# 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 of	<ul><li>Order No. S-17-2239-17-SC01</li><li>STATEMENT OF CHARGES AND</li></ul>
Washington by:	<ul><li>) NOTICE OF INTENT TO ENTER</li><li>) ORDER TO CEASE AND DESIST</li></ul>
WeatherSkin Corporation,	)
Respondent.	

THE STATE OF WASHINGTON TO:

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**WeatherSkin Corporation** 

## STATEMENT OF CHARGES

Please take notice that the Securities Administrator for the state of Washington has reason to believe that Respondent WeatherSkin Corporation has violated the Franchise Investment Protection Act of Washington, RCW 19.100. These violations justify the entry of an order of the Securities Administrator against WeatherSkin Corporation to cease and desist from such violations pursuant to RCW 19.100.248. The Securities Administrator finds as follows:

### TENTATIVE FINDINGS OF FACT

### Respondent

1. WeatherSkin Corporation ("WeatherSkin") is a Canadian company that was incorporated in Alberta on November 2, 2016 and has a principal place of business in Calgary, Alberta. WeatherSkin installs WeatherSkin products, which are waterproofing materials with various construction related uses.

### Franchise Offers in Washington

2. From at least June through August 2017, WeatherSkin posted advertisements on Craigslist seeking Washington State residents to become WeatherSkin owners. In the advertisements, WeatherSkin offered prospective owners "exclusive installation and distributor rights of WeatherSkin products" in a "protected territory."

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- 3. For a sale price of \$46,895, WeatherSkin owners would receive a contract guaranteeing an exclusive territory. Owners would also receive tools and materials necessary to install the product, including the waterproofing materials, brushes, sprayers, gloves, and coveralls; and marketing tools, such as promotional jackets and hats. In addition, owners would receive training on the product and installation procedures, a website, templates for local advertising, business cards and brochures, and discounts on WeatherSkin products. In its ads, WeatherSkin stated that owners could "easily earn over \$100,000 within 365 [days] of operation!"
- 4. On or around July 14, 2017, the Securities Division notified WeatherSkin that it was offering franchises in Washington State through its Craigslist advertisement, that the offer or sale of franchises must be registered or exempt from registration, that the Division had no record of WeatherSkin being registered to offer or sell franchises, and that WeatherSkin must cease and desist from any violations of the Franchise Investment Protection Act.
- 5. After being notified that WeatherSkin must be registered or exempt to offer franchises in Washington State, WeatherSkin did not apply for registration but continued to post advertisements seeking Washington residents to become WeatherSkin owners. On July 25, 2017 and August 4, 2017, WeatherSkin posted advertisements on a Craigslist site directed at Washington residents in and around Yakima. On July 26, 2017, July 29, 2017, and August 4, 2017, WeatherSkin posted advertisements on a Craigslist site directed at Washington residents in and around Seattle. The advertisements continued to offer an ownership package for \$46,895 that included an exclusive territory to distribute and install WeatherSkin products, extensive training, and marketing tools.

### **Registration Status**

6. Respondent WeatherSkin Corporation is not currently registered to sell its franchises in the state of Washington and has not previously been so registered. There is no notification of exemption on file with the state of Washington.

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

### **CONCLUSIONS OF LAW**

- 1. The offer of WeatherSkin ownerships as described above constitutes the offer of a franchise as defined in RCW 19.100.010(6) and RCW 19.100.010(12).
- 2. The offer of this franchise is in violation of RCW 19.100.020 because WeatherSkin Corporation was not registered to offer or sell its franchises in Washington State at the time it advertised its franchise offers on Craigslist.

## NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST

Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that WeatherSkin Corporation, its agents, and its employees each shall cease and desist from violations of RCW 19.100.020.

#### AUTHORITY AND PROCEDURE

This Order is entered pursuant to the provisions of RCW 19.100.248 and is subject to the provisions of Chapter 34.05 RCW. WeatherSkin Corporation 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 an order to cease and desist as to the respondent.

Signed and Entered this 25th day of August 2017.

William M. Beatty Securities Administrator

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1 Approved by: Presented by: An Elm 2 3 4 Holly Mack-Kretzler Suzanne Sarason Chief of Enforcement Financial Legal Examiner 5 Reviewed by: 6 7 9 Robert Kondrat Financial Legal Examiner Supervisor 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25