

1 **STATE OF WASHINGTON**  
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**  
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING  
5 whether there has been a violation  
6 of the Business Opportunity Fraud Act of  
7 Washington by:

8 Smart Advertising, Inc.;  
9 Jeffery Farmer; and  
10 Brad Lober,

11 Respondents.

Order Number S-05-043-06-SC01

STATEMENT OF CHARGES AND NOTICE  
OF INTENT TO ISSUE AN ORDER TO  
CEASE AND DESIST

12 THE STATE OF WASHINGTON TO:

Smart Advertising, Inc.  
Jeffery Farmer  
Brad Lober

13 **STATEMENT OF CHARGES**

14 Please take notice that the Securities Administrator of the State of Washington has reason to believe  
15 that Respondents, Smart Advertising, Inc., Jeffery Farmer and Brad Lober and their agents and employees,  
16 have violated the Business Opportunity Fraud Act of Washington, RCW 19.110, and that their violations  
17 justify the entry of an order of the Securities Administrator under RCW 19.110.150 to cease and desist from  
18 such violations. The Securities Administrator finds as follows:

19 **TENTATIVE FINDINGS OF FACT**

20 Respondents

21 1. Smart Advertising, Inc., an Arizona Corporation, was incorporated on October 23, 2002 and  
22 conducted business at 3200 North Hayden Suite #320 Scottsdale, AZ 85251. Smart Advertising, Inc. is  
23 currently not in good standing with the Arizona Corporation Commission. Smart Advertising, Inc.  
24 maintained a website at [www.smartadvertisinginc.com](http://www.smartadvertisinginc.com).

1 2. Jeffery Farmer is the Chief Executive Officer of Smart Advertising, Inc.

2 3. Brad Lober is the President and Registered Agent of Smart Advertising, Inc.

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4 Nature of Offering

5 4. Smart Advertising, Inc. (“Smart Advertising”) is the seller of a business opportunity to own a  
6 fully automated and self-sufficient website that markets and sells third party products. Smart  
7 Advertising built, maintained and hosted the individual website. Purchasers of the opportunity pay  
8 Smart Advertising a fee for a marketing plan to advertise their individual website and generate sales.  
9 Purchasers of the opportunity receive commission payments based upon the number of sales their  
10 website generates.

11 5. Respondents mailed unsolicited offers of the business opportunity to Washington residents.

12 6. Respondents made unsolicited phone calls offering the business opportunity to Washington  
13 residents after sending residents the offers by mail.

14 7. Respondents represented to Washington residents in a brochure that Smart Advertising could  
15 provide purchasers “with an incredible product that can not only make you money but save clients  
16 money” and that “the process is fully automated and virtually hands free” so much so that “you can  
17 make money even when you are sleeping.” Respondents further represented to purchasers in a  
18 brochure that “Smart Advertising, Inc. will do all the work for you” and that Smart Advertising had  
19 links “to some of the largest and most reputable companies in the world.”

20 8. In phone conversations, Respondents told a Washington resident that Smart Advertising had  
21 been in business for five years and that the resident’s first year earnings would be \$20,000. Another  
22

1 Washington resident was told purchasers of the opportunity did not have to do any work to generate an  
2 income.

3 9. Purchasers of the opportunity paid \$299 for the initial marketing program which included  
4 advertising materials, an individual website and company support. Respondents told one purchaser he  
5 was receiving a \$100 discount on the marketing package.

6 10. Respondents took payment via check and credit card for the marketing packages. After  
7 purchasers of the opportunity paid the Respondents they received a contract in the mail to complete  
8 and sign. The term of the agreement was for two years with a one year automatic renewal at the end of  
9 the two year term. No disclosure documents were provided to the purchasers of the opportunity.

10 11. Respondents continued to call purchasers of the opportunity and offer additional marketing  
11 programs to increase purchasers' revenue potential. The additional marketing packages ranged in  
12 price from \$400 to \$3500. Washington residents purchased one to two additional marketing packages  
13 shortly after their initial purchases.

14 12. Purchasers of the opportunity received a letter from Smart Advertising dated May 15, 2005  
15 informing them that Smart Advertising had "decided to close our doors" because the company was "in  
16 a financial black hole." The letter also informed the purchasers of the opportunity that Smart  
17 Advertising had made arrangements for another company to host the purchasers' individual websites  
18 for the next 24 months and purchasers of the opportunity were provided with a back up copy of their  
19 individual website on a compact disk.

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23 Registration Status

1 13. Smart Advertising, Inc. is not currently and has not previously been registered to offer or sell  
2 business opportunities in the state of Washington.

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

5 **CONCLUSIONS OF LAW**

6 1. The offers and/or sales of the business opportunity described above constitute the offer and/or  
7 sale of a business opportunity as defined in RCW 19.110.020(1) and RCW 19.110.030(1).

8 2. The offers and/or sales of said business opportunity were in violation of RCW 19.110.050, the  
9 registration requirement provision of the Business Opportunity Fraud Act, because no registration for  
10 offers and/or sales is on file with the Securities Administrator.

11 3. The offers and/or sales of said business opportunity were in violation of RCW 19.110.070 and  
12 RCW 19.11.120, the disclosure document and antifraud provisions of the Business Opportunity Fraud  
13 Act, because Respondents failed to provide purchasers of the opportunity with a disclosure document  
14 containing complete and material information regarding the business opportunity, including but not  
15 limited to a financial statement of the seller.

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17 **NOTICE OF INTENT TO ISSUE AN ORDER TO CEASE AND DESIST**

18 Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities  
19 Administrator intends to Order that Respondents, Smart Advertising, Inc., Jeffery Farmer, Brad Lober and  
20 their agents and employees, shall each permanently cease and desist from violations of RCW 19.110.050  
21 (the registration requirement provision of the Business Opportunity Fraud Act), RCW 19.110.070 (the

1 antifraud provision of the Business Opportunity Fraud Act) and RCW 19.110.120 (the disclosure  
2 document provision of the Business Opportunity Fraud Act).

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4 **AUTHORITY AND PROCEDURE**

5 This STATEMENT OF CHARGES AND NOTICE OF INTENT TO ISSUE AN ORDER TO  
6 CEASE AND DESIST is entered pursuant to the provisions of RCW 19.110.150, and is subject to the  
7 provisions of RCW 34.05. Each of the Respondents may make a written request for hearing as set forth in  
8 the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying  
9 this order.

10 If a Respondent does not request a hearing, the Securities Administrator intends to adopt the above  
11 Tentative Findings of Fact and Conclusions of Law as final and enter a permanent cease and desist order  
12 against that Respondent.

13 Dated and Entered this 4th day of April, 2006.

14 By:

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MICHAEL E. STEVENSON  
17 Securities Administrator

18 Approved by:

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Martin Cordell  
21 Chief of Enforcement

Presented by:

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Angela Vogel  
24 Financial Legal Examiner