

Robb Evans
Temporary Receiver of Equinox International Corp.,
Advanced Marketing Seminars, Inc.
and BG Enterprises, Inc.

REPORT OF RECEIVER'S ACTIVITIES
OCTOBER 26, 1999 THROUGH DECEMBER 17, 1999

Ongoing Business Operations

On October 26, 1999, I filed with this Court my third Report of Receiver's Activities September 11, 1999 through October 25, 1999. Pending a Noticed Hearing that was scheduled for December 2, 1999, I continued to direct my activities and those of my staff in order to meet the requirements of this Court's Orders.

I believe our activities have complied with the Court's directive to conserve and preserve assets, and with the directive that required disclosures be made in a clear and conspicuous manner.

On December 2, 1999, the Court heard oral argument and then ruled on my request for certain approvals requested in my report by approving some requests and not approving others. As further detailed in this report, I have conferred with Equinox management to implement the Court's directives. I believe our correspondence and personal meetings with Equinox management have resulted in agreed-upon actions that have carried out the rulings and other directives issued by the court on December 2, 1999.

My Las Vegas based representative has continued to visit the company headquarters each week. During these visits, he has reviewed company disbursements under \$50,000, reviewed company disbursements over \$50,000 that were to purchase inventory under the guidelines of the Order, and obtained our concurrence to approve other expenditures over \$50,000. Since this process began in September 1999, we have agreed with the company about the propriety of payments and we have not observed extraordinary or unusual financial activity.

On December 17, 1999, I met with David Lieberman, Chief Operating Officer, to discuss implementing the directives issued at the December 2nd hearing and to discuss other financial issues including future cash receipts and continuing cash disbursements.

Defendants' Compliance with the Court's Orders

Disclosures, Advertising, and Seminar Presentations

During our meeting on December 17th, M. Val Miller, Esq., Vice President and General Counsel, was present for the discussion relating to revising the Supplemental Terms and Conditions and posting an alert notice for Equinox representatives on the company's webpage. We have asked the company to modify the font and point-size of the proposed revision of the Supplemental Terms and Conditions. We believe this revision will now comply with the letter and spirit of the Court's directive regarding

additional disclosure. We also believe the proposed alert notice on the company's homepage of its website is satisfactory. We further reached agreement about setting procedures to audit the collection of a signed Terms and Conditions form and a Supplemental Terms and Conditions form from each new distributor.

We also reviewed several dozen proposed classified advertisements and reached agreement with management on which are approved for use by the distributors. The company has also included its warning on the list of approved classified advertisements that the advertisements may not be changed. The warning also states that advertisements should appear in a newspaper's advertising section for "Commissioned Sales" or "Sales Representatives Wanted", and should not appear in the general "Help Wanted" section, unless a newspaper does not have such discreet categories.

My staff and I continue to review videotapes of satellite broadcast and recently, one of my staff members attended a 2 1/2-day weekend seminar in Las Vegas. The more lengthy comments in my last report about the contents of the videotapes continue to apply to current videotapes and to the weekend seminar. As I also stated in my last report, we have not concluded that any broadcast or seminar has violated the Court's Order. Nevertheless, we will continue to review satellite broadcasts and periodically attend weekend seminars to continuously evaluate whether or not the company is complying with the several directives within the Court's Order.

Conservation and Preservation of Assets

During the meeting on December 17th, Mr. Lieberman and I discussed the company's current financial condition, reviewed financial information and talked about specific events impacting future cash flow.

The company's monthly sales continue to be well below the \$6 million range reported in May, June, and July 1999. The combined loss for October and November 1999 was about \$3.4 million, although some of the loss resulted from an accounting adjustment related to the last date sales are recognized. Mr. Lieberman reported that sales in Mexico and Taiwan are continuing to increase. He reported that a high portion of the volume in Mexico is retail, with some pending sales of water filters to school districts. Nevertheless, while the trial date is pending, he does not expect Equinox sales to return to previous levels.

The company reports it has taken steps to reduce expenses. Total Equinox filled positions at November 30, 1999 were 134 compared to 166 at December 1998. Total AMS filled positions were 12, compared to 17 for the same dates. The company has also reduced some of the health insurance expense and reduced redundant or unnecessary liability insurance. The company continues to suspend management fees to Mr. Gould. Recently, with my approval, the company terminated a portion of its warehouse space and reduced annual lease expense by \$150,000.

The company has also evaluated whether the expense of maintaining the headquarters building and the distribution center cost can be reduced. It appears nothing can be done between now and the trial date to create any immediate, cash flow benefit. Subleasing a substantial portion of the headquarters' building would require cash outlays for significant tenant improvements, leasing commissions, and, in the short term, consume far more cash than created. Alternatively, moving to a new location would create tremendous moving and move-in expenses. Relocation would also require

the same cash outlays for significant tenant improvements and leasing commissions to sublease the current headquarters until the termination of the existing lease.

Legal expense continues to be a significant item. The defense against the FTC action costs about \$200,000 a month, and is expected to double or triple for the period immediately preceding the trial and the week of the trial. However, there are no new serious legal actions and the company is settling an action brought by the Commonwealth of Massachusetts and one other lingering action.

I discussed with Mr. Lieberman about maintaining the Falcon 20 Jet that requires monthly expenses of about \$100,000. Mr. Lieberman acknowledged that, provided connections could be made, traveling by commercial carrier would be dramatically less expensive. However, he then said it would be impossible to make connections because Mr. Gould is traveling across the country every weekend to personally attend portions of two different weekend seminars. He cited an example that Mr. Gould may attend a seminar Friday night and Saturday in Chicago, and then fly late Saturday night to Dallas or Anaheim for the Sunday session of another seminar.

Mr. Lieberman said that the company wants only Mr. Gould to deliver certain parts of the seminar material to ensure there are no inadvertent violations of the Court's Order about representing income levels, recruitment compensation and likelihood of success in selling Equinox products. The company also believes it is important that Mr. Gould personally address the current and potential representatives at each seminar to refresh their motivation and reduce resignations or defections to other companies. Finally, the weekend seminars produce a positive cash flow. I will continue to periodically review this issue.

Mr. Lieberman discussed the upcoming sale of Bill Gould's personal assets that would create cash available to loan to Equinox, if necessary. Mr. Lieberman said that Mr. Gould has already loaned about \$2.5 million to the company, funded by the sale of personally owned securities.

In the first quarter of 2000, two stock investments, Sand Hill Capital Ventures and one other investment are planned to be sold and should produce a total of \$2.7 million, less capital gains taxes. Mr. Gould's residence in Las Vegas is in escrow to close January 2000 for a sale price of \$1.75 million. The net proceeds will be about \$800,000. Additionally, we reviewed a schedule of expenses that showed discontinued mortgage and maintenance expenses for the property totaled about \$85,000 a year. Mr. Gould has also listed his land in Lake Las Vegas for sale for \$4.35 million. The property is debt-free.

If all these transactions are completed, cash available should be about \$7.5 million, less capital gains taxes. Mr. Lieberman acknowledged that aside from loaning money to support company operations, Bill Gould must receive my approval before converting these proceeds to a non-liquid form.

Bill Gould's Personal Expenses

I discussed Mr. Gould's personal expenses with Mr. Lieberman, who manages Gould's personal affairs and has authority to speak for him. These monthly expenses are paid from Mr. Gould's personal assets, not from any company funds. Previously I received a list of Mr. Gould's estimated monthly expenses, which totaled about \$40,000. However, when I reviewed the actual payments of Mr. Gould's personal expenses in October and November, the average was about \$70,000.

When I discussed this radical difference with Mr. Lieberman he showed me that many of the expenses paid in October and November were actually incurred in July and August, before the FTC action was filed. Mr. Lieberman told me future payments for Mr. Gould's personal expenses would be much closer to the \$40,000 schedule.

We also discussed, and I rejected, a request from Mr. Gould to transfer his approximate \$250,000 interest in a Florida residence to the mother of his child to settle a child support action filed by her. Mr. Lieberman reported that basic construction for Mr. Gould's 23,000 SF residence in Florida is nearly complete. He and I agreed that expenditures for personal taste items, such as carpeting or furnishings, would be deferred until after the trial.

Receivership Fees and Expenses

Attached are two schedules of Receivership fees and expenses. The first schedule lists Receivership expenses accrued but unpaid from September 11 to December 17, 1999. Previously, this Court approved payment of expenses from inception at August 6, 1999 to September 10, 1999. Project Coordinators' time was higher in October and December for activities related to compliance review, report preparation, and attending the Noticed Hearing. Legal expense was also higher because of the company's objection to my Las Vegas law firm, which caused me to seek replacement counsel, prepare a required Reply, and attend the Hearing.

The second schedule details all Receivership expenses since inception August 6, 1999. Continuing expenses should remain at November/December levels based on current procedures in place and solutions effected with Equinox Management to comply with the Court's Orders.

Approvals Requested

The Court is respectfully requested to:

1. Approve this report.
2. Authorize the payment of all expenses in this report.
3. Provide any additional direction or instruction to the Receiver that the Court deems appropriate.

Respectfully submitted,

Robb Evans
Receiver