

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING) Order No.: S-11-0578-11-FO01
Whether there has been a violation of the)
Securities Act of Washington by:) ENTRY OF FINDINGS OF FACT AND
) CONCLUSIONS OF LAW AND FINAL ORDER TO
Michael D. Sellers, et al.,) CEASE AND DESIST, TO IMPOSE FINES, AND TO
) CHARGE COSTS AS TO MICHAEL D. SELLERS,
) ROBERT KESKEMETY, MOVIEBANK, LLC, AND
) VLAD INVESTMENTS, LLC
Respondents.)

THE STATE OF WASHINGTON TO: **Michael D. Sellers;**
Robert Keskemety;
MovieBank, LLC;
Vlad Investments, LLC.

On August 29, 2011, the Securities Division entered a Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, Impose Fines, and Charge Costs, S-11-0578-11-SC01 (“Statement of Charges”), against Respondents Michael D. Sellers, John Hart, Marshall Chilton, Paul J. Campbell, Robert Keskemety, MovieBank, LLC, and Vlad Investments, LLC. The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing (“Notice of Opportunity for Hearing”) and an Application for Adjudicative Hearing (“Application for Hearing”), were served on Respondent Robert Keskemety on September 2, 2011 and were served on Respondents Michael D. Sellers, MovieBank, LLC, and Vlad Investments, LLC, on September 14, 2011. The Notice of Opportunity for Hearing advised Respondents, Michael D. Sellers, Robert Keskemety, MovieBank, LLC, and Vlad Investments, LLC, that a written application for an administrative hearing on the Statement of Charges must be received within twenty days from the date of receipt of the notice. Respondents, Michael D. Sellers, Robert Keskemety, MovieBank, LLC, and Vlad Investments, LLC, failed to request an administrative hearing within twenty

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DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
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1 days of receipt of the Statement of Charges and Notice of Opportunity for Hearing, either on the
2 Application for Hearing provided, or otherwise.

3 The Securities Administrator therefore will adopt as final as to Respondents Michael D. Sellers,
4 Robert Keskemety, MovieBank, LLC, and Vlad Investments, LLC the following Findings of Fact and
5 Conclusions of Law and enter a final order against Respondents Michael D. Sellers, Robert Keskemety,
6 MovieBank, LLC, and Vlad Investments, LLC to cease and desist from violations of the Securities Act, to
7 impose a fine, and charge costs.

8 The Securities Administrator makes the following Findings of Fact and Conclusions of Law:

9
10 **FINDINGS OF FACT**
11 Respondents

12 1. Vlad Investments, LLC (“Vlad Investments”) is an inactive Florida limited liability company
13 with its former principal place of business located in Valley Village, California. Vlad Investments was
14 formed on November 25, 2002 and was administratively dissolved on September 14, 2007. Vlad
15 Investments was formed to generate capital for production, marketing, and distribution of a movie entitled
16 *Vlad*, along with a soundtrack and video game.

17 2. MovieBank, LLC (“MovieBank”) is an inactive Florida limited liability company with its
18 former principal place of business located in Burbank, California. MovieBank was formed on April 10,
19 2001 and was administratively dissolved on September 25, 2009. MovieBank was formed to finance the
20 acquisition and distribution of motion pictures with its joint venture partner, a film distribution company
21 named Quantum Entertainment (“QE”). MovieBank acquired rights to films that QE would distribute.

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

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

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

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

6 7. Marshall Chilton (“Chilton”) was an employee of MovieBank and a salesperson for Vlad
7 Investments.

8 Nature of the Conduct

9 **Introduction**

10 8. Sellers founded several companies to work in concert to fund, produce, market, and
11 distribute a film. MovieBank operated as a funding source for films that are later distributed by QE.
12 Quantum Releasing served as QE’s acquisition and distribution arm for certain films. Vlad Investments
13 operated as a funding source for *Vlad*. QE served as the production company and distributor for *Vlad*, while
14 MovieBank provided the completion financing for the film.

15 **Vlad Investments, LLC**

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

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

7 11. Campbell stated that the investment was likely to make one resident “a ton” of money if the
8 movie proved successful, and that such success was “practically guaranteed”.

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

11 **MovieBank, LLC**

12 13. In 2004, Keskemety cold-called a seventy-nine-year-old Washington resident to solicit
13 investment in MovieBank. During the same time period, another MovieBank salesperson cold-called at
14 least one other Washington resident to solicit investment in MovieBank. MovieBank sent the residents
15 offering materials detailing the investment opportunity, including a Subscription Agreement and Private
16 Placement Memorandum. The materials stated that MovieBank was offering 449 Units, that each Unit
17 consisted of 10,000 limited liability interests at \$1.00-\$1.20 per interest, and that the total offering amount
18 was \$5,006,000. The materials explained that MovieBank had secured rights to recover its investments in
19 films before other investors. MovieBank investors would purportedly be entitled to revenue from loan
20 interest, royalties, and profits associated with the films it funded and QE’s film distribution proceeds.

21 14. At least two Washington residents purchased membership interests in MovieBank as a result
22 of this solicitation. At least one investor was not accredited and had never invested in a similar investment
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24

1 opportunity. MovieBank raised at least \$11,000 from Washington investors.

2 15. A MovieBank salesperson told one resident that the resident would receive 28-50 percent
3 returns on the MovieBank investment.

4 Prior Action

5 16. On April 5, 2002, the Arkansas Securities Department issued a Cease and Desist Order, No.
6 02-13-S, against Marshall Chilton and other entities and individuals for offering and selling unregistered
7 securities in the form of interests in a payday loan company to Arkansas residents between August 2001
8 and January 2002. The order alleges that Marshall Chilton acted as an unregistered agent of an issuer or of
9 an unregistered broker-dealer and offered to sell unregistered securities to Arkansas residents.

10 Misrepresentations and Omissions

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

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

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

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

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

4 Registration Status

5 22. During the time period described above, Vlad Investments, LLC was not registered to sell its
6 securities in the state of Washington and had not previously been so registered, nor had it filed a claim of
7 exemption from registration.

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

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

13 Failure to Comply With Regulation D Rule 506

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

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

21 Other Actions

22 23 24 27. On April 12, 2006, the Ohio Division of Securities issued a Cease and Desist Order, No. 06-

1 086, against Michael Sellers and MB Partners, LLC for offering and selling unregistered securities to five
2 Ohio residents between January 2003 and December 2005. The order alleges that Michael Sellers and MB
3 Partners, LLC offered and sold unregistered, non-exempt securities “through brokers, websites, and/or other
4 means” to the Ohio residents. The sale of limited liability interests totaled \$124,500.

5 28. On May 16, 2008, the Pennsylvania Securities Commission (“PSC”) issued a Summary
6 Order to Cease and Desist against Michael Sellers, Q Media Assets, LLC, and Quantum Management
7 Associates, LLC. The PSC alleged that representatives of Q Media Assets, LLC cold-called at least one
8 Pennsylvania residents in 2008 and offered the resident unqualified, non-exempt membership interests in Q
9 Media Assests, LLC. PSC also alleged that the resident had no prior relationship with the respondents. On
10 February 24, 2009, pursuant to an accepted Offer of Settlement, the PSC prospectively rescinded the
11 Summary Order to Cease and Desist. Concurrently, the PSC issued a Final Order detailing further findings
12 of fact and conclusions of law. The Final Order provided that respondents refrain from offering and selling
13 securities in Pennsylvania for six months unless they retain counsel or obtain an opinion of counsel with
14 sufficient experience in securities law in regards to applicable filings required for such sales. The Final
15 Order imposed monetary sanctions and concluded that respondents offered and sold unqualified, non-
16 exempt securities and made misleading statements by omitting material facts in connection with the offer
17 and sale of securities. The respondents agreed to the imposed sanctions.

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19 29. On April 4, 2011, Michael D. Sellers pleaded guilty to mail fraud, wire fraud, and conspiracy
20 to commit mail fraud, wire fraud, and the offer and sale of unregistered securities. The United States
21 brought the case, No. CR11-202, in the United States District Court for the Central District of California.
22 The guilty plea incorporated allegations that Sellers produced and directed independent films using several
23 entities, including Q Media Assets, LLC, Quantum Media, Quantum Management Associates, LLC, MB
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1 Studio Partners, MBP International, LLC, Paradise Productions I, LLC, and Paradise Productions II, LLC.

2 The guilty plea also incorporated allegations that Sellers and co-conspirators used telemarketers and boiler
3 rooms to cold-call potential investors nationwide to raise money for films “through the knowing use of
4 materially false and fraudulent pretenses, representations, and promises.” Sellers raised over \$9 million
5 from over 200 investors.

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

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12 Based upon the Findings of Fact, the following Conclusions of Law are made:

13 **CONCLUSIONS OF LAW**

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

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

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

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

3 **FINAL ORDER**

4 Based upon the foregoing and finding it in the public interest:

5 IT IS HEREBY ORDERED that the Respondents, Michael D. Sellers, Robert Keskemety,
6 MovieBank, LLC, and Vlad Investments, LLC, their agents and employees each shall cease and desist from
7 offering and/or selling securities in any manner in violation of RCW 21.20.140, the securities registration
8 section of the Securities Act of Washington.

9 IT IS FURTHER ORDERED that the Respondents, Michael D. Sellers, Robert Keskemety, their
10 agents and employees each shall cease and desist from violating RCW 21.20.040, the broker-dealer and
11 securities salesperson registration section of the Securities Act of Washington.

12 IT IS FURTHER ORDERED that the Respondents, Michael D. Sellers, Robert Keskemety,
13 MovieBank, LLC, and Vlad Investments, LLC, their agents and employees each shall cease and desist from
14 violating RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

15 IT IS FURTHER ORDERED that the Respondent, Michael D. Sellers, shall be liable for and pay a
16 fine in the amount of \$20,000.

17 IT IS FURTHER ORDERED that the Respondents, Michael D. Sellers, Robert Keskemety,
18 MovieBank, LLC, and Vlad Investments, LLC, shall be liable for and pay costs in the amount of \$6,350.
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20 **AUTHORITY AND PROCEDURE**

21 This FINAL ORDER is entered pursuant to the provisions of RCW 21.20.110 and 21.20.390, and is
22 subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. Respondents have the right to
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1 petition the superior court for judicial review of this agency action under the provisions of RCW 34.05. For
2 the requirements for Judicial Review, see RCW 34.05.510 and sections following. Pursuant to RCW
3 21.20.395, a certified copy of this Order may be filed in Superior Court. If so filed, the clerk shall treat the
4 Order in the same manner as a Superior Court judgment as to the fine, and the fine may be recorded,
5 enforced, or satisfied in like manner.

6
7 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

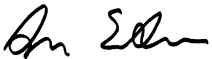
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9 SIGNED and ENTERED this 6th day of October 2011.

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14 William M. Beatty
Securities Administrator

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16 Approved by:

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16 Presented by:

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19 Suzanne Sarason
Chief of Enforcement

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18 

19 Drew Stillman
Enforcement Attorney