

DENISE VOIGT CRAWFORD  
SECURITIES COMMISSIONER



BETH ANN BLACKWOOD  
CHAIR

BRYAN K. BROWN  
MEMBER

EDWARD ESCUDERO  
MEMBER

DERRICK MITCHELL  
MEMBER

E. WALLY KINNEY  
MEMBER

JOHN R. MORGAN  
DEPUTY SECURITIES COMMISSIONER

## Texas State Securities Board

Mail: P. O. BOX 13167  
AUSTIN, TEXAS 78711-3167

208 E. 10th Street, 5th Floor  
Austin, Texas 78701-2407  
www.ssb.state.tx.us

Phone: (512) 305-8300  
Facsimile: (512) 305-8310

---

IN THE MATTER OF  
THE VINE ENTERTAINMENT, LLC  
AND WARREN DURSO

---

§  
§  
§

Order No. ENF-09-CD0-1665

TO: The Vine Entertainment, LLC  
15151 Mulholland Drive  
Bel Air, California 90077

Warren Durso  
15151 Mulholland Drive  
Bel Air, California 90077

### 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. 2008) ("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. The Vine Entertainment, LLC ("Respondent Vine Entertainment") maintains a last known address at 15151 Mulholland Drive, Bel Air, California 90077. Respondent Vine Entertainment is a California Limited Liability Company that purports to create and co-finance films, television series, reality television, shorts and new media.
2. Warren Durso ("Respondent Durso") maintains a last known address at The Vine Studio, 15151 Mulholland Drive, Bel Air, California 90077. Respondent Durso is the Vice President of Motion Pictures for Respondent Vine Entertainment.
3. Respondents are making available in Texas the opportunity to purchase a 20% share in one of three equity investment units with Respondent Vine Entertainment for a purchase price of \$5,000.00. Respondents are seeking a total of \$75,000.00.

4. Respondents are telling potential investors that Respondent Vine Entertainment will use their funds in the development, production, post-production and exploitation of a pilot episode of a reality television series entitled *Stroke of Genius*. Potential investors are being told that *Stroke of Genius* will involve twelve of America's most talented yet previously undiscovered creative artists.
5. Neither *Stroke of Genius* nor any other securities issued by Respondent Vine Entertainment have been registered by qualification, notification or coordination and no permit has been granted for their sale in Texas.
6. Respondents have not been registered with the Securities Commissioner as dealers or agents at any time material hereto.
7. Respondents are representing that the purchase of a share in an equity investment unit is "real safe" and that, in a worst case scenario, investors will receive a return of their principal investment and a share of the net proceeds. These representations are materially misleading or otherwise likely to deceive the public because investors in *Stroke of Genius* are required to execute an investment agreement that indicates the United States television and motion picture industry is a highly speculative and risky business, and many film projects that are released do not generate sufficient income to generate net proceeds sufficient for investor recoupment or the distribution of additional net proceeds.
8. In connection with the offer for sale of the shares of equity investment units, Respondents are intentionally failing to disclose that the following material facts:
  - A. Financial information about Respondent Vine Entertainment, including its capitalization, cash flow, assets and liabilities;
  - B. Financial information regarding *Stroke of Genius*, including the actual or anticipated costs of development, production, post-production and exploitation, the company's monetary obligations to contestants, judges, and administrative and technical staff and the source of funds that will be used to pay the \$100,000.00 grand prize that will be awarded to the show's "top artist;"
  - C. Information regarding *Miracle Mile*, a proposed television series that formed the basis of an investment that Respondents previously offered in Texas, including:
    - i. The profitability of any investments that were based on the development, production or exploitation of "Miracle Mile," and
    - ii. Any actual or anticipated financial obligations owed either to individuals who invested in *Miracle Mile* or any other person or entity associated with its development, production or exploitation;

- D. Respondents previously represented to the Securities Commissioner that no advertisement or public offering solicitations would be made to potential Texas investors unless and until the underlying securities were registered with the Securities Commissioner or fully qualified for an exemption from registration in Texas; and
- E. Respondents previously represented to the Securities Commissioner that any security offers to Texas investors would include full disclosure of any and all material risks of the investment, and that any and all written materials, ads and private placement memorandums contemplated for an investment offering would be provided to the Texas State Securities Board in the registration or exemption approval process.

### CONCLUSIONS OF LAW

1. The shares of equity investment units are “securities” as that term is defined by Section 4.A of the Texas Securities Act.
2. Respondents are violating Section 7 of the Texas Securities Act by offering securities for sale in Texas at a time when the securities are not registered with the Securities Commissioner.
3. Respondents are violating Section 12 of the Texas Securities Act by offering securities for sale in Texas without being registered pursuant to the provisions of Section 12 of the Texas Securities Act.
4. Respondents are making an offer containing statements that are materially misleading and otherwise likely to deceive the public.
5. Respondents are engaging in fraud in connection with the offer for sale of securities.
6. Respondents’ conduct, acts, and practices threaten immediate and irreparable public harm.
7. 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 offering for sale any security in Texas until the security is registered with the Securities Commissioner or is offered for sale pursuant to an exemption from registration under the Texas Securities Act.
2. It is further 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.

3. 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.
4. 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, and state 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 such fine and imprisonment.

SIGNED AND ENTERED by the Securities Commissioner this 21<sup>st</sup> day of January, 2009.

  
DENISE VOIGT CRAWFORD  
Securities Commissioner