

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING) Order Number S-07-398-10-SC01
Whether there has been a violation of the)
Securities Act of Washington by:) STATEMENT OF CHARGES AND
EQlibrium Corporation, Prime Assets LLC,) NOTICE OF INTENT TO ENTER AN
Paul M. Martinez, and Louis A. Pugliese III,) ORDER TO CEASE AND DESIST AND
Respondents) TO CHARGE COSTS

THE STATE OF WASHINGTON TO: EQlibrium Corporation
Prime Assets LLC
Paul Marcel Martinez
Louis Anthony Pugliese III

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, EQlibrium Corporation, Prime Assets LLC, Paul M. Martinez, and Louis A. Pugliese III, 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 investigative costs. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

RESPONDENTS

1. EQlibrium Corporation ("EQlibrium") is a Washington corporation that was incorporated on March 1, 2007 and that has its principal place of business in Seattle, Washington. EQlibrium is in the business of offering and selling real estate investments.

1 2. Prime Assets LLC is a Washington LLC that was formed on November 3, 2005 by the
2 executive officers of EQlibrium. The primary business purpose of Prime Assets LLC was to
3 raise acquisition and development funds for a marina development project.
4

5 3. Paul Martinez (“Martinez”) is a Washington resident who is the Chief Executive
6 Officer of EQlibrium. Martinez is also a licensed loan originator in the State of Washington.

7 4. Louis Pugliese (“Pugliese”) is an Arizona resident who is the President of EQlibrium.
8 Pugliese is also a licensed loan originator in the State of Washington.
9

10 OFFERING OF MEMBERSHIP INTERESTS IN PRIME ASSETS LLC

11 Formation of Prime Assets LLC

12 5. In 2005, the executive officers of EQlibrium formed Prime Assets LLC, a Washington
13 limited liability company. In 2007, EQlibrium became the managing member of Prime Assets
14 LLC. Prime Assets LLC was formed to raise acquisition and development funds for the Coeur
15 d’Alene Marina Project. The stated purpose of the Coeur d’Alene Marina Project was to buy
16 waterfront land, to build luxury waterfront condominiums, and to purchase, renovate and
17 expand a lakeside marina, restaurant and grocery store.
18

19 Offer and Sale of Membership Interests in Prime Assets LLC

20 6. Starting in January 2007, Respondents each offered and sold membership interests in
21 Prime Assets LLC. Each unit had an offering price of \$10,000. Investors were required to
22 purchase a minimum of five units for a price of \$50,000. Respondents offered a maximum of
23 1,250 investment units that would have a 50% ownership interest in Prime Assets LLC. The
24 remaining 50% ownership interest would be held by EQlibrium, the managing member of
25 Prime Assets LLC.

1 7. When offering and selling the membership interests in Prime Assets LLC,
2 Respondents each represented that investor funds would be pooled together to fund the
3 purchase of waterfront land, the building of condominiums, and the purchase and renovation of
4 a marina, restaurant and grocery store. Respondents each represented to investors that
5 Respondents would manage and conduct the business activities that would generate a profit
6 from the investment.
7

8 8. From 2007 through 2009, Respondents offered and sold a total of more than \$4.8
9 million worth of membership interests in Prime Assets LLC to investors in thirteen states,
10 including \$750,000 worth of membership interests to seven Washington investors.
11

12 Regulation D, Rule 506 Exemption Filing for Prime Assets LLC

13 9. On August 27, 2007, more than six months after Respondents had already begun to
14 offer and sell membership interests in Prime Assets LLC to Washington investors,
15 Respondents filed a Form D, claiming an exemption from securities registration pursuant to
16 Rule 506 for a \$12,500,000 offering of membership investment units in Prime Assets LLC.
17 Pursuant to WAC 460-44A-506, Prime Assets LLC was required to comply with the conditions
18 of Regulation D, including 17 C.F.R. §230.502(c), which prohibits any form of general
19 solicitation or advertising. Pursuant to WAC 460-44A-503(1)(a)(i)(A), Prime Assets LLC was
20 required to file its claim of exemption no later than fifteen days after the first sale of securities
21 in the State of Washington.
22
23

24 Craigslist Advertisements

25 10. During August and September in 2007, EQlibrium advertised investments on
Craigslist. On August 10, 2007, EQlibrium had a Craigslist Internet posting which stated that
“OUR AVERAGE RETURN FOR CURRENT INVESTORS ARE 300%.” The advertisement

1 stated that "In the last six years, our clients have seen their principle [sic] investment grow as
2 much as 200% to 600%." The advertisement also stated "We are looking for Individual
3 Investors to work with!!!!!!!!!" and encouraged investors to call EQlibrium regarding "current
4 projects." On September 11, 2007, EQlibrium had a Craigslist Internet posting that advertised
5 "RETURNS BETWEEN 15% AND 50% ANNUALIZED." The advertisement stated that
6 "We have had recent projects that have paid a 200% return in 36 months (100K gets back
7 300K)."

8 Misrepresentations and Omissions

9
10 11. The EQlibrium Craigslist Internet advertisements failed to identify any reasonable
11 basis for the projected return on investments that were being offered by EQlibrium. The
12 advertisements also failed to disclose any risks associated with the investments.
13

14 OFFERING OF DEED OF TRUST INVESTMENTS BY EQLIBRIUM

15 12. During 2010, EQlibrium advertised investments in deeds of trust on its Internet
16 website at www.eqlibrium.com. EQlibrium offered fractionalized deed of trust investments
17 with a 15% return on investment. The EQlibrium website stated that "Fractional deed
18 investors have the option to diversify their investments into multiple properties by partnering
19 with other investors." The website also directed investors to contact Pugliese for more
20 information about deed of trust investments.
21

22 REGISTRATION STATUS

23 13. EQlibrium and Prime Assets LLC are not currently registered and have never been
24 registered to sell their securities in the state of Washington.
25

14. EQlibrium, Martinez and Pugliese have never been registered as a securities broker-
dealer or a securities salesperson in the state of Washington.

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

2 **CONCLUSIONS OF LAW**

3 I.

4 The offer or sale of the limited liability company membership interests, notes, and deed
5 of trust investments described above constitutes the offer or sale of a security, as defined in
6 RCW 21.20.005(10) and (12), in the form of an investment contract, note, or evidence of
7 indebtedness.
8

9 II.

10 EQlibrium, Prime Assets LLC, Martinez and Pugliese have each violated RCW
11 21.20.140 because no registration for the offering of those securities is on file with the
12 Securities Administrator.
13

14 III.

15 EQlibrium, Martinez and Pugliese have each violated RCW 21.20.040 by offering or
16 selling said securities while not registered as a securities broker-dealer or securities salesperson
17 in the state of Washington.
18

19 IV.

20 EQlibrium, Martinez and Pugliese have each violated RCW 21.20.010 because, in
21 connection with the offer and sale of a security, they each made untrue statements of a material
22 fact or omitted to state material facts necessary in order to make the statements made, in the
23 light of the circumstances under which they were made, not misleading.
24

25 **NOTICE OF INTENT TO ORDER RESPONDENTS TO CEASE AND DESIST**

Pursuant to RCW 21.20.390, and based on the above Tentative Findings of Fact and

Conclusions of Law, the Securities Administrator intends to order that Respondents, EQlibrium

1 Corporation, Prime Assets LLC, Paul M. Martinez, and Louis A. Pugliese III, and their agents
2 and employees each shall cease and desist from any violation of RCW 21.20.010, RCW
3 21.20.040 and RCW 21.20.140.

4 **NOTICE OF INTENT TO CHARGE COSTS**

5 Pursuant to RCW 21.20.390, and based on the above Tentative Findings of Fact and
6 Conclusions of Law, the Securities Administrator intends to order that EQlibrium Corporation
7 shall be liable for and shall pay investigative costs of \$3,500.

8 **AUTHORITY AND PROCEDURE**

9 This Statement of Charges is entered pursuant to the provisions of chapter 21.20 RCW
10 and is subject to the provisions of chapter 34.05 RCW. The respondents, EQlibrium
11 Corporation, Prime Assets LLC, Paul M. Martinez, and Louis A. Pugliese III, may each make a
12 written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND
13 AND OPPORTUNITY FOR HEARING accompanying this order.

14 If a respondent fails to make a timely hearing request, the Securities Administrator
15 intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and to
16 enter a permanent order against that respondent and to charge any costs sought against that
17 respondent.

18 Dated this 17th day of December, 2010



WILLIAM M. BEATTY
Securities Administrator

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Approved by:



Suzanne E. Sarason
Chief of Enforcement

Presented by:



Enforcement Attorney

Reviewed by:



Robert Kondrat
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