

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

<p>SECURITIES AND EXCHANGE COMMISSION,</p> <p style="text-align:center">Plaintiff,</p> <p>v.</p> <p>MOBILE BILLBOARDS OF AMERICA, INC., INTERNATIONAL PAYPHONE COMPANY, TIGER MEDIA, INC., RESERVE GUARANTY TRUST, MICHAEL A. LOMAS and MICHAEL L. YOUNG,</p> <p style="text-align:center">Defendants.</p>	<p style="text-align:center">CIVIL ACTION NO. 1:04-CV-2763-WBH</p>
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RECEIVER'S FIRST INTERIM REPORT

COMES NOW S. Gregory Hays, Receiver for Defendants Mobile Billboards of America, Inc. ("MBA"); International Payphone Corporation, also d/b/a Outdoor Media Industries ("Outdoor Media" or "IPC"); Tiger Media, Inc. ("Tiger"); and Reserve Guaranty Trust ("RGT") (collectively referred to as the "Receiver Entities" or the "Receiver Estate"), and files his First Interim Report showing the Court as follows:

Introduction

1. The Receiver was appointed by this Court in Orders entered in this action on September 21, 2004 and October 18, 2004 ("the Receivership Orders").

2. Pursuant to the terms of the Receivership Orders, the Receiver employed the following professionals: Hays Financial Consulting, LLC, of Atlanta, Georgia to serve as accountants for and financial consultants to the Receiver and McKenna Long & Aldridge LLP, of Atlanta, Georgia to serve as attorneys for the Receiver. In addition, the Receiver has hired Pamela Dennison as an employee of IPC, one of the Receiver Entities. (See, ¶ 34 below.)

3. In sum, the Receivership Orders authorize and direct the Receiver to marshal and take control of the assets of the Receivership Entities, to perform an investigation and accounting, and to manage and preserve their assets during the pendency of this action. Moreover, the Court directed the Receiver to perform an accounting of the Defendants' offering of securities as outlined in the SEC's complaint including, but not limited to, the Defendants' solicitation, receipt, disposition and use of the proceeds from such offering. (Receivership Order, Sept. 21, 2004, Par. XIV.)

4. Since his appointment, the Receiver and the professionals working with him have taken control of the Receiver Estate and begun the investigation and accounting directed by the Court. This First Interim Report is intended to provide current information regarding the status of the Receiver Estate. It is important to understand that the Receiver's investigation continues and that he and those working with him may learn additional facts that could differ from the information

provided below. This report contains a preliminary assessment of this receivership and is based upon facts currently known to the Receiver, his counsel and his consultants.

Overview of Receiver's Activities

5. The Receiver, his counsel and consultants have engaged in a variety of activities in an effort to implement the provisions of the Receivership Orders and to gain an understanding of relevant facts. Business activities of the Receivership Entities were conducted in multiple locations, and bank accounts were maintained at more than one bank in more than one state. Accordingly, locating and assimilating bank documents and other financial and business records continues.

6. The Receiver continues to collect electronic records and documents. To date, records have been turned over as follows:

- a. Approximately 60 boxes of records were turned over by Paul, Hastings, Janofsky & Walker, LLP, who acted as counsel to the Receiver Entities prior to the Receiver's appointment. These records were apparently obtained by them from the home office of Laurinda Holohan, an employee of the Receiver Entities, in Newbury, Ohio (i.e., metropolitan Cleveland).

- b. The Receiver was also provided with electronic accounting records for the Receiver Entities maintained by Laurinda Holohan in Ohio.
- c. The principal operating office of the Receiver Entities located in Bridgeton, Missouri, just outside St. Louis, has been closed and all records, computer systems and certain other assets were moved to Atlanta and are now under the Receiver's control.
- d. The Receiver has taken possession of computers located at the offices in Ohio and Missouri and taken steps to preserve all stored electronic records and files. In particular, the Receiver has retained Jack Seward, an expert in electronic forensics and data recovery, to back-up existing data and, to the extent possible, locate and restore deleted files.
- e. The Receiver has obtained records from TCA TrustCorp America, Inc., who served as property trustee for Reserve Guaranty Trust, one of the Receiver Entities.
- f. The Receiver has obtained records from Coin-Tel, Inc., a subcontractor responsible for servicing pay telephones owned by one or more of the Receiver Entities.

- g. The Receiver has obtained records from some, but not all, of the attorneys and accountants who rendered professional services to the Receiver Entities.

As indicated below, the Receiver, through his counsel, has also served subpoenas on financial institutions and other entities. As a result of these activities, the Receiver has obtained enough information to begin work on an accounting and tracing of the proceeds of the subject offerings; however, it is not now possible to predict how long it will take to complete the accounting.

7. Much of the information contained in this First Interim Report is based upon the electronic files and documents described above. Information has also been provided by a variety of people including: former employees of the Receiver Entities; vendors and other third-parties who had a business relationship with the Receiver Entities; and, investors.

8. With the entry of the Receivership Orders, this Court issued an asset freeze regarding the Defendants' assets and monies subject to their direct or indirect control. Notices of the Receiver's appointment and the asset freeze have been served upon the following financial institutions and other organizations:

Bank of America
Farmers & Merchants Bank
First Century Trust
Halbert, Thomas (CPA)
Huntington National Bank
KP Iron, Inc.

Pachulski, Stang, Ziehl, Young, Jones & Weintraub, P.C.
Powell, Alan W.
Sky Bank
Thorpe, Esq., Greg
U.S. Bank
Wachovia Bank, N.A.
Wells Fargo Bank

All known accounts maintained by or on behalf of any Defendants, as well as other monies subject to the asset freeze, have been frozen. The amount of money frozen totals approximately \$867,357 and was located in various bank accounts maintained in the name of one of the Receiver Entities. The majority of these funds were held by Reserve Guaranty Trust. The Receiver has taken control of these funds and will administer them in accordance with the terms of the Receivership Order.

9. The Receiver has opened various accounts at J.P. Morgan Chase in New York, New York for the purpose of administering the Receiver Estate.

10. The Receiver has collected \$111,990.93 in outstanding accounts receivable owed to Tiger Media as of the date of the Receiver's appointment. The Receiver has also collected \$50,000 from the ongoing operation of payphone assets belonging to the Receiver Estate.

11. The Receiver and his counsel have recovered \$197,978.93 from various attorneys' and accountants' retainers paid by the Receiver Entities. It is possible that additional recoveries of retainer balances will be accomplished.

12. As of the date of the Receiver's appointment, one or more of the Receiver Entities was involved in litigation and regulatory proceedings pending in several states. The Receiver's counsel has worked to terminate or, at least, stay those proceedings.

**The Offering and the
Receiver Entities' Related Business Operation**

In order to appreciate the current circumstance, it is necessary to understand the investment offering that is the subject of this action, as well as the Receiver Entities' role and business operations. Based upon the Receiver's investigation to date, his understanding is as follows:

13. MBA.

MBA was the seller of the investment that is the subject of this litigation. MBA is a Delaware corporation apparently formed by or at the direction of Defendants Lomas and Young in or about the last calendar quarter of 2001. At all times relevant to this action, Michael Lomas served as CEO and a director of MBA, and Michael Young served as President and a director of the company.

It appears that MBA's principal place of business was located in an office in Bridgeton, Missouri also used by Outdoor Media and Tiger Media and at least one other affiliated company known as California Mobile Billboards, Inc. The bookkeeping and accounting for these companies was performed by Laurinda Holohan and Susan Knight in Newbury, Ohio. Ms. Holohan also served as an

officer and director of MBA. It appears that all employees of Outdoor Media and Tiger Media were actually employed and paid by MBA, and their salaries were allocated to these other companies.

14. The Investment Offering

The investment offering that is the subject of this action was described by MBA as a “business opportunity” and involved the sale of mobile billboards (i.e., billboards that were to be affixed to the sides of large trucks). It is apparent that the investment was designed in an effort to avoid being subject to federal and state securities laws. It appears that the sales activities were directed at elderly individuals who were attracted to the purported safety of the investment and its fixed rate of return. Anecdotal evidence indicates that the majority of investors are, in fact, retirees.

While there were purportedly various investment options offered by MBA, the dominant (and, maybe, exclusive) investment actually sold involved a sale and lease back transaction. In sum, an investor purchased one or more billboards from MBA and then leased the billboards to Outdoor Media pursuant to a seven year lease agreement that required Outdoor Media to make monthly payments that equated to an approximate 13% annual rate of return on the amount invested. Outdoor Media was responsible for managing the billboard including, among other things, arranging the placement of billboard units on trucks and selling advertising.

These placement and advertising activities were actually conducted by Tiger Media.

15. The Billboards and Related Inventory

Sales of billboards began in or about November 2001. Depending upon the time of the purchase, the sales price varied. However, the sales price for billboards sold in 2004 was \$10,500 for a “half-unit” (i.e., one frame for one side of a truck) or \$20,000 for a full “unit” (i.e., two frames, one for each side of a truck). The “billboard” was nothing more than a metal frame that could be attached to the side of a truck. Based upon the information obtained by the Receiver, it appears that the actual cost of a single billboard frame was less than \$120.

It is not clear that the records currently available to the Receiver accurately indicate the number of half and full units actually purchased by investors. Even so, it is evident several thousand billboards were purchased. The finance and accounting records indicate that investors paid MBA more than \$60 million for billboard purchases (which, based on the purchase price charged per billboard, would equate to approximately 6,000 billboards being purchased). The amounts paid by investors to purchase billboards from MBA are referred to in this report as the “investment proceeds.”

In addition to billboards purchased by investors, MBA also purportedly contributed billboards to RGT for the benefit of investors. The records of RGT

indicate that 4,653 billboards were contributed at an attributed value of \$1,500 each. (See, ¶ 18 below.)

Information currently available to the Receiver indicates that the first billboard was actually manufactured in or about January 2003 (i.e., approximately 14 months after billboard sales began). The Receiver believes that despite records purporting to identify more than 10,000 billboards, less than 400 billboard frames were actually assembled and installed on trucks. Accordingly, it currently appears that less than 4% of the billboards purportedly sold or contributed to RTG were ever manufactured and installed.

Despite the existence of a lease agreement between Outdoor Media and each individual investor, it is evident that, in most circumstances, there was no billboard. Even for the few billboards actually assembled and installed, it is not clear that any was specifically the subject of an individual lease. Said another way, it is not possible to “match” an individual with a specific billboard. There are even fewer advertising contracts, most of which were very short term.

There do not appear to be any assembled, uninstalled billboards. The Receiver has located billboard parts in North Carolina and continues to investigate similar materials supposedly located in California. Regardless, it is obvious that the value of these parts is negligible compared to the cumulative amount invested.

In addition to the billboards and parts inventory, the Receiver has determined that MBA (or one of its affiliated entities) invested more than \$80,000 in the development of LED Light Units (“LED units”). This development was not completed, and MBA owes the developer, who was independent of MBA, approximately \$40,000 for services rendered. There are 20 developmental LED units, which are not operational. The Receiver has received an offer from the developer to purchase the component parts of the LED units for \$5,500. If the Receiver is able to obtain a release or waiver of any claim by the developer for amounts owed by MBA, this may be a good resolution of this issue.

While the records are not complete, it appears that the Receiver Entities (either Tiger Media or Outdoor Media) may have purchased as many as 654 global positioning satellite (“GPS”) transmitter/receiver units at a cost of \$525 per unit. There is information indicating that between 502 and all 654 of these GPS units may have actually been installed on trucks and are monitored by third-party service providers for a monthly fee. It is not clear how these trucks were selected; which, if any of them, actually have billboards installed on them; or, whether there is a contractual relationship between the truck owner and one of the Receiver Entities. These issues, as well as the location, best use and value of the GPS units requires further investigation.

16. The Sales Agents

To sell the billboard investments directly to investors, MBA used a network of sales agents, many of whom appear to be independent insurance agents and self-styled financial planners. A discrete number of the sales agents (approximately seven) were designated by MBA as “master sales agents” who, in turn, recruited and managed other agents to work in their respective sales organization. The records indicate that, over time, sales were made by approximately 279 different agents.

Much investigation remains to be done regarding the sales agents. It is evident that MBA provided sales training, which appears to have included some form of “compliance” training regarding legal limitations on sales activities. Defendant Michael Young and others employed by MBA were responsible for recruiting, training and managing MBA’s relationship with sales agents.

While commissions varied, it appears that MBA paid sales commissions that ranged from approximately 15% to as high as 27.5% of the purchase price, which was apparently split between the master sales agent and the individual agent responsible for the sale. MBA’s financial records indicate that approximately \$13 million was paid from the investment proceeds as sales commissions to agents. It appears that the commission amounts and structure were not disclosed to investors.

Since his appointment, the Receiver has been informed by various investors that sales agents have remained in active contact with them. Apparently, the sales agents contend that they, too, are victims of MBA's investment scheme. Some agents have reportedly discouraged their "clients" from cooperating with the Receiver. Others have continued to insist that MBA and its affiliated companies are a viable business. One agent or group of agents has organized a group of approximately 200 investors who have filed suit against Defendants Lomas, Young and others seeking to recover more than \$12 million as a result of their losses in the subject investment.

The Receiver is concerned about the role of sales agents in the offering and their apparent continuing contact and involvement with investors. The Receiver is analyzing potential claims against the sales agents for selling the investments that are the subject of this enforcement action. This work is in the preliminary stages and much needs to be done before a decision about pursuing such claims can be made. This is one of the Receiver's highest priorities.

17. Leases and Lease Payments

As indicated above, Outdoor Media executed a seven year lease with each investor for each billboard purchased from MBA. "Outdoor Media Industries" is a trade name used in connection with the billboard-related activities of International Payphone Corporation ("IPC"). IPC had been previously used by Defendants

Lomas, Young and others, including a large number of the sales agents, to promote, sell and operate a similar sale and lease-back investment scheme in pay telephones. (See, ¶ 18 below.)

Pursuant to the terms of the lease, Outdoor Media was responsible for “managing” the billboard(s) and obligated itself to make monthly payments to the investor in amounts that equaled a 13% annual rate of return on the amount invested (i.e., the billboard purchase price paid by the investor). Tiger Media was the company that was actually responsible for placing billboards on trucks and obtaining contracts with advertisers. As indicated above, less than 4% of the billboards sold by MBA and leased by Outdoor Media or contributed to RGT were actually assembled and installed on trucks. Even fewer were subject to an advertising contract that generated revenue. The Receiver’s current analysis is that none of the advertising contracts generated enough revenue to cover the expenses associated with the operation of those billboards.

Given that the few existing billboards were not profitable and, more importantly, that the overwhelming majority of billboards sold did not actually exist, the lease payments to investors were made from the proceeds of sales made to later investors. This was accomplished by direct transfers of money from MBA to Outdoor Media. Obviously, the earlier an investor purchased a billboard, the more he or she received in lease payments. Conversely, those investors, who

purchased billboards relatively late, received very little, if anything, in lease payments.

By September 2004, Outdoor Media's cumulative payment obligation under all leases was \$650,000 per month. MBA's and Outdoor Media's financial records indicate that approximately \$17 million in investment proceeds was used to make lease payments.

18. Reserve Guaranty Trust

A significant component of the billboard investment promoted and sold by MBA and the sales agents was that at the end of the seven year lease term, the investor had the option of redeeming the full purchase price in exchange for the billboard. MBA represented that the redemption and repurchase obligation was being fully funded over the life of the lease by turning over a portion of the investment proceeds into an independent trust known as Reserve Guaranty Trust ("RGT").

RGT is a Delaware business trust purportedly formed by IPC, as "Depositor," on September 29, 2001. Defendant Michael Young and Laurinda Holohan were appointed as "administrative trustees" and TCA TrustCorp America, Inc. ("TCA") was appointed as "property trustee."

In general, as sales were made, MBA was obligated to make deposits into RGT in a manner sufficient to fund the redemption/repurchase obligation, which

was determined to be \$5,000 per unit (or \$2,500 per half-unit) sold. Pursuant to the terms of the trust agreement and the Purchase Agreement signed by investors, MBA was authorized to contribute payphones and billboards to RGT to satisfy its funding obligation.

The Receiver's investigation into the affairs of RGT continues. However, it appears that less than \$1 million in cash was actually contributed to RGT by MBA. As of the date of the Receiver's appointment, RGT had on deposit cash and certificates of deposit totaling \$769,042.49.

Over time, payphones and billboards were purportedly contributed to RGT by MBA at highly inflated values. TCA has provided documents to the Receiver that purport to be lists and values of payphones and billboards owned by RGT. According to the June 2004 account statement prepared by TCA, RGT owned 3,453 payphones having a cumulative value of \$5,874,790 (or \$1,701 per phone) plus 4,653 billboards having a cumulative value of \$6,979,500 (or \$1,500 per billboard). It is not clear which payphones on these lists continue in operation. (See, ¶¶ 34-36 below related to Payphone Assets.) It is evident that there are no operating billboards.

19. Payphone Investments.

From March 2000 until approximately November 2001 (i.e., prior to selling billboard investments), Defendants Lomas, Young and others developed, promoted

and sold similar sale and lease back investments in pay telephones using a corporation known as National Payphone Company (“NPC”). The Receiver has not yet determined whether and how these payphones were assigned to investors. To the extent that payphones existed at the time of these sales, it appears that they may have been randomly assigned to investors without regard to the location or profitability of any single telephone. IPC leased the payphones from investors and was responsible for their management and operation. Similar promotions and sales of payphone investments have been the subject of SEC enforcement actions, including at least three such actions filed in this district in 1999 and 2000:

Securities and Exchange Commission v. ETS Payphones, Inc. and Charles E. Edwards, Civil Action File No. 1:00-CV-2532-JTC

Securities and Exchange Commission v. Phoenix Telecom, LLC, Jerold Benjamin Clawson, Jerry Deland Beacham and H. Ellis Ragland, Civil Action File No. 1:00-CV-1970-JTC

Securities and Exchange Commission v. LinkTel Communications, Inc., T.P.C. Communications, Inc., and Jeffrey S. Altman, Civil Action File No. 1:00-CV-3169-WBH

Apparently, in or about 2001, NPC and IPC decided that rather than continue to sell payphones, the mobile billboard investments described in this report would become the focus of their sale and leaseback promotion. MBA was formed for this purpose and NPC was merged into MBA on or about November 1, 2001. At the time of the shift in focus from payphones to billboards, existing

payphone investors were given the option to exchange their payphone investments for billboard investments. It appears that a few payphone investors did not accept the exchange offer and continued to receive payments pursuant to the terms of payphone leases.

Accordingly, there may actually be payphones included in the Receiver Estate that have been assigned to individual investors. If so, the practical result is likely to be that the investor has been assigned one or more payphones that, if operating, are located a long distance from his or her home (and, possibly, from other phones that he or she owns). If installed and operating, each payphone is likely subject to a site lease with a property owner and, in some instances, may be one of a group of phones that is the subject of a master site lease involving multiple locations. If the investor is left to manage the payphone(s) individually, licensing and servicing requirements are such that it is not possible for an individual to undertake this activity. There may be complicated issues involving “dial around” revenue collection and the payment of “master telephone bills” that cover a large number of phones that make independent management of individual phones very difficult. At present, the Receiver believes that it is not economically feasible for individual investors to manage their own phones. However, his investigation into this issue continues.

The Purchase of Payphones from Pay Tel

20. The records indicate that pursuant to the terms of a Master Equipment Purchase Agreement dated June 1, 2001, NPC agreed to purchase 1,825 installed payphones of a defined “quality” from Pay Tel Communications, Inc. (“Pay Tel”). The purchase price was set at \$2,200 per phone (for a cumulative purchase price of \$4,015,000).

21. The purchase of the Pay Tel phones was to be accomplished over a period of time (approximately 16 months) pursuant to a schedule established by the purchase agreement.

22. The Receiver assumes that these payphones were required to satisfy sales made (and, possibly, to be made) by NPC to investors. Investigation into the circumstances surrounding this contract is ongoing.

23. For reasons yet to be determined, NPC did not purchase 1,375 of the payphones as provided under the Pay Tel purchase agreement.

24. On March 28, 2003, Pay Tel filed an arbitration proceeding against MBA, as the successor to NPC, asserting a breach of contract claim. This was settled pursuant to the terms of an Amendment to Master Equipment Purchase Agreement dated September 30, 2003 (“Amendment”). Pursuant to the terms of this Amendment, MBA agreed to purchase 1,191 installed “Quality Payphones” at a price of \$2,200 per phone.

25. The Amendment provided that these payphones were to be purchased monthly in an amount to be determined by a formula based upon the amount of billboard investment sold by MBA during the course of the preceding month.

26. MBA's financial records indicate that it paid Pay Tel in excess \$2,500,000 after the date of the Amendment. The funds used to make these purchases were investment proceeds from the billboard sales that are the subject of this action.

27. Based upon the Receiver's industry research and knowledge obtained to date, it appears that the fair market value of operating payphones purchased during the last year or so was less than \$500.

28. The Receiver has been provided with lists of payphones that were the subject of the Pay Tel agreements. As more fully explained below, he is in the process of analyzing all payphones in the Receiver Estate.

29. The MBA offering materials filed as exhibits with the initial filings made by the SEC in this action indicate that the payphones acquired from Pay Tel were transferred to RGT. The Receiver has not been able to determine that this was actually done. While there are accounting entries that seem to indicate that this transfer was made, there are no documents evidencing an actual transfer of title from MBA to RGT. Accordingly, these payphones appear to be owned by MBA.

30. MBA's dealings with Pay Tel and the acquisition of payphones pursuant to the original purchase agreement and the Amendment require further investigation, which is ongoing.

The Receiver Estate

31. The Receiver Estate is comprised of the assets and liabilities of the four Receiver Entities. As of the date of the Receiver's appointment, the Receiver Entities had ceased business operations rather abruptly and their assets were in disarray.

32. The principal assets of the Receiver Estate consist of cash; operating payphones; installed billboards and GPS transmitters/receivers; inventory of billboard parts and material; other miscellaneous assets; and, causes of action.

33. Cash. The Receiver currently holds \$1,209,510.67, more than half of which was held by RGT.

34. Payphone Assets. As indicated above, MBA's predecessor, NPC, sold payphone investments purportedly managed by IPC. It appears that, over time, NPC acquired several payphone companies that owned and managed payphones. MBA also purchased more than 1,600 payphones from Pay Tel. The records indicate that at one time, NPC/MBA may have owned more than 4,000 payphones.

In or about August 2001, IPC contracted with Coin-Tel, Inc. to service and maintain all of these payphones. Based upon preliminary discussions with Coin-Tel, it appears that IPC paid very little attention to these payphone assets, many of which were unprofitable. Over time, payphones have been moved or removed from service so that it is very difficult to assess these assets (though the records indicate that less than 2,500 are currently installed and operating). As a result, it is not readily apparent how many installed phones are in the Receiver Estate. In addition, the financial reporting and accounting for payphone revenues has been, at best, confusing and cumbersome.

In general, payphone revenues are generated by coin deposits into the payphones and by “dial around” revenue. Coin deposits are collected by service technicians and should be turned over to IPC for deposit. “Dial around” revenue is the amount that the telephone “owner” is entitled to receive from the long distance carrier or other service provider resulting from credit card and prepaid calling card calls. This can be a very complicated accounting issue.

It is possible, even likely, that if these payphone assets are properly managed, they can become profitable at some level. However, this requires a significant investment of time, as well as industry knowledge. For this reason, the Receiver has hired Pamela Dennison as an employee of IPC. Ms. Dennison, who

has significant experience in the payphone industry, will be responsible for managing the payphone assets. Her responsibilities include:

- Compiling a complete payphone “inventory”
- Analyzing the profitability of installed payphones and making adjustments, as necessary, to: eliminate losses to the extent possible; and, improve efficiency and profitability
- Overseeing and managing the relationship with Coin-Tel, including financial and accounting oversight
- Assisting the Receiver in determining how to maximize the value of the payphone assets for the benefit of investors and other creditors of the Receiver Estate
- Assisting the Receiver and his counsel in analyzing the Pay Tel transaction described above

Ms. Dennison’s compensation, as well as the fees paid to Coin-Tel, are paid from revenues generated by the payphone assets.

At present, it is not possible to place a value on the payphone assets. However, the Receiver is guardedly optimistic that they will generate revenue sufficient to cover a significant percentage of the expenses incurred in the administration of the Receiver Estate.

35. Installed Billboards and GPS Transmitters/Receivers. The Receiver has not been able to verify the number of billboards installed on trucks. The records indicate that there are at least 328 billboards installed on 164 trucks. It is presently unclear whether any of these billboards are actually under contract to advertisers. If they are, the contracts are of limited duration and do not appear to be the source of significant ongoing revenue. Several industry sources, who appear to be knowledgeable, have indicated to the Receiver that the MBA billboard frames are outdated mobile advertising “technology.” Apparently, many advertisers employing mobile billboards now use large advertising “stickers” that are attached directly to the side of a truck or bus.

The Receiver has also determined that there are more than 500 GPS receivers/transmitters installed on trucks, apparently as a method of determining the advertising value of a specific truck based upon its route. Again, it is presently unclear whether these assets have any value.

The Receiver is in the process of determining whether some combination of installed billboards and GPS transmitters/receivers might have “going concern” value so that they can either be sold or turned into income producing assets.

36. Billboard Parts and Material. The Receiver has determined that metal tubing and other parts (e.g., bolts and screws) used to fabricate a billboard frame are located at a warehouse originally leased by WDC Enterprises, Inc. (“WDC”) in

Brevard, North Carolina. The Receiver is paying the rent on the warehouse and has been in contact with WDC regarding the value of the inventory. WDC was one (and, possibly, the only) billboard fabricator. WDC has estimated that the cost of this inventory was approximately \$300,000 and that the current salvage value is minimal.

The records indicate that billboard fabrication materials were also purchased from KP Iron, Inc. in Norco, California. However, KP Iron has indicated that it did not receive payment for the purchase of a significant amount of materials nor does it maintain any such materials for the benefit of MBA or any other Receiver Entity. The Receiver's investigation into the circumstances regarding KP Iron is ongoing.

37. Miscellaneous Assets. There is a limited amount of furniture, equipment and similar assets having limited value, if any. These items are currently stored in the Receiver's warehouse in metropolitan Atlanta.

38. Causes of Action. In addition to tangible assets, the Receiver believes that he may have significant claims against third-parties that could result in meaningful recoveries on behalf of the Receiver Estate. As his investigation continues, the Receiver and his counsel will analyze these claims and determine whether the filing and prosecution of any or all of them is likely to be of net benefit to the investors and other creditors of the Receiver Estate.

39. Liabilities. MBA's liability to the SEC (for the benefit of investors) could be as much as \$60 million. MBA and the other Receiver Entities had trade debt and other business creditors, however, because the business records of the Receiver Entities are incomplete, it is not possible to estimate this amount at this time.

40. Income and Expenses. As evidenced by this report, this is a complicated receivership. It has been labor intensive as the Receiver and the professionals working with him have endeavored to take control of assets and gain an understanding of the Receiver Entities. To date, the Individual Defendants and other persons intimately involved in the operation of MBA and its affiliated companies have been unwilling to provide substantial assistance to the Receiver. The administration of the Receiver Estate and ongoing investigation and recovery efforts will require substantial effort by a number of professionals, which means that substantial expense will be incurred. Those expenses, subject to court approval, along with any ordinary course of business expenses incurred in the continued operation of any Receiver Entity, will be paid out of the assets of the Receiver Estate. As indicated above, the Receiver expects that a significant portion of these expenses can be paid from income derived from improved operation of the payphone assets. Other than the sale of assets and recoveries from

third-parties, the payphones appear to be the only income producing assets in the Receiver Estate.

Use of Investment Proceeds

41. Summary of Receipts and Disbursements. The Receiver’s accounting is in its early stage, but it is possible to provide the following basic summary of receipts and disbursements of the investment proceeds (all amounts are approximate and have not been verified):

Billboard Sales	\$60,500,000
Sales Commissions (to Agents)	\$13,000,000
Lease Payments (to Investors)	\$17,345,000
General Operating Expenses	\$ 3,553,500
Pay Tel Payphone Purchase	\$ 2,757,000
Billboard Parts, Materials, Etc.	\$ 800,000
Cash Recovered (includes RGT funds and bank deposits, receivables collected, return of retainers, etc.)	\$ 1,209,500
NET INVESTMENT PROCEEDS SUBJECT TO CONTINUING INVESTIGATION**	\$21,835,000

** These funds are the principal focus of the Receiver’s accounting and tracing efforts. There are financial and accounting records that indicate how this money was used and disbursed by the Receiver Entities, but additional forensic work is required to determine the ultimate recipients and uses of this money.

42. Monies paid to the Individual Defendants. Defendant Young has filed an accounting with the Court. Michael Lomas has not. Confirmation and investigation of these amounts and a determination of whether other amounts may have been paid to these individuals or others is currently in process. In addition, there is clear indication that certain expenses of these individuals, especially Michael Lomas, were paid by Receiver Entities. The Receiver will continue to examine this and other issues regarding payments to or for the benefit of the Individual Defendants or members of their families, etc.

Continued Investigation, Discovery and Other Matters

43. Other Entities of Interest. In addition to the Receiver Entities, there are a number of other entities that appear to be affiliated with or under the direction and control of the Individual Defendants, particularly Michael Lomas. These entities include corporations, limited liability companies and trusts. The financial and accounting records of the Receiver Entities indicate that investment proceeds may have been transferred to some of these other entities. Accordingly, the Receiver is investigating these entities and any transfers they may have received directly or indirectly from the Receiver Entities. Many of these entities have been served with a subpoena requesting the production of documents and other materials. (See ¶ 45 below.)

44. The Receiver may have fraudulent conveyance and other claims against the Individual Defendants, the sales agents, as well as other third-parties who participated in the subject offering and related activities. In addition, the Receiver may be required to defend claims asserted against Receiver Entities.

45. Much of the information needed in order for the Receiver to develop and file additional reports and the accounting required by the Receivership Orders can only be obtained or confirmed through formal discovery. As of the filing of this report, the Receiver has served subpoenas requesting the production of documents on the following people and entities:

- 10/26/84 Charitable Remainder UniTrust
- 10/26/84, LLC
- American Guaranty Trust
- Bank of America
- Butterfield, Gloria
- California Ground Company, LLC
- California Mobile Billboards, Inc.
- California Retail Management, LLC
- Capital Conservation Council, Inc.
- CEO Capital Group LLC
- Cocoon International, Inc.
- Direct Marketing Incorporated
- Farmers & Merchants Bank
- F/S Worldwide Media and Communications, LLC
- First Century Trust
- First Century, LLC
- Heiser & Jesko
- Huntington National Bank
- Lomas, Allison
- KP Iron, Inc.
- Maloney & Knox LLP
- Michael Lomas Charitable Foundation, The

National Payphone Corporation
Oregon Retail Management LLC
Outdoor Media, Inc.
Outdoor Technology Resources, Inc.
P & P Steel, LLC
Paul, Hastings, Janofsky & Walker LLP
Pike Amusement and Entertainment, LLC
Satellite Audited Media, Inc.
Spa W, LLC
U.S. Bank
US Scooter Corporation
Valet and City Parking Services, LLC
Walker Retail, LLC
Walker's By The Cup, LLC
Walker's Experience, LLC, The
Wells Fargo Bank

Due to the expense involved, the Receiver has proceeded relatively cautiously with the actual production from banks and other financial institutions in the hope that original documents will be located. Both the cost of production and the quality of copies obtained make this a fairly unattractive alternative; however, if the original documents are not located, these productions will proceed.

46. In addition, the Receiver and his counsel believe that there are additional persons or entities that may have information relevant to this receivership and, as appropriate, they will also be served with subpoenas requesting documents and other materials, as well as oral deposition testimony.

This 1st day of December 2004.

s/ J. David Dantzler, Jr., Esq.

Georgia Bar No. 205125

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CERTIFICATE OF SERVICE

This is to certify that on December 1, 2004, I electronically filed RECEIVER'S FIRST INTERIM REPORT with the Clerk of Court using the CM/ECF system which will automatically send email notification of such filing to the following attorneys of record:

J. David Dantzler, Jr.
James Alexander Rue
William P. Hicks

I hereby certify that I have mailed by United States Postal Service the document to the following non-CM/ECF participants:

Julie M. O'Daniel, Esq.
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