

**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  
SEPTEMBER 1, 2001 THROUGH FEBRUARY 28, 2002**

This report covers the activities of the Permanent Receiver since his last report to the Court dated October 17, 2001. This is the sixth 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 February 28, 2002 listing items sold since April 20, 2000 and items remaining in the Estate.

During this reporting period, the remaining two pieces of jewelry were sold at a Sotheby's auction.

On August 27, 2001 this Court approved my motion to modify sale procedures related to art objects and other items. A public auction of these items was conducted March 1, 2002.

The liquidation of Equinox De Mexico is nearly complete except for the final government approval of tax returns, which has been delayed for unstated reasons. My counsel in Mexico is monitoring the process and believes the approval, which is part of the law regulating liquidations, will be given soon.

During the reporting period the 89,000 SF International Purity manufacturing facility in Texas was sold for \$2,350,000 or 83% of the average appraised value, which is within this Court's approved limits for such a sale. These appraisals were a year old. We have received recent broker's opinions of value that stated the current market value of the property was very close to the actual sale price.

The remaining major assets to be liquidated are the 17,500 SF home in Boca Raton, Florida, and the 116 ft. Norship yacht. The uncertainty in the economy continues to discourage meaningful offers for these very high-end assets. I have received periodic marketing updates from the listing agents detailing their efforts to promote and sell these assets. I have had several 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.

As a result of a recent meeting with the listing agent for the yacht, I have reduced the sales price by \$500,000. I took this action, in part, because several of the yacht's sister ships have been on the market for an extended period of time and because the market for luxury yachts of this size has been depressed for some time. The yacht has been actively marketed at several large boat shows in South Florida.

All yachts and vessels of this size have continuing expense for insurance, repairs, maintenance, crew expense, and other general upkeep. Since my last report I have explored ways to reduce related expenses while marketing the yacht.

We discussed with industry professionals the notion of putting the yacht in dry dock. The unanimous recommendation was that dry dock would have a severe negative impact on marketing. Additionally, extended dry dock would probably damage the yacht because of not exercising the engines, the rest of the equipment, and other parts and accessories. The vessel has always been maintained to a very high standard. Continued maintenance to that standard is considered a critical positive marketing factor. Until it is sold, expenses to maintain the yacht cannot be meaningfully reduced without seriously diminishing the value.

Construction on the single-family residence in Boca Raton, Florida, is nearly complete. I was advised by the professionals who have been aggressively marketing this asset that its partially completed status was considered to be a seriously negative feature by many prospective buyers. Offers far below the listing price have been received, citing the partially completed condition.

During the past year I delayed some of the final and more expensive elements of the interior and exterior finish, and the landscaping. I had hoped a buyer would accept the property in its incomplete condition. As it became apparent that such a buyer would not appear, the broker and I became convinced that the property must be brought to a very near complete condition. Much of that construction work occurred in this reporting period.

Another comparable home on the same block, which was also new construction, was recently completed and sold. The sale reportedly included a land swap, which was not recorded as part of the recorded sales price. I am in the process of attempting to confirm the actual sales price of that home. Once the sales price has been confirmed, I will evaluate this recent sale with our appraisals and broker's opinions of value. This new valuation information may indicate that I adjust the listing price.

### **Consumer Redress**

As previously reported, the database for the claims filed by the former distributors is complete. Final claims validation procedures are in process. The total number of claims is 66,197. The total dollar value of the claims, before adjustments to claims and final approval of the claim amounts, is \$366,020,088. A Proof of Claim Form and a detailed explanation of the claims processing procedures adopted are described under Tab 2.

The review of claims and special audit procedures will be completed about May 31, 2002. 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 allowed claim for distributors who returned products but did not receive an Equinox refund.

The Consumer Redress program cannot be completed, however, until the pending litigation and other 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**

Since the last report, I have either settled or prevailed on several of the pending actions. Much of the remaining litigation, currently totaling eight 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.

Twelve water damage claims have been settled and I have either denied or made settlement offers on the ten remaining cases. There remain about 22 existing or potential claims comprised of vendor and service related claims. Of the remaining 22 potential claims, several may file claims that could exceed \$500,000. I expect all such claims to be resolved through the claims process.

### **Internal Revenue Service Issues**

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. The Department of Justice apparently has been considering the matter, but has not yet responded.

### **Sources and Uses of Funds: September 1, 2001 through February 28, 2002**

Under Tab 3 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 current six-month reporting period, cash outflow totaled \$2.5 million compared to \$2.8 million in the previous reporting period.

Similar to the last reporting period, and as earlier discussed, cash outflows continue to include large maintenance and upkeep expense for the Norship yacht and construction disbursements for the 17,500 SF home in Boca Raton. Expenses for the yacht totaled \$426,020 this reporting period, compared to \$350,692 last reporting period. Construction expense for the home totaled \$948,702 this period compared to \$732,039 last period.

Even though the yacht and home expenses were higher, total Partnership Asset Expenses were slightly below last period, and Corporate and Receivership expenses were also lower than last period. By agreement with all parties, the Receiver paid \$568,058 for Class Counsel's expenses owed to the Garden City Group, compared to no expense for last period. Dramatic future reductions in cash outflow are linked to the sale of the two remaining major assets. Those sales efforts are the highest priority of the Receivership.

### **Financial Report**

Under Tab 3 is the Receiver's Financial Report of Administration Expenses for the period beginning April 20, 2000 and ending February 28, 2002.

### **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

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