

ROBB EVANS
ROBB EVANS & ASSOCIATES
Receiver of J.K. Publications, Inc., et al.

REPORT OF RECEIVER'S ACTIVITIES
DATED SEPTEMBER 9, 1999

This report summarizes major activities since my last full report for the period ending July 31, 1999.

Offshore Assets

Pursuant to my duties as Receiver over J.K. Publications, Inc., MJD Service Corp., TAL Services, Inc., and their affiliates and subsidiaries, and as Receiver over the assets of Kenneth Taves and Teresa Taves, I have continued the investigation regarding potential assets of the receivership defendants located offshore, including assets of the receivership defendants located in the Cayman Islands, the nation of Vanuatu and the Principality of Liechtenstein.

The documents obtained from Euro Bank in Grand Cayman provided sufficient information for me to file tracing applications against Barclays Bank, Cayman National Bank, the Royal Bank of Canada, and its subsidiary, Royal Dominion Securities. At a hearing before the Grand Court on September 8th, the Court granted my motions and has allowed the respondents fourteen days to produce the information to me. I anticipate the documents I obtain from these financial institutions will allow me to further trace the movement of funds. As detailed in my August 4th report, Ken Taves' accounts at Barclays Bank and Cayman National Bank should have balances of about \$2.5 million and \$320,000, respectively. However, the Restraint Order obtained by the Royal Cayman Island Police Department did not include these accounts. On the assumption that funds moved from these accounts to other financial institutions in Grand Cayman or elsewhere, I anticipate additional tracing applications will be necessary.

On August 24th, I filed a tracing application against European Bank, Ltd. in Vanuatu in an attempt to freeze the funds and obtain account documentation on the Benford, Ltd. account. On August 25th, the Supreme Court consolidated my action with a previous filing that had been made by European Bank, Ltd. and certain documents in connection with that filing were made available to me. Previously, on May 27th, the Liquidators of Euro Bank notified European Bank, Ltd. that I was asserting priority claims over funds originating from an alleged fraud in the United States (Tab 1). On July 28th, the Executive Chairman of European Bank, Ltd. filed an affidavit with the Supreme Court (Tab 1). Under item 9 in that affidavit, the Executive Chairman stated in part that "*I refer to the provision of The Serious Offences (Confiscation of Proceeds) Act No. 50 of 1989, and in particular to Section 19 therein. I verily believe that Act imposes a positive obligation on the Bank to notify Vanuatu authorities of the possible existence in this jurisdiction of the proceeds of crime.*" As a result of the notification by the Euro Bank Liquidators and the subsequent filing by European Bank, Ltd., the funds in the account were frozen.

The affidavit filed by the Executive Chairman notes that in excess of \$7 million is contained in the account.

The beneficial owner of the account is Vanessa Phyllis Ann Clyde. Ms. Clyde presented a United Kingdom passport to open the account. Under Tab 2 are two facsimiles sent by Ms. Clyde to the Bank. Also under Tab 2 is a facsimile sent to Euro Bank in Grand Cayman by Gretchen Buck. All three facsimiles originated from the same telephone number. I am investigating the relationship between Ken Taves, Gretchen Buck, and Ms. Clyde.

An additional facsimile under Tab 2 shows that, on July 2nd, Ms. Clyde attempted to transfer \$700,000 to a U. S. account held by Raymond Creed. This transfer order was apparently not honored by the Bank due to the lack of a password.

At a hearing before the Supreme Court on September 2nd, my Vanuatu counsel learned that Benford, Ltd. had engaged local counsel to defend against my tracing application. As a result, the Court postponed ruling until a further hearing, now scheduled for September 16th.

My Liechtenstein counsel is preparing a tracing application against Landesbank to obtain information and to freeze the funds in the Global International Media account. I anticipate the application will be filed with the Court within the next few days.

Data Analysis

Analysis of the TAL database

My staff has performed an analysis of the TAL database that was turned over to me by Automated Transactions Services (ATS). The TAL database contains all of the merchant activity turned over to Gary Mittman by Ken Taves. Under Tab 3 are the results of that analysis. All of the charges in the TAL database were processed by ATS through those merchant ids identified in my First Report to the Court as presumably legitimate 1998 sales.

Analysis of the Charter Pacific Bank database

At the June 23rd deposition of Richard Cornejo, Executive Vice President of Charter Pacific Bank, a document was produced that revealed Charter Pacific Bank offered to its merchant account holders certain databases. A copy of that document is under Tab 4. In November 1997, Ken Taves ordered Charter Pacific Bank's "positive" database with the notation "as far back as possible." That database contains historical credit card charges accepted as valid by issuing banks, including credit card numbers, and previously processed by Charter Pacific Bank under merchant banking agreements with all of its merchant banking customers.

As a result of this new information, I requested, and Charter Pacific turned over to me the positive database for the months of August 1997 through June 1998. I received that data during the month of August and directed my staff to compare the Charter Pacific positive database against the database of 1998 charges previously supplied to me by ATS.

The positive database contained 8,557,171 transactions associated with 2,934,107 unique credit card numbers. The ATS database contained 2,584,919 transactions associated with 912,125 unique credit card numbers. 762,486 credit card numbers, 83.6% of the card numbers in the ATS database, matched with those in the Charter Pacific positive database. The total of the matching charges contained in the ATS database equal \$43,971,310.43.

Because of the high percentage of matches between the two databases, my staff requested that Charter Pacific turnover its positive database for the months of July 1998 through October 1998. That information was turned over to me and further analysis has been conducted.

The combined positive database for the months of August 1997 through October 1998 contained 11,056,800 transactions associated with 3,722,113 unique credit card numbers. When comparing the combined Charter Pacific database for this time period with the ATS database, 824,873 unique credit card numbers in the Charter Pacific database matched card numbers in the ATS database. This equates to a 90.4% match with a total of \$45,739,135.86 in credit card charges.

As detailed in my First Report to the Court, the total 1998 J.K. Publications and MJD Service Corp. deposits to the accounts at Charter Pacific equaled \$10,708,344.80. Therefore, my preliminary assessment of the analysis between the two databases concluded that amounts charged to credit cards contained in the positive database and contained in the ATS database far exceeded the total deposits at Charter Pacific and the excess amounts were deposited to the accounts at Heartland Card Services.

Financial Report

Under Tab 5 is the Receiver's Financial Report for the period beginning June 1, 1999 and ending August 31, 1999. My staff and legal expenses continue to be incurred at a higher level than is normal at this stage with other receiverships I manage. This is due to the fact that no information regarding offshore bank accounts has been turned over to me and I have been forced to pursue information through tracing and filing legal applications. As discussed above, as of this writing, Benford, Ltd. has engaged attorneys to resist my attempts to recover over \$7 million at European Bank, Ltd. in Vanuatu.

Conclusion

I request that:

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

Respectfully submitted,

/s/

Robb Evans
Receiver