

1
2
3
4
5
6
7
8
9
10
11

**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:

EPITOME, LLC; ROBERT NEACE, JR.;
JAMES BILLINGTON; their agents and
employees,

Respondents.

SDO - 82 - 02

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL
ORDER TO CEASE AND DESIST AS TO
EPITOME, LLC

Case No. 01-05-186

12
13
14
15
16
17
18

On August 19, 2002, the Securities Administrator of the State of Washington issued Statement of Charges and Notice of Intention to Enter Order to Cease and Desist and Suspending Securities Salesperson Registration SDO-77-02, hereinafter referred to as the "Statement of Charges", against Respondents Epitome, LLC, Robert Neace, Jr., and James Billington. Robert Neace, Jr. failed to request a hearing in the matter, and Final Order to Cease and Desist (SDO-83-02) was entered by the Securities Division against him. The Statement of Charges against James Billington is still pending.

19
20
21
22
23
24

On August 21, 2002, the Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing (hereinafter referred to as "Notice of Opportunity for Hearing") and an Application for Adjudicative Hearing (hereinafter referred to as "Application for Hearing"), was served via certified mail on Epitome, LLC. The Notice of Opportunity for Hearing advised Epitome, LLC that it had twenty days from the date it received the notice to file a written application for an administrative hearing on the Statement of Charges. The Order further advised that if any Respondent did not request a hearing, as to

25
26
27

ENTRY OF FINDINGS OF FACT AND CONCLUSIONS OF
LAW AND FINAL ORDER TO CEASE AND DESIST AS TO
EPITOME, LLC

1 that Respondent, the Securities Administrator intended to adopt the Tentative Findings of Fact and
2 Conclusions of Law set forth in the Statement of Charges as final.

3 Epitome, LLC failed to request an administrative hearing within twenty days of its receipt of the
4 Statement of Charges and Notice of Opportunity for Hearing, either on the Application for Hearing provided
5 or otherwise.

6 The Securities Administrator therefore adopts as final the findings of fact and conclusions of law
7 as set forth in the Statement of Charges as to Epitome, LLC.

8 The Securities Administrator makes the following findings of fact and conclusions of law:
9

10 **FINDINGS OF FACT**

11 **I. Respondents**

12 1. **EPITOME, LLC** (“Epitome”) is an inactive Washington limited liability company with a
13 last known business address of 8010 N.E. 104th Avenue, Vancouver, Washington.

14 2. **ROBERT NEACE, JR.** (“Neace”) was a member of Epitome at all times relevant to the
15 matters contained herein, and resides in Wilsonville, Oregon.

16 3. **JAMES BILLINGTON** (“Billington”) was a member and resident agent for Epitome at all
17 times relevant to the matters contained herein. Billington is currently licensed as a securities salesperson
18 in the state of Washington. Billington is also a Washington state licensed insurance agent and resides in
19 Vancouver, Washington.

20 **II. Nature of the Offering**

21 4. Respondents Neace and Billington formed Epitome in February 2000 for the purpose of
22 acquiring restricted stock in Paradigm4, Inc. (“Paradigm4”), a Delaware corporation.
23

1 5. In February of 2000, Respondents Epitome, Neace, and Billington (collectively referred to
2 herein as “Respondents”), acting in concert and on behalf of one another, offered and sold Epitome
3 limited liability company (“LLC”) interests to at least eight investors, at least one of whom was a
4 Washington resident. Respondents obtained at least \$500,000 from these eight investors through the sale
5 of Epitome LLC interests.

6 6. In conjunction with the offer and sale of LLC membership interests by Respondents, these
7 eight investors received an LLC operating agreement of Epitome. The LLC operating agreement states
8 that Epitome is being formed for the purpose of purchasing \$500,000 of the Series G Convertible
9 Preferred Stock of Paradigm4. The LLC operating agreement further states that Epitome will obtain
10 these shares through a private placement offering to be conducted by Paradigm4 pursuant to Section 4(2)
11 of the Securities Act of 1933. The LLC operating agreement assigns to Neace and Billington ownership
12 interests in Epitome equal to 5.2394%, and 5.7105%, respectively. Neither Neace nor Billington
13 invested any of their personal funds in Epitome in consideration for granting themselves an ownership
14 interest in the company.
15

16 7. The funds obtained by Respondents from these eight investors were deposited into a bank
17 account controlled by Billington, who was the sole signatory on the account. On or about February 14,
18 2000, Epitome investor funds were used by Respondents to purchase 177,304 shares of the stock of
19 Paradigm4 at \$2.82 per share.
20

21 8. Between February and August of 2000, Billington and Neace offered and sold a portion of
22 their respective ownership interests in Epitome to at least seven additional investors. These seven
23 investors signed agreements evidencing the assignment of their Epitome LLC ownership interests to
24 them in consideration for various amounts of money. Neace and Billington obtained a total of at least

1 \$23,850 from these seven investors in consideration for the investors' respective ownership interests.
2 These LLC interests were sold for between two and seven times the value originally assigned to an
3 ownership interest in the LLC operating agreement. Billington and Neace purportedly assigned these
4 increased values to their ownership interests in anticipation of Paradigm4's stock going public in the near
5 future. Paradigm4 did file a registration statement with the SEC to conduct an initial public offering in
6 April of 2000, then withdrew that registration statement in July of 2000, and finally filed for bankruptcy
7 protection under Chapter Seven of the Bankruptcy Code in March of 2001.

8
9 9. In connection with the offer and sale of Epitome LLC interests to investors, Respondents
10 failed to provide material information regarding Epitome during the investment offering, including, but
11 not limited to: (1) information about Neace and Billington's background and management experience; (2)
12 the financial condition and financial statements of Epitome; and (3) the risk factors associated with the
13 investment.

14 **IV. Registration Status**

15 10. Respondents Epitome, Neace, and Billington are not currently registered to offer or sell its
16 securities in the state of Washington and have not previously been so registered.

17 11. Neace is not currently registered as a securities salesperson or broker-dealer in the state of
18 Washington.

19 12. Billington (CRD #2428951) is currently registered as a securities salesperson in the state of
20 Washington with Woodbury Financial Services, Inc. Billington was not registered to offer or sell the
21 securities of Epitome, LLC.

22
23 Based upon the above Findings of Fact, the following Conclusions of Law are made as to
24 Epitome, LLC:

1 **CONCLUSIONS OF LAW**

2 1. The offer and/or sale of limited liability company interests as described above constitutes
3 the offer and/or sale of a security as defined in RCW 21.20.005(10) and (12), to wit: an investment
4 contract; or risk capital.

5 2. The offer and/or sale of said securities was made in violation of RCW 21.20.010 because,
6 as specifically set forth in paragraph nine of the Findings of Fact, Respondent made untrue statements of
7 material fact and/or omitted to state material facts necessary in order to make the statements made, in
8 light of the circumstances under which they were made, not misleading.

9 3. The offer and/or sale of said securities is in violation of RCW 21.20.140 because no
10 registration for such offer and/or sale is on file with the Securities Administrator of the state of
11 Washington, and no valid claim of exemption for such offers and/or sales existed.

12 4. Respondent has violated RCW 21.20.040 by offering said securities while not being
13 registered as a broker-dealer or securities salesperson in the state of Washington.

14 **FINAL ORDER**

15
16 Based upon the foregoing, NOW, THEREFORE, IT IS HEREBY ORDERED that Epitome, LLC
17 cease and desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act.

18 It is further ORDERED that Epitome, LLC cease and desist from violating RCW 21.20.140 by
19 offering and/or selling unregistered securities.

20 It is further ORDERED that Epitome, LLC cease and desist from violating RCW 21.20.040 by
21 acting as a securities broker-dealer or securities salesperson without being so registered.

22 This Order is entered pursuant to the provisions of RCW 21.20.390 and is subject to the
23 provisions of Chapter 34.05 RCW.

1 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

2 DATED this 16th day of September, 2002.

3
4
5 

6 DEBORAH R. BORTNER
7 Securities Administrator

8 Approved by:

Presented by:

9
10
11 _____
12 Michael E. Stevenson
13 Chief of Enforcement

14 _____
15 Chad Standifer
16 Staff Attorney