

1
2
3
4
5
6
7
8

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

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

Order Number S-10-122-10-CO01

B3 Studios, LLC d/b/a barre3;

CONSENT ORDER

Respondent.

9
10
11
12
13
14

On May 27, 2010, the Securities Division of the Department of Financial Institutions of the State of Washington issued a Statement of Charges and Notice of Intent to Enter Order to Cease and Desist (Order Number S-10-122-10-SC01), hereinafter referred to as the "Statement of Charges" against B3 Studios, LLC d/b/a barre3. The Securities Division and Respondent, B3 Studios, LLC d/b/a barre3, do hereby enter into this CONSENT ORDER in settlement of the Statement of Charges. Respondent, B3 Studios, LLC d/b/a barre3 neither admits nor denies the Findings of Fact and Conclusions of Law stated below.

15
16

I. TENTATIVE FINDINGS OF FACT

17

RESPONDENT

18
19
20

1. B3 Studios, LLC d/b/a barre3 is an Oregon limited liability company with its principal place of business in Portland, Oregon.

21

II. NATURE OF THE OFFERING

22
23
24

2. In 2009, B3 Studios, LLC d/b/a barre3 (B3 Studios), a provider of fitness classes, offered and/or sold licenses to an Oregon resident and two Washington State residents to operate barre3 fitness studios in the

1 Vancouver and Bellevue, Washington areas respectively. The company offered its “unique exercise
2 methods and programs for instruction,” the use of its trademarks, service marks, trade names, copyrighted
3 materials, systems and other methods to prospective licensees. The company also provides a manual that
4 demonstrates how to teach classes and how to train instructors to teach classes. In addition, the company
5 provides advice to prospective licensees on vendors and software to be used in connection with the
6 business. The Oregon resident, a barre3 instructor, contacted the co-founders of the company about the
7 opportunity to operate her own studio and was sold a territory in the Vancouver, Washington area for an
8 initial fee of \$10,000 and an ongoing fee of 3% of gross revenues. Two Washington residents contacted the
9 company in 2009 about operating a barre3 studio in the Bellevue, Washington area and negotiated with the
10 company an exclusive territory for their proposed location. B3 Studios provided prospective offerees with a
11 “profit and loss worksheet” from which to calculate projected revenue and expenses and a license
12 agreement with a copy of the proposed territory attached.

13
14 3. In exchange for upfront or ongoing fees, B3 Studios granted its Washington Vancouver and
15 Bellevue licensees the right to use the B3 Studios names and marks; provided them with training and a
16 manual regarding the operation of a barre3 fitness studio; provided them with an exclusive territory for the
17 operation of a barre3 fitness studio; and provided them with operation, technical and promotional assistance.
18 B3 Studios maintains a website at: www.barre3.com that, on May 24, 2010, stated that the Vancouver
19 studio will open on June 5, 2010 and that the Bellevue studio will open “early summer.” Address and
20 contact information for the Washington locations are provided on the B3 Studios website.

21 **Continuing Offering**

22
23 4. The B3 Studios’ website invites persons interested in owning a barre3 exercise studio to contact
24 Chris Lincoln, the co-founder and chief executive officer of the company. The company website states:

1 We are excited to announce that we are now licensing barre3 to qualified entrepreneurs
2 who share our mission to create a company around balance.

3 and offers prospective licensees the following:

- 4 • comprehensive instructor training and development
- 5 • barre3 sequencing and innovative techniques
- 6 • new class formats
- 7 • site selection and lease negotiations
- 8 • design and construction
- 9 • launch strategy from pre-sale through grand opening
- 10 • sales, marketing, and branding
- 11 • studio operations and financials
- 12 • developing and managing multiple studios
- 13 • and more...

14 The Website also states:

15 We are currently licensing territories to qualified candidates anywhere outside of the Portland metro
16 area.

17 **III.**

18 **FAILURE TO DELIVER OFFERING CIRCULAR**

19 4. B3 Studios did not provide prospective purchasers with a disclosure document or offering circular as
20 required by RCW 19.100.080 that contained the information about the franchise required by RCW
21 19.100.040.

22 **IV. REGISTRATION STATUS**

23 5. B3 Studios is not currently registered to sell franchises in the state of Washington and has not
24 previously been so registered.

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

2 **CONCLUSIONS OF LAW**

3 **I.**

4 The offer or sale of the fitness studio opportunities described above constitutes the offer or sale of a
5 franchise as defined in RCW 19.100.010(4) and RCW 19.100.010(16).
6

7 **II.**

8 The offer or sale of said franchise is in violation of RCW 19.100.020 because no registration for
9 such offer or sale is on file with the Securities Administrator.

10 **III.**

11 The offer or sale of said franchise was made in violation of RCW 19.100.080 because B3 Studios
12 did not provide prospective purchasers with a disclosure document or offering circular required under RCW
13 19.100.040 prior to the sale of the franchise.

14 **CONSENT ORDER**

15 Based upon the foregoing:

16 IT IS AGREED AND ORDERED that Respondent B3 Studios, LLC d/b/a barre3, its agents and
17 employees each shall cease and desist from offering or selling franchises in violations of RCW
18 19.100.020, the registration section of the Franchise Investment Protection Act of the State of
19 Washington.
20

21 IT IS FURTHER AGREED AND ORDERED that Respondent B3 Studios, LLC d/b/a barre3, its
22 agents and employees each shall cease and desist from violating RCW 19.100.080, the delivery of
23 offering circular section of the Franchise Investment Protection Act of the State of Washington.
24

1 IT IS FURTHER AGREED that Respondent B3 Studios, LLC d/b/a barre3 shall reimburse the
2 Securities Division \$700, payable prior to the entry of this Consent Order, for its costs of investigation of
3 this matter.

4 IT IS FURTHER AGREED that Respondent B3 Studios, LLC d/b/a barre3 enters into this Consent
5 Order freely and voluntarily and with a full understanding of its terms and significance.

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

7 IT IS FURTHER AGREED that in consideration of the foregoing, Respondent B3 Studios, LLC
8 d/b/a barre3 waives its right to a hearing in this matter and judicial review of this order.

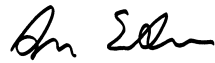
9 SIGNED this 30 day of June, 2010.

10 Signed for B3 Studios, LLC d/b/a barre3 by:


11
12 /s/
13 Chris Lincoln, Chief Executive Officer

14
15 -----
16 --

16 SIGNED and ENTERED this 1st day of July, 2010

17
18 

19 _____
20 SUZANNE SARASON
21 Chief of Enforcement

22 Presented by:
23 

24 _____
25 MARTIN CORDELL
26 Financial Legal Examiner