

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING
Whether there has been a violation
of the Business Opportunity Fraud Act of the
State of Washington by:

Omni Systems, Inc.; George McDonald; their
agents and employees,

Respondents.

Order Number: S-04-066-04-T001

SUMMARY ORDER TO CEASE AND DESIST

THE STATE OF WASHINGTON TO:

Omni Systems, Inc. and George
McDonald
354 Cool Springs Boulevard Ste 101
Franklin, TN 37067

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Omni Systems, Inc. and George McDonald, their agents and employees, have violated the Business Opportunity Fraud Act and that their violations justify the entry of an order of the Securities Administrator under RCW 19.110.150 to cease and desist from such violations. The Securities Administrator finds that delay in ordering the Respondents to cease and desist from such violations would be hazardous to the investors and to the public and that a Summary Order to Cease and Desist should be entered immediately. The Securities Administrator finds as follows:

SUMMARY ORDER TO CEASE AND DESIST

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

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TENTATIVE FINDINGS OF FACT

I. Respondents

1. Omni Systems, Inc. is a Tennessee entity that maintains a principal business address of 354 Cool Springs Boulevard, Suite 101, Franklin, TN 83642.

2. George McDonald is a Principal of Omni Systems, Inc.

II. Nature of the Business Opportunity

3. Omni Systems, Inc. is the seller of a coin-operated Peppermint Patty© vending package (the “micro mint merchandiser”) that enables purchasers to establish businesses that place vending machines and oversee the operation of vending machine routes. Respondents, acting in concert or on behalf of each other, have placed or caused to be placed information or advertisements in Washington newspapers concerning their coin-operated vending package opportunity. The advertisements claim that the average income per machine per year is from \$ 1,200 to \$ 5,632. In addition, the advertisements contain the following text:

How good is the cash flow?

Excellent. It’s an all cash business. There are no receivables. You don’t need any more than your original investment.

When should I start making money?

The day your machines are filled on location.

Should I use a professional locator?

Good locations are easy to find, but the process is time consuming. Usually, the first time owner/operator utilizes a locator for their initial locations.

1 4. Respondents provided Washington residents who responded to the advertisements with a
2 promotional brochure that contained, among other things: a price list that advertised three different
3 packages of vending machines for sale at \$6,795, \$9,350 and \$11,520 respectively; a contract that
4 indicated that Omni Systems, Inc. could recommend a location company to the purchaser; a sheet that
5 explained that a locator's fees were \$60 per location; and several pages of potential earnings the
6 investment could generate. At least one Washington resident purchased a vending machine package.

7 5. The pages relating to potential earnings contained examples of estimated profits that a purchaser
8 could make, which showed that a purchaser could make a yearly profit of \$99,864 if the purchaser
9 had 48 machines selling 30 items each per day.

10 6. The earnings claims failed to include the data on which the estimations or projections were based
11 and an explanation of the extent to which the data related to actual operations of the business
12 opportunity.

13 7. The Respondents failed to provide to Washington residents a disclosure document with complete
14 material information regarding the Omni Systems, Inc. vending package opportunity, including a
15 financial statement.
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17 III. Registration

18 8. Omni Systems, Inc. and George McDonald are not currently registered to sell business
19 opportunities in the state of Washington and have not previously been so registered.

20 IV. Emergency

21 9. The Securities Administrator finds that the continued offering of the vending machine business
22 opportunity by Respondents in the manner described in Tentative Finding of Fact, presents a threat to
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1 the investing public. An emergency exists, in that further sales of the business opportunity described
2 above would be hazardous to investors and the public of the state of Washington.

3 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:
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7 **CONCLUSIONS OF LAW**

8 **I.**

9 The offer and/or sale of the vending machine route business opportunity by Omni Systems, Inc.
10 and George McDonald as described above constitutes the offer and/or sale of a business opportunity
11 as defined in RCW 19.110.020(1).
12

13 **II.**

14 The offer and/or sale of said business opportunity is in violation of RCW 19.110.050 because no
15 registration for such offer and/or sale is on file with the Administrator of Securities, state of
16 Washington.
17

18 **III.**

19 The offer and/or sale of said business opportunity was made in violation of RCW 19.110.070 and
20 RCW 19.110.120 because Respondents, Omni Systems, Inc. and George McDonald, their agents and
21 employees, failed to provide Washington offerees and/or purchasers with a disclosure document
22 containing complete material information regarding the opportunity, including, but not limited to: data
23 on which the estimations or projections of earnings were based and an explanation of the extent to
24 which the data related to actual operations of the business opportunity and financial statements.

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2 The Securities Administrator concludes that an emergency exists, that the continued violations of
3 RCW 19.110.050, RCW 19.110.070 and RCW 19.110.120 constitute a threat to the investing public,
4 and that a summary order to cease and desist from those violations is in the public interest and
5 necessary for the protection of the investing public.
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9 **SUMMARY ORDER**

10 Based on the foregoing, NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED That
11 Omni Systems, Inc. and George McDonald, their agents and employees, each cease and desist from
12 offering and/or selling business opportunities in any manner in violation of RCW 19.110.050, the
13 section of the Business Opportunity Fraud Act requiring registration.

14 It is further SUMMARILY ORDERED That, Omni Systems, Inc. and George McDonald, their
15 agents and employees each cease and desist from offering and/or selling business opportunities in any
16 manner in violation of RCW 19.110.070 and RCW 19.110.120, the disclosure document and anti-
17 fraud section of the Business Opportunity Fraud Act, respectively.
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20 **AUTHORITY AND PROCEDURE**

21 This Order is entered pursuant to the provisions of RCW 19.110.150 and is subject to the
22 provisions of Chapter 34.05 RCW. The Respondents, Omni Systems, Inc. and George McDonald
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1 each may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO
2 DEFEND AND OPPORTUNITY FOR HEARING accompanying this order.

3 If a respondent does not request a hearing, the Securities Administrator intends to adopt the above
4 Tentative Findings of Fact and Conclusions of Law as final and make the summary order to cease and
5 desist permanent as to that respondent.

6 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

7 DATED this 18th day of May 2004.

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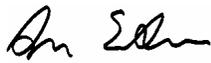
11 Michael E. Stevenson
12 Securities Administrator

13 Presented by:

14
15 

16 Martin Cordell
17 Financial Legal Examiner

18 Approved by:

19 

20 Suzanne Sarason
21 Chief of Enforcement