

# Receivership Information

## RELATED LINKS:

News Release from Pennsylvania Securities Commission

SEC Litigation Release

New England International Surety Inc.

On August 19, 1999, a Federal District Court Judge in Orlando, Florida, The Honorable G. Kendall Sharpe, entered two Orders regarding Sebastian International Enterprises, Inc., ("SIE"). Information about these actions and SIE are on this page.

## THE LATEST NEWS:

JULY 11, Tuesday

CASE NO. 6:99-CV-1053-ORL-28A

ORDER

This cause came on for consideration without oral argument on the Court's initiative. It is ORDERED that all objections to the Receiver's Motion for Approval of Receivership Expenses shall be filed and served on or before June 19, 2000.

In her motion, the Receiver refers to the outstanding motion to avoid fraudulent transfer and directing disgorgement of assets. (Doc. No. 67). On March 29, 2000, I ordered counsel to confer regarding this motion and to notify the Court in writing within forty-five days of the outcome of their discussions, including a proposed schedule for filing dispositive motions and proceeding to a hearing or trial. (Doc. No. 87). Counsel have not filed this notification, which was due on May 15, 2000. Accordingly, it is ORDERED that on or before June 19, 2000, counsel for the parties shall file with the Court a joint notice of the properties which they agree can be sold by the receiver. And, if the propriety of the sale of any property remains in dispute, a proposal regarding resolution of the issues, including whether they will be submitted by affidavit, at a evidentiary hearing or whether a jury trial is required.

DONE and ORDERED in Orlando, Florida this 7th day of June 2000.

KARLA R. SPAULDING

UNITED STATES MAGISTRATE JUDGE

CASE NO. 6:99-CV-1053-ORL28A

ORDER

This cause came on for consideration without oral argument on the following motion filed herein:

MOTION:RECEIVER'S NOTICE OF FILING PROPOSED AGREEMENT FOR CONTINUED PRODUCTION OF ASSET, REAL LIFE 101

FILED: June 5, 2000

Prior to appointment of the Receiver, the defendants produced an educational television program entitled Real Life 101. The production equipment, partially completed segments of Real Life 101, and related assets were seized by the Receiver in August 1999. In October 1999, the Receiver retained an expert in television production and contacted Avid Neo Geo, an independent television production company, to assess the viability of continuing production of Real Life 101. (Doc. No. 45 at 15). In February, 1999, the Receiver permitted Avid Neo Geo to take physical custody of the seized production equipment to permit Avid Neo Geo to assess it usability; this transfer relieved the Receiver of the responsibility to pay storage costs. (Doc. No. 99 at 14).

Because no plan regarding Real Life 101 had been submitted as of March 29, 1999, the Court ordered the Receiver to make a report to the Court on or before May 1, 2000 about "whether to continue production of Real Life 101 and, if so, in what manner." In the Receiver's subsequent Report and Recommendation, the Receiver stated that she had not yet obtained information

about the value of the production equipment in the industry, but she did receive a preliminary proposal for producing Real Life 101 from Avid Neo Geo on April 28, 2000. (Doc. No. 99 at 15). The Receiver recommended that the Court authorize her to negotiate a written agreement with Avid Neo Geo to be filed with the Court no later than May 15, 2000. (Doc. No. 99 at 19, Recommendation No. 1). I granted that request and directed the Receiver to submit on or before May 26, 2000, "a final proposal for Avid Neo Geo and its partners to resume production, sale and advertising of Real Life 101." (Doc. No. 104). The Receiver requested and received an extension of time through June 5, 2000 to file this proposal.

On June 5, 2000, the Receiver filed a proposed licensing agreement with Avid Neo Geo. While the proposed licensing agreement is acceptable in principle, the Receiver has not provided the Court with sufficient information for it to be approved. The proposal has not been reviewed by the Receiver's accounting experts to determine whether this is an economically viable proposal. Many aspects of the agreement have not been finalized. The allocation of costs and expenses, including the Receiver's liability for costs that exceed income, is not clearly stated. Moreover, the proposal provides that title to virtually all of the production equipment seized by the Receiver will be transferred to Avid Neo Geo as an offset, in an unspecified amount, of the costs of production; it is not clear why the Receiver abandoned her earlier proposal to loan the equipment to Avid Neo Geo rather than surrendering title to it immediately.

In addition, the proposed licensing agreement requires that Avid Neo Geo sometimes make reports to the "Company," sometimes to the Receiver and sometimes to the Court. The agreement should be revised to require Avid Neo Geo to make all reports to the Receiver, with the Receiver presenting information to the Court as required.

The Court recognizes that the Receiver is neither an expert in television production or in accounting. It is essential that a complete assessment of the value and best use of the assets be made by qualified experts before the Court approves the proposed licensing agreement.

Accordingly, it is ORDERED that within eleven days from the date of this Order the Receiver shall submit a final proposal regarding a licensing agreement with Avid Neo Geo. The proposal shall be accompanied by a statement by the Receiver's experts verifying that the proposal is economically sound and is the best use of the production equipment and assets associated with production of Real Life 101.

DONE and ORDERED in Orlando, Florida this 9th day of June, 2000

KARLA R. SPAULDING  
UNITED STATES MAGISTRATE JUDGE  
JUNE 6, Tuesday

## LICENSE AGREEMENT

This LICENSE AGREEMENT is made this \_\_\_\_\_ day of June, 2000, by and between Avid, Inc. d/b/a/ Avid Neo Geo, hereinafter referred to as the "Licensee", 130 E. Marks St., Orlando, Florida and Sebastian International Enterprises, Inc., hereinafter referred to as "Company" c/o Lynn Cole, Esq., One Tampa City Center Bldg., Suite 2556, 201 N. Franklin St., Tampa, FL 33602.

WHEREAS, the Company is under a federal court receivership and Lynn Cole, Esq., is the duly appointed Receiver of the Company which possesses certain assets, including, without limitation: all rights associated with the production, broadcasting, sale and marketing of the television show known as "Real Life 101"; certain production equipment; and, an inventory of videos of Real Life 101, and,

WHEREAS the Company desires to engage the services of the Licensee to perform for the Company television production, distribution and marketing services for the television program known as Real Life 101; and,

WHEREAS, Licensee desires to produce, distribute and market services for the television program known as Real Life 101;

NOW, THEREFORE, it is agreed as follows:

Term. The respective duties and obligations of the contracting parties shall be for a period of commencing upon the approval of this agreement by the U. S. District Court, Middle District of Florida, Orlando Division, in the case styled SEC v. Sebastian International Enterprises, Inc. et al, Case No: 6: 99 -1053 - CIV-ORL-99A (the "Court") and shall continue until completion of performance of this Agreement or early termination.

Licensee shall assume full responsibility for the continued production (see budgets attached incorporating duties and responsibilities hereto), distribution, sale and marketing of Real Life 101, a television show previously produced by the Company and now in the rerun stage.

Licensee shall assume full responsibility for the continued and future production, distribution, sale and marketing of existing video inventory and new video, DVD, CD ROM, web site, and e-commerce inventory.

Licensee shall advise the Receiver and the Court concerning all matters pertaining to the production, distribution and marketing services of Real Life 101, its organization, fiscal policies and the relationship of the Company with its employees and any third parties contracting with the Company, or involved in the continued production, distribution, and marketing services of Real Life, upon request by the Receiver or the Court. The Licensee shall immediately notify the attention of the Receiver any production and fiscal problem(s) of immediate concern in the business affairs of the Company as it relates to Real Life 101. Licensee shall not represent the Company or its officers in any transactions or communications nor shall Licensee make claim to do so, excepting only to the extent that it is necessary to further the production, distribution and marketing services of Real Life 101, and with the prior written approval of the Receiver.

Company shall retain the services of an accredited accounting firm to review and analyze any and all budgets set out in this agreement, provide on-going review of costs expended and provide general review and oversight. Such accounting firm shall be accredited by the American Institute of Certified Accountants and the Florida Institute of Certified Accountants and shall be familiar with television production accounting principles. To the extent that industry standards are referenced in this Agreement and employed by the accounting firm, such standards shall generally comply with the standards, such as those published by the International Teleproduction Society, ("ITS"), or comparable industry associations to be set out in a separate Addendum attached hereto. The Company's accounting firm will conduct an audit and prepare annual financial statements at the end of each fiscal year. The Company shall pay for and control auditing and accounting costs, however, all costs associated with accounting, auditing and review services will be deemed to be an expense affecting net profit.

The Licensee initially shall perform its duties and responsibilities in two (2) phases as set forth below in Paragraphs 8 and 9.

8. PHASE I

A. Phase I shall commence immediately upon approval by the U. S. District Court of this Agreement and shall be completed by fiscal year ending December 31, 2000.

The Company has contracted with a number of as yet undetermined broadcasting stations which have run or are currently airing the Old Shows. Within ten (10) days after entry of the Court's Order accepting this agreement, the Company and Licensee shall prepare an Addendum to be attached and made a part of this agreement.

Licensee shall prepare a separate proposed broadcasting budget for Fiscal Year ending December 31, 2000, for the broadcasting, airing and marketing of Real Life 101, using generally accepted accounting principles and standard industry practices, which is attached hereto as Exhibit A. This budget shall be reviewed for final approval by the Company and its production accountant within ten (10) days of the Court's Order approving this agreement.

Licensee will create, market, produce, and sell a minimum of five (5) additional shows to complete current existing inventory of produced shows of Real Life 101 ("Old Shows") for the current broadcasting season.

Licensee, in conjunction with its subcontractors, will begin selling immediately the Old Shows to new markets, assist in continuing the airing of Old Shows with stations currently running the show, and develop new markets for fiscal years 2000 and 2001.

The Company is providing an inventory of existing videos ("video inventory") of Old Shows to Licensee, a list of which is attached hereto as Exhibit B.

Licensee shall market and sell current video inventory of Old Shows and will begin the process of re-purposing and repackaging the current video inventory into CD-ROMs, DVD's, and an e-commerce site.

Licensee shall prepare a separate video marketing budget for Fiscal Year ending December 31, 2000 for the marketing, sale and repackaging of existing video inventory using generally accepted accounting principals and standard industry practices. A proposed budget for Phase I marketing is attached hereto as Exhibit C and shall be reviewed for final approval by the Company and the production accountant within ten (10) days of the Court's Order approving this agreement.

9. Phase Two

Phase II shall commence immediately upon approval by the U. S. District Court of this Agreement, shall run concurrently with Phase I, and shall be completed by fiscal year ending December 31, 2001.

Licensee shall prepare a separate proposed broadcasting budget for Fiscal Year ending December 31, 2001, for the broadcasting, airing and marketing of Real Life 101, using generally accepted accounting principles and standard industry practices, which is attached hereto as Exhibit D. This budget shall be reviewed for final approval by the Company and the production accountant with ten (10) days of the court's Order approving this agreement.

Licensee will create, produce, market and sell twenty-six (26) new shows of Real Life 101 ("New Shows") in sufficient time for marketing to stations for the 2001 broadcasting season.

Licensee shall prepare a separate video marketing budget for Fiscal Year ending December 31, 2001, for the marketing, sale and repackaging of new video inventory using generally accepted accounting principals and standard industry practices. A proposed budget for Phase II marketing is attached hereto as Exhibit E and shall be reviewed for final approval by the Company and the production accountant within ten (10) days of the Court's Order approving this agreement.

Licensee shall create, produce, market and sell an inventory of New Shows as video, CD-ROM, DVD, web site, and e-commerce.

Licensee, in conjunction with its subcontractors, will begin maximizing the production, marketing and sale of video inventory of the New Shows to existing markets, and develop new markets for fiscal year 2001.

10. Licensee shall prepare separate proposed budgets for Phases One and Two, which shall be submitted for approval to the U. S. District Court, each with two identifiable budgets (1) for production and marketing and broadcasting of Real Life 101 and, (2) for production, marketing and distribution of video inventory, as set out above.

Licensee shall permit the Company's accountant access to all books and records upon reasonable notice and shall permit inspection and analysis of proposed budgets and annual budgets. Licensee shall prepare a monthly financial report to be given to the Company by the 15th business day of the first month following the initiation of Phase I.

Licensee shall obtain prior approval from the Company of cost overruns exceeding the budgets established for Phases I and II or will not be entitled to reimbursement for cost overruns, except union and /or cost of living increases.  
Compensation.

As set forth above, Licensee will submit proposed budgets for final approval to Company. In order to fairly determine compensation amounts as set out below, the parties will prepare and attach an Addendum to this Agreement setting out exactly how expenses and revenues are defined and accrued and controlled for purposes of defining "net profits". This Addendum will be prepared and signed prior to the formal commencement of Phase I, which shall commence upon written communication between the parties.

The Licensee shall receive clear title to all of the listed production equipment attached as Exhibit F within ten (10) days of the acceptance by the Court of this agreement.

Within ten (10) days from entry of the Court's Order regarding this Agreement, the Company shall immediately grant an exclusive license to Licensee of all intellectual property relating to Real Life 101, including the name of show and exclusive production and marketing rights to Old and New Shows, which will be attached as an Addendum to this Agreement. Within ten (10) days from entry of the Court's Order regarding this Agreement, the Company shall deliver to Licensee the existing inventory of VHS video tapes and master tapes and other items for sale or use related to the show in the possession of the Company and shall further assign the existing contracts/station clearances.

The Company shall use its best efforts to deliver the inventory free and clear of all liens and claims of lien and assist Licensee in obtaining releases and waivers by actors and other talent, music licenses, location releases and releases and waivers from career segment subjects, and copyrights. The parties acknowledge that there may exist some risk associated with the talent, music and trademarks used in the Old Shows insofar as talent releases and music clearances and copyrights may not have been properly executed. Because the Company needs additional investigation in these areas to protect the estate and reduce exposure to litigation, Company requires an additional ten (10) days from the date that the Court approves this agreement to complete its investigation and execute an Addendum with Licensee regarding these issues.

F. In Phase I, Licensee and Company shall each receive fifty (50%) percent of net profits, as calculated by the Receiver's accountant at Fiscal Year end and approved by the Court. Licensee understands and agrees that Company's purpose of this Agreement is to generate monies to pay to investors and creditors of the Company.

In Phase II, Company and Licensee shall each receive fifty percent (50%) of net profits, as calculated by Company's accountant and approved by the Court.

H. Option to Purchase. At the conclusion of Phase Two, December 31, 2001, Licensee shall have the Option to Purchase the Company's interest in Real Life 101, including all intellectual property relating to Real Life 101, including the name of show and exclusive production and marketing rights to Old and New Shows. The parties, at end of Phase I, shall determine a formula to be used in the Option to Purchase and submit it to the Court for approval on or before December 31, 2000. The parties contemplate that they will provide Licensee a "stalking horse" provision in the Option to Purchase.

Renewal. In the event that Licensee determines not to exercise its Option to Purchase at the conclusion of Phase II, the parties will execute an agreement to continue under the existing agreement for submission to the court for its approval.

Termination. The Agreement may be terminated by either party for good cause as defined in an Addendum to be attached hereto within ten (10) days of the Court's Order by giving ninety (90) days' advance written notice to the other party at the addresses stated above or at an address chosen subsequent to the execution of this agreement and duly communicated to the party giving notice. If termination occurs prior to the completion of Phase I, Licensee shall return all properties and title thereto to the Company within ten (10) days after written termination, including all Old Shows, all New Shows, any remaining inventory, and any other property, except that Licensee shall retain equipment valued at the legitimate costs incurred by Licensee to date of termination by way of a mutually agreed upon reconciliation of expenses. If either party terminates prior to the completion of Phase II, Licensee shall return all properties and property rights, remaining in Licensee's possession, to Company, except for the equipment set out in Exhibit F. Any money generated at the time of termination shall be split fifty per cent (50%) in accordance with this agreement.

Arbitration. Any controversy or claim arising out of or relating to this contract, or the breach thereof, shall be settled by arbitration in accordance of the rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) shall be entered in any court having jurisdiction thereof. For that purpose, the parties hereto consent to the jurisdiction and venue of an appropriate court located in Orange County, State of Florida. In the event that litigation results from or arises out of this Agreement or the performance thereof, the parties agree to reimburse the prevailing party's reasonable attorney's fees, court costs, and all other expenses, whether or not taxable by the court as costs, in addition to any other relief to which the prevailing party may be entitled. In such event, no action shall be entertained by said court or any court of competent jurisdiction if filed more than one year subsequent to the date the cause(s) of action actually accrued regardless of whether damages were otherwise as of said time calculable.

This Agreement shall be construed under the laws of Florida.

IN WITNESS WHEREOF, the parties have hereunto executed this Agreement on June \_\_\_\_, 2000.

\_\_\_\_\_

Lynn Cole, Esq., as Receiver of

Sebastian International Enterprises, Inc.

\_\_\_\_\_

Leslie Draper,

of Avid Neo Geo, Inc.

UNITED STATES DISTRICT COURT  
MIDDLE DISTRICT OF FLORIDA    ORLANDO DIVISION

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,            CASE NO. 99-1053-CIV-ORL-18A

v.

SEBASTIAN INTERNATIONAL ENTERPRISES,  
INC., FERDINAND BEN SEBASTIAN, III, AND  
JAN SEBASTIAN,

Defendants,

SIE HOLDINGS, INC., SEBASTIAN  
INTERNATIONAL ENTERTAINMENT, INC.,  
GRAND OASIS, INC., AND 3D GOLFER, INC.

\_\_\_\_\_ /

RECEIVER'S NOTICE OF FILING PROPOSED AGREEMENT

FOR CONTINUED PRODUCTION OF ASSET, REAL LIFE 101

COMES NOW, the Receiver, and files the Proposed Agreement with Avid Neo Geo (hereinafter "Avid") in conformance with this Court's Order of May 15, 2000, and notifies the Court as follows:

The parties have worked diligently and for long hours to complete the attached proposed licensing agreement (hereinafter "Agreement") without the benefit of certain information which, despite the best efforts of the Receiver to locate by taking certain depositions and reviewing all seized documents, is, in some part, unavailable.

As a result, Avid has not been able, until very recently on June 2, 2000, to provide the Receiver with the proposed budgets sets as Exhibits in the appended Proposed Agreement. Therefore, the Receiver submits the Proposed Agreement with an additional safeguard of having the Receiver's accountants analyze and review the proposed budgets within ten (10) working days of entry of the Court's Order. To the extent any changes are made in any proposed budgets, the Receiver will file an Amendment to this Notice setting forth revised budgets.

The parties, relying on budget information only recently attainable, are required to negotiate certain Addenda relying, in part, on budget data and licensing information. The parties have given themselves ten (10) working days from the date the Court enters its Order to craft these Addenda, which will be attached to the Agreement and made a part thereof. To the extent any Addenda are executed, the Receiver will file an Amendment to this Notice setting forth the Addenda.

The Receiver will post the Proposed Agreement on her web site for the benefit of investors and other interested parties. Posting on the web site, lynncole.com, will be undertaken by June 4, 2000.

Because the timing of producing and selling new shows is critical to the success of the continuation of Real Life 101, the Receiver respectfully notes that an expedited ruling on this Proposed Agreement is very helpful and, ultimately, in the best interests of the investors.

Respectfully submitted,

\_\_\_\_\_  
Lynn H. Cole, Receiver

RECEIVER'S MOTION FOR APPROVAL OF RECEIVERSHIP EXPENSES

COMES NOW, the Receiver, and moves this Honorable court approve expenses made by the receiver in conformance with the Court's Order of August 19, 1999, granting the Receiver the "authority to administer and manage the business affairs, funds, assets, choses in action and any other property of SIE, marshal and safeguard all of the assets of SIE, and take whatever actions are necessary for the protection of the investors," and in support thereof, states as follows:

1. By Order dated August 19, 1999 (the "Receivership Order"), the Court, in paragraph 8, authorized the receiver to "make or authorize such payments and disbursements from the funds and assets taken into control, or thereafter received by the receiver, and incur, or authorize the incurrence of, such expenses and make, or authorize the making of, such agreements as may be reasonable, necessary and advisable in discharging her duties as receiver. The Receivership Order was premised upon a finding that the Securities and Exchange Commission (the "SEC") made a sufficient and proper showing that SIE and two principals of SIE, Ferdinand Ben Sebastian, III, and Jan Sebastian, violated federal securities laws such that the appointment of the Receiver and the issuance of a Temporary Restraining Order ("TRO") were required.

2. The TRO permitted, among other things, the immediate possession of all SIE property reasonably appearing to be owned, used or in the possession of SIE. The TRO specifically authorized entry onto the Delk Road property and the removal of any property to be held by the receiver pending further Order of the court. The TRO further empowered the receiver to investigate and take further actions and legal proceedings related to the affairs of SIE, its investors and creditors. In addition, the TRO directed the receiver to prepare a Report detailing the existence and value of assets of SIE and the extent of its liabilities. The Interim Report was filed on November 16, 1999 apprising the Court of the receiver's activities to that date.

2. On May 2, 2000, the receiver filed her Report and Recommendation on Use of Investor Asset, Real Life 101.

3. In her Initial Report filed on November 19, 1999, the receiver submitted as a part of her report, the expenses paid out to that date. Exh. A. No objections were filed or noted as to that portion of the Receiver's Report on expenses.

4. In the Receiver's Report and Recommendation on Use of Investor Asset, Real Life 101, filed on May 2, 2000, the receiver filed as a part of her Report a listing of expenses incurred and paid to that date. Exh. B. No objections were filed or noted as to that portion of the Receiver's Report.

5. The receiver hereby files her Motion for approval of all expenses incurred to date by submitting additional backup invoices and details of all expenses incurred to date listed below by categories and summaries:

A. Receiver's Fees and Costs.

Receiver's brief biography, Exh. C;

Summary of monthly fees and costs from August, 1999 to present, with receipts attached, where applicable. Composite Exh. D

B. Attorney for Receiver's Fees and Costs.

Attorney's brief biography, Exh. E;

Summary of monthly fees and costs from August, 1999 to present, with receipts attached where applicable, Composite F;

C. Overview of Ledger Report of Sebastian International, Inc. Trust Account, Check Details from August, 1999 to April, 2000, Exh. G.

D. Monthly Ledger Reports of Sebastian International, Inc. Trust Account, Check Details with invoices attached.

August 1999, Exh. H;

September 1999, Exh. I;

October 1999, Exh. J;

November 1999, Exh. K;

December 1999, Exh. L;

January 2000, Exh. M;

February 2000, Exh. N;

March 2000, Exh. O;  
April 2000, Exh. P.

The expenses exhibits listed above and attached hereto should be read in conjunction with the Receiver's Initial Report filed on November 19, 1999, which contains supporting information and explanation of expenses, and the Receiver's Report and Recommendation on Use of Investor Asset, Real Life 101, filed on May 2, 2000, which likewise informs the Court and investors of the basis for expenses.

6. On April 20, 2000, the receiver engaged a Certified Public Accountant, Kent S. Miller, to provide forensic accounting services by: assisting in developing an understanding of the records believed to be available; to prepare a work plan and action steps to be carried out in establishing the universe of the activity recorded both in SIE's books and records and its various bank accounts; to prepare detailed business damage computations utilizing claims forms to be submitted by July 1, 2000, to prepare analyses and work papers documenting those efforts; to assist in litigation efforts to recover damages from third parties, and, to prepare reports accounting for these activities during the course of the receivership. Mr. Miller has served as a state court appointed receiver of a hotel in Palm Beach, Florida. His Curriculum Vitae, Listing of Litigation and/or Business Damage Cases and engagement letter are attached hereto as Composite. Exh. Q. His billing rate is \$200.00 per hour and the receiver has paid his first bill attached as Exh. R.

7. The receiver anticipates continuing to incur costs and expenses for the duration of the year, 2000. Many of the expenses the receiver continues to incur relate to maintaining the real properties and storage of personal properties seized. The receiver's motion to disgorge SIE properties remains pending and, as such, the receiver is prohibited from disposing and/or liquidating these assets. Approval of the Court for liquidation of these assets will reduce the outlay of carrying these costs and generate proceeds sufficient to make some portion of return of monies to the investors after the claims process is completed. Most of the investors in Real Life 101 are 65 and over and have invested their life savings. Many are suffering severe financial constraints as a result. It has been and continues to be the obligation of the receiver to reduce costs as much as possible while carefully expending monies necessary to safeguard assets, discover additional assets, and develop existing assets to generate income for return to the investors.

8. The receiver is amenable to filing any future Motion for approval of receivership expenses at any time or within any regular periods of time the Court deems advisable. Unless the Court directs the receiver otherwise, she will file her next regular motion in September, 2000 and January, 2001, at which time she anticipates including financial reports on the production of Real Life 101.

WHEREFORE, for all of the foregoing reasons, the receiver respectfully requests this court approve the expenditures of monies set out above. Respectfully submitted,

Lynn H. Cole, Receiver  
Florida Bar No.: 290505  
Law Offices of Lynn Cole, P.A.  
One Tampa City Center  
201 N. Franklin Street, Suite 2556  
Tampa, Florida 33602  
Telephone: (813) 223-7009  
Facsimile: (813) 223-7013  
Web site: law@lynncole.com

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Receiver's Motion for Approval of Receivership Expenses was served postage prepaid via U.S. Mail to Mitchell E. Herr, Esq., Regional Trial Counsel, 1401 Brickell Avenue, Suite 200, Miami, Florida 33131; Mark Fisher, Esq., 111 North Orange Avenue, Suite 1750, Orlando, Florida 32802; and George E. Tragos, Esq., 600 Cleveland Street, Suite 700, Clearwater, Florida 33755; and Lawrence C. Callaway, III, Esq., P.O. Box 1148, Ocala, FL 34478, and John M. Brennan, Esquire, Gray, Harris & Robinson, P.A., Post Office Box 3068, Orlando, Florida 32802-3068 on May 31, 2000.

(posted May 23, 2000)

Case No. 6:99-CV-1053-ORL-99A:

ORDER

This cause came on for consideration without oral argument on the Receiver's Report and Recommendation on the Use of Investor Asset, Real Life 101, New England International Surety Co., Inc.'s Response to Receiver's Report and Recommendation, Jan and Ferdinand Ben Sebastian, III's Response and Objection to Receiver's Report and Recommendation on Use of Investor Asset, Real Life 101, and the Request for Hearing. New England International Surety Co., Inc. has not submitted a proposal under which it would participate in the resumed production of Real Life 101.

Upon review of these documents, consideration of the argument of counsel at the previous hearing, and being otherwise familiar with the record, it is ORDERED as follows:

1. Within eleven days from the date of this Order, the Receiver shall submit a final proposal for Avid Neo Geo and its partners to resume production, sale and advertising of Real Life 101. In addition to the financial terms and funding for the proposed agreements with Avid Neo Geo and its partners, the proposal shall state whether Avid Neo Geo will use the production equipment seized by the Receiver and, if so, under what terms. It shall also set forth a schedule for completion of episodes of Real Life 101, for negotiation of contracts to air Real Life 101 and for sales of advertising for Real Life 101.
2. Within eleven days from the date of this Order, the Receiver shall submit a proposal for the marketing and sale of the existing video inventory of Real Life 101 and marketing and sale of video or other recordings of future episodes of Real Life 101. The proposal shall identify the entities that will participate in the marketing and sale of these recordings and shall set forth a schedule for marketing and sale of the existing inventory.
3. Within thirty days from the date of this Order, the Receiver shall identify accounts receivable from broadcast stations that previously aired episodes of Real Life 101 and take steps to collect any and all funds due and owing.
4. The Receiver shall file her next Report and Recommendation concerning other assets of SIE on or before July 7, 2000.

It is further ORDERED that the Request for Hearing is DENIED.

DONE and ORDERED in Orlando, Florida this 15th day of May, 2000

KARLA R. SPAULDING

UNITED STATES MAGISTRATE JUDGE

CASE NO. 99-1053-CIV-ORL-99A: RECEIVER'S REPORT AND RECOMMENDATION ON USE OF INVESTOR ASSET, REAL LIFE 101

### I. Procedural History

By Order dated August 19, 1999 (the "Receivership Order"), the Court appointed the undersigned as Receiver for SIE with full and exclusive power to manage the business affairs, funds, assets, choses in action, and any other property of SIE, to marshal and safeguard the assets of SIE and to take whatever actions necessary to protect the investors. The Receivership Order was premised upon a finding that the Securities and Exchange Commission (the "SEC") made a sufficient and proper showing that

SIE and two principals of SIE, Ferdinand Ben Sebastian, III, and Jan Sebastian (hereinafter "Sebastians"), violated federal securities laws in such a way that the appointment of the Receiver and the issuance of a Temporary Restraining Order ("TRO") were required.

The TRO permitted, among other things, the immediate possession of all SIE property reasonably appearing to be owned, used, or in the possession of SIE. The TRO specifically authorized entry onto the Delk Road property and the removal of any property to be held by the Receiver pending further Order of the court. The TRO further empowered the Receiver to investigate and take further actions and legal proceedings related to the affairs of SIE, its investors and creditors. In addition, the TRO directed the Receiver to prepare a Report detailing the existence and value of assets of SIE and the extent of its liabilities. The Receiver's Interim Report was filed on November 16, 1999 appraising the Court of the Receiver's activities to that date.

On March 29, 2000 United States Magistrate Judge Spaulding heard oral argument on a number of motions filed by various parties. New England International Surety Co.'s (hereinafter "NEIS") Motion to Intervene, was granted in part and denied in part, and NEIS's Motion for Relinquishment of Assets was denied. The Sebastians' Emergency Motion to Stop Receiver from Distributing Assets to Third Parties and to Request Secured Release of Equipment was granted in part and denied in part. As to the Receiver's Motion for Order Avoiding Fraudulent Transfers, Directing Disgorgement, and Imposing Constructive Trust, the Court ordered the parties to confer and file a written report proposing a schedule. The Receiver was ordered to confer with the defendants and counsel for NEIS to discuss defendants' business proposals. The Receiver was ordered to file on or before May 1, 2000, a report making recommendations to the Court about the matters delegated to the Receiver, including whether to continue production of Real Life 101, and if so, in what manner. The Receiver hereby files her Report and Recommendations in conformance with the Court's Order.

## II. Overview of Report and Recommendations

The Receiver has undertaken a number of actions since her last report. In order to better understand the recommendations submitted in the last section of this Report, a summary of the matters reported is set out as follows:

- Background work and investigation of SIE and its assets;
- Completion of organization of SIE documents and records;
- Interim business advisory report from accountant;
- Additional activities to safeguard assets;
  - Protection of properties;
  - Recap of actions related to NEIS;
- Organizing, locating and analyzing claims from investors;
  - The Claims procedure;
- Current financial status of SIE;
- Real Life 101 as a potential asset of the investors;
  - Industry opinions;
  - Valuation of production equipment and inventory;
    - Equipment;
    - Vehicles;
    - Video tapes of Produced Shows;
- Recommendations;
  - Introduction;
  - Proposals received;
  - Propriety of returning assets to the Sebastians;
    - 1. Misuse of funds;
    - 2. Role of NEIS;
  - Comparison of proposals received;
  - Recommendation No. 1;
    - 1. Marketing of existing 26 shows;
    - 2. Marketing, sale and distribution of inventory of video tapes;
    - 3. Completion of remaining 5 shows at a cost savings;
    - 4. Negotiation of written agreement required by the Receiver;

5. Receiver to obtain accurate valuation of equipment;  
Recommendation No. 2.

III. Background work and investigation of SIE and its assets.

A. Completion of organization of SIE and its assets

Initial efforts to relocate some 21 computers seized and to decipher the type and nature of information contained in each was a large undertaking requiring several months. Successful logistical efforts were immediately undertaken to rent minimum usable office space in Orlando from the law firm of Meininger, Fisher & Mangum, P.A. in order to relocate some office equipment, to identify and set up six computers storing SIE business information, and to move, store, identify and catalogue approximately 15+ file cabinets containing thousands of documents, most of which were not organized in any readily assimilable manner. The Receiver hired a certified paralegal to catalogue, organize and file SIE documents. The paralegal prepared a 77 page index which is available for inspection and review in the Receiver's office.

For Investors: Download the Claim Forms in Microsoft Word format

For Investors: Receiver's Claim Form Cover Letter

April 11, 2000

Dear Investor:

Enclosed is the Receiver's First Notice to Claimants and a Claim Form. The Notice to Claimants explains the claims process in detail. Please read it carefully.

You must file a claim even if you have previously written me, the Court, the SEC, the Defendants or Relief Defendants, or any of their representatives. To receive consideration, your claim must be received by July 1, 2000. Mail the claim form to the Receiver at the address listed below. You should mail your claim by certified mail, return receipt requested or by an overnight delivery service such as Federal Express, UPS or Airborne. These methods of delivery help you protect your claim by providing you with evidence of delivery should your claim be lost. Please remember to keep a copy of your claim to put with your delivery receipt.

In addition, if you would like the Receiver to send you a written receipt of your Claim Form, please include a self addressed stamped envelope with your Claim Form. You should receive this written receipt within 10 business days.

It is my goal to obtain as much money for your claim as possible. Thank you for your patience, encouragement and support as we work together to achieve this goal.

Sincerely,

\_\_\_\_\_  
Lynn H. Cole, Esq.

Receiver for SIE  
Florida Bar No.: 290505  
LAW OFFICES OF LYNN COLE, P.A.  
One Tampa City Center  
201 North Franklin Street, Suite 2556  
Tampa, Florida 33602  
Telephone: 800-701-2207  
Facsimile: 813-223-7013  
Web Site: www.lynncole.com

Note to Investors: Pursuant to the following court order, the receiver will make recommendations to the court on May 1, 2000.

It is ordered that on or before Friday, March 31, 2000, the defendants shall tender to the receiver the master tapes and "ten

packs” of tapes of Real Life 101, and software of the video golf game that are in their possession, custody or control. The defendants shall also advise the receiver of the outstanding accounts receivable concerning advertising included in the Real Life 101 tapes that have been broadcast, including the procedures for collecting the amounts owed.

It is further ordered that the defendants and New England Security International Co. shall promptly furnish the receiver and her counsel a business plan for their respective proposals to permit the defendants to continue producing Real Life 101. New England Security International Co. shall also promptly provide the receiver and her counsel with current financial statements and other information necessary to assess whether it has sufficient assets to fund the plan it proposes.

It is further ordered that, before May 1, 2000, the receiver and her counsel shall meet personally with counsel for the defendants, counsel for New England Security International Co. and the defendants, if the defendants wish to be present, to discuss the defendants’ and New England Security International Co.’s business proposals. After this conference, and on or before May 1, 2000 the receiver shall file with the Court and serve by hand delivery on the defendants and counsel for New England Security International Co. a report making recommendations to the Court about the matters delegated to the receiver, including whether to continue production of Real Life 101 and, if so, in what manner. The defendants and New England Security International Co. may file and serve their own business proposals on or before May 8, 2000.

The parties agreed that the receiver’s request for disgorgement of property, including an order voiding allegedly fraudulent transfers of property of Sebastian International Enterprises, Inc., may be resolved in this Court upon consideration of dispositive motions or, if necessary, an evidentiary hearing or trial. It is ORDERED that counsel for the receiver and the defendants shall confer, in person or by telephone, in a good faith effort to determine the assets for which a hearing is required, and whether the defendants will request a jury trial. Within 45 days of the Order, counsel shall file a written report with the Court stating the outcome of their discussions, including a proposed schedule for filing dispositive motions and proceeding to a hearing or trial. If a jury trial is requested, the Court will revisit the issue of whether the receiver can proceed by motion. The receiver and the defendants are permitted to conduct discovery on all issues related to the receiver’s motion for disgorgement and to void fraudulent transfers.

April 15, 2000

Note to Investors: Pursuant to the following court order, the receiver will make recommendations to the court on May 1, 2000.

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## SECOND OPEN LETTER TO THE INVESTORS AND CREDITORS

Many investors and creditors of Sebastian International Enterprises, Inc. (ASIE@) have expressed interest in the progress of discussions between the Receiver and New England International Surety (ANEIS@) for continued production and distribution of Real Life 101. On February 17, 2000, the Receiver met with Hendrik Rienstra, NEIS= attorney, for more than three hours. Additionally, the Receiver also had representatives from an Orlando-based television production company and representatives of a subsidiary of CBS experienced in television marketing distribution attend the meeting. The Receiver shared with NEIS her investigation of these two experienced viable candidates to handle production and marketing of Real Life 101, and her efforts to continue production of Real Life 101, by making available to NEIS experienced industry representatives that she believes are qualified candidates for such continued operation.

During the meeting, the Receiver and NEIS had productive discussions regarding the maximization of revenues for the benefit of investors and creditors of SIE. At the conclusion of the meeting, the Receiver invited NEIS to revise its proposal to provide for continued production of Real Life 101 for the benefit of investors and creditors of SIE. As discussions progress, the Receiver will endeavor to keep interested parties informed of their progress.

February 15, 2000

## OPEN LETTER TO THE INVESTORS AND CREDITORS

Recently we have heard from many of you regarding Sebastian International Enterprises, Inc. (SIE). Each of you has expressed concern about obtaining as much money for your claim as possible. That is my goal on your behalf.

For several months my legal counsel and I have engaged in discussions with New England International Surety (NEIS) regarding its written proposal to generate money in exchange for the Receiver turning over to NEIS certain assets, namely property and operational rights to Real Life 101 and 3dGolfer. NEIS also intends to use the Sebastians to run the business in order to generate capital which NEIS says will be paid back to investors. The proposal is in two parts: The first part involves releasing certain assets containing programing needed to complete approximately 10 episodes of Real Life 101 to continue broadcasts of the program. NEIS has offered to post a Letter of Credit to secure the value of the equipment and has offered to pay for the cost of completion and distribution of those episodes. As presently structured this will not generate any substantial income as the distribution agreements that SIE has do not provide for payments for the broadcast rights in most cases. Rather, the value of this "interim proposal" is continue the broadcasts in the hope of preserving what value, if any, the program may have.

The second part of the NEIS proposal is for the relinquishment of most of the production equipment and related property for use in re-starting production. According to the Sebastians' and NEIS the ability of Real Life 101 to generate income in the short term will be from the sale of tapes to schools for use in the school guidance offices and libraries.

We have responded by asking NEIS to give us the following information:

verification of licensure to engage in the surety or insurance industry, including confirmation that New England is authorized to engage in such business within and without the country of incorporation and confirmation that New England is authorized to engage in business in Florida;

provision of banking references;

copies of New England's most recent audited and unaudited financial statements;

if those financial statement reflect that they are consolidated statements with subsidiary, affiliate or parent corporations, then copies of the most recent audited and unaudited financial statements of each those subsidiary, affiliate or parent corporation;

a list of New England's specific assets confirming a net worth in excess of \$114,000,000.00, with all associated liabilities;

a list of all officers, directors and shareholders of New England and of New England's subsidiary, affiliate or parent corporations;

a verified statement regarding New England's exposure to claims for all programs in which New England has issued note guarantees;

a verified statement regarding New England's performance under the class action settlement in the Capital Acquisitions case including verification of payments;

a list of all regulatory actions in which New England or a subsidiary, affiliate or parent corporation has been named a party with a summary of the status of each such action and a reference with the regulatory body that can confirm the representations.

I believe it is imperative that I conduct due diligence on your behalf before giving serious or further consideration to the NEIS proposal to turn over your assets. Thus far, I have learned the following:

According to a May 1, 1989 article published in Business Insurance, an industry periodical for the insurance industry, entitled, "Insolvent Insurer Dumps Records on Louisiana Officials", the Department of Insurance in Louisiana found New England International, a unit of NEIS, was insolvent by \$1.8 million in 1987. According to the article, several state cease and desist orders were issued against "New England of Panama" for its role as insurer of Dyna Span Corp of Boca Raton, Florida;

Recently, the State of Connecticut issued a Cease and Desist Order against NEIS [complete]

I have not been able to find NEIS {this is not clear} not listed on any reputable business reporting/ rating services, including American business directory, Dunn & Bradstreet, U.S. and Moody's International Manual (which covers 117 countries with listings of over 11,100 companies);

I have authorized contact with Belgium officials to determine whether or not NEIS is an established company because in its

corporate records it lists Belgium as one of its principal offices;

NEIS is not registered to do business in the State of Florida which it must be in order to conduct any business using the assets of the investors;

According to an article in Salt Lake Tribune dated Feb. 25, 1999, NEIS has paid investors in Utah substantial sums using investor assets, but the investors have not yet been paid in full. In 1998, federal and state authorities investigated and prosecuted two companies, Capital acquisitions and Lazer Leasing, after the State of Utah ordered them to cease and desist. Investor notes in that scheme were insured by NEIS. Many elderly investors are suing NEIS in state court in Utah according to the Salt Lake Tribune article titled "Victims of Alleged Scheme Get Rare Refund" which was published {date}.

Recently an Orlando based business named World Vision Entertainment, Inc. filed for bankruptcy protection. It appears that like SIE, World Vision solicited investments guaranteed by NEIS.

Be assured that while we are conducting our due diligence on NEIS, we are continuing our good faith negotiations by requesting that NEIS provide the Receiver with legitimate business information. Also, and importantly, at the same time, we are working very hard to determine whether or not certain production companies are interested in continuing the operations of Real Life 101. Because of Real Life 101's "track record" of showing no profits since its inception, the use and/or sale of Real Life 101 is made more difficult.

To the extent that I can, I will endeavor to keep you informed on a periodic basis. As you know from our prior posting, we have requested authorization from the federal district court to establish a claims process to track and calculate investor and creditor claims in anticipation of a future distribution.

If you have information about NEIS or SIE that you think is important to share with me, please send me your e-mail or a letter. If you are sending me an e-mail, please kindly give us your name because there are some people who are attempting to elicit our response who are neither investors nor represent investors. In that respect, we have received certain information from some investors that they are being asked to sign a motion supporting NEIS's yet to be filed motion to divest the Receivership Estate of certain assets. If you have received any information regarding any such effort, please kindly report same to me. We constantly monitor our messages and I have devoted staff time and efforts to answer your inquiries as quickly and accurately as possible. Thank you for your continued patience and good counsel.

## OPEN LETTER TO THE INVESTORS AND CREDITORS

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- to engage in business in Florida;
- provision of banking references;
- copies of New England's most recent audited and unaudited financial statements;

if those financial statement reflect that they are consolidated statements with subsidiary, affiliate or parent corporations, then copies of the most recent audited and unaudited financial statements of each those subsidiary, affiliate or parent corporation; a list of New England's specific assets confirming a net worth in excess of \$114,000,000.00, with all associated liabilities; a list of all officers, directors and shareholders of New England and of New England's subsidiary, affiliate or parent corporations;

a verified statement regarding New England's exposure to claims for all programs in which New England has issued note guarantees;

a verified statement regarding New England's performance under the class action settlement in the Capital Acquisitions case including verification of payments;

a list of all regulatory actions in which New England or a subsidiary, affiliate or parent corporation has been named a party with a summary of the status of each such action and a reference with the regulatory body that can confirm the representations.

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To the extent that I can, I will endeavor to keep you informed on a periodic basis. As you know from our prior posting, we have requested authorization from the federal district court to establish a claims process to track and calculate investor and creditor claims in anticipation of a future distribution.

If you have information about NEIS or SIE that you think is important to share with me, please send me your e-mail or a letter. If you are sending me an e-mail, please kindly give us your name because there are some people who are attempting to elicit our response who are neither investors nor represent investors. In that respect, we have received certain information from some investors that they are being asked to sign a motion supporting NEIS's yet to be filed motion to divest the Receivership Estate of certain assets. If you have received any information regarding any such effort, please kindly report same to me. We constantly monitor our messages and I have devoted staff time and efforts to answer your inquiries as quickly and accurately as possible. Thank you for your continued patience and good counsel.

December 1, 1999

#### UPCOMING MEDIA EVENTS

NBC Dateline (Jane Pauley and Stone Phillips) is working on a story about nine month note frauds as a special segment featuring the SWIFT Task Force and how these notes programs have become an epidemic problem nationwide. This story is expected to air some time around mid- December.

November 4, 1999

As the Receiver for SIE, I want to assure you that we are working with all due haste to complete our investigation in order to make recommendations to the U. S. District Court regarding the status of SIE and the continued production of Real Life 101. We anticipate that our accounting and production experts will complete their respective analysis by sometime next week.

We received a letter proposal from New England International Surety, Inc. and I have instructed my attorney to respond. I enclose our letter of response because it contains information which may be helpful to you. As to any individual agreements you may have with New England International Surety, I am hopeful you are seeking your independent counsel on any issues regarding your payment(s) on the bond because, as Receiver for SIE , I have no standing to become involved in those individual agreements.

We are working very hard to respond individually to e-mails and telephone calls from many of you, your brokers, or attorneys. If we are sometimes delayed in responding, please understand that we are making every effort to respond as quickly as possible in the order of your communication. Thank you for your continuing courtesy and patience.

November 4, 1999

Lawrence Callaway, III, Esq.  
Ayres, Cluster, Curry, McCall & Briggs, P.A.  
21 Northeast First Avenue  
Ocala, Florida 34470

RE: SEC v. Sebastian International Enterprises et al  
Case No. 99-1053-CIV-ORL-18A

Dear Mr. Callaway:

Thank you for your recent letter of October 25, 1999 in which you communicate New England International Surety, Inc.'s offer to provide collateral to the Receiver of Sebastian International Enterprises et al, (SIE) to obtain the release of equipment seized by the Receiver. The stated purpose of the offer is to free up the equipment, presumably so that it can be used by the Sebastians to continue production of the television program "Real Life 101". The offer indicates that New England International Surety, Inc. "would have to be given control of cash flow and accounting...[that] stock in the company would be placed in escrow, pledged to New England until all advances are repaid with reasonable interest...[and that] Thirty percent (30%) of the stock would be retained by New England as additional compensation for its efforts." Obviously, the Receiver is not a party to the agreements that New England is a party to and expresses no opinion as to whether any agreement with the Receiver would satisfy any of those obligations.

In addition to cash assets, personal property, causes of action and real property, the other assets of SIE are "Real Life 101" and an Internet software program. Of these two assets, the Receiver has focused most of her attention on the viability of continued production of the television program. To this end the Receiver has retained an expert in television production and marketing who has spent considerable time reviewing the financial and practical aspects of continued operation of "Real Life 101". Additionally, the Receiver has consulted with an independent television production company in Florida and one in the northeast. Finally, both the Receiver and her consultant have met with the Sebastians and requested additional information regarding the production and distribution of the program as well as the financial expectations of the Sebastians vis a vis the program.

Although it is premature to announce the conclusion of the Receiver, the Receiver is aware that the program content of "Real Life 101" is well regarded. Specifically, the University of Pennsylvania Annenberg Public Policy Center reviewed the show for the 1998-1999 season and rated it as "highly educational." Accordingly, the Receiver is interested in continuing production if it makes economic sense, but only if it makes economic sense. Understand that maximizing recovery for investors and creditors of SIE is the major long term objective of the Receiver (subject to guidance from the U.S. District Court) and if continued production and distribution of "Real Life 101" advances this objective, then it has to be considered.

In terms of continued production versus sale of the production rights, the Receiver is relying on experts in the field in making her recommendation to the Court. To this end the financial workings of the company have been closely examined. The proposed Business Plan of the Sebastians has been reviewed and a cost estimate for production of future installments of the show have been sought. To the extent possible, the Receiver has attempted to confirm representations of the extent of coverage of the program as a percentage of the U.S. viewing population and the number of stations that the show is contracted to run on. Further, estimates of advertising revenues have been reviewed and have been compared with established industry standards.

According to the Receiver's consultants, each show should generate a minimum of approximately \$1,000.00 per episode per station in broadcast fees. Based on the confirmed number of stations (46) this could generate \$46,000.00 a week or \$2,392,000.00 annually. Bear bones production cost per episode is estimated at \$80,000.00 or \$2,080,000.00 annually. Theoretically this would generate "profit" of \$312,000.00 annually.

Unfortunately, the only agreements in place for the current year are based on a complete barter of advertising time without concurrent written advertising commitments for the advertising time retained by SIE. In other words the only income generated by SIE by "Real Life 101" from broadcasting the program is SIE's sale of 3 ½ minutes of air time during each episode. To the Receiver's knowledge SIE has never had any written advertising contracts and has never sold more than a fraction of the available advertising time slots. Further, no fees for broadcasting each episode are paid by the various stations so no income

from broadcast rights have been or are expected. Indeed, it appears that SIE actually paid at least two stations a total of approximately \$8,500.00 an episode to insure that the show aired in those areas (instead of being paid by the station). According to the industry consultants the foregoing arrangements are not industry standard.

If New England International Surety, Inc. is interested in buying the rights to continue production and marketing of "Real Life 101", the Receiver is interested in receiving, and will assess, any realistic offer that addresses such things as liabilities for production costs and distribution as well as the cost of obtaining the release of the equipment seized by the Receiver.

Sincerely,

Mark F. Fisher

On August 19, 1999, a Federal District Court Judge in Orlando, Florida, The Honorable G. Kendall Sharpe, entered two Orders. The first implemented a Temporary Restraining Order prohibiting, restraining and enjoining Sebastian International Enterprises, Inc., ("SIE"), Ferdinand Ben Sebastian, III, ("F. Sebastian"), and Jan Sebastian, ("J. Sebastian") from, among other things:

- Issuing, carrying, or offering to sell or to buy any securities, including but not limited to SIE securities, unless and until the requisite registration statement is in effect with the Securities and Exchange Commission;
- Violating Section 17(a) of the Securities Act, 15 U.S.C. 17(q)(a);
- Violating Section 10(b) of the Securities Exchange Act of 1934, 15 U.S.C. 78(j)(b); and
- Violating Section 17(a)(2) and (3) of the Securities Act of 1933, 15 U.S.C. Sections 77(q)(a)(2) and (3)

Also, as part of this Order, the Court ordered that SIE, F. Sebastian, and J. Sebastian be restrained from in any way disposing of or transferring any properties owned by or controlled by: SIE; F. Sebastian; J. Sebastian; Sebastian International Entertainment, Inc; SIE Holdings, Inc.; 3DGolfer, Inc.; and Grand Oasis, Inc. All financial or brokerage institutions holding any funds or assets for the benefit of or control of those parties are prohibited from withdrawing, transferring or dissipating any such funds or assets.

Further, all agents, banks, depositories, attorneys and any other persons in active concert or participation with any one of them, shall repatriate all funds and assets of investors which are held by them or are under their control and turn over such funds to the court appointed receiver, who shall hold them pending further order of this Court.

F. Sebastian and J. Sebastian shall immediately surrender all passports and are prohibited from travelling outside the U.S. until five (5) days after they file and provide the Commission and this Court with a sworn identification of all assets and accounts. This sworn accounting shall be made within five (5) business days of the issuance of this Order of all funds and property received by one or both of them from SIE; all assets, funds, or other properties held by one or both of them; and each account with any and all financial or brokerage institution(s) maintained in either of their names.

To ensure the preservation of records, the Defendants, and their agents, depositories, banks, and other persons in concert or participation with any one of them, shall be restrained and enjoined from destroying, concealing, disposing of, or otherwise rendering illegible any books, records, documents, papers, accounts, files and other property of or pertaining to the Defendants, pending determination of the Commission's request for a Preliminary Injunction.

The Second Order issued by the Court was an Order Appointing Lynn Cole, Esq. as Receiver for SIE, its subsidiaries, successors and assigns, and authorized, empowered, and directed her to, among other things:  
Take immediate possession of all property reasonably appearing to be owned, used, or in the possession of SIE, of every kind whatsoever and wheresoever located;

Investigate the manner in which the affairs of SIE were conducted and institute such actions and legal proceedings, for the benefit and on behalf of SIE and SIE's investors and other creditors, as she deems necessary, against those whom she may claim to have wrongfully, illegally or otherwise improperly misappropriated or transferred monies or other proceeds traceably from investors in SIE;

Present to this Court a report reflecting the existence and value of the assets and liabilities of SIE;  
Appoint such special agents, employ legal counsel, accountants, and assistants as she deems necessary, and to pay their reasonable compensation and expenses, and all reasonable expenses of taking possession of SIE's assets and business;  
Engage persons to assist in carrying out her duties and responsibilities under this Order;  
Defend, compromise or settle legal actions, wherein SIE or the Receiver is a party, except in actions where SIE is a nominal party. The Receiver may waive any attorney-client or other privilege held by SIE;  
Assume control of, and be named as authorized signatory for, all accounts at any financial or brokerage institution of SIE;  
Make or authorize such payments and disbursements from the funds and assets taken into control of the Receiver as may be reasonable, necessary and advisable in discharging her duties as Receiver;  
Have access to and review all mail and SIE, F. Sebastian, J. Sebastian received at any office or address of SIE;

Furthermore, the Court ordered, among other things, that:  
SIE and all of its directors, officers, agents, employees, shareholders, and other persons who are in possession or control of any assets, records or other property of SIE shall deliver forthwith upon demand such monies, records or property to the Receiver;  
All banks, financial or brokerage institutions, or other business entities in possession or control of any assets, funds or accounts in the name of, or for the benefit of, SIE, shall cooperate fully in the granting of control and authorization to the Receiver;  
SIE, its principals, and their respective officers, employees, agents, and attorneys shall cooperate with and assist the Receiver;  
During the period of this receivership, all persons with actual notice of this Order are enjoined from filing a petition for relief under the United States Bankruptcy Code without prior permission from this Court, or from disturbing in any way the assets or proceeds of the receivership or from prosecuting any actions or proceedings which involve the Receiver or which affect the property of SIE; The Receiver is authorized to proceed with any filing she may deem appropriate under the Bankruptcy Code as to SIE;  
Title to all property, contracts, rights of action and all books and records of SIE and their principals, is vested by operation of law in the Receiver;  
Upon request by the Receiver, any company providing phone services to SIE shall provide a reference of calls from the number assigned to SIE to any such number designated by the Receiver or perform any other changes necessary to the receivership;  
Any entity furnishing water, electric, telephone, sewage, garbage services to SIE shall maintain such service and transfer any such accounts to the Receiver unless instructed to the contrary by the Receiver;  
the U.S. Postal Service is directed to provide any information requested by the Receiver regarding SIE and any mail addressed to any location at which SIE maintained an office or received mail, and is further directed to handle future deliveries of mail addressed to SIE or any other person or entity at any location at which SIE maintained an office or received mail as may be directed by the Receiver;  
No Bank, Savings and loan association, other financial institution, or other person or entity shall exercise any form of set-off, lien, or any form of self-help whatsoever, or refuse to transfer any funds or assets to the Receiver's control;  
In the event that the Receiver discovers that funds of persons who have invested in SIE have been transferred to other persons or entities, the Receiver shall apply to this Court for an Order giving the Receiver possession of such funds;

A complete copy of the Court's Orders is available upon request. Additional information can be obtained by calling 1-800-701-2207 during the following days and times:

Tuesdays, 1:00 to 6:00 p.m. EST

Wednesdays, 7:00 a.m. to 5:00 p.m. EST

Fridays, 7:00 a.m. to 5:00 p.m. EST

Further updates will be posted.

September 21, 1999

Dear Investor:

On August 19, 1999, Federal District Judge G. Kendall Sharpe granted a request of the United States Securities & Exchange Commission to place Sebastian International Enterprises, Inc. (SIE) and its subsidiaries into a court-appointed receivership based upon allegations of misconduct and violations of state and federal securities laws. Specifically, the SEC has launched an investigation into the business dealings of SIE, 3DGolfer, Inc., and Grand Oasis, Inc., as well as Ferdinand Ben Sebastian, III and Jan Sebastian.

I was appointed Receiver by the Court to undertake all actions as the Receiver. It will be my job to take authorized and necessary measures to preserve and protect the assets of the investors in these companies. As the appointed Receiver, I took custody of the books and records of the companies, as well as other assets. SIE bank accounts also have been frozen. At this time, we are continuing to locate assets of the companies.

On September 3rd, my attorney and I met with the Sebastians to discuss a business plan proposed by the Sebastians. During this meeting, I agreed to air one Real Life 101 show on national television on September 18th. We are investigating whether or not business opportunities for investors will be enhanced by permitting SIE to conduct additional business.

We will continue to work with SIE and the SEC to identify and secure control over as many assets and bank accounts as possible. To obtain future information on the status of the receivership, please visit our website at [law@lynncole.com](mailto:law@lynncole.com). This site will be updated with any new developments as soon as practicable. You may also call us at 1-800-701-2207. However, please remember, as the Appointed Receiver, we do not represent you or your financial interests. As Receiver, I am only a conduit for the federal court and appointed to safeguard the corporate assets. If you believe you need legal advice, you should obtain your own legal counsel.

Sincerely,  
Lynn H. Cole