australian office as required by local regulations.

The manager of the Australian office has informed the Receiver's office that he intends to close that office no matter what happens in the United States. He has presented a proposal to perform on-going customer and technical support with his new company (Tab 3). This proposal is under consideration.

Offshore Bank Accounts

The Receiver is aware of the position that SkyBiz International Ltd. has asserted to this Court. However, the Receiver has analyzed the receivership defendants' business activities and concluded that the funds in certain offshore accounts standing in the name of SBI are assets of SkyBiz.com, Inc. Furthermore, SkyBiz International Ltd. has no products, cannot have customers and therefore, cannot have a legitimate claim to any assets. In fact, in a lawsuit filed against Stephen McCullough, Zibycom.com, Inc., and others, the receivership defendant companies and their affiliate SkyBiz International Ltd. stated that, "SkyBiz International Ltd. receives monies from the overseas sales of SkyBiz.com, Inc. products."

This Court, in its August 31, 2001 Order for a Preliminary Injunction, in paragraph H-7 on page 28 authorized the Receiver to "Institute, prosecute, compromise adjust, intervene in or become a party to such actions or proceedings in

state, federal or foreign courts that the Receiver deems necessary and advisable to preserve the value of the properties of SkyBiz.com, Inc..."

As previously reported, SkyBiz International Ltd. is holding funds in at least two offshore accounts. The Receiver was informed on September 4th of an attempt to move residual merchant credit card reserve balances from the Bank of Bermuda (Tab 4). This is in addition to a previous attempt to move \$1 million from the Merrill Lynch account, which was previously reported.

After learning of the additional attempt to move funds, the Receiver instructed his in-house counsel and his colleagues to prepare an application for a freeze order and to locate local counsel in Bermuda for the purpose of filing and making an appearance, if necessary. On September 21, 2001 the Supreme Court of Bermuda issued an order to preserve the assets by freezing the assets of the named defendants and requiring document production and disclosure from the defendants. A copy of the order is under Tab 5.

Administrative Expenses

Under Tab 6 is a report of the expenses incurred by the Receivership during the reporting period.

Requests of the Court

The Court is respectfully requested to:

1. Approve this Report and confirm the actions of the Receiver described therein.
2. Approve and authorize payment of expenses of the Receivership from August 25, 2001 through September 21, 2001, including fees and expenses of the Receiver detailed under Tab 6.

Respectfully submitted,

Robb Evans
Receiver