

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 of the )  
6 Franchise Investment Protection Act of )  
7 Washington by: )  
8 )  
9 INTERNATIONAL TRAINING AND )  
10 EXCHANGE, INC. d/b/a LANGO, )  
11 )  
12 Respondent. )

Order No.: S-11-0736-11-CO01

CONSENT ORDER

8 Pursuant to the Franchise Investment Protection Act of Washington, RCW 19.100, the Securities Division of  
9 the Department of Financial Institutions and Respondent, INTERNATIONAL TRAINING AND EXCHANGE, INC.  
10 d/b/a LANGO, do hereby enter into this CONSENT ORDER in settlement of the matters alleged herein. Respondent,  
11 INTERNATIONAL TRAINING AND EXCHANGE, INC. d/b/a LANGO, neither admits nor denies the Tentative  
12 Findings of Fact or Conclusions of Law as stated below.

13 **FINDINGS OF FACT**

14 **I. Respondent**

15 International Training and Exchange, Inc. d/b/a Lango (“Lango”) is a California corporation. Lango’s  
16 principal place of business is San Francisco, California. Lango is the owner of several trademarks and/or service  
17 marks incorporating the word “Lango” registered with the United States Patent and Trademark Office for use in  
18 foreign language instruction. Lango is also the owner of various instructional materials for teaching foreign languages  
19 to children branded under the Lango name.  
20

21 **II. Nature of Offering**

22 Starting in 2009 and until the summer of 2011, Lango offered “licenses” to Washington residents to operate  
23 businesses in Washington State. Licensees were called “Lango Leaders” on the Lango website and in written  
24 agreements. Lango offered such Lango Leader opportunities to the public via its website at www.langokids.com. The  
25 opportunity involved teaching foreign languages to children ages eighteen months to eleven years old.

1 Between 2009 and 2011, seven Washington residents (collectively “licensees”) purchased six Lango Leader  
2 licenses from Lango. Two such licensees were a married couple who bought one Lango Leader license between them.  
3 The licensees learned of the Lango Leader opportunity through the website located at www.langokids.com and  
4 through advertisements on the website www.craigslist.org, although one licensee learned of the opportunity through  
5 her workplace. The licensees paid fees ranging from \$250 to \$500 as a set-up fee and between \$600 and \$1,100 per  
6 license for mandatory training. The licensees further purchased or agreed to purchase between \$925 and \$1,850 worth  
7 of materials in their first six months of operation. They all also agreed to a cost schedule for the further purchase of  
8 Lango branded materials. One licensee also agreed to pay 15% of his gross monthly revenues in royalties to Lango.  
9 The licensees each received the right to use the Lango trademarks, service marks, and logos as well as the Lango  
10 branded curriculum. They further received an exclusive territory in which to market Lango branded services in  
11 Washington State and access to training and marketing services offered by Lango. The licensees all appear on the  
12 website located at www.langokids.com as Lango Leaders offering Lango branded services in Washington State.

### 13 **III. Failure to Deliver Offering Circular**

14 Lango did not provide any of the licensees with a disclosure document or offering circular as required by  
15 RCW 19.100.080 that contained the information about the franchise required by RCW 19.100.040.

### 16 **IV. Earnings Claims, Misrepresentations and Omissions**

17 Lango provided at least five of the licensees with a document titled “Licensing Opportunity” prior to their  
18 purchase of a Lango Leader license. That document contained a section titled “The Investment” which made earnings  
19 claims that read substantially as follows:

20 While performance of Lango territories will vary, we can draw conclusions from our  
21 existing operations. Among Lango Leaders who commit time and energy to growing  
22 their businesses, typical first-year results are as follows:

- 23 • Average of 100 students over 43 weeks through the calendar year
- 24 • Revenues of \$60,000-70,000

- Operating income of \$10,000-20,000

Our Bay Area operations and the experience of our first cadre of Lango Leaders, who launched operations in the fall of 2008, provide us with a sense for the potential of a Lango territory beyond its first year. Typical results beyond the first year include:

- Average enrollment of 210 students
- Summer day camp enrollment of 60 students/weeks
- Revenues of \$180,000
- Operating income of \$70,000 (after all direct expenses, including materials and teacher wages)

The document further contained the following, “The financial performance of a territory – and thus the income of a Lango Leader – will indeed vary according to many factors, not least of which is the effort exerted in growing the operation.”

Lango did not possess sufficient data to substantiate the claim that a typical licensee would earn revenues of \$60,000 to \$70,000 in the first year. Specifically, Lango relied upon volunteer reporting of revenues by existing Lango Leaders to compile its data. Out of thirteen Lango Leaders active for one year at the time the data was compiled, seven Lango Leaders reported earnings figures. Five of those Lango Leaders did not work on their Lango businesses for at least twenty hours a week, and were excluded from the dataset. The average yearly revenue of the two remaining Lango Leaders was \$77,021.16. The average yearly revenue of all the Lango Leaders that reported earnings figures was \$32,478.79 and the average yearly revenue of only the excluded Lango Leaders was \$14,661.84. Because of the small dataset and because Lango did not know whether yearly revenues that were not reported to them were significantly lower than those that were reported, this data was insufficient to support the claim that a typical Lango Leader who devoted time and effort to growing their business would earn revenues of \$60,000 to \$70,000 in the first year.

1 Lango also did not disclose the limitations of its data to prospective Lango Leaders.

2 **V. Registration Status**

3 Lango is not currently and has never been registered to offer or sell franchises in the State of Washington.

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

5 **CONCLUSIONS OF LAW**

6 **I.**

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8 The offers and sales of “licenses” to “Lango Leaders” as described above constitutes the offer and/or sale of a  
9 franchise as defined in RCW 19.100.010(16) and RCW 19.100.010(4).

10 **II.**

11 The offer or sale of said franchises was in violation of RCW 19.100.020 because no registration for such offer  
12 and/or sale is on file with the Securities Administrator, state of Washington.

13 **III.**

14  
15 The offer and/or sale of said franchises was made in violation of RCW 19.100.080 because Respondent did  
16 not provide prospective purchasers with a disclosure document or offering circular required under RCW 19.100.040.

17 **VI.**

18 The offer and/or sale of said franchises was made in violation of RCW 19.100.170 because Respondent made  
19 misrepresentations of material fact and/or omitted to state a material fact necessary in order to make the statements  
20 made in light of the circumstances under which they were made not misleading in relation to the earnings claims that  
21 the Respondent made.

22 **CONSENT ORDER**

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

1 IT IS AGREED AND ORDERED THAT Respondent, INTERNATIONAL TRAINING AND EXCHANGE,  
2 INC., its agents and employees shall each cease and desist from offering or selling franchises in violation of RCW  
3 19.100.020, the registration section of the Franchise Investment Protection Act of the state of Washington.

4 IT IS FURTHER AGREED that Respondent, INTERNATIONAL TRAINING AND EXCHANGE, INC., its  
5 agents and employees shall each cease and desist from violating RCW 19.100.080, the delivery of offering circular  
6 section of the Franchise Investment Protection Act of the state of Washington.

7 IT IS FURTHER AGREED that Respondent, INTERNATIONAL TRAINING AND EXCHANGE, INC., its  
8 agents and employees shall each cease and desist from violating RCW 19.100.170, the anti-fraud provision of the  
9 Franchise Investment Protection Act of the state of Washington.

10 IT IS FURTHER AGREED AND ORDERED that Respondent, INTERNATIONAL TRAINING AND  
11 EXCHANGE, INC., shall pay the Securities Division the costs and other expenses incurred in the investigation of this  
12 matter in the amount of \$4,000.00 on or before the date of entry of this Consent Order.

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

14 IT IS FURTHER AGREED that Respondent, INTERNATIONAL TRAINING AND EXCHANGE, INC.,  
15 enters into this Consent Order freely and voluntarily and with full understanding of its terms and significance.  
16

17 IT IS FURTHER AGREED that in consideration of the foregoing, INTERNATIONAL TRAINING AND  
18 EXCHANGE, INC., waives its right to a hearing and to judicial review of this matter.

19 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

20  
21 Signed this \_\_\_6th\_\_\_ day of \_\_\_\_\_February\_\_\_\_\_ 2012.

22 INTERNATIONAL TRAINING AND EXCHANGE, INC. by:

23 \_\_\_\_\_/s/\_\_\_\_\_  
24 Heather Ainsworth, Vice President—Global Education and Training  
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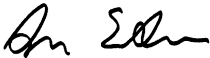
SIGNED and ENTERED this 7th day of February 2012.



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William M. Beatty  
Securities Administrator

Approved by:



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Suzanne Sarason  
Chief of Enforcement

Presented by:



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Martin Cordell  
Financial Legal Examiner

Reviewed by:



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Charles Clark  
Financial Legal Examiner Supervisor

Presented by:



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William McGinty  
Financial Legal Examiner