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**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
Washington by:

Order No.: S-19-2818-20-CO01

CONSENT ORDER

Blueprint Information Products LLC;
Pinpoint Local LLC;

Respondents

9 Pursuant to the Franchise Investment Protection Act of Washington, RCW 19.100, the Securities Division
10 and Respondents Blueprint Information Products LLC, Pinpoint Local LLC, hereby enter into this Consent
11 Order in settlement of the matters alleged herein. The Respondents neither admit nor deny the Findings of
12 Fact or Conclusions of Law as stated below.

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FINDINGS OF FACT

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Respondents

1. Blueprint Information Products LLC (“Blueprint”) is a Delaware limited liability company
formed on December 16, 2010. Blueprint’s primary business is selling Internet marketing courses.

2. Pinpoint Local LLC (“Pinpoint”) is a Delaware limited liability company formed on January
16, 2019, for the purpose of offering and selling (a) Pinpoint Local franchises and (b) services to Pinpoint
Local franchisees. As described further below, franchisees are granted the right to operate under the Pinpoint
Local trade name, with Pinpoint providing Internet marketing services and ongoing support to franchisees
who, in 2019, purchased a training course offered by Blueprint.

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CONSENT ORDER

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

Blueprint/Pinpoint Franchise Model Overview

3. Blueprint's primary business is selling courses in Internet marketing; it has sold several previous iterations of its courses to persons interested in starting a business in that field. In 2018, Blueprint affiliated with Pinpoint to promote Pinpoint franchises. Blueprint prepared marketing materials and a training course designed to teach the training course participants how to sell Internet marketing services to small-to-medium-sized local businesses, such as restaurants or landscaping companies.

4. In January 2019, Blueprint conducted a series of online seminars promoting these training courses, and represented that training course purchasers could, if they chose, acquire a PinPoint Local franchise with no franchise fee beyond the price to purchase the training course.¹ In the seminars, Blueprint represented to seminar participants (a) that buying the training course would enable them to qualify for a waiver of their initial franchise fee of \$7,500; (b) that the franchisor would subsequently apply for registration as a franchisor in states which required registration, including Washington; and (c) that the seminar participants would sign a franchise agreement once the registration process was completed, but could begin operating their businesses before the registration was completed.

5. Under the model contemplated by Blueprint and Pinpoint and promoted in the online seminars, the franchisees would generally contract with Pinpoint to perform the services which required technical expertise, such as designing websites and search engine optimization. They would then sell these services at a markup to local businesses in their assigned territories, keeping the difference between the sale price and the money paid to Pinpoint for its services as their profit.

6. During the online seminars, Blueprint referred to its training course as "Parallel Profits"; they introduced the Pinpoint trade name and branding to training course purchasers in one of the early training

¹ Although the franchise opportunity was open to all training course purchasers, not all purchasers chose to pursue the opportunity.

1 course modules in early February 2019. The online seminars were attended by individuals from throughout
2 the United States and included some residents of Washington State. As described further below, in March
3 2019, despite not having completed its franchise registration in the State of Washington, Pinpoint offered
4 Washington residents a Letter of Intent and encouraged them to begin operating their businesses and selling
5 Pinpoint’s services. Pinpoint provided these Washington residents with guidance on using the Pinpoint name,
6 and created subpages for them on its website, pinpointlocal.com, such as “Pinpoint Local Bellingham” or
7 “Pinpoint Local South Sound.” As part of its arrangement with Pinpoint, Blueprint sold approximately
8 \$87,000 of training courses and included “free franchises” to 45 Washington residents, who made either a
9 one-time payment of \$2,497 or three separate payments of \$997.²

10 7. On February 26, 2019, Pinpoint applied with the Securities Division to register as a franchisor
11 in Washington, but began business operations without completing the registration process. Although it had
12 not completed the franchise registration process and had not provided franchisees with an approved franchise
13 disclosure document at this point, Pinpoint encouraged franchisees to begin operating their businesses and
14 provided them with instructions on how to use the Pinpoint trade name. During its operations, Pinpoint (a)
15 misled a Washington franchisee about the status of its registration efforts, and (b) charged royalty payments
16 to two Washington franchisees which it was not contractually allowed to charge, although it refunded the total
17 \$140 in royalty payments to the franchisees after receiving the Securities Division’s subpoena for documents.

18 **Offering Video Misrepresentations and Omissions**

19 8. In Blueprint’s online seminar video promoting the training course and franchise opportunity
20 (“the Offering Video”), Blueprint’s principals made numerous statements prohibited by Washington law, in
21 some cases because neither Blueprint nor Pinpoint had filed the appropriate registration paperwork which
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23 ² Some franchisees made the initial payment, but later elected to stop participating in the course and did not make one or more subsequent payments.

1 would enable them to include such statements and in some cases because they presented a misleading picture
2 to prospective franchisees, particularly regarding the typical profit of the business. Blueprint also claimed
3 that territories would be time-limited and exclusive, but did not inform prospective franchisees that Pinpoint
4 planned to sell territories which wholly or partly overlapped with other franchisees' territories.

5 9. Under Washington law, in order to use financial performance representations ("FPRs") in
6 advertising franchises, the franchisor must first include the information in an approved franchise disclosure
7 document and include specific information about the assumptions underlying the FPRs.³ At the time Blueprint
8 offered and sold the training courses, neither Blueprint nor Pinpoint had applied for registration to sell
9 franchises with Washington or any other regulator; it also did not provide franchisees with a franchise
10 disclosure document before charging for the training course. Without having these FPRs approved through
11 the registration process, Blueprint and Pinpoint were not allowed to present the FPRs to potential Washington
12 franchisees.

13 10. In addition to being unapproved, many of the statements in the Offering Video regarding the
14 profit potential and track record of Internet marketing businesses were potentially misleading. At several
15 points in the Offering Video, Blueprint provided selective financial and operational data from other
16 businesses, or top-performing businesses which had used Pinpoint's proposed model in the past, without
17 providing adequate context to describe whether this performance was typical for businesses similar to those
18 offered by Pinpoint. Blueprint further claimed, without adequate support, that "success rates for franchises
19 are greater than 90%." This claim purportedly came from Entrepreneur Magazine, but upon inquiry from the
20 Securities Division, Blueprint admitted they cited that statistic in error.⁴

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22 ³ See North American Securities Administrators Association, 2008 Franchise Registration and Disclosure Guidelines at 57-59,
available at <https://www.nasaa.org/wp-content/uploads/2011/08/6-2008UFOC.pdf>

23 ⁴ In 2005, the International Franchise Association released a letter contradicting the claim that franchises have a greater success
rate than independent small businesses. The letter explained that these claims were based on U.S. Department of Commerce
studies which had not been conducted since 1987, and urged franchise sellers to discontinue their use. See International Franchise

1 11. In the Offering Video, Blueprint presented a table comparing the Blueprint model’s purported
2 benefits to other types of businesses, which claimed that a “Realistic Profit” for the first year of the business
3 was “\$100,000+,” and that a “Realistic Profit” in the third year of the business was “\$500,000+.” Blueprint
4 failed to disclose any information about whether such results were typical or represented a best case scenario.
5 Blueprint further claimed, using the same table, that their business model had a startup cost of “\$0 - \$200.”
6 This dramatically understated the actual costs to start the business, which according to Pinpoint’s franchise
7 registration application materials ranges from \$3,450 to \$15,850. Similarly, Blueprint made other statements
8 in the Offering Video regarding Internet marketing businesses which were contradicted shortly thereafter by
9 Pinpoint’s franchise registration application materials. In particular, Blueprint claimed that this segment of
10 the market “has huge demand but incredibly low competition,” but Pinpoint’s franchisor application materials
11 stated that “[t]he market for business marketing and consultation services is well developed and intensely
12 competitive, particularly in digital and Internet marketing and consultation services.”

13 12. Blueprint also made numerous statements throughout the Offering Video which falsely implied
14 that territories would be both time-limited and exclusive. For instance, Blueprint claimed in the Offering
15 Video that “it’s critically important that you don’t wait, because if you do, your territory could be snapped up
16 by someone else at any moment, and then this opportunity is gone forever,” or that “territories are filling up
17 fast and are only available on a first come, first served basis.” Similarly, the website included a “Reserve My
18 Territory” button, implying that franchisees would have reserved, exclusive territories. Several prospective
19 franchisees interviewed by the Securities Division generally understood that they would be assigned territories
20 based on their residence, and expected to market their services to nearby local businesses without competition
21 from other Pinpoint franchisees. However, in assigning territories to franchisees, Pinpoint generally used ZIP

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23 Association, “A message from International Franchise Association President Matthew Shay” (May 2, 2005), *available at*
https://franchise-et-transparence.fr/wp-content/uploads/2016/11/ifa_message.pdf.

1 codes based on the franchisee’s residence, meaning that franchisees who lived near each other received
2 overlapping territories. Ultimately, of the 45 Washington residents who purchased the training course and
3 pursued the franchise opportunity, 41 received initial territories which overlapped either wholly or partly with
4 another franchisee. In interviews with the Securities Division or questionnaire responses, four franchisees
5 reported that they had expected to receive exclusive territories and felt that Pinpoint had misled them.

6 **Pinpoint’s Business Practices**

7 13. From approximately March 2019 through July 2019, in states where its franchise registration
8 process had not been completed, Pinpoint sent Blueprint’s training course purchasers a document which it
9 characterized as a “Non-Binding Letter of Intent for the potential grant of PinPoint Local™ franchise n
10 Territory,” assigning ZIP codes in which the franchisee could operate. As noted above, contrary to Blueprint’s
11 repeated claims in the Offering Video, based on the ZIP codes, over 90% of franchisees’ territories overlapped
12 either in whole or in part.

13 14. Pinpoint also misled one prospective franchisee about the status of its franchise registration
14 application in Washington. For instance, in May 2019, in response to an inquiry from a Washington
15 franchisee, a Pinpoint staffer wrote “[a]s you may know, the FDD (Franchise Disclosure Document) has not
16 been approved by your state. We anticipate this happening real soon.” In reality, Pinpoint had submitted its
17 initial application for registration in late February 2019 and had received a comment letter from the Securities
18 Division in mid-March, but it failed to respond to the comment letter in any way until December 2019. In
19 interviews with the Securities Division and responses to questionnaires sent in early 2020, two franchisees
20 indicated that having an appropriately registered franchise was important to them, and that they felt that
21 Pinpoint had inaccurately portrayed the status of its registration efforts.

22 15. In November 2019, Pinpoint charged royalties to two franchisees who had sold marketing
23 services, without having any contract or other agreement in place which would enable Pinpoint to charge such

1 royalties. Although Pinpoint’s draft franchise agreement contemplated that franchisees would make a 4.5%
2 royalty payment to Pinpoint on their sales, the Washington residents had not actually signed the agreement
3 because Pinpoint was not appropriately registered. Despite this, Pinpoint billed—and received payments
4 from—two Washington franchisees for the royalty payments. As noted in Paragraph 7, Pinpoint refunded
5 those payments.

6 **Registration Status**

7 16. Respondents Blueprint and Pinpoint are not, and have never been, registered to sell franchises
8 in the State of Washington. There are no notifications of exemption on file with the State of Washington.

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

10 **CONCLUSIONS OF LAW**

11 1. Blueprint and Pinpoint are affiliates as defined in RCW 19.100.010(2).

12 2. Blueprint and Pinpoint’s offer and sale of training courses and franchises as described above
13 constitutes the offer or sale of a franchise as defined in RCW 19.100.010(6), RCW 19.100.010(12), and RCW
14 19.100.010(17).

15 3. Blueprint and Pinpoint’s offer and sale of said franchises violated RCW 19.100.020 because
16 no registration for such offer and sale was on file with the Washington Securities Administrator when the
17 offer and sale was made.

18 4. Blueprint and Pinpoint violated RCW 19.100.080 by failing to provide the franchisees with a
19 franchise disclosure document prior to the sale of the franchises.

20 5. Blueprint and Pinpoint violated RCW 19.100.170(2) by offering and selling franchises by
21 means of written or oral communications which included an untrue statement of a material fact or omitted to
22 state a material fact necessary in order to make the statements made in light of the circumstances under which
23 they were made not misleading.

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