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**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 - 77 - 02

STATEMENT OF CHARGES AND NOTICE  
OF INTENT TO ENTER AN ORDER TO  
CEASE AND DESIST AND SUSPENDING  
SECURITIES SALESPERSON  
REGISTRATION

Case No. 01-05-186

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THE STATE OF WASHINGTON TO:    Epitome, LLC  
   Robert Neace, Jr.  
   James Billington, CRD #2428951

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**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the state of Washington has reason to believe that Epitome, LLC, Robert Neace, Jr. and James Billington have violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator to cease and desist from such violations pursuant to RCW 21.20.390. The Securities Administrator further believes that these violations justify the entry of an order against Respondent Billington suspending his securities registration pursuant to RCW 21.20.110. The Securities Administrator finds as follows:

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STATEMENT OF CHARGES AND NOTICE OF INTENT  
TO ENTER AN ORDER TO CEASE AND DESIST AND  
SUSPENDING SECURITIES SALESPERSON  
REGISTRATION

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DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

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## TENTATIVE FINDINGS OF FACT

### I. Respondents

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

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

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

### II. Nature of the Offering

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

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

6. In conjunction with the offer and sale of LLC membership interests by Respondents, these eight investors received an LLC operating agreement of Epitome. The LLC operating agreement states that Epitome is being formed for the purpose of purchasing \$500,000 of the Series G Convertible Preferred Stock of Paradigm4. The LLC operating agreement further states that Epitome will obtain

1 these shares through a private placement offering to be conducted by Paradigm4 pursuant to Section 4(2)  
2 of the Securities Act of 1933. The LLC operating agreement assigns to Neace and Billington ownership  
3 interests in Epitome equal to 5.2394%, and 5.7105%, respectively. Neither Neace nor Billington  
4 invested any of their personal funds in Epitome in consideration for granting themselves an ownership  
5 interest in the company.  
6

7 7. The funds obtained by Respondents from these eight investors were deposited into a bank  
8 account controlled by Billington, who was the sole signatory on the account. On or about February 14,  
9 2000, Epitome investor funds were used by Respondents to purchase 177,304 shares of the stock of  
10 Paradigm4 at \$2.82 per share.

11 8. Between February and August of 2000, Billington and Neace offered and sold a portion of  
12 their respective ownership interests in Epitome to at least seven additional investors. These seven  
13 investors signed agreements evidencing the assignment of their Epitome LLC ownership interests to  
14 them in consideration for various amounts of money. Neace and Billington obtained a total of at least  
15 \$23,850 from these seven investors in consideration for the investors' respective ownership interests.  
16 These LLC interests were sold for between two and seven times the value originally assigned to an  
17 ownership interest in the LLC operating agreement. Billington and Neace purportedly assigned these  
18 increased values to their ownership interests in anticipation of Paradigm4's stock going public in the near  
19 future. Paradigm4 did file a registration statement with the SEC to conduct an initial public offering in  
20 April of 2000, then withdrew that registration statement in July of 2000, and finally filed for bankruptcy  
21 protection under Chapter Seven of the Bankruptcy Code in March of 2001.  
22

23 9. In connection with the offer and sale of Epitome LLC interests to investors, Respondents  
24 failed to provide material information regarding Epitome during the investment offering, including, but  
25

1 not limited to: (1) information about Neace and Billington's background and management experience; (2)  
2 the financial condition and financial statements of Epitome; and (3) the risk factors associated with the  
3 investment.

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5 **IV. Registration Status**

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

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

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

13  
14 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

15 **CONCLUSIONS OF LAW**

16  
17 1. The offer and/or sale of limited liability company interests as described above constitutes  
18 the offer and/or sale of a security as defined in RCW 21.20.005(10) and (12), to wit: an investment  
19 contract; or risk capital.

20 2. The offer and/or sale of said securities was made in violation of RCW 21.20.010 because,  
21 as specifically set forth in paragraph eight of the Tentative Findings of Fact, Respondents made untrue  
22 statements of material fact and/or omitted to state material facts necessary in order to make the  
23 statements made, in light of the circumstances under which they were made, not misleading.  
24

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

4           4.    Respondents have violated RCW 21.20.040 by offering said securities while not being  
5 registered as broker-dealers or securities salespersons in the state of Washington.  
6

7                           **NOTICE OF INTENTION TO ORDER RESPONDENTS TO CEASE AND DESIST**

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9           Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities  
10 Administrator intends to order that Respondents Epitome, LLC, Robert Neace, Jr. and James Billington,  
11 and their agents and employees, each permanently cease and desist from violations of RCW 21.20.010,  
12 RCW 21.20.140, and RCW 21.20.040.

13                           **NOTICE OF INTENT TO SUSPEND OR REVOKE REGISTRATION**

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15           Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact and  
16 Conclusions of Law, the Securities Administrator intends to order that the securities salesperson  
17 registration of Respondent Billington be suspended for one (1) month.  
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19                           **AUTHORITY AND PROCEDURE**

20           This Order is entered pursuant to the provisions of RCW 21.20.110 and RCW 21.20.390 and is  
21 subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. Each of the Respondents may  
22 make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND  
23 AND OPPORTUNITY FOR HEARING accompanying this Order.  
24

1 If Respondents Epitome, LLC and Robert Neace, Jr. do not request hearings, the Securities  
2 Administrator intends to adopt the foregoing Tentative Findings of Fact and Conclusions of Law as final,  
3 and enter a permanent cease and desist order against those Respondents.  
4

5 If Respondent James Billington does not request a hearing, the Securities Administrator intends to  
6 adopt the foregoing Tentative Findings of Fact and Conclusions of Law as final, and enter a permanent  
7 cease and desist order against that Respondent and impose the license suspension described above.

8 DATED this 19th day of August, 2002.  
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12 DEBORAH R. BORTNER  
13 Securities Administrator

14 Approved by:

Presented by:

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16 \_\_\_\_\_  
17 Michael E. Stevenson  
18 Chief of Enforcement

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16 \_\_\_\_\_  
17 Chad Standifer  
18 Staff Attorney