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BRYAN K. BROWN
MEMBER

IN THE MATTER OF
FILMMATES PARTNERS, LLC;
FILMMATES CORPORATION;
AND LARRY YSLAS

§
§
§
§

Order No. ENF-04-CDO-1556

TO: FilmMates Partners, LLC
11965 Venice Boulevard, Suite 305
Los Angeles, California 90066

FilmMates Corporation
11965 Venice Boulevard, Suite 305
Los Angeles, California 90066

Larry Yslas
FilmMates Corporation
11965 Venice Boulevard, Suite 305
Los Angeles, California 90066

EMERGENCY CEASE AND DESIST ORDER

This is your OFFICIAL NOTICE of the issuance by the Securities Commissioner of the State of Texas ("Securities Commissioner") of an EMERGENCY CEASE AND DESIST ORDER pursuant to Section 23-2 of The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2004) ("Texas Securities Act").

The Staff of the Enforcement Division ("the Staff") of the Texas State Securities Board ("the Securities Board") has presented evidence sufficient for the Securities Commissioner to find that:

FINDINGS OF FACT

1. Respondent FilmMates Partners, LLC maintains a last known address of 11965 Venice Boulevard, Suite 305, Los Angeles, California 90066.
2. Respondent FilmMates Corporation maintains a last known address of 11965 Venice Boulevard, Suite 305, Los Angeles, California 90066.

3. Respondent Larry Yslas maintains a last known address of 11965 Venice Boulevard, Suite 305, Los Angeles, California 90066.
4. Respondents are offering, in Texas, units of Respondent FilmMates Partners, LLC. Respondent FilmMates Partners, LLC is represented to be a limited liability company "formed under the laws of the State of California for the purpose of financing the completion and distribution of feature films through a joint venture with FilmMates Corporation." Respondents further represent that Respondent FilmMates Partners, LLC was formed "as the 'financing arm' of FilmMates Corporation" and that FilmMates Corporation will manage FilmMates Partners, LLC. Respondents describe the investment as the offering of units of FilmMates Partners, LLC for \$25,000 per unit for a total of \$5,000,000. Additionally, Respondents offer to sell 1/2 units. Respondents represent that they have the following managers: Howard Kreitsek, Chairman of the Board, FilmMates Corporation; John F. Curtis, Jr., President, FilmMates Corporation; Alan Goda, Executive Vice President & General Manager, FilmMates Partners, LLC; Emily K. Aiken, Vice President, FilmMates Corporation; and J. A. Malla, Vice President of Development, FilmMates Partners, LLC. Respondents project a conservative Net Profit of \$40,490 and an optimistic Net Profit of \$154,800, per film, on \$25,000 invested. Respondents further represent a conservative \$123,920 and an optimistic \$1,038,400 gross return to investors, if eight films are distributed.
5. Respondents have not been registered with the Securities Commissioner as securities dealers or agents at any time material hereto.
6. The FilmMates Partners, LLC units have not been registered by qualification, notification or coordination and no permit has been granted for its sale in Texas.
7. In connection with the offer for sale of the above-described units, Respondents represent that the offered securities are of minimal risk and high yield which is materially misleading in light of the fact that the offering document states that the offered investment involves a high degree of risk.
8. In connection with the offer for sale of the above-described units, Respondents represent that the offered securities are registered with the United States Securities and Exchange Commission ("SEC") and all 50 states which is materially misleading in light of the fact that the offering document states that the securities are being offered pursuant to an exemption from registration with the SEC and the said securities are being offered pursuant to a claim of exemption from registration under the Texas Securities Act.
9. In connection with the offer for sale of the above-described partnership units, Respondents represent that: "The business of FilmMates is so safe and so predictable for the experienced professional that right now every single low budget, independent movie that is going into distribution is making at least 100% profits and

that's been true for about five years that we know of for sure." This statement is materially misleading in light of the fact that the offering document states that the offered investment involves a high degree of risk.

10. In connection with the offer for sale of the above-described partnership units, Respondents represent that accredited investor questions are solely for internal accounting purposes and that investors should falsely state that they are accredited investors in submitting their subscription agreements even if they are not accredited investors.

CONCLUSIONS OF LAW

1. The above-described units are "securities" as that term is defined by Section 4.A of the Texas Securities Act.
2. Respondents are violating Section 12 of the Texas Securities Act by offering securities for sale in Texas without being registered as dealers or agents pursuant to the provisions of Section 12 of the Texas Securities Act.
3. Respondents are engaging in fraud in connection with the offer for sale of securities.
4. Respondents have made an offer containing statements that are materially misleading or otherwise likely to deceive the public.
5. Respondents' conduct, acts, and practices threaten immediate and irreparable public harm.
6. The foregoing violations constitute bases for the issuance of an Emergency Cease and Desist Order pursuant to Section 23-2 of the Texas Securities Act.

ORDER

1. It is therefore ORDERED that Respondents immediately CEASE AND DESIST from acting as securities dealers or agents in Texas until Respondents are registered with the Securities Commissioner or are acting pursuant to an exemption from registration under the Texas Securities Act.
2. It is further ORDERED that Respondents immediately CEASE AND DESIST from engaging in any fraud in connection with the offer for sale of any security in Texas.
3. It is further ORDERED that Respondents immediately CEASE AND DESIST from offering securities in Texas through an offer containing a statement that is materially misleading or otherwise likely to deceive the public.

NOTICE

Pursuant to Section 23-2 of the Texas Securities Act, you may request a hearing before the 31st day after the date you were served with this Order. The request for a hearing must be in writing, directed to the Securities Commissioner, stating the grounds for the request to set aside or modify the Order. Failure to request a hearing will result in the Order becoming final and non-appealable.

You are advised under Section 29.D of the Texas Securities Act that any knowing violation of an order issued by the Securities Commissioner under the authority of Section 23-2 of the Texas Securities Act is a criminal offense punishable by a fine of not more than \$5,000, or imprisonment in the penitentiary for not more than two years, or by both fine and imprisonment.

SIGNED AND ENTERED by the Securities Commissioner this 5th day of March, 2004.


DENISE VOIGT CRAWFORD
Securities Commissioner