UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-21257

In the Matter of

JOHN MARQUES,

Respondent.

DIVISION OF ENFORCEMENT'S MOTION FOR ENTRY OF ORDER OF DEFAULT AND REMEDIAL SANCTIONS

Pursuant to Rules 155(a) and 220(f) of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a) and 201.220(f), the Division of Enforcement (the "Division") moves for entry of an Order finding Respondent John Marques ("Marques") in default, determining this administrative proceeding against him upon consideration of the record, and barring him from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent or nationally recognized statistical ratings organization,[1] and from participating in any offering of a penny stock.

[1] Due to a series of inadvertent mistakes, the undersigned counsel for the Division failed to meet the Commission's deadlines for filing this motion for default order. The Division of Enforcement's Miami Regional office is taking corrective measures to ensure future compliance with the Commission's deadlines and respectfully requests that the Commission accept this motion for default order *nunc pro tunc*.

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I. Background

A. District Court Action Against Marques

On December 20, 2021, the Commission filed a Complaint for Injunctive and Other Relief against Marques, alleging violations of the registration provisions of Sections 5(a) and 5(c) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§ 77e(a) and 77e(c), and Section 15(a)(1) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78o(a)(1). *SEC v. John Marques, et al.,* Case No. 4:21-cv-09796-JST (N.D. Ca.) ("District Court Action"). *See* Exhibit 1, Complaint for Injunctive and Other Relief at DE 28 ("Complaint"). The Complaint alleged that Marques, through his wholly owned company Lifeline Innovations & Insurance Solutions LLC, while not registered as a broker or associated with a Commission registered broker-dealer, offered and sold the securities of several real estate funds managed by EquiAlt, LLC, ("EquiAlt"), a company that operated a massive Ponzi scheme. [Exhibit 1 (Complaint), at ¶¶ 1, 2, 9, 22]. On December 8, 2022, the Court entered a Final Judgment against Marques enjoining him from the violations alleged in the Complaint and imposing disgorgement, prejudgment interest thereon, and a civil penalty. *See* Exhibit 2, Final Judgment As to Defendants John Marques and Lifeline Innovations & Insurance Solutions, District Court Action at DE 28.

B. The Factual Allegations of the Order Instituting Proceedings

The Commission issued the Order Instituting Proceedings ("OIP") on December 20, 2022, pursuant to Section 15(b) of the Exchange Act. The OIP alleges specific details about Marques' federal securities laws violations.

Marques is 63 years old, and is a resident of [redacted] OIP at II.A.1. From at least 2016 until February 2020, Marques, a life insurance salesman who was not registered with the Commission during the relevant time, sold the securities of several real estate funds (hereinafter

"EquiAlt Funds") managed by EquiAlt. During that time, Marques, sold investors 3-year or 4-year term debentures issued by EquiAlt providing a fixed annual return of 8% to10%. EquiAlt paid Marques commissions ranging from 6-12% of the amount invested in the EquiAlt Funds. OIP at II.B.3.

Marques raised approximately $7.9 million from the unregistered offer and sale of securities of the EquiAlt Funds to more than 50 retail investors and from these sales, Marques received approximately $824,000 in transaction-based sales commissions. OIP at II.B.4. In addition, EquiAlt's securities offerings were not registered with the Commission and there was no applicable exemption from registration for these offerings. *Id.* At all relevant times, Marques was not registered as a broker-dealer with the Commission or associated with Commission or associated with a registered broker-dealer. OIP at II.B.4.

C. Marques' Failure to Defend this Proceeding

On December 21, 2022, Marques was personally served with the OIP and other documents. On January 23, 2023, the Division filed a Notice of Proof of Service, which established that service of process was made on Marques on December 21, 2022. Marques failed to file his response to the OIP, due on January 27, 2023, and on that same date the Commission Ordered Marques to show cause by February 10, 2023, why he should not be deemed to be in default and why this proceeding should not be determined to against him due to his failure to file an answer and to otherwise defend this proceeding. See Order to Show Cause, Securities Act Rel. No. 96761 (Jan. 27, 2003). To date, Marques has not responded to the OIP or to the January 27, 2023, Order to Show Cause.

III. Argument

The Commission should exercise its authority under Section 15(b) of the Exchange Act to impose remedial sanctions against Marques.

A. Entry of Default Is Appropriate and the Factual Allegations of the OIP Should Be Deemed True

Under Rule 155(a) of the Commission's Rules of Practice, a party who fails to file a timely answer "may be deemed to be in default" and the Commission "may determine the proceeding against that party upon consideration of the record, including the order instituting proceedings, the allegations of which may be deemed to be true . . . ." 17 C.F.R. § 201.155(a). Marques has not filed a response to the OIP. As such, Marques is in default and all the factual allegations against him in the OIP should be deemed true. *See In re Reginald Buddy Ringgold, III*, Advisers Act Release No. 6267, 2023 WL 2705591, at *2 (March 29, 2023) (deeming allegations of OIP as true against respondent in default).

B. Associational and Penny Stock Bars Are Appropriate Sanctions

The facts established by Marques' default show that the Division is entitled to associational and penny stock bars against Marques. Exchange Act Section 15(b)(6)(A) authorizes the Commission to impose an associational bar against a person who: (1) at the time of the misconduct was acting as or associated with a broker; (2) has been made subject to an injunction; and (3) should be barred if in the public interest. 15 U.S.C. § 78o(b)(6)(A)(iii). All elements are met here. Exchange Act Section 15(b)(6) also authorizes a penny stock bar on these grounds.

1. Marques Acted as a Broker at the Time of the Misconduct

Exchange Act Section 15(b)(6) covers a person acting as or associated with a broker at the time of the misconduct. The broker in question need not have been a registered broker. *Tzemach David Netzer Korem*, Exch. Act Rel. No. 70044, at 12 and n.68, 2013 WL 3864511 (July 26, 2013).

As noted above, the District Court found Marques liable for violating Section 15(a)(1) for acting as an unregistered broker. Moreover, Exchange Act Section 3(a)(4) defines "broker" as "any person engaged in the business of effecting transactions in securities for the account of others." A

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person engages in the business of effecting securities by "participate [ing] in purchasing and selling securities involving more than a few isolated transactions; there is no requirement that such activity be a person's principal business or the principal source of income." *Anthony Fields,* Securities Act Rel. No. 9727, at 30, 2015 WL 728005 (Feb. 20, 2015) (quotations and alternations omitted). Indications of broker activity "include holding oneself out as a broker-dealer, recruiting or soliciting potential investors, handling client funds and securities, negotiating with issuers, and receiving transaction-based compensation." *Id.*; *James S. Tagliarferri*, Securities Act Rel. No. 10308, at 6-7, 2017 WL 632134 (Feb. 15, 2017) (respondent acted as a broker by actively finding investors, being closely involved in negotiations, and receiving transaction-based compensation).

Here, the facts alleged in the OIP, which may be deemed true under Rule 155(a), 17 C.F.R. § 201.155(a), establish that Marques acted as a broker while offering and selling EquiAlt's securities. Marques solicited and sold the EquiAlt securities to numerous investors. *See* OIP II.B.4. He also received transaction-based compensation for selling EquiAlt's securities. *Id*. However, during the relevant time period Marques was not registered with the Commission or associated with a Commission-registered broker. *Id*. Thus, the jurisdictional requirement for remedial relief, that Marques acted as a broker while not registered with the Commission or associated with a Commission-registered broker, has been met.

2. <u>Marques Has Been Enjoined</u>

On December 8, 2022, the District Court enjoined Marques from future violations of the securities registration provisions set forth in Securities Act Section 5 and the broker registration provisions set forth in Exchange Act Section 15(a)(1). *See* OIP II.B.2.

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3. Bars Would Serve the Public Interest

In assessing the third element – whether an associational bar is in the "public interest" – the Commission considers the following six factors:

> the egregiousness of the respondent's actions, the isolated or recurrent nature of the infraction, the degree of scienter involved, the sincerity of the respondent's assurances against future violations, the respondent's recognition of the wrongful nature of his conduct, and the likelihood that the respondent's occupation will present opportunities for future violations.

Steadman v. SEC, 603 F.2d 1126, 1140 (5th Cir. 1979), *aff'd on other grounds*, 450 U.S. 91 (1981) (quoting *SEC v. Blatt*, 583 F.2d 1325, 1334 n.29 (5th Cir. 1978)). These factors overall weigh in favor of an associational bar and a penny stock bar.

While Marques has not been charged with fraud, his conduct was egregious. His sales efforts contributed to EquiAlt raising $7.9 million from investors who were duped into investing into a Ponzi scheme. *See* OIP II.B.4. At all relevant times, Marques, was a regular participant in numerous transactions involving EquiAlt Funds' securities at key points in the chain of distribution. For example, in 2016 Marques began actively soliciting investors for the EquiAlt Funds by conducting dinner seminars with prospective investors he found after sending advertisements to them in the mail. Exhibit 1 (Complaint) at ¶ 19. *See In re Don Warner Reinhard*, Exchange Act Release No. 63720, Advisers Act Release No. 3139, 2011 WL 121451, at *3-4 (January 14, 2011) (relying on facts in the Complaint that formed the basis of the default permanent injunction in reviewing whether an associational bar was in the public interest).

During these dinner seminars, Marques made presentations about the EquiAlt investment as well as other investment opportunities such as oil and gas investments, and life settlements. *Id.* At the end of these dinner seminars, Marques asked prospective investors to complete a form indicating whether they had an interest in one or more of the investment opportunities presented to them so that

he could schedule an individual meeting with them to discuss the specific details of the investment. *Id.* If a prospective investor expressed an interest in the investment opportunity offered by the EquiAlt Funds, Marques would then provide the prospective investor with copies of EquiAlt Funds' offering documents and marketing/sales materials including sales brochures, subscription agreements, and private placement memoranda. *Id.*

In addition to providing prospective investors with copies of EquiAlt Funds' offering documents and marketing/sales materials, Marques typically explained important aspects of the investment such as the management of the EquiAlt Funds and their underlying business model. *Id.* at ¶ 19. Among other things, he explained to prospective investors that their investment funds would be used by the EquiAlt Funds to invest in real estate that would be purchased at low or distressed prices. *Id.* Over a period of almost four years, Marques repeatedly recommended the EquiAlt Funds to more than 50 investors while also erroneously suggesting to them that the risk of investing in the EquiAlt Funds was low because it would be difficult for management to abscond with real estate, while never disclosing the high risk of the investment, such as the company having no internal controls, unaudited financial documents, and mismanagement of funds. *Id.*

Marques also assisted investors in the processing of most aspects of the actual securities sales transactions. *Id.* at ¶ 21. For example, he collected the completed subscription agreements from investors together with their investment checks and forwarded these documents directly to his contact at EquiAlt in order to complete the investment transaction. *Id.* He also assisted investors in resolving any issues that arose after they made an investment in the EquiAlt Funds such as the payment of interest due to investors under the debentures. *Id.* Marques also collected an additional commission from the EquiAlt Funds on those occasions when investors renewed their investments in the EquiAlt Funds after their original investments matured. *Id.* As a result of the conduct alleged

above, Marques regularly participated in multiple securities transactions involving the EquiAlt Funds at key points in the chain of distribution. *Id.* at ¶ 22.

As to the second factor, Marques' conduct was recurrent: for over three-and-a-half years until the Ponzi scheme was halted by the Commission. *See* OIP II.B.4. Marques repeatedly solicited investors for EquiAlt's Funds; communicated directly with investors about EquiAlt's Funds; described the merits of the EquiAlt Funds' securities to investors; reassured investors about the risk of investing in the EquiAlt Funds; and received transaction-based compensation. Exhibit 1 (Complaint) at ¶ 20. Ultimately, Marques raised about $7.9 million from the unregistered offer and sale of securities of the EquiAlt Funds. *See* OIP II.B.4. From these sales, the Marques received approximately $824,000 in transaction-based sales commissions. *Id.*

Although the claims against Marques do not require proof of scienter, Marques had a reason to suspect that his sale of EquiAlt's securities was unlawful. Marques formerly held a securities license from 1986 to about 2010 when he "voluntarily let it go." Exhibit 3, Marques Investigative Testimony ("Marques Test.") at p. 24, lines 8-9, and thus knew about the licensing requirements to sell securities. Marques was also involved in selling the securities of another alternative investment, Par Funding, another Ponzi scheme, that the SEC also brought an enforcement action against in 2020. *SEC v. Complete Business Solutions Group, Inc. d/b/a Par Funding*, Case No. 20-cv-81205-RAR (S.D. Fla, July 24, 2020); Exhibit 3 (Marques Test.), at p. 17 lines 24 to p. 18 line 20.

The fourth and fifth factors consider Marques' recognition of his wrongful conduct and assurances against future violations. Here, Marques has never admitted his wrongful conduct or made any assurances against future violations. In fact, Marques filed an Affidavit in the District Court action denying that the SEC is a legal "legitimate" agency, denying that the Court had

jurisdiction, denying that the Court was a legal entity and denying that the charges brought in the case applied to him. Exhibit 4, Affidavit of John Marques, at ¶¶ 1, 3, 11, 81. In his Affidavit, Marques records his complete disdain and disrespect for the legal system and his belief that it does not apply to him. *Id.*

Moreover, despite service, Marques has not participated in this matter. His lack of participation provides no assurances that he will avoid future violations of the law. *See Kimm Hannan*, Advisers Act Rel. No. 5906, at 4, 2021 WL 5161855, *3 (Nov. 5, 2021) ("Because Hannan failed to answer the OIP or respond to the order to show cause or to the Division's motion, he has made no assurances to us that he will not commit future violations or that he recognizes the wrongful nature of his conduct."); *Oscar Ferrer Rivera*, Advisers Act Rel. No. 5759, at 6, 2021 WL 2593642, *4 (June 24, 2021) ("Although his guilty plea indicates that Ferrer might have some appreciation for the wrongfulness of his conduct, it does not outweigh the evidence that he poses a risk to the investing public). Marques has offered no evidence to rebut that inference. These factors ultimately weigh in favor of an associational bar.

As to the sixth factor, a reasonable likelihood exists that without a bar, Marques will commit future violations. The allegations in the OIP reflect that Marques engaged in repeated, flagrant violations of the securities and broker registration provisions of the federal securities laws. While "[c]ourts have held that the existence of a past violation, without more, is not a sufficient basis for imposing a bar . . . the existence of a violation raises an inference that it will be repeated." *Tzemach David Netzer Korem*, Exchange Act Rel. No. 70044, at 10 n.50, 2013 WL 3864511, at n.50 (July 26, 2013) (quotation and alternations omitted); *see also SEC v. Murphy*, 626 F.2d 633, 655 (9th Cir. 1980) (the existence of past violations may give rise to an inference that there will be future violations). Here, in addition to selling securities in two investments that turned out to be

Ponzi schemes (EquiAlt and Par Funding), Marques also admitted selling investments in at least two other alternative investments and life settlements. Exhibit 3 (Marques Test.) at pp. 42-46. Despite the fallout from this action and the Par Funding action, Marques remains unlicensed, unregistered with the Commission, and unassociated with a registered broker dealer or investment advisory firm. Marques' year of sales, in multiple schemes, raises an inference that he will engage in such conduct again, and he has offered no evidence to rebut that inference. Unless he is barred from the securities industry, he may have the chance to again harm investors.

For these reasons, imposing the requested bar is in the public interest and appropriate under Section 15(b) of the Exchange Act. Further, Marques should be prohibited in participating in an offering of a penny stock. Courts use similar factors to decide whether to issue associational and penny stock bars and obey-the-law injunctions, including whether the defendant's conduct was egregious. *SEC v. Fierro*, No. CV 20-02104 (GC) (JBD), 2024 WL 2292054, at *3 (D.N.J. May 21, 2024). For all the factors described above, the penny stock bar is also warranted.

IV. Conclusion

For the reasons discussed above, the Division asks the Commission to sanction Marques by barring him from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, and from participating in any offering of a penny stock.

RULE 151 CERTIFICATION

The undersigned counsel hereby certifies that sensitive personal information described in Commission Rule of Practice 151(e) [17 C.F.R. § 201.151(e)] has been omitted or redacted from the filing or, if necessary to the filing, has been filed under seal pursuant to § 201.322.

Dated: January 6, 2025

Respectfully submitted,

[redacted]
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CERTIFICATE OF SERVICE

Pursuant to Rule 150 of the Commission's Rules of Practice, I hereby certify that on January 6, 2025, the foregoing document was filed using the eFAP system, and that a true and correct copy of the document is being served via overnight delivery on the following persons entitled to notice:

John Marques
[redacted]
Respondent

[redacted]
Alise Johnson, Esq.
Senior Trial Counsel