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**STATE OF CALIFORNIA
BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY
DEPARTMENT OF BUSINESS OVERSIGHT**

TO: Pelagius Entertainment, Inc.
Joseph H. Fries
Natalie Khoury
23548 Calabasas Road, Suite 206 East
Calabasas, California 91302

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DESIST AND REFRAIN ORDER

(For violations of section 25110 of the Corporations Code)

The Commissioner of Business Oversight (“Commissioner”) finds that:

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1. At all relevant times, Pelagius Entertainment, Inc. (“Pelagius”) was a California corporation with its principal place of business located at 23548 Calabasas Road, Suite 206 East, Calabasas, California, 91302.
 2. At all relevant times, Joseph H. Fries (“Fries”) was the president and a control person of Pelagius.
 3. At all relevant times, Natalie Khoury (“Khoury”) was the executive vice president and a control person of Pelagius.
 4. Beginning in or about November 2012, Pelagius, Fries and Khoury offered securities to California investors in the form of an investment contract called a “Development Funds Agreement.”
 5. Pursuant to the “Development Funds Agreement,” a production company fully owned by Pelagius called Ring of Deceit Films LLC would be formed to produce a motion picture entitled “Ring of Deceit.”
 6. Pelagius agreed to pay investors a “fund fee” consisting of 10% of their principal investment on the first day of principal photography as well as up to 2.5% of the “Producer’s contingent compensation” or “back-end” in connection with production of the “Ring of Deceit” film.

1 7. Additionally, on at least one occasion, Pelagius compensated an actress known as “Alia
2 Kruz” to find potential investors and/or promote the “Ring of Deceit” project.

3 8. These securities were offered in this state in an issuer transaction.

4 9. The Commissioner has not issued a permit or other form of qualification authorizing
5 Pelagius, Fries, Khoury or any other person to offer these securities in this state.

6 Based on the foregoing, the Commissioner is of the opinion that the securities in the form of
7 investment contracts offered by Pelagius Entertainment, Inc., Joseph H. Fries, and Natalie Khoury are
8 securities subject to qualification under the California Corporate Securities Law of 1968.

9 Pursuant to section 25532 of the California Corporate Securities Law of 1968, Pelagius
10 Entertainment, Inc., Joseph H. Fries, and Natalie Khoury are hereby ordered to desist and refrain
11 from the further offer and sale, in the State of California, of securities including, but not limited to,
12 investment contracts unless and until qualification has been made under said law or unless exempted.

13 This Order is necessary, in the public interest, for the protection of investors and consistent
14 with the purposes, policies, and provisions of the California Corporate Securities Law of 1968.

15 Dated: October 17, 2014
16 Sacramento, California



17 JAN LYNN OWEN
18 Commissioner of Business Oversight

19 By _____
20 MARY ANN SMITH
21 Deputy Commissioner
22 Enforcement Division