

**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
MARCH 1, 2000 THROUGH AUGUST 31, 2001**

This report covers the activities of the Permanent Receiver since his fourth report to the Court. This is the fifth 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.

Asset Evaluation and Sales

I previously completed an inventory of the Estate's assets as of April 20, 2000, when the Settlement Agreement was entered. Under Tab 1 is a non-cash asset inventory as of August 31, 2001 listing items sold since April 20, 2000 and items remaining in the Estate.

During this reporting period, substantially all of the jewelry was sold at a Sotheby's public auction for \$148,000, above the aggregate appraised value. The remaining two pieces of jewelry have been placed with Sotheby's for an October 2001 auction.

The claim against Platinum Motors was settled for \$200,000.

On August 27, 2001 this Court approved my motion to modify sale procedures related to art objects and other items. Disposition of these items is in process.

I have completed the liquidation of the Equinox-owned business in Taiwan. The liquidation Equinox De Mexico is nearly complete except for the final government approval of tax returns. My counsel in Mexico is monitoring the process.

The remaining major assets to be liquidated are the 17,500 SF home in Boca Raton, Florida, the 116 ft. Norship Yacht, and the 89,000 SF International Purity manufacturing facility in Texas. The uncertainty in the economy continues to discourage offers at the listed prices currently set for these assets. I have received periodic marketing updates from the listing agents detailing their efforts to promote and sell these assets. I am now scheduling conferences with the listing agents for these assets to evaluate their observations and recommendations about how to maximize the value of these assets in the current economic environment.

Consumer Redress

The database for the claims filed by the former distributors is now complete and final claims validation procedures are in process. The total number of claims is 66,197. The total dollar value of the claims, before final approval of the claim amounts, is \$366,020,088.

Part of the final claims approval process is gathering additional information and some additional documentation for claims greater than \$12,000. I anticipate this process will be completed by December 31, 2001. At that time I will

request the Court to approve the claims administration completed and set a claims bar date for other creditors. As previously reported, I will also recommend an increased payment for distributors who returned products but did not receive an Equinox refund.

The Consumer Redress program cannot be completed, however, until the pending litigation, the remaining claims, and over \$12 million in claims filed by the Internal Revenue Service (IRS) are resolved. Furthermore, the fee and cost claims for Class Counsel and others are not resolved.

Pending Litigation and Remaining Claims

Pending Litigation

Much of the remaining litigation, currently totaling about 12 pending actions, has been settled, is inactive and expected to be dismissed, or is covered by insurance with an affordable deductible. Expected liability for litigation under these circumstances should not exceed \$120,000 to \$150,000.

One of the pending actions that settled was an action filed claiming breach of contract for a million dollars. Recently, this action was verbally settled as a result of mediation, and a written settlement agreement should be executed in the near future. The Settlement Agreement requires a cash payment of \$50,000 at the time the Agreement is executed and allows the plaintiff to file a claim against the Estate, as an unsecured creditor, in the amount of \$50,000, which amount will be treated on the same basis as other unsecured creditors.

Remaining Claims

Currently there are about 35 existing or potential claims comprised of water damage, vendor and service related claims. The approximate 20 water damage claims are covered by insurance with a total indicated liability of \$200,000. However, we realistically expect to resolve these claims for between \$30,000 and \$50,000. Of the remaining 15 potential claims comprised of vendors and service providers, several may file claims that could exceed \$500,000. We expect all such claims to be resolved through the claims process.

Internal Revenue Service Issues and Other Tax Claims

As previously reported the IRS has filed claims for approximately \$12 million, disallowing substantially all the deductions taken by BG Management to fund the 419A Plan. The IRS is claiming \$3,821,745 from BG Management and \$8,105,213 from Bill Gould. Mr. Gould asserts the Settlement Agreement provides him indemnity from any such tax claims. I have not agreed to any such indemnity.

The Federal Trade Commission's attorney successfully arranged for the Department of Justice to intervene in the dispute arising from the competing claims from two agencies of the U.S. government. If no resolution is reached, the Estate intends to vigorously oppose the claim in this Court.

I continue to believe that certain benefits related to the 419A Plan were put in place without authorization. I am still reviewing other expenses of the 419A Plan to be certain they were proper and authorized, and analyzing whether any third party liability may exist as a result of the potential tax claim.

With respect to the Joint Committee on Taxation audit of Equinox International Corporation for the tax year ending February 28, 1999, I was notified on April 21, 2001 that this audit has been concluded and the tax return has been accepted as filed. Accordingly, this matter is now closed.

Relative to the Joint Committee on Taxation audit of Advanced Marketing Seminars, Inc. for the tax year ending December 31, 1997, the IRS has filed a claim for approximately \$105,000 plus interest. It is unknown whether I will be able to settle this matter for less than the assessment. The claim remains pending and may be resolved through the claims process.

The IRS recently filed an additional claim against Equinox International Corp. for about \$28,000. It is unknown whether I will be able to settle this matter for less than the assessment. The claim remains pending and may be resolved through the claims process.

The City and County of Denver, Colorado has assessed approximately \$75,000 plus penalties and interest attributable to sales tax. It is unknown whether I will be able to settle this matter for less than the assessment. The claim remains pending and may be resolved through the claims process.

Net Asset Value of the Estate

As previously reported I believed the range of remaining funds to be \$26 million to \$32.2 million. I now believe the high range of the remaining funds will be \$31 million because of the uncertain economy and its impact on the three large non-cash assets.

However, previously described uncertainties remain about resolving over \$12 million in claims by the IRS, other potential tax liabilities, pending litigation, remaining claims, and future administrative expenses. Furthermore, the fee claims for Class Counsel and others are not resolved. Consequently, it is not now possible to accurately predict the net asset value of the Estate and the ultimate funds available for Consumer Redress.

Sources and Uses of Funds: March 1, 2000 through August 31, 2001

Under Tab 2 is a statement of cash inflow and outflow for the period after February 28, 2000, the date used to estimate the value of assets turned over to the Receivership Estate. During the reporting period cash outflow totaled \$2.8 million compared to \$7.1 million in the previous reporting period. Current disbursements included Court-approved reimbursements of legal fees for plaintiff states totaling \$606,461 and maintenance of and planned improvements to the three remaining partnership assets of \$1.5 million. Each of the five disbursement categories was lower than the previous reporting period. Receivership expenses were \$166,855 compared to \$619,601 in the previous period.

Financial Report

Under Tab 2 is the Receiver's Financial Report of Administration Expenses for the period beginning April 20, 2000 and ending August 31, 2001.

Conclusion

I request that:

- This Report be approved.
- I be authorized to pay the indicated accrued fees and expenses owing myself.
- My actions in making other payments and taking such other actions described in this Report be confirmed.

Respectfully submitted,

<SIGNED>

Robb Evans
Receiver
