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

IN THE MATTER OF DETERMINING) Order No.: S-11-0814-12-SC01
Whether there has been a violation of the)
Business Opportunity Fraud Act of) STATEMENT OF CHARGES AND NOTICE OF INTENT
Washington by:) TO ENTER ORDER TO CEASE AND DESIST
)
Vend-A-Future of Seattle, Ltd.; Jason Nelson;)
Tracy Coats,)
)
Respondents.)

THE STATE OF WASHINGTON TO: Vend-A-Future of Seattle, Ltd.;
Jason Nelson;
Tracy Coats.

STATEMENT OF CHARGES

Please take notice that the Securities Administrator for the state of Washington has reason to believe that Respondents, Vend-A-Future of Seattle, Ltd., Jason Nelson, and Tracy Coats, have violated the Business Opportunity Fraud Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 19.110.150 against Respondents to cease and desist from such violations. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

1. Vend-A-Future of Seattle, Ltd., formerly known as Vend-A-Future International, Ltd., ("VAF") is a Nevada corporation with its principal place of business at 11626 Slater Ave NE, Suite 3, Kirkland, Washington 98034, which conducts the business of developing, financing, installing, maintaining, and selling vending machines and related assets in Washington. Washington Secretary of State records list VAF as an active foreign corporation.
2. Jason Nelson ("Nelson") is the president, registered agent, and a co-founder of VAF.
3. Tracy Coats ("Coats") is a co-founder and managing director in charge of marketing and intellectual property development of VAF. Coats previously served as president, vice president, secretary, and treasurer of VAF. Coats supervised Nelson in 2007 and 2008.

Nature of the Offering

4. Between 2007 and 2012, Respondents offered a business opportunity to own and operate a business as a vending machine operator in Washington. As part of the business opportunity, Respondents provided vending machine equipment, secured third-party locations for the machines, provided a variety of services, and offered training on how to operate a vending machine business. The cost of the business opportunity varied based on the number of machines and locations the purchaser wanted. VAF offered financing to purchasers who could not afford to buy machines outright and charged twenty percent interest per year on the total amount due. VAF first registered to sell its business opportunity in

1 Washington on August 21, 2007.

2 5. After the expiration of its registration, VAF continued to offer and sell its business opportunity to
3 Washington residents. At least one such sale occurred as late as April 2011. VAF advertises its business opportunity on
4 Craigslist and its website, www.vend-a-future.com.

5 Registration and Renewal Applications

6 *Registration Application*

7 6. In August 2007, Coats filed VAF's registration application, financial statement, disclosure document,
8 business opportunity contract, proposed advertisements, and consent to service of process with the Securities Division.
9 The application materials referred to Coats as president and managing director of VAF. VAF's website has referred
10 people interested in VAF's business opportunity to call Nelson for more information since November 2007. VAF failed
11 to make the required disclosures that Nelson was a person responsible for VAF's business opportunity activities and had
12 bankruptcy and litigation history, which is further discussed below.

13 *Renewal Application*

14 7. On August 19, 2008, Nelson filed a renewal application, financial statement, disclosure document,
15 business opportunity contract, and proposed advertisements with the Securities Division. The application materials
16 referred to Nelson as president, owner, and manager of VAF. VAF's website has listed Coats as a managing director of
17 VAF since November 2007. VAF failed to make the required disclosure that Coats was a person responsible for VAF's
18 business opportunity activities. The disclosure document also falsely indicated that Nelson had not been adjudged
19 bankrupt or been a party to any civil action involving allegations of fraud, fraudulent conversion, or misappropriation of
20 property during the previous ten years. Nelson's bankruptcy and litigation history is further discussed below. The
21 disclosure document indicated that VAF sold twenty-five business opportunities as of August 16, 2008.

22 Respondents' Representations

23 8. Between 2008 and 2012, VAF made the following representations to prospective business
24 opportunity purchasers regarding VAF's vending machine sales, vending services provided, ability to locate vending
25 machines, and income projections:

Vending Machines Sales

26 9. Nelson, on behalf of VAF, represented to prospective vending machine purchasers that VAF sold
27 vending machines, brokered vending machines on behalf of others, and sold these vending machines to enable
28 Washington residents to start their own businesses.

Vending Services and Training

29 10. Nelson, on behalf of VAF, represented to prospective vending machine purchasers that VAF provided
30 the following vending machine services: "Full Line Vending, Wholesale Product, Equipment Sales & Financing,
31 Educational Orientation on Vending, Fractionalizing/Mediation or Brokering sales of full line vending business,
32

1 Mechanical Services, Transport & Delivery of Equipment.” When providing financing to enable purchasers to afford to
2 start their own vending machine business, VAF charged twenty percent interest per year on the total amount due.

3 11. Nelson also represented to prospective vending machine purchasers that they would receive training,
4 which included educating purchasers about branding their businesses, establishing a business license, setting prices,
5 merchandising, arranging inventory, providing customer service, and strategizing to make companies successful.
6 VAF charged varying amounts for training tuition. VAF contracts indicated that VAF charged between \$3,000 and
7 \$10,000 for training tuition.

8 *Locating Vending Machines*

9 12. Nelson, on behalf of VAF, represented to prospective vending machine purchasers that the vending
10 machines VAF offered were placed on location before they were sold to purchasers. Initially, VAF represented that it
11 would provide relocation services to purchasers unsatisfied due to poor sales volume. VAF later represented that
12 VAF could elect to provide relocation services in the event of purchaser dissatisfaction due to poor sales volume.

13 13. Respondents did not lease or own each vending machine site. At least one version of VAF’s purchase
14 and sale agreement falsely represented that VAF entered into leases with the third-party owners of premises on which
15 the vending machines were located. No such agreements exist regarding at least two vending machine locations identified
16 in said purchase and sale agreement. *See* paragraph 22 below.

17 14. Nelson referred prospective purchasers to VAF’s website at www.vend-a-future.com, which contains
18 representations regarding VAF’s efforts to find or provide locations for purchasers’ vending machines. The website
19 represents that Respondents will put purchasers’ vending machines into a new location if the purchasers are unhappy with
20 their current vending location. Respondents also represent on their website that they have between 40 and 200 “money-
21 generating vending locations” available to purchasers.

22 *Income Projections*

23 15. Nelson, on behalf of VAF, represented to prospective vending machine purchasers that they could
24 expect certain income from their vending machines. Nelson made income projections regarding at least five vending
25 machine routes that ranged between \$500 per month and over \$1,000 per month in sales.

16 16. VAF’s website contains several representations regarding income. The website’s banner reads: “Buy
17 an established vending business with an instant, predictable profit – guaranteed!” The website also states that “vending
18 machines in every business, on every street – on every campus – literally everywhere you go and everywhere you look,
19 are making people financially secure, rich, self-fulfilled, and happy!” The website states that Nelson “started Vend-A-
20 Future to provide you with the success-certain, step-by-step instructions that made [him] a self-made multi-millionaire.”
21 The website also contains the following statement: “Don’t invest in the Vend-A-Future Business Ownership &
22 Success Program to make several million dollars like Mr. Nelson has. Invest in the Vend-A-Future Business
23 Ownership & Success Program to make \$200. Then \$1,000. Then \$5,000. Then \$25,000.”
24
25

17. On at least three occasions, Nelson offered to resell purchasers' vending machines when they expressed dissatisfaction with their income.

Business Opportunity Offers and Sales to Washington Residents

Resident A

18. In February 2008, Resident A bought nineteen vending machines at nine different locations from VAF. The total cost of the machines was \$57,085.18. Resident A made a \$10,000 down payment and VAF financed the remainder of the cost. At least one promissory note evidenced this financing arrangement and assessed twenty percent annual interest on the principal indicated in the note. Nelson provided Resident A with a breakdown of historical sales figures that indicated the vending machines would generate sales of \$750 - \$1,000 per month on average during "slow months." The "Purchase and Sale of Vending Business Assets Agreement" that Resident A entered into with VAF indicated that Resident A paid \$10,000 for training tuition. Nelson did not give Resident A a business opportunity disclosure document. Resident A became delinquent on the note, at which point Nelson took over stocking and maintenance duties for the machines in return for the revenue the machines generated. Nelson told Resident A that he would look for people to buy the machines from Resident A and that he would call Resident A with updates. Nelson paid Resident A \$10,000 for the returned machines and told Resident A that he would pay Resident A another \$36,311.89 upon the resale of the machines. VAF sold four of these machines to Resident B without immediately informing Resident A of the sale.

Resident B

19. In August 2008, Resident B bought ten vending machines at six different locations from VAF. The total cost of the machines was \$30,650.09. Resident B made a \$17,000 down payment and VAF financed the remainder of the cost. A promissory note evidenced this financing arrangement and assessed twenty percent annual interest on the principal indicated in the note. Nelson did not give Resident B a business opportunity disclosure document. Nelson told Resident B that the vending machine business was "recession proof" and that each machine would generate \$500 gross profit per month. When Resident B expressed dissatisfaction with income the vending machines generated, Nelson offered to resell the machines for Resident B.

Resident C

20. In September 2008, Resident C gave Nelson a \$3,000 deposit in order to view a vending machine route that Resident C contemplated buying for \$16,000. Nelson told Resident C that the deposit was refundable. Nelson also told Resident C that the machines would generate \$500 gross per site per month, for a net \$250 after taxes and expenses. Resident C later decided not to buy anything, at which point Nelson told Resident C that the deposit would not be refunded. Nelson based his refusal to repay on a contract indicating that the \$3,000 paid by Resident C was for training tuition. Resident C claimed that only a single page document was signed upon the \$3,000 deposit and that Nelson later appended pages to this document containing information about training tuition. In January 2009,

1 Resident C initiated a legal action against Nelson in King County District Court, which resulted in a \$2,675 judgment
2 against Nelson. See paragraph 27 below.

3 *Resident D*

4 21. In May 2009, Resident D bought six vending machines at four different locations from VAF. The
5 total cost of the machines was \$17,936.91. Resident D made a \$6,000 down payment and VAF financed the
6 remainder of the cost. A promissory note evidenced this financing arrangement and assessed twenty percent annual
7 interest on the principal indicated in the note. The "Purchase and Sale of Vending Business Assets Agreement" that
8 Resident D entered into with VAF indicated that Resident D paid \$3,000 for training tuition. Nelson represented to
9 Resident D that the vending machines produced at least \$1,100 and as much as \$2,500 per month, but the actual
10 revenue was \$50 to \$60 per week. Nelson did not give Resident D a disclosure document. When Resident D
11 expressed dissatisfaction with income the vending machines generated, Nelson offered to resell the machines for
12 Resident D. In November 2009, Resident D initiated a lawsuit against VAF and Nelson, which is discussed further in
13 paragraph 28 below.

14 *Resident E*

15 22. In April 2011, Resident E bought six vending machines at six different locations from VAF for
16 \$33,779.13. Resident E was not in the vending machine business prior to this purchase. Nelson did not give Resident
17 E a business opportunity disclosure document. Nelson led Resident E to believe that the monthly income from one
18 machine was \$800. After Resident E determined that the returns were less than anticipated, Nelson took over
19 stocking and maintenance duties for the machines in return for the revenue the machines generate. Nelson told
20 Resident E that he would resell the machines for Resident E and that that he would buy the unused vending machine
21 products from Resident E. Resident E does not own or lease the premises on which the vending machines are located.
22 The same is true for VAF with regard to at least two of the six locations. Nelson also made verbal representations that
23 he would relocate Resident E's vending machines if desired.

24 Bankruptcy, Litigation, and Other Actions

25 23. On April 7, 1998, Nelson and his wife filed a voluntary Chapter 13 bankruptcy petition. The bankruptcy
court discharged the Nelsons' debts on June 19, 2003.

26 24. On December 29, 2006, Nelson was named as a defendant in a complaint filed in King County Superior
Court (case number 06-2-40673-7). The complaint alleged fraud and conversion relating to the sale of the assets of a
company engaged in selling business opportunities.

27 25. On May 20, 2008, in King County Superior Court (case number 06-2-33745-0), Nelson's former
partner in a vending machine business filed an amended complaint against Nelson alleging fraud, constructive fraud,
and fraudulent conveyance. On August 25, 2008, the King County Superior Court entered a \$65,000 judgment
against Nelson for breaching his fiduciary duty owed to his partner in the vending machine venture. On December

28, 2009, the Court of Appeals of Washington, Division 1 (case number 623699), affirmed the \$65,000 judgment.

26. On June 5, 2008, the Securities Administrator of Washington entered a Statement of Charges, S-07-220-07-SC01, against Nelson, Emerald Coin, LLC, and Emerald Coin Vending, Inc. On April 24, 2009, the Securities Administrator issued an Amended Statement of Charges, S-07-220-09-SC03, against Nelson, Emerald Coin, LLC, and Emerald Coin Vending, Inc. On July 13, 2009, the Washington State Department of Financial Institutions, Securities Division (“Securities Division”) entered into a Consent Order with Nelson, Emerald Coin, LLC, and Emerald Coin Vending, Inc., which incorporated the Amended Statement of Charges. Under the Consent Order, Nelson was ordered to cease and desist from violating RCW 19.110.050, the registration provision of the Business Opportunity Fraud Act, and RCW 19.110.120, the anti-fraud provision of the Business Opportunity Fraud Act.

27. In or about January 2009, the King County District Court (case number 82-000628) entered a \$2,675 judgment against Nelson for an illusory contract entered into with a prospective business opportunity purchaser.

28. On November 3, 2009, a vending machine purchaser filed a complaint against Nelson and VAF alleging breach of contract, violation of Washington’s Consumer Protection Act, and violation of Washington’s Business Opportunity Fraud Act. The plaintiff moved for partial summary judgment regarding VAF’s violations of Washington’s Business Opportunity Fraud Act. VAF and Nelson also moved for summary judgment, arguing that VAF was not a business opportunity and thus was not required to register or provide disclosure documents pursuant to Washington’s Business Opportunity Fraud Act. On October 15, 2010, the King County Superior Court granted partial summary judgment against VAF finding that the transaction entered into with a vending machine purchaser was subject to the Business Opportunity Fraud Act and “that Vend-A-Future violated [Washington’s Business Opportunity Fraud Act] by failing to register with DFI and failure to provide disclosure documents.”

Misrepresentations and Omissions

29. Respondents failed to provide material information regarding their business opportunity, including but not limited to, the total number of business opportunities sold or leased, the number of failures of business opportunities sold or leased, disclosure documents, and financial statements. Respondents also failed to disclose their litigation and bankruptcy history.

30. Respondents failed to disclose Nelson’s role as a person responsible for VAF’s business opportunity activities in its August 21, 2007 through August 21, 2008 registration application materials. The application materials were also deficient in that they failed to disclose Nelson’s history of litigation and bankruptcy. Respondents also failed to amend their disclosure materials to reflect the complaint filed against Nelson on June 5, 2008 and the Statement of Charges entered on June 5, 2008. Further, Respondents failed to provide at least four purchasers with a document containing mandatory disclosures.

31. Respondents failed to provide a reasonable basis for sales and income projections discussed in paragraphs 15-16.

1 32. Respondents misrepresented the existence and nature of agreements entered into with owners of the
2 purchasers' vending machines sites, as described in paragraph 13.

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

4 **CONCLUSIONS OF LAW**

5 1. The offer or sale of business opportunities as described above constitutes the offer and/or sale of a
6 business opportunity as defined in RCW 19.110.020 and RCW 19.110.030(1).

7 2. The offer or sale of said business opportunities after VAF's registration ended is in violation of RCW
8 19.110.050(1) because, as described in the Tentative Findings of Fact, no registration for such offer and/or sale by
9 Respondents was on file with the Securities Administrator for at least one offer and sale of said business
10 opportunities.

11 3. The offer or sale of said business opportunities while VAF was registered was in violation of RCW
12 19.110.050(5) because Respondents failed to amend the registration documents on file with the Securities
13 Administrator to disclose Nelson's litigation and administrative action history.

14 4. The offer and/or sale of said business opportunities were in violation of RCW 19.110.070 because, as
15 described in the Tentative Findings of Fact, Respondents failed to provide at least four purchasers with a disclosure
16 document.

17 5. The offer or sale of said business opportunities were made in violation of RCW 19.110.120(1)(a)
18 because, as described in paragraphs 29-31 of the Tentative Findings of Fact, Respondents made untrue or misleading
19 statements of material fact and/or omitted to state material facts in connection with the offer, sale, or lease of a
20 business opportunity in Washington.

21 6. The offer or sale of said business opportunities were made in violation of RCW 19.110.120(1)(c)
22 because, as described in paragraphs 29-31 of the Tentative Findings of Fact, Respondents engaged in an act, practice,
23 or course of business which operated or would operate as a fraud or deceit.

24 7. The offer or sale of said business opportunities were made in violation of RCW 19.110.120(1)(d)
25 because Respondents knowingly filed or caused to be filed with the Securities Administrator a document which
contains untrue or misleading information.

26 **NOTICE OF INTENT TO ORDER THE RESPONDENTS TO CEASE AND DESIST**

27 Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator
28 intends to order that Respondents, Vend-A-Future of Seattle, Ltd., Jason Nelson, and Tracy Coats, their agents and
29 employees each shall cease and desist from violations of RCW 19.110.050, RCW 19.110.070, and RCW 19.110.120.

30 **AUTHORITY AND PROCEDURE**

31 This Order is entered pursuant to the provisions of RCW 19.110.150 and is subject to the provisions of

Chapter 34.05 RCW. Respondents, Vend-A-Future of Seattle, Ltd., Jason Nelson, and Tracy Coats, may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order. If a respondent does not request a hearing within the allowed time, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and enter a final order to cease and desist as to that respondent.

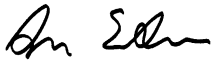
Signed and Entered this 17th day of May 2012.



William M. Beatty
Securities Administrator

Approved by:

Presented by:



Suzanne Sarason
Chief of Enforcement

Drew Stillman
Enforcement Attorney

Reviewed by:



Jack McClellan
Financial Legal Examiner Supervisor