

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

REPORT OF RECEIVER'S ACTIVITIES
DATED MAY 10, 2000

This report summarizes major activities since my last full report for the period ending December 14, 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, Vanuatu, Australia, Liechtenstein, and the Bahamas.

Cayman Islands

On February 3rd, I met with the Liquidators of Euro Bank to determine the status of the liquidation and to discuss their projected timetable for disbursements to depositors. The Liquidators are projecting an initial dividend of 40% to 50% in the fourth quarter of this year. They are projecting the final dividend will be disbursed late next year. At this point, it appears the liquidation is solvent and we can anticipate full payment.

On February 4th, I met with the Attorney General of the Cayman Islands to attempt to arrange a procedure for the criminal restraining order against funds held at Euro Bank and Cayman National Bank to be lifted. These funds total approximately \$11 million and are frozen not only by the criminal action, but also by my actions, as approved by the Grand Court. The Attorney General was very cooperative, yet non-committal as to the position of the Government. In a worst-case scenario, the Government could take a position that the funds are proceeds of criminal conduct, and the Government should seize all of the funds in connection with its money laundering case. In a best-case scenario, the Government could take a position to turn over all of the funds to me. Based on my discussions, I believe an arrangement will be negotiated for the Government to turn over all of the funds, less the costs of the criminal investigation and perhaps the costs of prosecution of those who have been indicted. I am in the process of preparing a formal request to the Attorney General seeking clarification of the Government's position and requesting return of the funds to me. Under Tab 1 are two articles from the Caymanian Compass that describe the status of the criminal action.

My Cayman counsel recently issued a demand letter to Dr. Melvin Taves requesting that he direct Cayman National Bank to turn over approximately \$2 million held in his account plus approximately \$90,000 he earned for allegedly laundering the funds. This action was taken in anticipation of the Government agreeing to lift the criminal restraining order. I have not yet received a response from Dr. Taves.

Vanuatu

As previously reported, on August 24th, I filed a tracing application against European Bank Limited in Vanuatu in an attempt to freeze the funds and obtain account documentation on the Benford, Ltd. account. Because the Vanuatu Government obtained a criminal restraining order against the Benford, Ltd. account after I commenced my action, the Vanuatu Supreme Court has deferred ruling on my claim.

As previously reported, it is unlikely there will be a determination by the Vanuatu Supreme Court until some time later this year. The matter has not been set for hearing.

Australia

As previously reported, during the proceedings in Vanuatu, I learned that as of October 12, 1999, European Bank Limited had placed the Taves/Benford funds of about \$7.4 million on deposit with Citibank, Ltd. in Sydney, Australia. At the December 17th hearing, my petition to freeze the funds was withdrawn by my local counsel due to a presentation by European Bank Limited of documents that differed from documents produced in Vanuatu. We learned from local counsel that the funds were scheduled to be wire transferred out of Citibank, Ltd. on December 20th.

My London based attorney, Linda Candler, Esq., formerly a federal prosecutor and Assistant U.S. Attorney and currently admitted as a Barrister in the United Kingdom, contacted the Australian Embassy in Washington, D.C. and made contact with a Federal Agent of the Australian Federal Police late in the evening of December 16th (Australia is 18 hours ahead of west coast time). Ms. Candler explained the case in detail to the Federal Agent who immediately contacted the New South Wales Crime Commission in Australia.

Over that weekend, my Los Angeles based staff prepared, utilizing the ATS database, a schedule of credit card charges processed through issuing banks in Australia. Due to the time limitation, my staff was only able to provide to the Crime Commission a list of issuing banks that processed 300 or more charges. My staff also reviewed the many complaint letters found at the Malibu premises of J.K. Publications and located several written complaints from citizens of Australia. The detail contained in the complaint letters matched exactly with the data extracted from the ATS database.

With the information we supplied, the Crime Commission contacted local victims to confirm the details of the fraud. Combining the information we supplied with the details supplied by local victims, the Crime Commission prepared an application to the court pursuant to the New South Wales Criminal Assets Recovery Act. At approximately 10:30 p.m. on Sunday, December 19th, the Crime Commission obtained an injunction from a duty judge against the European Bank Limited funds on deposit at Citibank, Ltd.

At the request of the Crime Commission and the Government of Vanuatu, my staff met with the Crime Commission, the Attorney General of Vanuatu, and the Queen's Counsel representing the Public Prosecutor of Vanuatu on February 19th. I had received assurances from the Crime Commission that such a meeting would be productive and would warrant the expense of an overseas trip. My staff negotiated a "deed of settlement" which would provide the vehicle for the Australian court to direct Citibank, Ltd. to turn over the principal to me and the interest earned on the principal to the Government of Vanuatu. My staff was assured that European Bank Limited would agree to the document. The Crime Commission, the Attorney General of Vanuatu, the Vanuatu Public Prosecutor, and my staff executed the settlement agreement. At the last minute, European Bank Limited refused to execute the document.

I have continued to negotiate with attorneys representing European Bank Limited, but to date, the negotiations have not been productive. The expressed concern of the bank is that if it agrees to release the funds in Australia, the Benford, Ltd. account in Vanuatu could still be subject to a claim. The bank has not been at all specific as to whom it feels might claim the funds. This Court's recent ruling finding liability may help with these negotiations.

At the request of the Crime Commission, my staff has continued to provide additional credit card charge activity from the ATS database for issuing banks in Australia. To date, we have provided all bank identifier numbers for financial institutions that processed more than 100 charges. A summary of the data provided is under Tab 2. The Crime Commission is using the details of specific card numbers, dates, and charges to further develop their case.

The Crime Commission's hearing on the criminal matter will likely be heard in May. In the event the Crime Commission is not successful, Ms. Candler has directed my Australia counsel to prepare another civil application, which avoids the technicality experienced on December 17th and challenging the "amended" documents produced by European Bank Limited.

During the course of these proceedings, I have learned that Citibank, Ltd. placed the funds on deposit with the parent bank in New York for investment purposes. In light of this Court's ruling on liability, I am currently evaluating whether to file an action domestically to obtain an order directing Citibank to turn over the funds.

Liechtenstein

As previously reported, I learned that substantially all of the \$500,000 was withdrawn from the bank. During the course of the proceedings, we discovered that the \$500,000 was used to purchase the email addresses of about 1 million individuals who subscribe to adult web sites. I further learned that the CD-ROM and a notebook computer containing the data were purportedly given to Kenneth Taves in November or December of 1998. Kenneth Taves did not turn over either the CD-ROM or the notebook computer to me.

Bahamas

As set out in my previous report, I had learned that funds were transferred from Vanuatu to the Bahamas. Accordingly, I have now filed a petition in Supreme Court for the Commonwealth of the Bahamas to trace the funds. On April 14th, the Court granted my petition and issued an injunction and disclosure order. I anticipate receipt of bank documents within the next few weeks.

Potential Claims to Recover Additional Funds

I have identified potential claims against certain parties, which could have potential significant recovery possibilities. I am in the process of evaluating each claim from the perspective of the cost of pursuing the claim and the likelihood of success.

Projected Recoveries

Under Tab 3 is a projection of the amount and timing of recoveries that will ultimately be available for consumer redress.

Further Analysis of Receivership Defendants' Activities

After this Court's April 3rd hearing, I directed my staff to prepare a report on 1997 bank deposits and chargebacks and credits (Tab 4). Of the nearly \$5 million in deposits, about \$2.5 million or 50% was transferred to the Cayman Islands. This compares to 1998 activity of \$49.4 million in deposits, with \$22.8 million or 46% transferred to the Cayman Islands.

While chargebacks appear to be lower in 1997 than in 1998, the reality is that many chargebacks were processed in 1998 for charges initiated in 1997. The chargeback amounts in 1999 and 2000 aggregate to \$1.7 million for charges processed in 1998. It is therefore logical to conclude that a percentage of 1998 chargebacks relate to the \$4.3 million in deposits for the last six months of 1997. Also under Tab 4 is a chart that details deposit, chargeback and credit activity for 1997 through February 2000.

Financial Report

Under Tab 5 is the Receiver's Financial Report for the period beginning December 1, 1999 and ending April 30, 2000. I have previously informed the Court about my frustration as to the level of expenses and have explained that much of the expense has been incurred because of the aggressive and sophisticated tactics to hide funds taken since this Court's initial order of January 6, 1999.

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