

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Securities Act of Washington by:

Michael D. Sellers et al.,

Respondents

Order Number S-11-0578-SC01

STATEMENT OF CHARGES AND NOTICE
OF INTENT TO ENTER ORDER TO CEASE
AND DESIST, IMPOSE FINES, AND
CHARGE COSTS

THE STATE OF WASHINGTON TO:

Michael D. Sellers
John Hart
Marshall Chilton
Paul J. Campbell
Robert Keskemety
MovieBank, LLC
Vlad Investments, LLC

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Michael D. Sellers, John Hart, Marshall Chilton, Paul J. Campbell, Robert Keskemety, MovieBank, LLC, and Vlad Investments, LLC, have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 against each to cease and desist from such violations. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

1. Vlad Investments, LLC (“Vlad Investments”) is an inactive Florida limited liability company with its former principal place of business located in Valley Village,

1 California. Vlad Investments was formed on November 25, 2002 and was administratively
2 dissolved on September 14, 2007. Vlad Investments was formed to generate capital for
3 production, marketing, and distribution of a movie entitled *Vlad*, along with a soundtrack and
4 video game.

5 2. MovieBank, LLC (“MovieBank”) is an inactive Florida limited liability company
6 with its former principal place of business located in Burbank, California. MovieBank was
7 formed on April 10, 2001 and was administratively dissolved on September 25, 2009.

8 MovieBank was formed to finance the acquisition and distribution of motion pictures with its
9 joint venture partner, a film distribution company named Quantum Entertainment (“QE”).

10 MovieBank acquired rights to films that QE would distribute.

11 3. Michael D. Sellers (“Sellers”) was the Managing Member of both MovieBank and
12 Vlad Investments. Sellers founded QE with Pamela Vlastas. Sellers wrote and directed *Vlad*.

13 4. Paul J. Campbell (“Campbell”) was an associate producer for MovieBank and
14 salesperson for Vlad Investments.

15 5. Robert Keskemety (“Keskemety”) was an executive producer for MovieBank and
16 a salesperson for both MovieBank and Vlad Investments.

17 6. John Hart (“Hart”) was a salesperson for Vlad Investments.

18 7. Marshall Chilton (“Chilton”) was an employee of MovieBank and a salesperson
19 for Vlad Investments.
20
21

22 Nature of the Conduct

23 **Introduction**

24 8. Sellers founded several companies to work in concert to fund, produce, market,
25 and distribute a film. MovieBank operated as a funding source for films that are later distributed

1 by QE. Quantum Releasing served as QE's acquisition and distribution arm for certain films.
2 Vlad Investments operated as a funding source for *Vlad*. QE served as the production company
3 and distributor for *Vlad*, while MovieBank provided the completion financing for the film.

4 **Vlad Investments, LLC**

5 9. In 2004, Campbell, Chilton, and Hart each made unsolicited telephone calls, each
6 calling at least one Washington resident to solicit investment in Vlad Investments. Keskemety
7 also contacted at least one Washington resident to solicit investment in Vlad Investments.
8 Campbell, Chilton, Hart, and Keskemety each offered the Washington residents membership
9 interests in Vlad Investments. Vlad Investments sent the residents offering materials detailing
10 the investment opportunity, including a Subscription Agreement and Private Placement
11 Memorandum. The materials stated that Vlad Investments was offering 100 Units, that each
12 Unit consisted of 20,000 limited liability interests at \$1.00-\$1.50 per interest, and that the total
13 offering amount was \$2,300,000. The materials explained that Vlad Investments had secured
14 rights to production and exploitation of *Vlad*. Investors would purportedly be entitled to revenue
15 from sales, licensing, and royalties associated with the movie, soundtrack, and video game.
16

17 10. At least four Washington residents purchased membership interests in Vlad
18 Investments as a result of this solicitation. At least three investors were not accredited and had
19 never invested in a similar investment opportunity. Vlad Investments raised at least \$76,250
20 from Washington investors.
21

22 11. Campbell stated that the investment was likely to make one resident "a ton" of
23 money if the movie proved successful, and that such success was "practically guaranteed".

24 12. In the course of calling one resident repeatedly, Chilton said that investors were
25 paid first, that *Vlad* received wonderful reviews, and that *Vlad* was taking part in the Sundance

1 Film Festival.

2 **MovieBank, LLC**

3 13. In 2004, Keskemety cold-called a seventy-nine-year-old Washington resident to
4 solicit investment in MovieBank. During the same time period, another MovieBank salesperson
5 cold-called at least one other Washington resident to solicit investment in MovieBank.

6 MovieBank sent the residents offering materials detailing the investment opportunity, including a
7 Subscription Agreement and Private Placement Memorandum. The materials stated that
8 MovieBank was offering 449 Units, that each Unit consisted of 10,000 limited liability interests
9 at \$1.00-\$1.20 per interest, and that the total offering amount was \$5,006,000. The materials
10 explained that MovieBank had secured rights to recover its investments in films before other
11 investors. MovieBank investors would purportedly be entitled to revenue from loan interest,
12 royalties, and profits associated with the films it funded and QE's film distribution proceeds.
13

14 14. At least two Washington residents purchased membership interests in MovieBank
15 as a result of this solicitation. At least one investor was not accredited and had never invested in
16 a similar investment opportunity. MovieBank raised at least \$11,000 from Washington
17 investors.

18 15. A MovieBank salesperson told one resident that the resident would receive 28-50
19 percent returns on the MovieBank investment.
20

21 Prior Action

22 16. On April 5, 2002, the Arkansas Securities Department issued a Cease and Desist
23 Order, No. 02-13-S, against Marshall Chilton and other entities and individuals for offering and
24 selling unregistered securities in the form of interests in a payday loan company to Arkansas
25 residents between August 2001 and January 2002. The order alleges that Marshall Chilton acted

1 as an unregistered agent of an issuer or of an unregistered broker-dealer and offered to sell
2 unregistered securities to Arkansas residents.

3 Misrepresentations and Omissions

4 17. The statements made by Campbell that investing in Vlad Investments was likely
5 to make the Washington resident a ton of money if the movie proved successful, and that the
6 movie's success was practically guaranteed, were misleading. Campbell failed to provide a
7 reasonable basis for those projections and failed to disclose any limitations on those projections.
8

9 18. The statements made by Chilton regarding payment priority, film reviews, and a
10 film festival were misleading. Chilton failed to explain that there were no assurances that *Vlad*
11 would perform well in the film festival or that the film would be successful enough for investors
12 to make a profit.

13 19. The statement made by MovieBank's salesperson that investing in MovieBank
14 was likely to provide 28-50 percent returns was misleading. The salesperson failed to provide a
15 reasonable basis for the projection and failed to disclose any limitations on the projection.

16 20. Respondents failed to explain the relationship among Vlad Investments,
17 MovieBank, QE, and Quantum Releasing including what interest, if any, each company held in
18 particular films and what priority each company had in receiving profits from those films.

19 21. Respondents failed to disclose to investors solicited by Chilton that he was a
20 respondent in a Cease and Desist Order issued by the Arkansas Securities Department as
21 described in paragraph sixteen.
22

23 Registration Status

24 22. During the time period described above, Vlad Investments, LLC was not
25 registered to sell its securities in the state of Washington and had not previously been so

1 registered, nor had it filed a claim of exemption from registration.

2 23. During the time period described above, MovieBank, LLC was not registered to
3 sell its securities in the state of Washington and had not previously been so registered.

4 24. Michael D. Sellers, John Hart, Marshall Chilton, Paul J. Campbell, and Robert
5 Keskemety are not currently registered as securities salespersons or broker-dealers in the state of
6 Washington and have not previously been so registered.

7
8 Failure to Comply With Regulation D Rule 506

9 25. MovieBank, LLC claimed an exemption from registration of the MovieBank,
10 LLC offering under Regulation D Rule 506 with a notice filing submitted to the Securities and
11 Exchange Commission on December 20, 2002. MovieBank, LLC did not file such an exemption
12 claim with the Securities Administrator in Washington.

13 26. Regulation D Rule 506 prohibits the issuer or any person acting on behalf of the
14 issuer to offer or sell securities by any form of general solicitation. By offering securities during
15 unsolicited telephone calls, MovieBank, LLC and its agents did not abide by this prohibition.

16 Other Actions

17 27. On April 12, 2006, the Ohio Division of Securities issued a Cease and Desist
18 Order, No. 06-086, against Michael Sellers and MB Partners, LLC for offering and selling
19 unregistered securities to five Ohio residents between January 2003 and December 2005. The
20 order alleges that Michael Sellers and MB Partners, LLC offered and sold unregistered, non-
21 exempt securities “through brokers, websites, and/or other means” to the Ohio residents. The
22 sale of limited liability interests totaled \$124,500.

23
24 28. On May 16, 2008, the Pennsylvania Securities Commission (“PSC”) issued a
25 Summary Order to Cease and Desist against Michael Sellers, Q Media Assets, LLC, and

1 Quantum Management Associates, LLC. The PSC alleged that representatives of Q Media
2 Assets, LLC cold-called at least one Pennsylvania residents in 2008 and offered the resident
3 unqualified, non-exempt membership interests in Q Media Assests, LLC. PSC also alleged that
4 the resident had no prior relationship with the respondents. On February 24, 2009, pursuant to
5 an accepted Offer of Settlement, the PSC prospectively rescinded the Summary Order to Cease
6 and Desist. Concurrently, the PSC issued a Final Order detailing further findings of fact and
7 conclusions of law. The Final Order provided that respondents refrain from offering and selling
8 securities in Pennsylvania for six months unless they retain counsel or obtain an opinion of
9 counsel with sufficient experience in securities law in regards to applicable filings required for
10 such sales. The Final Order imposed monetary sanctions and concluded that respondents offered
11 and sold unqualified, non-exempt securities and made misleading statements by omitting
12 material facts in connection with the offer and sale of securities. The respondents agreed to the
13 imposed sanctions.

15 29. On April 4, 2011, Michael D. Sellers pleaded guilty to mail fraud, wire fraud, and
16 conspiracy to commit mail fraud, wire fraud, and the offer and sale of unregistered securities.
17 The United States brought the case, No. CR11-202, in the United States District Court for the
18 Central District of California. The guilty plea incorporated allegations that Sellers produced and
19 directed independent films using several entities, including Q Media Assets, LLC, Quantum
20 Media, Quantum Management Associates, LLC, MB Studio Partners, MBP International, LLC,
21 Paradise Productions I, LLC, and Paradise Productions II, LLC. The guilty plea also
22 incorporated allegations that Sellers and co-conspirators used telemarketers and boiler rooms to
23 cold-call potential investors nationwide to raise money for films “through the knowing use of
24
25

1 materially false and fraudulent pretenses, representations, and promises.” Sellers raised over \$9
2 million from over 200 investors.

3 30. On June 15, 2011, a federal grand jury returned an indictment alleging that Robert
4 Keskemety and eight other telemarketers (collectively “Defendants”) for Q Media Assets, LLC
5 fraudulently raised funds for independent film projects. The United States brought the case, No.
6 CR11-0542, in the United States District Court for the Central District of California. The
7 indictment charges Defendants with conspiracy, mail fraud, wire fraud, and sale of unregistered
8 securities.
9

10
11 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:

12 **CONCLUSIONS OF LAW**

13 1. The offer and sale of membership interests in Vlad Investments, LLC and
14 MovieBank, LLC described above constitutes the offer and sale of a security as defined in RCW
15 21.20.005(10) and (12).

16 2. The offer and sale of said securities violated RCW 21.20.140 because the
17 securities were not registered in the state of Washington and did not qualify for an exemption.

18 3. Respondents Michael D. Sellers, John Hart, Marshall Chilton, Paul J. Campbell,
19 and Robert Keskemety each violated RCW 21.20.040 by offering or selling said securities while
20 not registered as a securities salesperson or broker-dealer in the state of Washington.
21

22 4. The offer or sale of said securities violated RCW 21.20.010 because, as set forth
23 in the Tentative Findings of Fact, Respondents made misstatements of material facts or omitted
24 to state material facts necessary in order to make the statements made, in light of circumstances
25 under which they were made, not misleading.

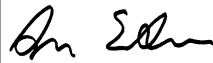
1 If a respondent does not request a hearing, the Securities Administrator intends to adopt
2 the above Tentative Findings of Fact and Conclusions of Law as final and enter a permanent
3 order to cease and desist, impose fines and costs, and other relief sought in this Statement of
4 Charges as to that respondent.
5

6 DATED and ENTERED this 29th day of August, 2011.
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11 _____
12 WILLIAM M. BEATTY
13 Securities Administrator

14 Approved by:

15 

16 Suzanne Sarason
17 Chief of Enforcement

18 Presented by:

19 

20 Drew Stillman
21 Enforcement Attorney
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