

**Robb Evans, Receiver of  
Equinox International Corp.,  
Advanced Marketing Seminars, Inc.,  
BG Enterprises, Inc.,  
Related Corporations or Business Entities  
and Certain Other Assets**

**REPORT OF RECEIVER'S ACTIVITIES  
APRIL 20, 2000 THROUGH MAY 18, 2000**

This report covers the activities of the Permanent Receiver since his appointment under the Order Preliminarily Approving Stipulated Final Judgment and Class Action Settlement, which was entered on April 20, 2000. This is the First 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.

**Control of Receivership Entities and Business Operations**

I took control of the premises on April 20<sup>th</sup>. The door locks were changed and the security system was modified to restrict access to the facility to weekdays only during normal business hours. On April 21<sup>st</sup>, I exercised control of bank accounts and also determined that accounting functions and records were under my supervision and functioning properly.

I determined that it would be in the best interest of the estate to continue employment of selected former management and staff. With the assistance of the former management team, all employees were notified of the essential elements of this Court's Order, including the directive to suspend company operations and prepare for the liquidation and dissolution of the Receivership entities. The employees were advised of the provisions for two weeks of employment, payment of accrued personal time off, and an orderly liquidation of the 401 (k) program.

My staff caused the telephone announcement, a broadcast e-mail message, and the company web site to notify distributors and others of this Court's Order and, specifically, that business operations had ceased and a plan for consumer redress would be developed. Effective May 5<sup>th</sup>, about 74 employees were terminated. I have retained 70 employees, who will be released as tasks are completed, to assist in winding down business operations. The terminated employees were paid for accrued personal time off, were provided COBRA information, and were provided information on the steps they should take with the 401(k) Plan, which is in the termination process.

The retained employees include one employee in Mexico and one in Taiwan. About one half of the retained employees have been assigned to the project of entering and reviewing requests for distributor refunds for returned products into the computer system. These requests will become part of the Claim Administration procedure or the consumer redress program. There is a backlog of about 1,300 non-entered refund requests and we estimate this project will take between 30 and 45 days.

### **Prevention of Potential Additional Consumer Injury**

My staff learned that the company had unprocessed checks and credit card charges in the amount of \$41,890.00 from 160 distributors and potential recruits who had signed up to attend future training events. Also, there were numerous product orders paid for, but the product was unshipped, totaling \$20,994.25. After a review and verification process, and after consulting with the Federal Trade Commission, these funds were returned to the consumers.

### **Control of Assets**

Based on the March 30, 2000 company prepared financial information, the assets of the Receivership entities, and certain other assets transferred or turned over to me, appear to have a net realizable value in excess of \$25 million. I have taken control of all known assets either physically or by delivering the Order to the caretakers of assets and explaining their responsibility to preserve assets for the benefit of the Receivership estate. I am also in the process of filing the Amended Complaint and Order in all district courts where Receivership assets are located.

My staff took control of the property in La Jolla, California and arranged for the security company to change the security system access code. My staff inspected the 7-acre residential site in Lake Las Vegas and served the Order on the development and sales company. My staff also visited the 240-acre ranch in Colorado, reviewed the Order with the caretakers, and inventoried vehicles and other assets on the property. I inspected the houseboat on Lake Mead, Nevada, advised the Marina manager of the Receivership, and later had the boat cabin locks changed.

Mr. Gould turned over his jewelry to my staff and it was placed in a safe deposit box under dual custody. My staff has inspected and exercised control over the three residences, two ocean-going vessels, the jet airplane, and numerous smaller boats and water recreation vehicles that are located in Florida. My staff has also inspected and taken control of the industrial building housing the water and air filter manufacturing company that is located near Dallas, Texas.

In Nevada, California, Colorado, and Florida, we have arranged for qualified appraisers and others to prepare valuations of the major assets. Additionally, we have interviewed two or more qualified realtors/brokers for the residential and ranch properties, for the

airplane, and for the 58 foot and 105 foot vessels. We have arranged for a well-qualified industrial property broker to inspect the 90,000 SF manufacturing facility in Texas.

### **Liquidation of Equinox Product**

Several liquidators have contacted me to express an interest in purchasing the product inventory. It appears the average offer will be about 15 percent of the cost of the product. However, numerous former distributors have also written or called and asked to purchase products for their own use or for retail sales. I have initiated actions, with the consensus of the parties, to offer the inventory for sale to former distributors for a limited period. The sale terms will be for cash, without warranties, without return privileges, and without any bonuses or rebates. The products will be sold at 50% of the former wholesale cost offered to distributors. I have been advised that such sales to former distributors could yield as much as 110% of the cost of the product, which is carried on the balance sheet at about \$3.0 million. After a limited period for this sale, I will locate liquidators to dispose of the balance of the inventory.

### **Credit Card Chargebacks**

I have learned that current and former merchant depository banks are processing consumer-originated chargebacks to the companies' merchant depository accounts. Consumers who paid the companies by check or money order do not have this avenue available. In addition, those consumers who are initiating chargebacks are ignoring the terms of the settlement with the Mandatory Settlement Class, are receiving full restitution, and are gaining an advantage over Class Members and claimants. Since April 20, 2000, such chargebacks have aggregated the sum of \$102,141.09, including merchant bank fees of \$4,289.18. In a separate motion, I will be asking the Court to clarify its Order by expressly precluding mandatory class members from initiating chargeback procedures and further providing that merchant banks should not accept such chargebacks.

### **Cash Flow**

I am anticipating some cash flow shortages during the first 60 to 90 days of the liquidation. Rather than being forced into a position of quickly liquidating assets at a lesser value than can be achieved through an orderly liquidation, I have arranged a \$2 million line of credit for the estate. I will request the Court to authorize my borrowing under the line of credit in a separate motion.

### **Projected Near Term Activities**

Under Tab 1 is a project plan that details some of the significant actions taken since April 20<sup>th</sup> and details some of the significant actions to be taken in the near future. I estimate that it will take another 30 days to complete a proper inventory of assets for submission

to the Court. I will be receiving appraisals and expert opinions on all major assets within the next 30 to 60 days. By separate motion, I will be requesting this Court to modify procedures for the sale of real and personal property to minimize expense and delay but also insure that assets are sold for a reasonable value. Concurrently, I will begin work, in consultation with the Plaintiffs, on a consumer redress program.

**Approval Requested**

The Court is respectfully requested to approve this report.

Respectfully submitted,

Robb Evans  
Receiver