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UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

FEDERAL TRADE COMMISSION, Plaintiff, v. TATTO, INC., et al., Defendants.	CASE NO. LACV13-8912 DSF (FFMx) **TEMPORARY RECEIVER'S SUPPLEMENTAL REPORT** JUDGE: Hon. Dale S. Fischer CTRM: 840

By its December 19, 2013 Order Extending the Temporary Restraining Order, the Court instructed counsel for the Be Great Entities and Game Plan Holdings to work with the Temporary Receiver and the Federal Trade Commission to "propose a plan for their continued operations (and operations of their affiliates and subsidiaries)" prior to the January 6, 2014 hearing with the specific proviso that the "plan should focus on demonstrating that the entities can be operated lawfully and profitably in the long-term, thus justifying continued use of assets to support operations."

Counsel have submitted draft plans and participated, along with their clients, in conference calls to review those plans and respond to our questions.

By this Supplemental Report, I update the Court as to my current conclusions as to these go-forward plans. My conclusion is that I am skeptical of the submitted projections and cannot recommend the release of additional frozen funds to finance operations. I have, however, encouraged Defendants to seek investors and other capital sources – as noted below, some progress has been made on that front.

While both situations offer plausible scenarios for profitability in the long term, those scenarios are dependent on the full range of market risks and unknowns that always bedevil start-ups and make their ultimate success unpredictable. While an entrepreneur with investment capital might see these enterprises as exciting opportunities, as Receiver, I must look at them from a different perspective. I see a real risk that further operations will simply erode the personal funds of defendants with no predictable increase in the receivership's ability to recover the proceeds of the Premium SMS business that were put into these businesses.

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1. Be Great Entities

The Defendants provided six-month financial projections along with their recent financial results for the consolidated "Be Great Entities." Attached are Defendants' current financial information (Exhibit 1), their six-month operating forecast (Exhibit 2), and a comparison of the last three months of 2013 actual results with the first three months of their 2014 projection (Exhibit 3).

My staff and I have reviewed these materials. The current financials show an operating loss of $3,428,564 for the eleven months ended November 30, 2013. Monthly results for November indicate revenues of $83,604, expenses of $398,563 for a consolidated loss for the month of $314,959. The balance sheet indicates minimal current assets and a large deficit in working capital. Operations have been funded by monthly advances from Lin Miao.

The Defendants' go-forward financial projections indicate losses in January (-$64,451), February (-$20,526), and then a profit in March ($7,801). Results improve each month through June, 2014 (the last month provided in the forecast) where the Defendants project a profit of $56,128.

A comparison of the forecast results to the November actual results shows an increase of monthly income from $83,604 in November to $113,325 in January and then to $198,750 in March (which is basically the "breakeven month" in their forecast). This income increase is primarily due to the Defendants' receipt of Coworker Space Rental revenues, which is a new business and a new revenue source. Coworker Space Rental is shown as $33,325 for January, 2014 and increases to $103,750 for March, 2014. Total expenses in January are shown as $177,776, a decrease from $398,563 in November – this decrease is due to significant cuts in their employee workforce. It is unknown at this time whether the Defendants can operate at these reduced cost and support levels.

I have also reviewed the above results and projections with the Defendants. Although the Defendants' projections indicate that they will soon become a profitable operation, there is no certainty that this large increase in revenues from the Coworker Space Rental business can be achieved. The Defendants do not yet have a track record to support these projected operational results, nor can they provide clear executed documentation of their ability to collect on the projected revenues given that this is still a start-up business. There is also a real risk that the ability to generate these new revenues is compromised by all the reductions in staff. While Mr. Miao and his team have done a very careful and professional job, their plan is based on "projections," which may or may not be achieved in the actual market and as to which I am quite skeptical. As such, I have real concerns that future operations will further erode the asset base. I see the Defendants' operating plan as just too unpredictable to warrant the approval of the release of additional frozen funds to underwrite operations.

I have encouraged Defendants to search out investors or capital sources who are in the business of making calculated bets on whether operating models can be achieved. I have been advised that Defendants now have a tentative arrangement from an investor (Lin Miao's parents) to raise $150,000 through the sale of a majority interest in Be Great LLC, the parent entity of all the Be Great Entities. I submit that this represents a potentially viable solution to keep these businesses alive without resorting to frozen funds. A number of details remain to be confirmed (including a rough valuation of the business), but in concept this may be a viable alternative. Absent some form of financing, these businesses will fail and the receivership claims may die with them.

2. Game Plan Holdings

I have reviewed Game Plan Holdings' ("GPH") financial information filed with the SEC and have received recent financial results and six-month projections provided by counsel. GPH is a thinly capitalized public company with little operations. In the 10Q Report for the nine months ending September 30, 2013, it reported sales of $4,908 and a net loss of $1,002,053. The Company is currently funded through the periodic sale of shares in private transactions – through September 30, 2013, $1,347,500 has been raised from such sales.

Defendant Andrew Bachman owns approximately 12.2 million shares of GPH which represents approximately 34% of the outstanding shares. We have not confirmed all the details, but it appears that Bachman acquired 7 million of these shares from a non-cash transfer of "intellectual property" from the predecessor entity, Sporting Blood, 5 million shares in a cash purchase of $60,000 paid to a previous shareholder for his shares, and approximately 200,000 shares purchased on the open market. Additionally, it is our understanding that Bachman recently advanced $250,000 to GPH for the purchase of newly issued preferred shares; however, the required shareholder approval has not been completed.

I have reviewed and discussed GPH's recent results and projections with the Defendants and their counsel. The results for October and November 2013, along with their six-month projections, are attached as Exhibit 4. November results show total revenues of $7,825 and expenses of $226,650, for an operating loss of $218,825. The six-month projections assume that revenues will increase to $20,000 in January and to $80,000 in June with a projected monthly loss in June of $4,017. Expenses over this six-month period are flat other than the proportional increase in Cost of Goods sold. Even these projections call for $150,852 in additional capital to cover operating losses.

As Receiver, I must be very skeptical as to the achievability of these projections. This is a true start-up in a competitive business with many moving parts. I cannot, therefore, recommend that further frozen funds be released to underwrite operations.

I have been advised that GPH and its counsel are in pursuit of additional financing from third parties. I have participated in one call with an investment banker who has substantial interest, subject to some clarification that GPH, as a company, is not subject to claims in this matter.

Furthermore, the receivership's claim here is focused on Mr. Bachman's stock in this public company, not to the company itself. We will continue to work with counsel toward a possible structure by which the receivership's claim to that stock is protected while the company seeks to survive with new capital.

Dated: January 3, 2014

THOMAS W. MCNAMARA

By: /S/ Thomas W. McNamara
Thomas W. McNamara
Temporary Receiver