

ROBB EVANS & ASSOCIATES LLC
Receiver of
Assail, Inc.
Infinium, Inc.
Market-Rep.com, Inc.
Summit Communications International, Inc. dba
Advantage Capital
Capital First Benefits, Inc.
Premier One Benefits, Inc.
And the assets of Kyle Kimoto

REPORT OF RECEIVER'S ACTIVITIES
FEBRUARY 1, 2003 THROUGH MARCH 25, 2003

This report covers the activities of the Receiver since his last report. This is the second 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.

The Receiver has reviewed the Motion to Dissolve or Modify Preliminary Injunction recently filed by the Assail defendants. This report contains financial and other information about a number of the entities discussed in the defendants' motion. Based on the information developed from the available documents and other sources, which in many cases do not include complete bank records, the Receiver believes it would be premature and inappropriate to dissolve or modify the Preliminary Injunction.

Continuing Financial Investigation

The Receiver has continued the investigation into certain disbursements from Assail, Inc., some of which were discussed in the first Report to this Court. As part of this process, a number of payments were identified from the company's accounting system for further review. The Receiver then undertook to crosscheck those payments to vendor files maintained by Assail's accounts payable department. The Receiver was able to verify some of the payments to vendor invoices located in vendor files. However, the Receiver was not able to verify payments to a large number of vendors (Tab 1) because either the complete file or the contents of the file folder was not in the Assail accounting department or in any other location on the Assail premises.

In a further attempt to locate information on these vendors, the Receiver was allowed access to all of the documents in the possession of the Secret Service in Waco. No file folders or file contents relating to any of these vendors were in the possession of the Secret Service. During the course of investigating further, the Receiver has learned of unsubstantiated information

that a number of accounting documents were destroyed in the spring of 2002. Whether the unsubstantiated information is correct or not, it is curious that information on these vendors was missing, given the otherwise orderly and well documented accounts payable department.

The Receiver recently has learned that in August of 2002, all back up tapes of Assail's computer servers were removed from the premises and perhaps destroyed. At the same time the tapes were removed, all email records and a number of spreadsheets were deleted from executive and management personal computers and commonly accessed servers. There is also a rumor that alterations were made to the accounting system. A copy of an internal memorandum documenting these events is under Tab 2. The Receiver confirmed with the author of the memorandum that the memorandum was created at the time the events occurred. The Receiver also learned from the author of the memorandum that he created a special copy of the computer data at the time of the data destruction. He was uncertain as to whether he was able to capture all of the original data before it was erased from the computer server. The Receiver is in possession of the copy of the data and is in the process of reviewing it.

Automated Clearing House (ACH) Processing

Under Tab 3 are copies of email transmissions from Assail's ACH processor, Global e Telecom (Global). An email dated July 17, 2002 is a response from Global to a request made by Mike Hendricksen, Assail's controller. That email lists a number of merchant accounts that Assail has access to. An email dated July 5, 2002, addressed to Assail employee Brandi Fenton, shows that Assail is receiving ACH settlement files for ACS (American Credit Solutions) and ECS (E-Credit Solutions). American Credit Solutions is a dba of Green Investment Planning, Inc. Assail's accounts payable and disbursement records show that Assail paid for the incorporation fee of Green Investment Planning, Inc. A November 9, 2001 email with the subject line of "Kyle's Accounts" states "We were running transactions thru Alliance under Alliance-ASI, INF, GEC and GBI." The Receiver is communicating with Global to obtain additional information about this email and the entities named in the email, including the reason Assail had access to these ACH files.

Company Information

The Receiver has obtained public information on a number of entities for which disbursement or receipt information was identified from Assail's accounting system or from information obtained from bank statements or identified in records received from Global. Some of these entities are listed under Tab 1 as vendor files that could not be located. Under Tab 4 is a list of the entities, along with current and former, if any, officer information obtained from public records. The Receiver is continuing to investigate the relationship of these entities to Assail. Two common threads that exist between these companies are that most of them were formed with the same incorporation company in Nevada, and thousands, sometimes millions, of dollars have moved between them.

Movement of Funds

The Receiver has analyzed certain bank statements and accounting records. Far from complete information is currently available to the Receiver, although more bank records and other documentation should become available through discovery that is now under way. A pattern is emerging of movement of funds between a web of companies, some of which are closely related to Mr. Kyle Kimoto and others of which the exact relationship with Mr. Kimoto is not currently clear. Nevertheless, the movement of funds is substantial and, in some cases, continues over months or years.

Under Tab 5 is a graph that shows information on movements of funds. Also, under Tab 5 is a compilation of accounting data further detailing the movement of funds.

Par 3, Inc. was discussed in the Receiver's first Report. Par 3, Inc. was described in the defendants' motion as "operated and controlled..." by a third party that "...has no relationship with the operations with Assail." As shown on the chart under Tab 4, Par 3, Inc. has received more than one million dollars from Alliance Solutions, Inc. (Alliance), which has extensive financial transactions with Assail and Zentel Enterprises, Inc. Alliance also sent at least \$610 thousand to Cove and Associates PA, Assail's former counsel, described as refunds for consumers. The corporate information the Receiver has about Alliance is set forth in Tab 3. The Receiver does not know if Jay Snow, the President of Alliance, is related to Anthony Snow, the President of American Credit Solutions.

The chart also shows that Par 3, Inc. has received over \$400 thousand from Tower Holdings LLC and Red Rock GT LLC, two entities owned by Julie Kimoto. Par 3, Inc. has also provided a substantial credit facility to Kyle Kimoto. According to Kyle Kimoto's financial information, in August 2001, Par 3, Inc. created a line of credit under which Kyle Kimoto has borrowed \$995,000. Repayment terms are described as "balloon payment at the end of the term".

In addition to the extensive financial transactions with Assail, Inc. and other entities, Zentel completed its entire payroll processing, for itself and for Central Intel Communications, Inc. through the personnel department at Assail. Additionally, Zentel kept all the company and individual personnel records in the personnel department at Assail, Inc.

Global Benefits, Inc. dba Voice Vox is 91% owned by Kyle Kimoto. Scott Burley, Mr. Kimoto's brother-in-law, is the President and 9% owner of Global Benefits. As shown on the chart, Global Benefits has extensive financial transactions with Assail and Zentel Enterprises, Inc.. The chart also shows that Global Benefits sent \$140 thousand to Tower Holdings. This information is based on only one monthly bank statement from October 2002. The bank records of Par 3, Inc. show that Tower remitted \$91 thousand to it in September 2002.

The funds received by Par 3, Inc. from Tower Holdings and Red Rock GT were received on September 18, 2002. On September 23, 2002 a trust deed securing a note for \$740 thousand was recorded against a mountain cabin in Southern Utah owned by Par 3, Inc. A former

senior employee of Assail stated that he had performed work at the cabin, which he described as Kyle Kimoto's cabin.

Valdine Management Company, Inc. was described in the defendants' motion as a "...totally unrelated third party...and not in a business related to consumer telemarketing..." Records of bank accounts for Premier One Benefits, Summit Communications International, and Capital First Benefits, Inc. provided by East West Bank document that Valdine Management Company, Inc. received \$259 thousand from these defendant entities. In conversations with senior Information Technology personnel, the Receiver learned that the separate space occupied by Valdine Management Company, Inc. included a server that was not yet fully operational. There was also an installation underway to link the server to the computer facilities in the Assail premises. These same employees reported that the Valdine space was to become a control center for all other telemarketing locations.

Conclusion

The Receiver believes the information currently available demonstrates a web of companies whose corporate and financial relationships remain unclear. The Receiver anticipates that discovery currently under way will produce additional information that will assist in clarifying the relationships.

Financial Report

Under Tab 6 is a Balance Sheet of the receivership estate and a report detailing the administrative expenses of the Receivership from inception through February 28, 2003.

Recommendation

- The Court is requested to approve this report and ratify the Receiver's actions described herein.
- The Court is requested to approve the Receiver's administrative expenses as detailed under Tab 6.

Respectfully submitted,

Robb Evans & Associates LLC
Receiver