



1 \$2,000 and would result in a 10% to 20% credit on the member's purchases, plus other benefits, for four  
2 years. Brown and Your Local Market sold the memberships to raise working capital for the market, which  
3 was undercapitalized. Within weeks of the Founding Loyalty Reward Program being offered, Your Local  
4 Market closed its doors and the company filed for bankruptcy.

#### 4 *Background*

5 4. Your Local Market opened in November 2011 after Brown and Your Local Market raised funds for  
6 the store's build-out and initial working capital from local investors. After the store opened, Brown and  
7 Your Local Market continued to raise capital to compensate for construction cost overruns and lower than  
8 projected revenue. While additional working capital was raised, Your Local Market remained  
9 undercapitalized. During its existence, Your Local Market never met its projected revenue, and the market  
10 was never profitable. By the end of April 2012, Your Local Market could no longer afford to pay for  
11 marketing, and the market had stopped paying some of its creditors.

12 5. On May 1, 2012, in order to make payroll, Brown solicited a \$10,000 loan from an existing investor.  
13 Brown told the investor he would repay the loan in a week or two from Your Local Market's sales or  
14 through a new investor. But the new investor never materialized, and the market did not generate enough  
15 revenue to repay the loan. By the middle of May 2012, Your Local Market's sales were declining, and  
16 Brown and Your Local Market were defendants in multiple lawsuits filed by the market's creditors. Brown  
17 explained to investors that there was insufficient capital to continue operations, and that Your Local Market  
18 faced the prospect of being unable to obtain inventory each day.

19 6. On June 7, 2012, Brown notified investors that the company was prepared to file for Chapter 11  
20 bankruptcy. On June 22, 2012, Your Local Market closed its doors, and on June 26, 2012, the company filed  
21 for bankruptcy.

#### 22 *Founding Loyalty Reward Program*

23 7. On May 1, 2012, a few weeks before the market closed, Brown and Your Local Market announced  
24 the Founding Loyalty Reward Program ("Reward Program"). Reward Program members would receive a  
25 credit equal to 10%, 15%, or 20% of their purchases if they paid \$500, \$1,000, or \$2,000 for the  
26 membership, respectively. The credit could then be used as cash on future Your Local Market purchases.  
27 The membership was good for four years, and Reward Program members would also receive free meals at  
28 the market, free admission to cooking classes, invitations to private market events, and free home delivery.

29 8. Brown and Your Local Market offered the Reward Program memberships to the general public  
30 through Your Local Market's website, emails sent to more than 5,000 Your Local Market customers, a press

1 release posted on at least two public websites, and an article posted on at least one Bellevue-focused  
2 website. Additionally, signs advertising the Reward Program were hung throughout Your Local Market,  
3 including at the check stands and in the market's windows facing the street.

4 9. When describing the Reward Program to prospective members, Brown and Your Local Market  
5 highlighted the amount of money that Reward Program members could save over four years. Prospective  
6 members were directed to a "savings calculator" on Your Local Market's website to calculate potential  
7 savings, and Reward Program advertisements demonstrated how members could recoup their investment  
8 within a year, and how much members could save in four years. Several Reward Program members  
9 expected to recoup the cost of the membership plus benefit from additional savings over the life of the four  
10 year membership.

11 10. Brown and Your Local Market represented to prospective members that the funds from the Reward  
12 Program would be used to grow and expand Your Local Market. In an email to prospective members,  
13 Brown stated that the Reward Program was being offered to prepare Your Local Market for "future  
14 growth." At least one prospective member was told that the funds from the Reward Program would be used  
15 to expand the current market's operations. Another member understood that the funds would be used to  
16 improve and grow Your Local Market. In a press release and email explaining the Reward Program, Brown  
17 referenced Your Local Market's expansion into additional locations. When a prospective member asked  
18 Brown where the next location would be, Brown replied that the company was working on Seattle and  
19 another East Side location for a second store.

20 11. Notwithstanding representations made to prospective Reward Program members, Brown and Your  
21 Local Market offered the memberships to raise a significant amount of working capital. Brown and Your  
22 Local Market had been unable to raise sufficient capital through Your Local Market's investors, and the  
23 Reward Program offering was an attempt to rapidly raise the funds that the market needed to stay open.

24 12. While Brown told prospective members that he and Your Local Market planned on being around for  
25 four years, Brown and Your Local Market did not provide any information to prospective members about  
the company or its financial condition. Further, Brown and Your Local Market did not disclose to  
prospective members any risks of purchasing a membership in Your Local Market's Reward Program.

13. Brown and Your Local Market offered and sold Reward Program memberships from the beginning  
of May through the first full week of June 2012. On June 14, 2012, about a week after selling its last  
membership, Brown informed Reward Program members that the market's inventory had to be put on an

1 aggressive sale to meet the company's financial needs. Eight days later, Your Local Market closed and did  
2 not reopen.

### 3 Misrepresentations and Omissions

4 14. Brown and Your Local Market misrepresented to prospective members the intended use of Reward  
5 Program funds. Brown and Your Local Market represented that the funds would be used to grow and  
6 expand Your Local Market when, in actuality, the Reward Program offering was part of an effort to raise  
7 working capital so that Your Local Market could continue operating.

8 15. Brown and Your Local Market misled prospective Reward Program members about the financial  
9 condition of Your Local Market when they failed to disclose material information regarding the company.  
10 Brown and Your Local Market failed to disclose, among other things, that the market needed to quickly  
11 raise a large amount of working capital to stay open, that Brown borrowed money to meet payroll on the  
12 same day the Reward Program was announced, that Your Local Market had stopped paying some of its  
13 creditors, that Brown and Your Local Market were defendants in lawsuits filed by the market's creditors,  
14 and that Your Local Market's sales were declining.

15 16. Brown and Your Local Market misled prospective Reward Program members about the risks of  
16 investing in Your Local Market. Brown and Your Local Market stated that they planned on being in  
17 business for four years while failing to disclose material information regarding the company, as outlined  
18 above.

19 17. Brown and Your Local Market failed to disclose to prospective Reward Program members  
20 information material to investment in Your Local Market, including but not limited to financial statements,  
21 operational history, capitalization, and the general and specific risks of investing in a grocery store.

### 22 Registration Status

23 18. Respondent Your Local Market, LLC is not currently registered to offer or sell its Founding Loyalty  
24 Reward Program memberships in the state of Washington, and it has not previously been so registered.

25 19. Respondent Jason Brown is not currently registered as a securities salesperson or broker-dealer in  
the state of Washington, and he has not previously been so registered.

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

2 **CONCLUSIONS OF LAW**

3 1. The Founding Loyalty Reward Program memberships as described above were investments of  
4 money in the risk capital of Your Local Market with the expectation of some valuable benefit to the  
5 member, where the member did not receive the right to exercise practical and actual control over the  
6 managerial decisions of Your Local Market. As such, the offer and sale of Reward Program memberships  
7 constitutes the offer and sale of a security as defined by RCW 12.20.005(14) and RCW 21.20.005(17).

8 2. The offer or sale of said securities is in violation of RCW 21.20.140 because no registration for such  
9 an offer or sale is on file with the Securities Administrator, state of Washington.

10 3. The offer or sale of said securities is in violation of RCW 21.20.040 because Jason Brown is not  
11 registered as a salesperson or broker-dealer in the state of Washington.

12 4. The offer or sale of said securities was in violation of RCW 21.20.010 because, as set forth in the  
13 Findings of Facts, Respondents made untrue statements of material fact or omitted to state material facts  
14 necessary to make the statements made, in light of the circumstances under which they were made, not  
15 misleading.

16 **CONSENT ORDER**

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

18 IT IS AGREED AND ORDERED that the respondents, Jason Brown and Your Local Market, LLC,  
19 their agents, and their employees each shall cease and desist from violating RCW 21.20.140, the securities  
20 registration section of the Securities Act of Washington.

21 IT IS FURTHER AGREED AND ORDERED that the respondents, Jason Brown and Your Local  
22 Market, LLC, their agents, and their employees each shall cease and desist from violating RCW 21.20.040,  
23 the salesperson and broker-dealer registration section of the Securities Act of Washington.

24 IT IS FURTHER AGREED AND ORDERED that the respondents, Jason Brown and Your Local  
25 Market, LLC, their agents, and their employees each shall cease and desist from violating RCW 21.20.010,  
the anti-fraud section of the Securities Act of Washington.

IT IS FURTHER AGREED AND ORDERED that Jason Brown and Your Local Market, LLC shall  
be jointly and severally liable for and shall pay a fine of \$5,000.

1 IT IS FURTHER AGREED AND ORDERED that Jason Brown and Your Local Market, LLC shall  
2 be jointly and severally liable for and shall pay investigative costs of \$5,000.

3 IT IS FURTHER AGREED AND ORDERED that the payment of the fine and costs described  
4 above shall be made as follows: Respondents shall pay \$5,000 upon entry of this Consent Order and shall  
5 pay the remaining \$5,000 no later than 60 days after the entry of this Consent Order.

6 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

7 IT IS FURTHER AGREED that the respondents, Jason Brown and Your Local Market, LLC, each  
8 enter into this Consent Order freely and voluntarily and with a full understanding of its terms and  
9 significance.

10 IT IS FURTHER AGREED that in consideration of the foregoing, the respondents, Jason Brown and  
11 Your Local Market, LLC, each waive their right to a hearing and to judicial review of this matter pursuant  
12 to RCW 21.20.440 and Chapter 34.05 RCW.

13 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

14 Signed this 15th day of September 2014.

15 Signed by:  
16 Your Local Market, LLC

17 \_\_\_\_\_  
18 /s/  
19 Jason Brown  
20 CEO of Your Local Market, LLC

21 Signed by:  
22 \_\_\_\_\_  
23 /s/  
24 Jason Brown, Individually

1 Approved as to Form by:

2 \_\_\_\_\_  
3 /s/

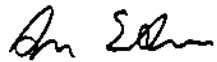
4 John L. Bley, Attorney for Respondents  
5 WSBA No. 15230

6 SIGNED and ENTERED this 25th day of September 2014.

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9 \_\_\_\_\_  
10 William M. Beatty  
11 Securities Administrator

12 Approved by:

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14 \_\_\_\_\_  
15 Suzanne Sarason  
16 Chief of Enforcement

17 Presented by:

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19 \_\_\_\_\_  
20 Holly Mack-Kretzler  
21 Financial Legal Examiner

22 Reviewed by:

23 

24 \_\_\_\_\_  
25 Robert Kondrat  
Financial Legal Examiner Supervisor