

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

REPORT OF RECEIVER'S ACTIVITIES
DATED JANUARY 31, 2002

This report summarizes major activities since my last full report and covers the period ending December 31, 2001. 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.

Repatriation of Offshore Funds

Cayman Islands

Euro Bank Accounts

As previously reported, on November 2, 2000 the Attorney General of the Cayman Islands charged Euro Bank Corporation (Euro Bank), then and now in liquidation, with money laundering and placed a second restraining order on the funds at Euro Bank. The bank's liquidators challenged the action by the Attorney General as it assumes the bank can be charged before any of the individuals who have been charged have been convicted. It also adds a potential unknown liability the bank may face, which would prevent the liquidators from making distributions to the bank's creditors, including this Estate.

The Grand Court in the Cayman Islands heard the Liquidator's motion on May 7, 2001.

On June 21, 2001, my U.S. counsel and my Cayman counsel filed an application to modify the Attorney General's restraint orders so that the Taves' funds could be returned to the jurisdiction of this Court for the consumer redress program. The bank's liquidators supported this application. The Attorney General of the Cayman Islands opposed it. The case was heard by the Chief Justice of the Cayman Islands Grand Court and on October 31, 2001, the Chief Justice ruled in my favor. The Grand Court dissolved the restraining order against Kenneth Taves filed on June 8, 1999, based in part on Taves' conviction in the United States and the unlikelihood of his criminal prosecution in the Cayman Islands. Under Cayman law, a conviction is required if funds are to be confiscated as criminal proceeds. The Grand Court also ruled that the November 2, 2000 restraint orders made against the Taves' accounts when the charges against Euro Bank were filed should be dissolved because the bank was in liquidation when these restraint orders were made. Under Cayman law, property that is part of the liquidation estate cannot be restrained if the liquidation commenced before the restraint order was made. The Attorney General has filed a notice of appeal and the appeal will be argued in March or April of this year.

Approximately \$8.3 million remains in the Kenneth and Teresa Taves account at Euro Bank. The Grand Court issued directions to the liquidators concerning payment of my proof of debt form for this account and other related accounts. The liquidators are to be satisfied that any funds paid out would be distributed to the true owners of the funds, i.e., the victims of the credit card fraud, and not returned to the criminal.

Prospects and Time Frame for Recovery

On November 29, 2001, the liquidators advised all creditors that the Court had authorized them to pay all creditors whose proof of debt forms had been accepted an ordinary dividend of 80 cents on the dollar. The liquidators also indicated in this notice that the final payment could be 100%. This is conditional on the outcome of legal proceedings against the bank. The Grand Court granted leave to prosecute the bank on September 24, 2001, and entered an Order on December 4, 2001, holding that prosecution against the bank should not commence until the conclusion of the prosecution of individual bank officers, which is scheduled for trial on May 27th of this year.

Payment of dividends on the Taves' account has been stayed pending the Attorney General's appeal.

The Melvin Taves Account at Cayman National Bank

As previously reported, the Attorney General obtained a restraint order against an account held by Melvin Taves at Cayman National Bank which contains approximately \$2 million. My Cayman Islands counsel is in the process of finalizing a court filing stating my claim to these funds.

Vanuatu/Australia Funds Seized from Citibank, New York

As previously reported, the U.S. Attorney's office served a seizure warrant on funds held by Citibank previously held in Australia and Vanuatu in an account in the name of Benford Ltd. at European Bank Ltd., and Citibank issued a check for approximately \$8.1 million to the U.S. Marshals Service.

I am advised that discussions between the U.S. Department of Justice and the Vanuatu government concerning a possible resolution were not successful. Therefore, I have reinstated my civil case in Sydney, which is based on a constructive trust claim. The matter is set for a preliminary hearing on February 4, 2002. It is anticipated that a final hearing will occur before the end of the third quarter of this year.

The U.S. civil forfeiture case is now stayed pending a resolution in Sydney. A decision by the Court in Sydney that the funds are held in constructive trust should help resolve the competing claim by European Bank Ltd. to those funds.

Litigation Against Credit Card Merchant Banks

As previously reported, I commenced a lawsuit against Heartland Bank, Heartland Payment Systems LLC, Robert O. Carr and Diana Warren in connection with Heartland's actions as J.K. Publications' and MJD Service Corp.'s primary merchant bank in 1998. After hearing various motions to dismiss and motions to strike, the litigation is proceeding against Heartland Bank and Heartland Payment Systems LLC. This Court has established a discovery cut-off date of April 30, 2002 and has set trial for July 30, 2002.

As previously reported a good faith settlement motion was pending before Superior Court in the Charter Pacific Bank matter. The Superior Court ruled in favor of the good faith settlement and \$907,868 was disbursed from the escrow account to the Receivership Estate on December 24, 2001.

Other Litigation

I commenced a lawsuit against Raymond Creed (Creed) seeking the return of approximately \$500,000 representing the proceeds of Kenneth Taves' fraudulent activities, which he received. After being unable to serve Creed personally with the lawsuit or to obtain an order for substituted service by the Grand Court under the Hague Convention, I obtained an order from this Court authorizing service by publication. After completing service by publication, Creed brought a motion to dismiss, in which he asserted that this Court lacked personal jurisdiction over him. On January 29, 2002, this Court denied the motion to dismiss. The Court has set a pretrial/scheduling conference for February 25, 2002, and it is anticipated that a trial date will be set at that time and scheduled within nine months.

Liquidation of Real Estate

As previously reported, S. Jared Properties, Ltd. owns a beachfront home in the Cayman Islands. Kenneth Taves owns 50% of S. Jared Properties, Ltd. The other 50% owner of S. Jared Properties, Ltd. has recently asserted a claim for 100% ownership. My Cayman counsel is contesting this claim and is taking steps to commence liquidation of the company. I anticipate a resolution of this matter in the next few months.

After continued investigation of the status of a multitude of recorded liens and encumbrances on Kenneth Taves' house on Pacific Coast Highway in Malibu, I have decided that it is in the best interest of the Receivership Estate to seek a Court order allowing me to market and sell the house, enabling the Estate to retain the proceeds of the sale after payment of the undisputed first trust deed held by Washington Mutual and other valid liens, if any. I anticipate filing that motion within ten days. I purchased a judgment lien against the house with a balance in excess of \$3 million for only \$70,000, thereby enabling the Receivership Estate to realize a substantial equity in the property upon resale. There is another senior trust deed of record which is disputed and the trust deed holder cannot be located after diligent investigation. I anticipate promptly initiating litigation to resolve that lien once the Court grants my motion to sell.

Liquidation of Other Assets

A 1978 Cessna T210M aircraft was sold on August 23, 2001. The sale, approved by this Court, resulted in net sales proceeds of \$135,850.

Financial Report

Under Tab 1 is the Receiver's Financial Report for the period beginning July 1, 2001 and ending December 31, 2001.

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