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

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IN THE MATTER OF DETERMINING) Order No.: S-17-2293-18-CO01
Whether there has been a violation of the)
Business Opportunity Fraud Act of) CONSENT ORDER
Washington by:)
Joseph Zapata, d/b/a Redsolutions,)
Respondent)

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INTRODUCTION

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On January 11, 2018, the Securities Administrator of the Securities Division of the Department of Financial Institutions (“Securities Division”) issued a Statement of Charges and Notice of Intent to Enter Order to Cease and Desist (“Statement of Charges”), Order Number S-17-2293-18-SC01 against Joseph Zapata, d/b/a Redsolutions.

Pursuant to the Business Opportunity Fraud Act, RCW ch. 19.110, the Securities Division and Respondent Joseph Zapata hereby enter into this Consent Order in settlement of the matters set forth in the Statement of Charges and as alleged below. Respondent Joseph Zapata neither admits, nor denies the Findings of Fact and Conclusions of Law as stated below.

FINDINGS OF FACT

Respondent

1. Joseph Zapata (“Zapata”) is a California resident who did business using the name “Redsolutions.” Redsolutions had its principal place of business in Irvine, California. Redsolutions is a commercial coffee route and equipment provider.

Nature of the Violation

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2 2. During 2017, Zapata used misleading Internet advertising claims to offer a business
3 opportunity. On October 23, 2017, Zapata posted a Craigslist advertisement on the Internet. The
4 advertisement was targeted to the Seattle and Tacoma, Washington area. The advertisement remained on the
5 Internet during at least October and November 2017.

6 3. In the Craigslist advertisement, Zapata made misleading earnings claims. The advertisement
7 included the headline: "Make [\$]100,000 a year doing coffee routes!!!" The advertisement also repeatedly
8 included a claim that purchasers would "Make \$1,500.00 a month on your first cycle! Make [\$]6,000 a month
9 after 1 year!" Zapata failed to provide any reasonable basis for the business opportunity's projected earnings.

10 4. Zapata omitted material information about the business opportunity that was being offered.
11 The Craigslist advertisement stated that Redsolutions would pay for the business and the products and
12 equipment, but Zapata failed to disclose the projected costs of operating the business opportunity. The
13 Craigslist advertisement also referenced a \$5,000 program fee, but stated that everyone would be approved
14 and in-house financing would be provided. However, Zapata failed to disclose the terms of any available
15 financing.
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17 5. In the Craigslist advertisement, Zapata misrepresented that "Redsolutions operates in EVERY
18 city and EVERY state in the USA." Zapata also misrepresented that the business opportunity was risk-free.
19 The Craigslist advertisement stated that the opportunity had a money-back guarantee with "NO RISK!!!" In
20 fact, the business opportunity had material risks, including the possible loss of the entire investment.

21 6. During the same time period of the Craigslist ads, Zapata advertised the business opportunity
22 on a second Internet website with additional false or misleading claims. In October 2017, Zapata misleadingly
23 advertised that for a "small set up fee of \$5000 you can jump right into the commercial coffee services
24 industry...with a whopping 15 to 20 accounts and without spending a dime." The advertisement failed to
25

1 disclose the purchaser's costs of operating the business opportunity, including, but not limited to, mileage,
2 communications expenses, and business formation costs.

3 7. In the Internet advertisement, Zapata omitted other material information about the business
4 opportunity that was being offered. The advertisement indicated that insurance would be available to
5 purchasers, but it failed to disclose the source, the type, or the amount of any available insurance coverage.

6 8. In the Internet advertisement, Zapata included a misleading statement that a route license
7 could be sold for "huge" sums of money after it reached maturity. Zapata failed to provide a reasonable basis
8 for the projected increase in value or provide a timeline for the expected return.

9 **Additional Undisclosed Material Information**

10 9. When offering the Redsolutions business opportunity, Zapata failed to disclose other material
11 risks of the business opportunity, including, but not limited to, competition; the unknown operating history,
12 legal status, and financial condition of Redsolutions, the company offering the business opportunity; the
13 operating costs and expected revenues for the coffee delivery business being offered (including delivery and
14 service costs and the anticipated revenues for any specific routes); regulatory compliance risks; personal
15 liability risks; litigation risks; and the risks of inexperience with operating a coffee delivery business.

16 **Registration Status**

17 10. Zapata has never been registered to sell business opportunities in Washington.

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

19 **CONCLUSIONS OF LAW**

20 1. The offer of the opportunity described above constitutes the offer of a business opportunity as
21 defined in RCW 19.110.020(1).

22 2. Respondent Joseph Zapata has violated RCW 19.110.050 by offering and selling business
23 opportunities without being registered with the Securities Administrator to do so.
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Signed this 25th day of March, 2018

Signed by:

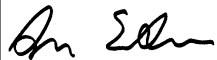
/s/ _____
Joseph Zapata

SIGNED and ENTERED this 18th day of April, 2018



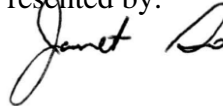
William M. Beatty
Securities Administrator

Approved by:



Suzanne Sarason
Chief of Enforcement

Presented by:



Janet So
Financial Legal Examiner

Reviewed by:



Robert Kondrat
Financial Legal Examiner Supervisor

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

IN THE MATTER OF DETERMINING) Order No.: S-17-2293-18-SC01
Whether there has been a violation of the)
Business Opportunity Fraud Act by:) STATEMENT OF CHARGES AND
Joseph Zapata, d/b/a Redsolutions,) NOTICE OF INTENT TO
Respondent) ENTER ORDER TO CEASE AND DESIST

THE STATE OF WASHINGTON TO: **Joseph Zapata**

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the state of Washington has reason to believe that the Respondent, Joseph Zapata, has violated the Business Opportunity Fraud Act, RCW 19.100, and that his violations justify the entry of an order of the Securities Administrator under RCW 19.110.150 to cease and desist from such violations. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondent

1. Joseph Zapata ("Zapata") is a California resident who is doing business using the name "Redsolutions." Redsolutions' website lists its principal place of business as Irvine, California. Redsolutions holds itself out as a commercial coffee route and equipment provider.

Nature of the Offering

2. Zapata used misleading Internet advertising claims to offer a business opportunity. On October 23, 2017, Zapata posted a Craigslist advertisement on the Internet. The advertisement was targeted

1 to the Seattle and Tacoma, Washington area. The advertisement remained on the Internet during at least
2 October and November 2017.

3 3. In the Craigslist advertisement, Zapata made misleading earnings claims. The advertisement
4 included the headline: "Make [\$]100,000 a year doing coffee routes!!!" The advertisement also repeatedly
5 included a claim that purchasers would "Make \$1,500.00 a month on your first cycle! Make [\$]6,000 a
6 month after 1 year!" Zapata failed to provide any reasonable basis for the business opportunity's projected
7 earnings.

8 4. Zapata omitted material information about the business opportunity that was being offered.
9 The Craigslist advertisement stated that Redsolutions would pay for the business and the products and
10 equipment, but Zapata failed to disclose the projected costs of operating the business opportunity. The
11 Craigslist advertisement also referenced a \$5,000 program fee, but stated that everyone would be approved
12 and in-house financing would be provided. However, Zapata failed to disclose the terms of any available
13 financing.

14 5. In the Craigslist advertisement, Zapata misrepresented that "Redsolutions operates in
15 EVERY city and EVERY state in the USA." Zapata also misrepresented that the business opportunity was
16 risk-free. The Craigslist advertisement stated that the opportunity had a money-back guarantee with "NO
17 RISK!!!" In fact, the business opportunity had material risks, including the possible loss of the entire
18 investment.

19 6. During the same time period of the Craigslist ads, Zapata advertised the business opportunity
20 on a second Internet website with additional false or misleading claims. In October 2017, Zapata
21 misleadingly advertised that for a "small set up fee of \$5000 you can jump right into the commercial coffee
22 services industry...with a whopping 15 to 20 accounts and 'without spending a dime.'" The advertisement
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1 failed to disclose the purchaser's costs of operating the business opportunity, including, but not limited to,
2 mileage, communications expenses, and business formation costs.

3 7. In the Internet advertisement, Zapata omitted other material information about the business
4 opportunity that was being offered. The advertisement indicated that insurance would be available to
5 purchasers, but it failed to disclose the source, the type, or the amount of any available insurance coverage.

6 8. In the Internet advertisement, Zapata included a misleading statement that a route license
7 could be sold for "huge" sums of money after it reached maturity. Zapata failed to provide a reasonable
8 basis for the projected increase in value or provide a timeline for the expected return.

9 **Additional Undisclosed Material Information**

10 9. When offering the Redsolutions business opportunity, Zapata failed to disclose other material
11 risks of the business opportunity, including, but not limited to, competition; the unknown operating history,
12 legal status, and financial condition of Redsolutions, the company offering the business opportunity; the
13 operating costs and expected revenues for the coffee delivery business being offered (including delivery and
14 service costs and the anticipated revenues for any specific routes); regulatory compliance risks; personal
15 liability risks; litigation risks; and the risks of inexperience with operating a coffee delivery business.

16 **Failure to Respond to an Investigative Subpoena**

17 10. In November 2017, the Securities Division served a subpoena on Zapata, which required the
18 production of records relating to the offer and sale of Redsolutions business opportunities to any
19 Washington investors. Zapata failed to respond to the subpoena.

20 **Registration Status**

21 11. Zapata and Redsolutions have never been registered to sell business opportunities in
22 Washington.

23
24 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:
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CONCLUSIONS OF LAW

1
2 1. The offer of the opportunity described above constitutes the offer of a business opportunity
3 as defined in RCW 19.110.020(1).

4 2. Respondent Joseph Zapata has violated RCW 19.110 by offering and selling business
5 opportunities without being registered with the Securities Administrator to do so.

6 3. Respondent Joseph Zapata has violated RCW 19.110.120 by making a untrue or misleading
7 statement of a material fact or to omitting to state a material fact in connection with the offer, sale, or lease
8 of a business opportunity in the state of Washington.

9 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

10 Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities
11 Administrator intends to order that Respondent Joseph Zapata, and his agents and employees each shall
12 cease and desist from violations of RCW 19.110.050 and RCW 19.110.120.

13 **AUTHORITY AND PROCEDURE**

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15 This Statement of Charges is entered pursuant to the provisions of RCW19.110.150 and is subject to
16 the provisions of Chapter 34.05 RCW. The Respondent, Joseph Zapata, may make a written request for a
17 hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR
18 HEARING accompanying this order. If the Respondent does not make a hearing request in the time
19 allowed, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions
20 of Law as final and to enter a permanent order to cease and desist as to that Respondent.

21
22 Signed and Entered this 11th day of January, 2018



William M. Beatty

William M. Beatty
Securities Administrator

Presented by:

Janet So

Janet So
Financial Legal Examiner

Approved by:

Suzanne Sarason

Suzanne Sarason
Chief of Enforcement

Reviewed by:

Robert Kondrat

Robert Kondrat
Financial Legal Examiner Supervisor

