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: Runaway Hearts Productions, LLC; Canyon Sands Productions, Inc.; and Scott Sandsberry, Respondents.	))))))))	Order No.: S-13-1159-13-SC01 STATEMENT OF CHARGES AND NOTICE OF INTENT TO ENTER ORDER TO CEASE AND DESIST, TO IMPOSE FINES AND TO CHARGE COSTS

THE STATE OF WASHINGTON TO: **Runaway Hearts Productions, LLC; Canyon Sands Productions, Inc.; Scott Sandsberry**

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the state of Washington has reason to believe that Respondents, Runaway Hearts Productions, LLC; Canyon Sands Productions, Inc.; and Scott Sandsberry, 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 and to charge costs, and under RCW 21.20.395 to impose a fine. The Securities Administrator finds as follow:

TENTATIVE FINDINGS OF FACT

Respondents

1. Runaway Hearts Productions, LLC (Runaway Hearts) is a California limited liability company formed on July 29, 2011 with its principal place of business in Washington State. The business purpose of Runaway Hearts is to develop, produce, and exploit a feature-length theatrical motion picture, entitled *Runaway Hearts*.

2. Canyon Sands Productions, Inc. (Canyon Sands) is a California corporation formed on November 23, 2010 with its principal place of business in Washington State. Canyon Sands is the manager of Runaway Hearts with general supervision, direction, and control of Runaway Hearts.

3. Scott Sandsberry (Sandsberry) is a Washington resident and is a salesperson of Runaway Hearts. Sandsberry is the President and owner of Canyon Sands.

Nature of the Offering

4. Between April and June 2012, Sandsberry offered and sold at least $525,000 worth of Runaway Hearts LLC membership interests to fund the production of a motion picture entitled *Runaway Hearts* based on an original screenplay by Sandsberry. *Runaway Hearts* is billed as "an inspirational, family-friendly story that parents will be able to share with their children." The $525,000 Sandsberry raised is less than the total budget of *Runaway Hearts*.

5. Sandsberry sold Runaway Hearts LLC membership interests to at least seventeen investors, at least sixteen of whom are Washington State residents. At least one investor was unaccredited.

6. Sandsberry sold Runaway Hearts interest almost exclusively to friends, family, and acquaintances. On two occasions, Sandsberry was given a referral for prospective investors. Sandsberry cold-called these two prospective investors and solicited investment in Runaway Hearts. Both of these prospective investors invested in Runaway Hearts.

7. Sandsberry met with each of the investors in person prior to their investment. The purpose of these face-to-face meetings was to promote Runaway Hearts and to solicit investment. Sandsberry gave a PowerPoint presentation which included descriptions of *Runaway Hearts*, information about key persons working on the film, profit projections, and information about a Louisiana tax credit. In one part of Sandsberry's presentation, Sandsberry asked investors to consider the success of other smaller-budget inspirational films such as *Facing the Giants*, *Fireproof*, and *Courageous*. On one slide, *Fireproof* showed a budget of $500,000 with a Box office/DVD take of $66 million. On another slide, *Courageous* showed a budget of $2 million with a Box office/DVD take of $49 million. Sandsberry did not provide a reasonable basis for such comparisons or include the assumptions on which the comparisons were made.

8. In addition to the PowerPoint presentation, Sandsberry also provided investors with a promotional packet so that investors could review the details of the investment at their leisure. Similar to the PowerPoint presentation, the promotional packet included details about Runaway Hearts including a description of *Runaway* Hearts, information about key persons working on the film, profit projections, and information about a Louisiana tax credit. The promotional packet contained four different hypothetical scenarios of return on investment if *Runaway Hearts* is sold to a studio/distributor. The four hypothetical scenarios projected a range of possible sale amounts listed from low to

high. All four hypothetical scenarios projected a net profit on the sale of *Runaway Hearts* and an investment return to investors. The materials did not provide a reasonable basis for such projections or include the assumptions on which the projections were made.

9. Also included in the Runaway Hearts promotional packet were the average box office gross of low-budget films. The materials indicated that since 2000 thirty-five low-budget films have been released in theaters and that the average box-office gross for these films was $5.1 million − roughly eleven times the average budget of $480,700. The materials did not provide details on how many low-budget films produced since 2000 did not receive a theatrical release and, therefore, were not included in the average box office gross.

10. In return for their investment, Runaway Hearts pays investors any available cash flow, as cash flow is defined in the Runaway Hearts operating agreement, until 115% of all capital contributions have been repaid, and thereafter, to the members in accordance with their share of the net profits, as net profits is defined in the Runaway Hearts operating agreement. Canyon Sands receives 50% of the net profits. Investors receive their pro rata share of the remaining 50% of the net profits.

11. Investors invested by submitting personal checks to Sandsberry and signing a Runaway Hearts operating agreement. Sandsberry signed the operating agreement on behalf of Canyon Sands.

12. *Runaway Hearts* was filmed in Louisiana in the summer of 2012. At the time of this Statement of Charges, *Runaway Hearts* is in post-production.

Registration Status

13. Runaway Hearts Productions, LLC is not currently registered to sell its securities in the state of Washington and has not previously been so registered nor has it filed a claim of exemption from registration.

14. Canyon Sands Productions, Inc. is not registered as a broker-dealer in the state of Washington and has not previously been so registered.

15. Scott Sandsberry is not registered as a securities salesperson or broker-dealer in the state of Washington and has not previously been so registered.

CONCLUSIONS OF LAW

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

I.

The offer or sale of limited liability company interests in Runaway Hearts Productions, LLC, as described above, constitutes the offer and/or sale of a security as defined in RCW 21.20.005(14) and (17).

II.

Respondents violated RCW 21.20.140, the securities registration provision of the Securities Act, because they offered and/or sold securities for which there was no registration on file with the Securities Administrator and did not qualify for exemption filing.

III.

Canyon Sands Productions, Inc. and Scott Sandsberry violated RCW 21.20.040 by offering and/or selling said securities while not registered as a securities salesperson or broker-dealer in the state of Washington.

IV.

The offer and/or sale of said securities was made in violation of RCW 21.20.010 because, as set forth in paragraphs 7-9 of the Tentative Findings of Fact, Respondents made untrue statements of material facts or omitted material facts necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading.

NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST

Pursuant to RCW 21.20.390(1) and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondents, Runaway Hearts Productions, LLC; Canyon Sands Productions, Inc.; and Scott Sandsberry, each shall cease and desist from violations of RCW 21.20.010, RCW 21.20.040, and RCW 21.20.140.

NOTICE OF INTENT TO IMPOSE A FINE

Pursuant to RCW 21.20.395, and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondents, Runaway Hearts Productions, LLC; Canyon Sands Productions, Inc.; and Scott Sandsberry, shall be liable for and shall pay a fine of $5,000.

NOTICE OF INTENT TO CHARGE COSTS

Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondents, Runaway Hearts Productions, LLC; Canyon Sands Productions, Inc.; and Scott Sandsberry, shall be liable for and shall pay the Securities Division the costs, fees, and other expenses incurred in the conduct of the administrative investigation and hearing of this matter of not less than $3,000.

AUTHORITY AND PROCEDURE

This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject to the provisions of Chapter 34.05 RCW. The Respondents, Runaway Hearts Productions, LLC; Canyon Sands Productions, Inc.; and Scott Sandsberry, may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order. If a respondent does not make a hearing request in the time allowed, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and to enter a permanent order to cease and desist as to that respondent, to impose any fines sought against that respondent, and to charge any costs sought against that respondent.

Signed and Entered this __14th___ day of __October_____2013___.

William M. Beatty
Securities Administrator

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