

1 STATE OF WASHINGTON
2 DEPARTMENT OF FINANCIAL INSTITUTIONS
3 SECURITIES DIVISION

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

Order Number S-07-398-11-CO01

CONSENT ORDER

7 EQlibrium Corporation, Prime Assets LLC, Paul
8 M. Martinez, and Louis A. Pugliese III,

Respondents

9 **INTRODUCTION**

10 On December 17, 2010, the Securities Administrator of the State of Washington issued Order
11 Number S-07-398-10-SC01, Statement of Charges and Notice of Intent to Enter an Order to Cease and
12 Desist and to Charge Costs, against Respondents, EQlibrium Corporation, Prime Assets LLC, Paul M.
13 Martinez, and Louis A. Pugliese III. Pursuant to the Securities Act of Washington, chapter 21.20 RCW,
14 the Securities Division of the Department of Financial Institutions (“Securities Division”) and
15 Respondents, EQlibrium Corporation, Prime Assets LLC, Paul M. Martinez, and Louis A. Pugliese III,
16 do hereby enter into this CONSENT ORDER in settlement of the matters alleged herein. Respondents
17 neither admit nor deny the Findings of Fact and Conclusions of Law stated below.

18 **FINDINGS OF FACT**

19 RESPONDENTS

20 1. EQlibrium Corporation (“EQlibrium”) is a Washington corporation that was incorporated on
21 March 1, 2007 and that has its principal place of business in Seattle, Washington. EQlibrium is in the
22 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 executive
2 officers of EQlibrium. The primary business purpose of Prime Assets LLC was to raise acquisition and
3 development funds for a marina development project.

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

6 4. Louis Pugliese (“Pugliese”) is an Arizona resident who is the President of EQlibrium.

7 OFFERING OF MEMBERSHIP INTERESTS IN PRIME ASSETS LLC

8 Formation of Prime Assets LLC

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

15 Offer and Sale of Membership Interests in Prime Assets LLC

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

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

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

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

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

18 Craigslist Advertisements

19 10. During August and September in 2007, EQlibrium advertised investments on Craigslist. On
20 August 10, 2007, EQlibrium had a Craigslist Internet posting which stated that “OUR AVERAGE
21 RETURN FOR CURRENT INVESTORS ARE 300%.” The advertisement stated that “In the last six
22 years, our clients have seen their principle [sic] investment grow as much as 200% to 600%.” The

1 advertisement also stated “We are looking for Individual Investors to work with!!!!!!!” and encouraged
2 investors to call EQlibrium regarding “current projects.” On September 11, 2007, EQlibrium had a
3 Craigslist Internet posting that advertised “RETURNS BETWEEN 15% AND 50% ANNUALIZED.”
4 The advertisement stated that “We have had recent projects that have paid a 200% return in 36 months
5 (100K gets back 300K).”

6 Misrepresentations and Omissions

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

10 OFFERING OF DEED OF TRUST INVESTMENTS BY EQLIBRIUM

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

16 REGISTRATION STATUS

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

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

21 Based upon the Findings of Fact, the following Conclusions of Law are made:
22

1 **CONCLUSIONS OF LAW**

2 I.

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

6 II.

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

9 III.

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

13 IV.

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

18 **CONSENT ORDER**

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

20 IT IS AGREED AND ORDERED that Respondents, EQlibrium Corporation, Paul M. Martinez,
21 and Louis A. Pugliese III, and their agents and employees each shall cease and desist from offering or
22

1 selling securities in violations of RCW 21.20.140, the securities registration section of the Securities Act
2 of Washington.

3 IT IS FURTHER AGREED AND ORDERED that Respondents, EQlibrium Corporation, Paul M.
4 Martinez, and Louis A. Pugliese III, and their agents and employees each shall cease and desist from
5 acting as an unregistered broker-dealer or salesperson in violation of RCW 21.20.040, the securities
6 broker-dealer and securities salesperson registration section of the Securities Act of Washington.

7 IT IS FURTHER AGREED AND ORDERED that Respondents, EQlibrium Corporation, Prime
8 Assets LLC, Paul M. Martinez, and Louis A. Pugliese III, and their agents and employees each shall
9 cease and desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act of
10 Washington.

11 IT IS FURTHER AGREED that prior to the entry of this Consent Order, EQlibrium Corporation
12 shall be liable for and shall pay the Securities Division \$3,500 for investigative costs.

13 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent
14 Order.

15 IT IS FURTHER AGREED that Respondents, EQlibrium Corporation, Prime Assets LLC, Paul M.
16 Martinez, and Louis A. Pugliese III, each enter into this Consent Order freely and voluntarily and with a
17 full understanding of its terms and significance.

18 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents, EQlibrium
19 Corporation, Prime Assets LLC, Paul M. Martinez, and Louis A. Pugliese III, each waive their rights to a
20 hearing in this matter and to judicial review of this order.

1 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

2 SIGNED this 2ND day of February, 2011

3 Signed by:

4 EQlibrium Corporation

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6 By /s/ Louis A. Pugliese III February 14th, 2011
7 Louis A. Pugliese III, President

8 Approved for entry by:

9 David A. Lundsgaard
10 David A. Lundsgaard, Counsel for EQlibrium Corporation
11 WSBA #25448

12 Signed by:

13 Prime Assets LLC

14 By Paul M. Martinez February 2, 2011
15 Paul M. Martinez, Managing Member

16 Signed by:

17 Paul M. Martinez
18 Paul M. Martinez, Individually

19 Signed by:

20 Louis A. Pugliese III
21 Louis A. Pugliese III, Individually

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23 CONSENT ORDER

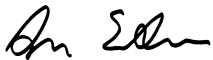
1 SIGNED and ENTERED this 22nd day of February, 2011

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5 _____
6 WILLIAM M. BEATTY
7 Securities Administrator

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10 Approved by:

Presented by:

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12 _____
13 Suzanne E. Sarason
14 Chief of Enforcement

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16 _____
17 Janet So
18 Enforcement Attorney

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21 Reviewed by:

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23 _____
24 Robert Kondrat
25 Financial Legal Examiner Supervisor

CONSENT ORDER