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8 **UNITED STATES DISTRICT COURT**  
 9 **CENTRAL DISTRICT OF CALIFORNIA, WESTERN DIVISION**

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 11 FEDERAL TRADE COMMISSION,

12 Plaintiff,

13 v.

14 J.K. PUBLICATIONS, INC., etc., et al.,

15 Defendant.  
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Case No. CV 99-00044 JFW (AJWx)

**REPORT OF RECEIVER'S  
 ACTIVITIES FOR THE PERIOD  
 ENDING SEPTEMBER 21, 2015**

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 18 This Report of Receiver's Activities for the Period Ending September 21,  
 19 2015 ("September 2015 Report") is the Receiver's twenty-fourth post-judgment  
 20 report to the Court which covers the status of the receivership estate as of September  
 21 21, 2015. The Receiver's prior report to the Court preceding this September 2015  
 22 Report was the Receiver's December 19, 2014 Report (the "December 2014  
 23 Report") filed on January 2, 2015 (Doc. No. 678). The Receiver's December 2014  
 24 Report summarized several prior reports to the Court<sup>1</sup> concerning the nature and

25  
 26 <sup>1</sup> The prior reports include the Report of Receiver's Activities for the Period Ending  
 27 April 30, 2010 (Doc. No. 654), the Receiver's Report of Activities in Response to  
 28 Minute Order Dated April 28, 2011 (Doc. No. 660), the Report of Receiver's  
 Activities For the Period Ending September 21, 2012 (Doc. No. 664), the Report of

*{footnote continued}*

1 status of an overseas litigation matter involving the receivership estate's claims to  
2 \$7.5 million deposited in European Bank Limited ("European Bank") in the  
3 Republic of Vanuatu in an account in the name of an undisputed receivership entity,  
4 Benford Limited ("Benford"). The December 2014 Report also addressed an  
5 appellate ruling favorable to the Receiver issued by the Court of Appeal in Vanuatu  
6 on November 14, 2014 ("Appellate Judgment") which dismissed various appeals  
7 except for certain discrete issues affecting European Bank, and found that it is  
8 appropriate to uphold the Reserved Decision of Justice Robert Spear ("Reserved  
9 Decision") of the Vanuatu Supreme Court (its trial court) issued May 6, 2014. The  
10 Reserved Decision provided that the disputed Benford account should be turned  
11 over to the Receiver.

12 As a consequence of the Appellate Judgment, \$5,052,811.81 was paid by  
13 European Bank to the Receiver on December 9, 2014, vindicating the Receiver's  
14 decision to continue to pursue the Receiver's claim to the Benford account in order  
15 that these funds can be paid out to the victims of Mr. Taves' activities and this  
16 Court's ongoing support of the Receiver's efforts to recover these funds. As a result  
17 of that payment, the Receiver now has on hand, net of accrued and unpaid expenses,  
18 the sum of \$7,484,169.98. This amount is in addition to the sum of \$13,375,474.90  
19 previously recovered by the Receiver and turned over to the FTC in 2009 pursuant  
20 to a motion for approval by the Receiver to turn over that sum to the FTC for  
21 consumer redress.

22 As discussed in the December 2014 Report, since European Bank turned over  
23 more than \$5 million to the Receiver, the Receiver has taken steps to try to recover  
24 an additional \$3,755,163.51 ("Remaining Benford Funds Claim") because the

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26 *{continued from previous page}*  
27 Receiver's Activities For the Period Ending October 25, 2013 (Doc. No. 671), and  
28 the Receiver's Report of Activities For the Period Ending July 7, 2014 (Doc. No.  
675).

1 Receiver contends that the total proper amount to be paid the Receiver in connection  
2 with the Benford account was \$8,807,881.44. In response to the Appellate  
3 Judgment, and in response to the Receiver's application before the Supreme Court  
4 for a detailed accounting as to the Benford account, European Bank finally, after 15  
5 years, provided an accounting to the Receiver on November 28, 2014 concerning the  
6 funds in the Benford account. That accounting demonstrated that European Bank  
7 had improperly accounted for the funds held in the Benford account. European  
8 Bank contended that only \$5,052,811.81 was due to the Receiver, and paid that  
9 amount to the Receiver last December. The Receiver contends that the proper  
10 amount to be paid the Receiver in connection with the Benford account was  
11 \$8,807,881.44, and that another \$3,755,163.51 is due. The dispute over the  
12 Remaining Benford Funds Claim is based on the manner in which European Bank  
13 held funds in the Benford account, the manner in which certain payments due  
14 European Bank on account of the Receiver's unsuccessful litigation in Australia to  
15 recover these funds should be accounted for and paid, various interest calculations,  
16 the allowability of various fees and charges against the account unilaterally taken by  
17 European Bank, and other accounting differences between European Bank and the  
18 Receiver.

19 The Receiver's activities since December 2014 have focused on attempts to  
20 recover the remaining \$3.7 million in funds from the Benford account that the  
21 Receiver contends is owed to the estate and to evaluate alternatives available to the  
22 Receiver to address those funds and complete the administration of the receivership.  
23 The Receiver has conducted settlement negotiations with counsel for European  
24 Bank to try to resolve the Receiver's claim to the remaining \$3.7 million the  
25 Receiver claims is owed. Those negotiations have not been fruitful and have not  
26 produced an acceptable resolution of the Receiver's claim to those funds to date.  
27 Additionally, in June of this year, the Supreme Court determined that European  
28 Bank was not required to turn over all of the funds in dispute to the Receiver

1 pending a resolution of that dispute and that the Supreme Court did not have  
2 jurisdiction to presently address the accounting dispute based on the Appellate  
3 Judgment. Consequently, the Supreme Court has advised the parties that a new  
4 application must be brought by the Receiver in order to obtain a determination  
5 regarding the Remaining Benford Funds Claim.

6 The Receiver needs further instructions from the Court as to how the  
7 Receiver should proceed to address the Remaining Benford Funds Claim and is  
8 filing a motion under seal to obtain such instructions.

9 In addition, the Receiver will seek approval of the Court to distribute an  
10 additional \$7.1 million in receivership funds to the FTC for consumer redress. The  
11 proposed distribution would leave approximately \$384,000 in the estate for payment  
12 of administrative expenses which the Receiver believes is sufficient based on the  
13 status of the case and the work remaining to be performed to complete the  
14 administration of the estate.

15 WHEREFORE, the Receiver respectfully requests that the Court:

- 16 1. Approve the Report of Receiver's Activities for the period ending  
17 September 9, 2015 as set forth herein;
- 18 2. Confirm the Receiver's activities as set forth in this Report;
- 19 3. Provide the Receiver instructions and authorize the Receiver's  
20 distribution of funds to the FTC as requested in the separate motions filed  
21 concurrently herewith; and

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