### STATE OF WASHINGTON DEPARTMENT OF FINANCIAL INSTITUTIONS SECURITIES DIVISION

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IN THE MATTER OF DETERMINING whether there has been a violation of the Franchise Investment Protection Act of Washington by:

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GREEN SPIRIT ENTERPRISES LLC;

Order No.: S-15-1654-15-CO01 CONSENT ORDER

Respondent.

Pursuant to the Franchise Investment Protection Act of Washington, RCW 19.100, the Securities Division and Respondent, Green Spirit Enterprises LLC do hereby enter into this Consent Order in settlement of the matters alleged herein. Respondent Green Spirit Enterprises LLC neither admits nor denies the Findings of Fact or Conclusions of Law as stated below.

# **FINDINGS OF FACT**

## Respondent

1. Green Spirit Enterprises LLC ("GS Enterprises") is a California corporation, established on August 22, 2014. GS Enterprises currently operates a business in Santa Barbara, California, under the trade name of Urban Grow. GS Enterprises has operated this location since approximately October 2007.

# **Related Party**

2. Green Spirit Franchise Group, LLC ("GS Franchise") is a California corporation, established on January 5, 2015, with its principal place of business in Santa Barbara, California. GS Franchise was formed for the purpose of selling Green Spirit franchises, using the Urban Grow trade name and the trademarks and business methods developed by GS Enterprises.

# **Background**

3. GS Enterprises' business involves commercial and residential hydroponics and aquaponics systems. According to GS Enterprises, hydroponics "is a method of growing plants in mineral nutrient solutions in water, without soil." Aquaponics "is a food production system that combines conventional aquaculture (raising aquatic animals such as snails, fish, crayfish or prawns in tanks) with Hydroponics in a symbiotic environment." GS Enterprises makes money by selling, designing, installing, and maintaining these systems, and certain other agriculture-related products, to both commercial and residential clients.

# **Registration and Sale History in Washington**

4. GS Franchise applied to the Securities Division for registration to sell franchises on or about February 17, 2015. In its application, GS Franchise disclosed that, in October 2014, GS Enterprises had agreed to license the right to operate one Urban Grow business, collectively, to two Washington residents and one business entity ("the Washington investors"). GS Enterprises granted this license through a Franchise Agreement, dated October 22, 2014, between GS Enterprises and the Washington investors.

5. In the Franchise Agreement, GS Enterprises grants the Washington investors the right to use its trademarks and business methods, in exchange for a \$20,000 franchise fee and royalties "obtained through the ordering process set forth by [GS Enterprises]." The Agreement also requires that GS Enterprises approve any advertising efforts by the Washington investors.

### **Registration Status**

6. GS Enterprises is not currently registered to sell franchises in the State of Washington, and has not previously been registered to do so.

### Failure to Provide Disclosure Document

7. GS Enterprises did not present the Washington investors, prior to the sale of the franchise, with a disclosure document which met the requirements of RCW 19.100.140.

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

### CONCLUSIONS OF LAW

1. GS Enterprises' offer and/or sale of the Franchise Agreement discussed above to the Washington investors constituted the offer and/or sale of a franchise as defined in RCW 19.100.010(6), RCW 19.100.010(12), and RCW 19.100.010(17).

2. GS Enterprises violated RCW 19.100.020 by offering and/or selling the franchise, because no registration for such offer and/or sale was on file with the Division at the time of the offer or sale.

3. GS Enterprises violated RCW 19.100.080 because it did not provide the Washington investors with a copy of its then-current disclosure document at least fourteen calendar days prior to the Washington investors' execution of the Franchise Agreement.

### **CONSENT ORDER**

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

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IT IS AGREED AND ORDERED THAT Respondent GS Enterprises, and its agents and employees, shall each cease and desist from offering or selling franchises in violation of RCW 19.100.020, the registration section of the Franchise Investment Protection Act of the State of Washington ("FIPA").

IT IS FURTHER AGREED AND ORDERED that Respondent GS Enterprises, and its agents and employees, shall each cease and desist from violating RCW 19.100.080, the disclosure document section of the FIPA.

IT IS FURTHER AGREED that prior to the entry of this Consent Order, Respondent GS Enterprises shall be liable for and shall pay the Division the costs and expenses incurred in investigation of this matter in the amount of \$750.

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

IT IS FURTHER AGREED that Respondent GS Enterprises enters into this Consent Order freely and voluntarily and with full understanding of its terms and significance.

IT IS FURTHER AGREED that in consideration of the foregoing, Respondent GS Enterprises waives its right to a hearing and to judicial review of this matter.

Signed this 17th day of March, 2015.

Signed by:

Green Spirit Enterprises LLC & Green Spirit Franchise Group, LLC

By <u>/s</u> Jared Ashton Chief Executive Officer

Approved as to form by:

Barry Kurtz, Attorney for Respondent State Bar of California #57544

SIGNED and ENTERED this <u>26th</u> day of <u>March</u>, 2015.

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William M. Beatty Securities Administrator

Presented by:

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Adam Yeaton Financial Legal Examiner

Approved by: An Elm

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Suzanne Sarason Chief of Enforcement

Reviewed by:

Jack McClellan Financial Legal Examiner Supervisor