

Frequently Asked Questions:

The following are some of the questions most frequently asked by investors concerning the case filed by the Securities and Exchange Commission ("SEC"), against John P. "Jack" Utsick, Robert Yeager, Donna Yeager, Worldwide Entertainment, Inc. The Entertainment Group Fund, Inc. American Enterprises, Inc. and Entertainment Funds, Inc. (collectively, the "Defendants").

What has the SEC alleged that the Defendants did wrong?

The SEC has alleged in its complaint, and in other filings, that the Defendants violated several sections of the Securities Act of 1933 (the "1933 Act") and the Securities and Exchange Act of 1934 (the "1934 Act"). Often referred to as the "truth in securities" law, the 1933 Act has two basic objectives: (i) requires that investors receive financial and other material information concerning securities being offered for public sale; and (ii) prohibits deceit, misrepresentations, and other fraud in the sale of securities.

The specific Sections of the 1933 Act that the SEC alleges were violated are §5(a), §5(c) and §17(a). Section §5(a) makes it unlawful to use the means and instrumentalities of interstate commerce or the mails to sell unregistered securities.¹ Section §5(c) prevents solicitors of securities from communicating with prospective buyers (written or oral) before filing a registration statement. Section §17(a) of the 1934 Act applies to public offerings and private placements, and bars actions intended to, or with the effect of defrauding others in the offer or sale of securities, including the making of false statements and material omissions.

A second principal allegation in the SEC complaint is that from 1998 through 2005 Utsick and the Yeagers both participated in the sale of unregistered securities in violation of the 1934 Act. With the 1934 Act, Congress created the Securities and Exchange Commission. The 1934 empowers the SEC with broad authority over all aspects of the securities industry, including the power to register, regulate, and oversee brokerage firms, transfer agents, and clearing agencies. Under the 1934 Act, companies with more than \$10 million in assets whose securities are held by more than 500 owners must file annual and other periodic reports.

The SEC has specifically charged that Section §10(b), and with respect to Robert and Donna Yeager, Section §15(a) of the 1934 Act were violated in connection with the solicitation of various investment opportunities.

Section §10(b) prohibits in connection with the purchase or sale of any security, the use of "manipulative or deceptive devices or contrivances in contravention of such rules and regulations as the SEC may prescribe". In its complaint, the SEC also refers to Rule 10b-5 which was enacted as a powerful catchall regulation that prohibits the employment of "any device, scheme, or artifice to defraud," or the making of "any untrue statement of a material fact or ... omit[ing] to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or [engaging] in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security." Under this general regulation, the SEC combats two broad categories of fraud: (1) insider trading and (2) general market manipulation.

¹ Interstate commerce refers to the buying and selling of products across state lines.
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Section §15(a) requires all brokers and dealers that use any means of interstate commerce to effect transactions in securities to register with the SEC. The law subjects the registrant to rigorous recordkeeping, reporting and financial requirements. Registered brokers and dealers are subject to fingerprinting requirements as well as net worth and minimum capital requirements. Brokers and dealers who participate in regulated activities but fail to register are subject to injunctive or disciplinary action, denial of registration, and criminal prosecution.

To learn more about the securities laws that the SEC refers to in its complaint and other filings, please visit: <http://www.sec.gov/about/laws.shtml>.

Are these criminal charges?

Although the SEC has alleged violations of the Securities laws, this is still a civil matter. While the SEC has civil enforcement authority only, it works closely with various criminal law enforcement agencies throughout the country to develop and bring criminal cases when the misconduct warrants more severe action.

What is the difference between the SEC case and the original Big Four-Oh case?

Unlike a private civil litigant, the SEC has certain powers and rights as a representative of the federal government. Specifically, the SEC can use the civil courts as a tool for the enforcement of the U.S. securities laws. Typically, the SEC files a complaint with a U.S. District Court that describes the alleged misconduct, identifies the laws and rules violated, and specifies the sanction or remedial action that is sought. The SEC then asks the court to issue an order, called an injunction, that prohibits the acts or practices that violate the law or SEC rules. The Court can also require various actions, such as audits, accounting for frauds, or special supervisory arrangements like the appointment of a Receiver to operate or liquidate the defendant's business. In addition, the SEC often seeks civil monetary penalties and the return of illegal profits, known as disgorgement. A person who violates the court's order may be held in contempt and be subject to additional fines or imprisonment.

Has Utsick or the Yeagers settled with the SEC?

Individuals and companies charged sometimes choose to settle the case, while others contest the charges. In the present case, Jack Utsick ("Utsick") and Robert and Donna Yeager (jointly, the "Yeagers"), without admitting or denying the SEC's allegations, have consented to the entry of a Judgment of Permanent Injunction and Other Relief (the "Judgment"). Beyond enjoining the Defendants from further violations of certain securities laws, the Judgment provides for; (i) an asset freeze, (ii) a sworn accounting, (iii) a repatriation order, (iv) an assessment of disgorgement and prejudgment interest thereon, and (v) a civil penalty. The Defendants also agreed to waive certain rights as part of their consent, including their right to a jury trial and their right to appeal from the entry of the Judgment. The amounts of the disgorgement and civil penalty will be determined by the agreement of the parties to the action² and if the parties cannot reach agreement, the amounts will be determined by the Court upon motion of the SEC. The SEC and the Yeagers have reached a settlement in principal which will be presented for approval shortly. In Summary, the SEC's settlement with the Yeagers provides for disgorgement of funds they received from Worldwide and a fine. This settlement will essentially require the Yeagers to hand

² The parties to the action are the SEC and the Defendants, John P. Utsick, Robert and Donna Yeager and the aforementioned corporate entities.

most of their assets over to the Receiver for eventual distribution to investors. The SEC and Utsick have not yet discussed settlement.

The Judgment also specifically enjoins the Defendants and their agents from transferring, selling, or otherwise disposing of property owned or controlled by the Defendants. At the same time, the Judgment contains a repatriation order which commands any bank, depository institution, attorney or person acting in concert with the Defendants, to take all steps necessary to repatriate to the United States, all funds and assets of the investors that are covered in the SEC's complaint.

Now that the SEC has filed what happens to the Big Four-Oh case?

The Big Four-Oh case was dismissed by order dated April 28, 2006. The order specifically acknowledges that the dismissal does not constitute an interruption of the case itself. Instead, all aspects of the case are transferred to and are continued under the SEC case. All filings, including the Initial Receiver's Report are ratified and continue in force under the SEC case.

What does all this mean to investors?

The most important difference lies in the scope of the Receivership itself. With the inclusion of American Enterprises, Inc., Entertainment Funds, Inc. and the personal property of Jack Utsick and Robert and Donna Yeager, the Receiver now has additional standing to attempt to collect more assets and prosecute claims. Most importantly, the Receiver has been given broader powers to expand the Receivership to include additional defendants not named in the original Order.

When will the Receiver file the next report?

Rather than filing a couple of voluminous reports each year, the Receiver will attempt to post abbreviated monthly updates that will provide investors with up to date information on material matters.

What was the outcome of the hearing held on January 25, 2007 regarding the Claims Mechanism?

On January 25, 2007, a hearing was held for the Court to consider the Receiver's Corrected Motion to Establish (i) A Claims Mechanism to Calculate Investors' Claims; (ii) A Claims Procedure to Deal with Disputed Claims; and (iii) A Claims Bar Date dated October 24, 2006 ("Claims Motion"). At the hearing, in which the Court considered the points of view of older and newer investors, and the fact that Worldwide was not profitable from at least 1997 through 2005, the Judge ruled that the "net investment approach" was the most equitable approach for all investors in calculating each investors' claim. The Court in its Order dated February 1, 2007, directed the Receiver to utilize the "rising tide" method more fully set forth in Option 3 on Page 24 of the Claims Motion dated October 4, 2006, copies of which can be found under the Court Order's section of this website.

The goal of the "rising tide" method is to attempt to treat each investor as equal as possible. The Court chose this method, in large part, based on its review of Worldwide's and TEGFI's financial documents and the fact that they indicated that Worldwide and TEGFI were not profitable from at least 1997 through 2005. Moreover, the Receiver also informed the Court that unsigned copies of TEGFI's tax returns for 1995 and 1996 also indicate that TEGFI suffered losses in those years as well. Accordingly, the Court reasonably concluded that any sums Worldwide or

TEGFI paid to investors from 1995 to 2005 necessarily came from money invested by other investors. Based on that conclusion, there was a pool of money made up of various investors' money that Worldwide used to pay investors' returns. Some investors were lucky enough to have received some of their money back from this pool of money, while others were not. The goal of the "rising tide" method is to first return money to those investors who were not lucky enough to receive any money, or as much money as other investors' received in prior years. Once these investors "catch up" to investors that received money, then all investors will share, prorata, in any remaining funds.

The following example is provided by way of explanation:

PLEASE NOTE THAT THIS EXAMPLE IS FOR ILLUSTRATION PURPOSES ONLY AND DOES NOT MEAN INVESTORS WILL RECEIVE BACK A GUARANTEED PERCENTAGE OF THEIR MONEY.

		Investor A	Investor B	Investor C
Aggregate Amount of Claims		\$250,000		
Actual Amount Initially Invested		\$100,000	\$50,000	\$100,000
Amounts Received (Prior to Receivership)		\$50,000	\$10,000	\$0
Pro-Rata Percentage Share		40%	20%	40%
% of Investment Returned to Date		50%	20%	0%
Allowed Claim Amount		\$100,000	\$50,000	\$100,000
Initial Distribution - First Level				
Amount Available to Distribute	\$125,000 Initial Distribution			
Distribution Check to Investor		\$0	\$15,000	\$50,000
Subtotal of Amounts Received		\$50,000	\$25,000	\$50,000
% of Investment Returned to Date		50%	50%	50%
Initial Distribution - Second Level				
Leftover to Distribute	\$60,000 Leftover Initial Distribution			
Distribution Check to Investor		\$24,000	\$12,000	\$24,000
Subtotal of Amounts Received		\$74,000	\$37,000	\$74,000
% of Investment Returned to Date		74%	74%	74%
Second Distribution				
Amount Available to Distribute	\$65,000 Second Distribution			
Distribution Check to Investor		\$26,000	\$13,000	\$26,000
Subtotal of Amounts Received		\$100,000	\$50,000	\$100,000
% of Investment Returned to Date		100%	100%	100%

Investor A invested \$100,000 and received \$50,000. Investor A's allowed claim is \$100,000. Investor A's pro-rata percentage of the total claim amount is 40% (\$100,000 allowed claim divided by \$250,000 in aggregate claims).

Investor B invested \$50,000 and received \$10,000. Investor B's allowed claim is \$50,000. Investor B's pro-rata percentage share of the total claim amount is 20% (\$50,000 allowed claim divided by \$250,000 in aggregate claims).

Investor C invested \$100,000 and received no funds. Investor C's allowed claim is \$100,000. Investor C's pro-rata percentage of the total claim amount is 40% (\$100,000 allowed claim divided by \$250,000 in aggregate claims).

In the event that \$125,000 was available for an initial distribution to the allowed claimants the following calculations would be used to determine each claimants share:

Investor A: \$100,000 (actual amount invested) divided by \$250,000 (aggregate of actual amount invested by all investors) = .40 (or 40%) multiplied times \$125,000 (the amount available for an initial distribution) = \$50,000 minus \$50,000 (payments previously received) = \$0.00 initial distribution share to investor. (As you will see, once all the other investors reach the same level of remuneration (i.e. 40%) as Investor A, Investor A will begin to share in the funds available for distribution).

Investor B: \$50,000 (actual amount invested) divided by \$250,000 (aggregate of actual amount invested by all investors) = .20 (or 20%) multiplied times \$125,000 (the amount available for an initial distribution) = \$25,000 minus \$10,000 (payments previously received) = \$15,000 initial distribution share.

Investor C: \$100,000 (actual amount invested) divided by \$250,000 (aggregate of actual amount invested by all investors) = .40 (or 40%) multiplied times \$125,000 (the amount available for an initial distribution) = \$50,000 minus \$0.00 (payments previously received) = \$50,000 initial distribution share.

Because only \$65,000 of the \$125,000 has been distributed, additional rounds of calculations must be made until the remaining funds (\$60,000) are distributed.

After the first distribution level our three investors are situated as follows:

Investor A: Total pre-receivership dollars received: \$50,000
First Distribution Check to Investor A: \$0
Total post-receivership dollars received (after first level distribution): \$0.00
Percentage of investment returned to date: 50%

Investor B: Total pre-receivership dollars received: \$10,000
First Distribution Check to Investor B: \$15,000
Total post-receivership dollars received (after level distribution): \$15,000
Percentage of investment returned to date: 50%

Investor C: Total pre-receivership dollars received: \$0.00
First Distribution Check to Investor C: \$50,000
Total post-receivership dollars received (after first level distribution): \$50,000
Percentage of investment returned to date: 50%

At this point all investors have received the same percentage of their principal investment. Accordingly, for the second level of the 1st distribution, Investor A will share in available proceeds.

Investor A: Total pre-receivership dollars received: \$50,000
Total post-receivership dollars received (after second level distribution): \$24,000
(The \$24,000 is calculated by multiplying the Pro-Rata Share (40%) by the amount Leftover to Distribute (\$60,000) or $.40 \times \$60,000 = \$24,000$)
Percentage of investment returned to date: 74%

Investor B: Total pre-receivership dollars received: \$10,000
Total post-receivership dollars received (after level distribution): \$37,000
(The \$37,000 is calculated by multiplying the Pro-Rata Share (20%) by the amount Leftover to Distribute (\$60,000) or $.20 \times \$60,000 = \$12,000$. Then you must add to that the amounts previously received \$10,000 and \$12,000 = \$37,000)
Percentage of investment returned to date: 74%

Investor C: Total pre-receivership dollars received: \$0.00
Total post-receivership dollars received (after first level distribution): \$74,000
*(The \$74,000 is calculated by adding together all post-receivership dollars receive--. \$50,000 for the initial distribution **first** level and \$24,000 for the initial distribution **second** level. The \$24,000 second level distribution was calculated by multiplying the Pro-Rata Share (40%) by the amount Leftover to Distribute (\$60,000) or $.40 \times \$60,000 = \$24,000$.)*
Percentage of investment returned to date: 74%

At this stage Investors A, B, and C have all received 74% of their principal investment back. In the event a Second Distribution is made by the Receiver and the amount available to distribute is \$65,000, the following calculations would be used to determine each claimants share:

Investor A: Total pre-receivership dollars received: \$50,000
Total post-receivership dollars received (after second distribution): \$50,000
Percentage of investment returned to date: 100%

Investor B: Total pre-receivership dollars received: \$10,000
Total post-receivership dollars received (after second distribution): \$40,000
Percentage of investment returned to date: 100%

Investor C: Total pre-receivership dollars received: \$0.00
Total post-receivership dollars received (after second distribution): \$100,000

Percentage of investment returned to date: 100%

As you can see, at the conclusion of the Second Distribution, all investor have been made whole and received back 100% of the principal investment.

Can you explain the second paragraph of the Court's Order Establishing a Claims Method by Which Receiver Shall Calculate Claims regarding profits received prior to January 1, 1997?

If an investor received money back from Worldwide prior to January 1, 1997, such money **will not** be considered in calculating the investor's claim provided that the investor reported the receipt of such funds as income on his or her tax returns. For investors who fall within this category, the Receiver will require each of them to provide copies of their tax returns.

The rationale for not including pre-1997 payments in the calculation of the investor's claim is that there is minimal evidence indicating that Worldwide was unprofitable prior to 1997. Moreover, it is expected that this will have a minimal impact on other creditors as the amount involved is extremely small.

When can we expect an initial distribution?

The Receiver and his staff are in the process of verifying claims filed by investors. This is a very lengthy process that can reasonably take six to eight months, if not longer to complete. In short, the Receiver must review and verify every single investment made, as well every distribution received, by an investor. This is accomplished by matching the backup documentation provided by each investor to the books and records of the Receivership entities (when available), as well as through records the Receiver subpoenaed from various banking institutions. This is certainly an arduous process, however it is extremely important that we are thorough and accurate as possible.

After each investors' claim is verified, the Receiver will have a picture of the liabilities which are owed to the investors. During that process, assets will continue to be liquidated and litigation will continue to be pursued in an effort to increase the Receivership Estate assets. Once we have determined the amount of each investors' allowed claim, we can determine each investors' pro rata share of the amount of funds available for distribution. The Receiver will then seek approval from the Court before any monies are paid out. Based on the data available to date, the Receiver is hopeful that an initial distribution will be made to the investors by the third quarter of 2008.

When will the case be concluded?

This case involves a large investor class who's investments total in the hundreds of millions of dollars. There is a lengthy history of investment in a diverse and complex group of international and domestic holdings. Moreover, the books and records for this period are disorganized and in many instances incomplete. All of these elements indicate a long term resolution that could encompass several years. However, although the case may take several years, the Receiver expects to commence distribution of certain funds on hand immediately upon conclusion of the claims process. The Receiver fully understands the financial hardship that has been created as a result of this case and will work to implement strategies that will balance the goals of maximizing investment value for the entire investor class while providing interim financial relief where possible.