

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

REPORT OF RECEIVER'S ACTIVITIES
DATED DECEMBER 5, 2000

This report summarizes major activities since my last full report for the period ending May 10, 2000. This report 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.

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 to pursue repatriation of assets located offshore, including assets of the receivership defendants located in the Cayman Islands, Vanuatu, Australia, and the Bahamas.

Cayman Islands

After receiving no response from my February 4th meeting with the Attorney General, I instructed my U.S. counsel who is coordinating worldwide repatriation efforts and my Cayman counsel to contact the Attorney General with a request as to the Cayman government's position on repatriation of the funds. Two informal and two formal inquiries were made during the reporting period. The Attorney General has not responded to any inquiries. Consequently, I instructed my Cayman counsel to prepare legal action to be filed with the Grand Court seeking recognition of the Receiver with powers to enforce the judgment issued by this Court. An ex parte application will be filed this week. I anticipate a hearing before year-end. If this application is successful, we can seek to have the Attorney General's restraining order lifted so the funds can be repatriated prior to the conclusion of the criminal proceedings in the Cayman Islands.

There has been a recent change of government in the Cayman Islands. That change is not unrelated to the government's posture regarding offshore banking policy. It is not yet clear what impact, if any, the changing political environment will have on the timing of the repatriation of the estate's frozen funds.

Under Tab 1 is a recent article from the Caymanian Compass newspaper. It appears now that Euro Bank has been charged with money laundering, the distribution process from the liquidation may not be as timely as the Joint Liquidators had previously planned and we had predicted.

Australia

As previously reported, the New South Wales Crime Commission obtained a criminal freeze order against the funds European Bank, Ltd. placed on deposit with Citibank in Sydney.

Earlier this month the Crime Commission informed my Australian counsel that, due to expense, they were going to abandon their action. I instructed my counsel to prepare a civil application in an attempt to freeze the funds at the expiration of the criminal freeze. On November 17th, the Court approved my application for a freeze order. The matter is set for hearing in February 2001.

As previously reported, during the course of the Australian proceedings, I have learned that Citibank, Ltd. placed the funds on deposit with the parent bank in New York for investment purposes. In September, my US counsel contacted Citibank in New York concerning the location of the funds and the enforcement of this Court's Order of August 30th.

Earlier this month, after confirming that the Australian authorities were discontinuing their case, my counsel provided the U.S. Attorney's Office and the FBI with evidence of the Receiver's tracing of the funds to Citibank. The U.S. Attorney's Office proceeded to obtain a seizure warrant under the civil forfeiture statute against Citibank in New York. Citibank rejected the first warrant obtained by the FBI on the grounds of an incorrect account number. A new and broader seizure warrant has been served, and we have now been advised that Citibank has issued a check for approximately \$8.1 million, which represents principal and interest to date, to the U.S. Marshals Service. I am advised that the U.S. Attorney's Office in Los Angeles will file a civil forfeiture complaint against the funds. In those proceedings, I intend to assert the Receiver's claim to these funds on behalf of the victims, consistent with this Court's direction to continue my efforts to collect and marshal all the assets of the receivership entities for a consumer redress program. If this forfeiture action is successful, I do not anticipate any further actions will be required in Vanuatu or Australia, although it is possible that Citibank, European Bank or the Vanuatu government may seek to intervene in the U.S. forfeiture proceedings.

Vanuatu

As noted above, subsequent events may render the need for further action in Vanuatu unnecessary. Nevertheless, the Receiver provides the following information about events in Vanuatu in order to summarize the Receiver's activities there during the reporting period.

European Bank has refused to acknowledge the U.S. Court orders and the Receiver's reports tracing the European Bank funds to the Taves fraud and continues to insist, in proceedings in Australia, that this matter can only be litigated in Vanuatu. European Bank refuses to acknowledge my appointment as Receiver of Benford Ltd. and did not agree with my request to have the account audited by an independent accounting firm.

Acting on the informal recommendation of an American government agency official, I initiated contact with the Queen's Counsel representing the Attorney General in October in an effort to revive settlement discussions. The Queen's Counsel suggested I contact the president of European Bank Ltd. and attempt to arrange a meeting. The view was that the bank's opposition, assuming the bank is not an active participant in the money laundering activity, could be promptly removed upon receiving assurances protecting the bank against dual payment demands. We had previously given those assurances through counsel, and the thinking was that given those assurances directly should resolve the matter. My correspondence went unanswered although receipt was acknowledged.

Bahamas

As previously reported, on April 14th, the Court granted my petition and issued an injunction and disclosure order. The bank documents turned over to me show that \$99,750.00 was transferred from L. Marvin Pinder's attorney client trust account to an account in Washington State owned by Raymond Creed (Tab 2). My counsel initiated settlement discussions with Mr. Creed's counsel for these and other funds Mr. Creed received in violation of the asset freeze. Those settlement discussions were not successful. I intend to continue my efforts to recover these funds from Mr. Creed through litigation in this Court.

Legal Expense

During the reporting period, legal expenses were nearly divided equally between domestic and offshore activities. Nearly all of the legal expense incurred should result in significant future returns to the estate. The offshore activities were described above and the following is a summary of the primary domestic activities.

We have prepared three lawsuits to recover additional funds for the receivership estate. One lawsuit, against Raymond Creed, has been filed and is out for service. We have prepared for filing two other suits against the banks without whose active support this theft would not have been possible.

I have filed motions against the two merchant banks in an attempt to compel them to turn over about \$2 million in reserve account funds against which there have been no chargebacks this year. Those motions are pending before this Court.

I have completed negotiations and the requisite documentation for a \$3.5 million sale of the Zumirez property. I anticipate closing the transaction during the first quarter of next year.

Other Estate Assets

My counsel notified Teresa Taves' counsel that I anticipate executing this Court's judgment against property occupied by Mrs. Taves on Pacific Coast Highway. There are a number of judgments against the property dating back many years. I am in the process of determining what validity those judgments may have and what the resulting equity is, if any. If there is sufficient equity, I should be in a position to commence proceedings during the first quarter of next year.

My staff was allowed to conduct an inventory of the premises with Teresa Taves' counsel present. During the inventory, it was noted that a BMW motorcycle registered to Herbal Care was missing. Mrs. Taves' counsel has informed us that she does not know the location of the motorcycle. I have instructed my staff to file a police report for this stolen vehicle.

Denise Toberman, who is president of the construction company that was doing work on the Zumirez property, was storing four art objects for Kenneth Taves. My staff learned that Raymond Creed recently retrieved three of the four objects. Teresa Taves' counsel has informed us that Mrs. Taves does not know the location of these items. I am considering filing a police report for these stolen assets.

I have listed for sale a 1978 Cessna T210M airplane registered to Herbal Care and anticipate a sale in the next few months. The anticipated sale price is in excess of \$125,000.

Financial Report

Under Tab 3 is the Receiver's Financial Report for the period beginning May 1, 2000 and ending November 30, 2000.

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