

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Securities Act of Washington by:

5 Maret Manig Casperson;
6 Jerome Leonard Casperson;
7 Franchise Equity Group, Inc.; and
Franchise Equity Consortium, Inc.,
Respondents.

Order No.: S-19-2705-19-FO01

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND
FINAL ORDER TO CEASE AND DESIST,
TO IMPOSE A FINE AND
TO CHARGE COSTS AS TO FRANCHISE EQUITY
GROUP, INC. AND FRANCHISE EQUITY
CONSORTIUM, INC.

8
9 THE STATE OF WASHINGTON TO:

Franchise Equity Group, Inc.
Franchise Equity Consortium, Inc.

10
11 On August 12, 2019 the Securities Administrator of the State of Washington issued Statement
12 of Charges and Notice of Intent to Enter Order to Cease and Desist, To Impose Fines, and to Charge Costs,
13 Order No. S-19-2705-19-SOC01 (hereinafter referred to as "Statement of Charges"). The Statement of
14 Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing, hereinafter referred
15 to as "Notice of Opportunity for Hearing" and an Application for Adjudicative Hearing, hereinafter referred
16 to as "Application for Hearing," were received by Respondents Franchise Equity Group, Inc. and Franchise
17 Equity Consortium, Inc. on August 19, 2019. The Notice of Opportunity for Hearing advised Respondents
18 Franchise Equity Group, Inc. and Franchise Equity Consortium, Inc. that a written application for an
19 administrative hearing on the Statement of Charges must be received within twenty days from the date of
20 receipt of the notice. Respondents Franchise Equity Group, Inc. and Franchise Equity Consortium, Inc.
21 failed to request an administrative hearing within twenty days of receipt of the Statement of Charges and
22 Notice of Opportunity for Hearing, either on the Application for Hearing provided or otherwise.
23

FINAL ORDER
AS TO FRANCHISE EQUITY GROUP, INC.
AND FRANCHISE EQUITY CONSORTIUM, INC.

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760

1 The Securities Administrator therefore will adopt as final the following findings of fact and
2 conclusions of law as set forth in the Statement of Charges and enter a final order against Respondents
3 Franchise Equity Group, Inc. and Franchise Equity Consortium, Inc. to cease and desist from violations of
4 the Securities Act, and to impose the fines and costs sought in the Statement of Charges.

5 The Securities Administrator makes the following findings of fact and conclusions of law:

6 FINDINGS OF FACT

7 Respondents

8 1. Franchise Equity Group, Inc. is a Delaware entity formed on August 22, 2013 with its
9 principal place of business in Irving, Texas. Franchise Equity Group represented to investors that it was in
10 the business of acquiring and rehabilitating distressed franchises.

11 2. Franchise Equity Consortium, Inc. is a Delaware entity formed on March 13, 2014 with its
12 principal place of business in Irving, Texas. Franchise Equity Consortium represented to investors that it
13 was in the business of acquiring and rehabilitating distressed franchises, and that it was also the manager
14 of a securities offering for a pizzeria franchising company.

15 3. Maret Manig Casperson, a/k/a Maret Manig (“Manig”) was the president of Franchise Equity
16 Group, Inc. and Franchise Equity Consortium, Inc.

17 4. Jerome Leonard Casperson, a/k/a Jerry Leonard (“Leonard”) was the vice president of client
18 relations for Franchise Equity Group, Inc. and Franchise Equity Consortium, Inc.

19 Nature of the Conduct

20 Overview

21 5. Between 2013 and 2017, Manig and Leonard are estimated to have sold at least 20,400 shares
22 in Franchise Equity Group and Franchise Equity Consortium stock to a Washington resident (“Investor A”).
23 As described in more detail below, Respondents sold these shares to Investor A in small amounts over this

1 period. The exact amount he spent for his shares is unknown: Investor A paid at least \$70,700.00 to purchase
2 these shares, covering the remainder of the price of his stock purchases using returns Respondents
3 represented they owed to Investor A. The Division possesses multiple subscription agreements over the
4 period of this offering reflecting the pattern of sale and purchase of these shares.

5 6. Investor A was a retired boilermaker and layout worker who had worked in the construction
6 and repair of marine vessels. Shortly after retiring, Investor A began to receive cold-calls from brokers who
7 sold him a number of unprofitable investments.

8 7. Around the fall of 2013, Respondent Leonard cold-called Investor A to solicit the purchase
9 of Franchise Equity Group stock. Leonard told Investor A that Franchise Equity Group was formed in 2008
10 by twenty former employees of a well-known billionaire investor. Leonard told Investor A that members
11 of this investment group each contributed \$120,000.00 to Franchise Equity Group to purchase distressed
12 franchises of national brands and rehabilitate these businesses. Leonard did not provide the names of these
13 investors to allow Investor A to confirm their previous employment and the sophistication of the investor
14 group. Leonard explained to Investor A that this investment was so profitable that none of the investors
15 wanted to sell their shares; however, one of the investors had passed away, and, instead of holding onto
16 these shares, the heir to the estate wanted to cash out the investment. For this reason, Leonard told Investor
17 A, 20,000 shares were available to purchase at \$6.00 per share, with a minimum purchase of 1,000 shares.

18 8. Leonard told Investor A he would receive a monthly distribution and a yearly bonus on the
19 amount invested at the end of each year. Leonard told Investor A that between the distributions and year-
20 end bonus, Investor A could expect to receive a 31% return on his investment. Leonard did not provide a
21 basis for these unusually high returns.

22 9. Investor A told Leonard that he could not afford to purchase the minimum number of shares.
23 Leonard later called back and told Investor A that Leonard was trying to help a teacher who could not afford

1 the minimum purchase, either. Leonard suggested that he combine Investor A's purchase with that of the
2 teacher's to meet the minimum purchase amount. Investor A agreed to this arrangement.

3 10. Leonard sent Investor A paperwork and a prepaid envelope through FedEx. Investor A
4 completed this paperwork and sent in his check for \$3,000.00. Franchise Equity Group then sent Investor
5 A a certificate for preferred shares in Franchise Equity Group.

6 11. Franchise Equity Group mailed Investor A prompt monthly distributions. This began a cycle
7 of solicitation and investment between Leonard and Investor A. During this period, Leonard ceased to
8 solicit Investor A on the phone for many of these sales, and Franchise Equity Group would instead,
9 unprompted, send Investor A a new subscription agreement. Investor A's goal was to purchase the entirety
10 of the shares formerly held by the purportedly deceased investor to achieve increasingly larger monthly
11 distributions. Investor A would reinvest his upcoming bonus payment before it was paid out to him, and
12 send in an additional amount of money to cover the balance of the purchase price of the shares he purchased
13 from Franchise Equity Group. Manig signed the subscription agreements on behalf of Franchise Equity
14 Group, and Franchise Equity Group would send Investor A a certificate for each investment, which was
15 signed by Manig as president and secretary.

16 12. Investor A initially paid for his stock purchases with funds from his individual retirement
17 account. Because he was required to pay tax penalties for making withdrawals from this account, Investor
18 A secured a bank loan to pay for future purchases of this stock. Investor A is still paying off this loan at this
19 time.

20 13. Leonard also offered and sold to Investor A shares in Franchise Equity Consortium. The terms
21 of the stock was similar, but unlike Franchise Equity Group, whose distribution payments arrived promptly
22 on the 15th of each month, its distribution payments were delayed and sometimes did not arrive at all.
23 Franchise Equity Consortium sent Investor A at least one certificate reflecting his purchase of its stock, and

1 made at least one distribution to him. Investor A spent at least \$1,900.00 to purchase Franchise Equity
2 Consortium stock, covering the difference between the money he spent and the purported price of the stock
3 by directing Respondents to apply the balance of returns Respondents represented they owed him to his
4 new stock purchase.

5 14. On June 22, 2017, Manig sent Investor A a stock certificate reflecting Investor's A total
6 ownership of Franchise Equity Group shares. Manig sent this letter after Investor A had reached his goal of
7 purchasing 20,000 shares. Manig stated that the par value of the shares had increased from \$6.00 per share
8 to \$10.00. Additionally, Manig stated that Franchise Equity Group decided to issue 50,000 new preferred
9 shares "[a]s a way to say 'Thank You' for your trust and being a member of the selective shareholder
10 family." Manig offered Investor A the opportunity to purchase these shares at the original share value of
11 \$6.00.

12 15. Leonard also called Investor A to solicit him to purchase these shares. Leonard told Investor
13 A that another investor had recently purchased \$150,000.00 in new shares. Leonard asked if Investor A
14 could purchase that amount. Investor A declined, because he was not able to afford to spend that amount,
15 but purchased a smaller number of shares.

16 16. In approximately the fall of 2017, Leonard stopped answering Investor A's calls, and
17 Franchise Equity Group and Franchise Equity Consortium ceased sending distribution payments. At this
18 point, Investor had directly invested \$70,700.00 into Respondent companies, covering the difference in
19 purchase price by directing Respondents to apply the balance of returns Respondents represented they owed
20 him to his stock purchases. Respondents' cessation of activity occurred around the time another investor
21 posted a complaint on the Better Business Bureau website about missed payments from these entities.
22 Investor A has not been able to contact any of the Respondents since this time.

1 17. Respondents did not disclose to Investor A that Leonard was subject to a permanent injunction
2 entered by a federal district court in the mid-1990s for his engagement in the fraudulent sale of \$44.7 million
3 in oil and gas limited partnership and trust investments to mostly elderly investors. In connection with this
4 permanent injunction, Leonard was also found in civil contempt by the court for failing to comply with the
5 order to pay more than \$6.3 million in disgorgement. Leonard's substitution of his middle name for his last
6 name further concealed these previous actions to investors.

7 **Registration Status**

8 18. Franchise Equity Group and Franchise Equity Consortium are not currently registered to sell
9 their securities in the state of Washington and have not previously been so registered, nor have they filed a
10 claim of exemption from registration.

11 19. Leonard and Manig are not currently registered as securities salespersons or broker-dealers in the
12 state of Washington and have not previously been so registered.

13 Based upon the above findings of fact, the following conclusions of law are made:

14 **CONCLUSIONS OF LAW**

15 1. The offer and sale of Franchise Equity Group and Franchise Equity Consortium shares
16 described above constitute the offer and/or sale of a security as defined in RCW 21.20.005(14) and (17).

17 2. Respondents, Franchise Equity Group, and Franchise Equity Consortium have each violated
18 RCW 21.20.140, because, as set forth in the findings of fact, Respondents offered and/or sold securities for
19 which no registration or claim of exemption is on file with the Securities Administrator.

20 4. Respondents Franchise Equity Group, and Franchise Equity Consortium have each violated
21 RCW 21.20.010, the anti-fraud provision of the Securities Act of Washington, because, as set forth in the
22 findings of fact, Respondents made untrue statements of material fact or omitted to state material facts
23

1 necessary to make the statements made, in light of the circumstances in which they were made, not
2 misleading.

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

4 **FINAL ORDER**

5 IT IS HEREBY ORDERED that Respondents Franchise Equity Group and Franchise Equity
6 Consortium, their agents, and employees each shall cease and desist from offering and/or selling securities in
7 any manner in violation of RCW 21.20.140, the registration section of the Securities Act of Washington.

8 IT IS FURTHER ORDERED that Respondents Franchise Equity Group and Franchise Equity
9 Consortium, their agents, and employees shall cease and desist from violating RCW 21.20.010, the anti-fraud
10 section of the Securities Act of Washington.

11 IT IS FURTHER ORDERED that Respondents Franchise Equity Group, and Franchise Equity
12 Consortium shall be jointly and severally liable for and shall pay a fine of \$70,000.00.

13 IT IS FURTHER ORDERED that Respondents Franchise Equity Group and Franchise Equity
14 Consortium shall be jointly liable for and shall pay the costs, fees, and other expenses incurred in the
15 administrative investigation and hearing of this matter, in an amount not less than \$3,643.75.

16 **AUTHORITY AND PROCEDURE**

17 This FINAL ORDER is entered pursuant to the provisions of RCW 21.20.390 and is subject to the
18 provisions of RCW 21.20.440 and Chapter 34.05 RCW. Respondents have the right to petition the superior
19 court for judicial review of this agency action under the provisions of RCW 34.05. For the requirements for
20 judicial review, see RCW 34.05.510 and sections following. Pursuant to RCW 21.20.395, a certified copy of
21 this order may be filed in Superior Court. If so filed, the clerk shall treat the order in the same manner as a
22 Superior Court judgment as to the fine, and the fine may be recorded, enforced, or satisfied in like manner.
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2 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

3 SIGNED and ENTERED this 17th day of October, 2019.
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William M. Beatty
Securities Administrator

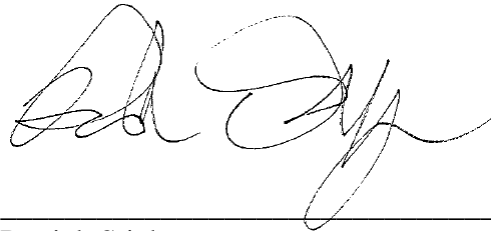
10 Approved by:

Presented by:

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Chief of Enforcement

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Financial Legal Examiner Supervisor
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