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

IN THE MATTER OF DETERMINING) Order No.: S-06-183-12-FO02
Whether there has been a violation of the)
Franchise Investment Protection Act of)
Washington by:) ENTRY OF FINDINGS OF FACT AND CONCLUSIONS
) OF LAW AND FINAL ORDER TO CEASE AND DESIST
Silvino Patulot III; Insource Jobs, Inc.,) AS TO SILVINO PATULOT III and INSOURCE JOBS, INC.
)
Respondents.)

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On April 26, 2012, the Securities Administrator of the state of Washington issued Statement of Charges S-06-183-12-SC01 hereinafter referred to as the "Statement of Charges." The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing, hereinafter referred to as "Notice of Opportunity for Hearing" and an Application for Adjudicative Hearing, hereinafter referred to as "Application for Hearing," were served on Respondents, Silvino Patulot III and Insource Jobs, Inc., on June 1, 2012. The Notice of Opportunity for Hearing advised Respondents, Silvino Patulot III and Insource Jobs, Inc., that a written application for an administrative hearing on the Statement of Charges must be received within twenty days from the date of receipt of the notice. Respondents, Silvino Patulot III and Insource Jobs, Inc., failed to request an administrative hearing within twenty days of receipt of the Statement of Charges and Notice of Opportunity for Hearing, either on the Application for Hearing provided, or otherwise.

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The Securities Administrator therefore will adopt as final the following Findings of Fact and Conclusions of Law as set forth in the Statement of Charges and enter a final order against the Respondent to cease and desist from violations of the Franchise Investment Protection Act.

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The Securities Administrator makes the following Findings of Fact and Conclusions of Law:

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FINDINGS OF FACT

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I. Respondents

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1. Insource Jobs, Inc. ("IJI") is a Washington corporation formed on October 13, 2003. Business was conducted in Washington State under the IJI name as late as August 2011.

1 specific expertise in the real estate industry. Finally, Respondents represented that EEF was a 501(c)(3) non-profit
2 organization, the mission of which was to reduce unemployment in the “baby-boomer” demographic group.

3 8. Respondents worked in partnership with each other to sell “net branches” to prospective franchisees.
4 Respondents represented that net branch franchisees would originate mortgages and provide mortgage origination
5 training, for which franchisees would receive origination fees and tuition payments. Respondents represented that
6 franchisees could use the “ACS” name and use a proprietary curriculum called “Accelerated Class in Real Estate” or
7 “ACRE.”

8 *Loan Origination*

9 9. Patulot represented to prospective net branch owners that for every loan originated a 3% fee was
10 generated which would be shared amongst the net branch owner, the loan broker, the loan officer and the net branch
11 employee who originated the loan. Of the 3% fee, 5-10% of it would be paid to the net branch owner. Patulot
12 represented that, assuming forty \$300,000 loans originated per month, a net branch owner would be entitled to receive
13 \$36,000 per month. Patulot represented that at least one mortgage lending company had entered into fee sharing
14 agreements with ACS NW, and that the net branch owners would be entitled to originate mortgages for that company
15 and receive origination fees as licensees of ACS NW.

16 10. ACS-Renton was the Respondents’ own net branch of ACS NW. Patulot represented to potential
17 investors that ACS-Renton was a successful mortgage origination company and that it would make over \$1 million in
18 its first year. Potential investors were told that if they purchased a net branch, they would be trained by Respondents in
19 the mortgage origination business and that part of their training would include one year of on the job training working
20 for ACS-Renton. During that period, investors would be entitled to 20% of the revenues from ACS-Renton. For the
21 second year, investors would work exclusively at their own net branch and pay to ACS-Renton 20% of the revenues
22 from their net branch.
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ACRE

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2 11. Respondents represented that they were the owners of a proprietary curriculum called "ACRE." The
3 curriculum involved, among other things, providing students with on the job training, certification and a cost per
4 student of \$5,000. During the ACRE program, students would be required to originate at least one loan per month for a
5 net branch owner, who would in exchange give the student on the job training at the net branch. Additionally, net
6 branch owners were to teach the ACRE curriculum and receive \$75 per hour for doing so.

7 12. Respondents represented that the ACRE program would be paid for with grant funding procured by
8 EEF. Respondents also represented that IJI would market the ACRE program in order to enroll at least twenty students,
9 who would each originate loans for the net branch owners.

10 *Promotion and Sale of Net Branches*

11 13. Patulot promoted the purchase of net branches by giving presentations at office space Respondents
12 rented in Renton, Washington and also at the homes of interested individuals. Patulot gave presentations about ACS
13 NW, IJI and EEF and encouraged his audience members to purchase a net branch. He would solicit attendees primarily
14 through word of mouth. Tuiasosopo was a regular attendee of these presentations, but did not give presentations
15 himself.

16 14. Respondents represented that to purchase a net branch, an initial investment of \$50,000 was necessary.
17 Out of this amount, a non-refundable fee of \$5,000 was to be paid for the right to engage in the business, including the
18 right to provide "educational marketing services" in the "ACS" name and an exclusive territory. Net branch purchasers
19 created limited liability companies with the name of their territory appended to the "ACS" name, such as "ACS-
20 Renton" or "ACS-Tacoma." The exclusive territory was only valid for one year, but could be renewed for a \$10,000
21 service fee. It was represented that the remaining \$45,000 would be "donated" to EEF, and because EEF was a non-
22 profit organization, it could procure matching grants. Investors were told that they would receive their \$45,000
23 "donation" back once a matching grant was procured.
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1 Mutual bank account. On March 13, 2006, Investor A withdrew \$50,000 from her business line of credit and deposited
2 \$45,000 into the EEF Washington Mutual account. Tuiasosopo had also instructed Investor A to withdraw the
3 remaining \$5,000 in cash from the line of credit for a “reimbursement” of her initial \$5,000 payment to EEF.

4 20. Investor A operated her business for approximately three months before she ceased operating as a net
5 branch of ACS NW.

6 *Investor B*

7 21. In the fall of 2005, Investor B attended a birthday party where Patulot gave a presentation regarding
8 his various businesses. Intrigued, Investor B attended a meeting organized by Patulot in January 2006. Investor B was
9 then offered the opportunity to start an ACS net branch in Bellevue for \$5,000. He was also told he would be required
10 to take out a \$50,000 small business loan in order to fund the start-up costs of his business. Patulot told Investor B that
11 he could expect to make a total of \$50,000 after ten months and that Patulot himself had been able to find 20 to 30
12 loans per month which made between \$5,000 and \$6,000 each.

13 22. Investor B received some documentation via email, including the materials that accompanied Patulot’s
14 presentation and a letter from Patulot dated January 4, 2006. Investor B did not receive, however, a franchise
15 disclosure document or uniform offering circular. In the letter from Patulot, it was represented that EEF would obtain
16 matching grants for all of Investor B’s investment, which would also be used to fund his business, including costs
17 incurred in training employees. Patulot also represented to Investor B that Investor B would receive a license to teach
18 the ACRE curriculum and that Patulot would train him to teach the ACRE curriculum. On January 19, 2006, Investor
19 B made out a personal check to EEF in the amount of \$5,000. The check was endorsed by Tuiasosopo and on January
20 20, 2006, it was deposited in the EEF Washington Mutual bank account.

21 23. In late January or early February 2006, Investor B accompanied Tuiasosopo to a Bank of America
22 location and filled out an application for a small business loan in the amount of \$50,000. Investor B personally
23 guaranteed 80% of the loan and Tuiasosopo personally guaranteed 20% of the loan. Investor B learned in March of
24 2006 that the loan was approved. On March 13, 2006, “ACS-Bellevue, LLC” was created by Investor B. In April 2006,
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1 Investor B learned that \$22,000 from the loan had been transferred to ACS-Renton without his knowledge. Investor B
2 contacted Tuiasosopo and Patulot and demanded the return of all funds. He was given his \$5,000 initial fee back and
3 also received the \$28,000 that remained from his small business loan. Investor B was not refunded the \$22,000
4 balance. Investor B never did any business as an ACS net branch.

5 *Investor C*

6 24. In early 2006, Investor C was approached by his son who told him about Respondents' businesses.
7 Investor C's son, meanwhile, had heard about Respondents through acquaintances at his church. Investor C was
8 interested and went with his son to some presentations given by Patulot. While considering whether to purchase a net
9 branch, Investor C received advertising materials, including a copy of the slides that accompanied Patulot's
10 presentation. Investor C never received a franchise disclosure document or uniform offering circular.

11 25. Investor C decided to purchase a net branch of ACS NW located in Federal Way. He purchased a
12 cashier's check, payable to EEF, in the amount of \$5,000 on March 9, 2006, and delivered it to Patulot or Tuiasosopo.
13 Investor C also signed a letter of intent on March 9, 2006, which described the purported business model. Both Patulot
14 and Tuiasosopo signed Investor C's Letter of Intent on March 10, 2006. In the letter of intent, Investor C was told that
15 EEF would obtain matching grants for all of Investor C's investment, which would be used to fund his business. The
16 letter of intent also granted to investor C an exclusive territory, the right to operate as an "ACS" net branch and the
17 right to assistance from IJI, EEF and ACS NW, including accounting, marketing, and management assistance. Investor
18 C was also promised that Patulot would train him in the operation of his business. On March 23, 2006, "ACS-Federal
19 Way, LLC" was created by Investor C. Investor C never did any business as an ACS net branch.

20 *Investor D*

21 26. In late 2005, Investor D was talking with one of his friends about his real estate investments. His
22 friend suggested that he call Patulot, and gave Investor D Patulot's contact information. Investor D contacted Patulot
23 and had lunch with him. At the lunch, Patulot explained his businesses to Investor D and invited him to attend
24 meetings where Patulot was giving presentations. Investor D agreed to attend. Investor D was favorably impressed
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1 with the attendees of the meetings and with the content of Patulot's presentations. Prior to agreeing to purchase a
2 branch of ACS NW, however, Investor D clarified with Patulot that he had limited time in which to run a net branch.
3 Investor D was promised that Patulot would hire teachers, provide marketing support and manage the day to day
4 operations of the net branch to enable Investor D to be as passive as possible in the management of the business.

5 27. Investor D agreed to purchase a net branch in Kent, Washington. Investor D took out a \$30,000 small
6 business line of credit with Washington Mutual. On March 13, 2006 "ACS-Kent, LLC" was created by Investor D. On
7 April 12, 2006, \$30,000 from Investor D's small business line of credit was deposited into the EEF Washington
8 Mutual bank account. Investor D never did any business as an ACS net branch.

9 **IV. Misrepresentations and Omissions**

10 *Earnings Claims*

11 28. Patulot made false and misleading earnings claims in documents distributed to investors. One such
12 document was a business proposal, authored by Patulot, which was distributed widely and was received by at least
13 Investor B. The second page of the proposal read, "Own Net Branches of Successful Mortgage Company for \$50,000.
14 Expects \$1M Yearly." The same page contained the statement, "Generate at least 300% ROI within a year."

15 29. Another such document was a letter with the subject line "Opportunity to License and Co-own Net
16 Branches of Mortgage Companies" which was distributed widely and was received by at least Investors A and B. This
17 letter was signed by Patulot and contained the statement, "Expected ROI: 280% or \$280,000.00 net from the projected
18 \$1 million gross revenue."
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20 Respondents had no data to substantiate these claims, and did not inform investors that they had no such
21 substantiating data. They also failed to disclose the limitations of their representations.

22 *The Non-Profit Status of EEF and the Ability to Obtain Grant Funding*

23 30. A pivotal piece of Respondents' proposal to investors was that EEF could obtain matching funds in
24 order to pay tuition fees to the franchisees. Respondents told franchisees that EEF could obtain matching funds
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1 because it was a 501(c)(3) non-profit organization and a variety of governmental and non-governmental agencies
2 would be willing to match the investors' contributions for the purpose of combating unemployment. EEF was not a
3 501(c)(3) non-profit organization and EEF never submitted an application to the IRS to become a 501(c)(3) non-profit
4 organization. The representation that EEF was a 501(c)(3) non-profit organization was made orally to all investors and
5 also made in documents that were distributed widely.

6 31. One document was the business proposal discussed above. On page 2 of the proposal, the document
7 contained the statement, "Leverage funds by 100% within 6 months." On the last page of the proposal, the document
8 contained the statement, "Donate \$50,000 to EEF. Commit to one year to obtain matching grants."

9 32. Another such document was a letter with the subject line "Opportunity to License and Co-own Net
10 Branches of Mortgage Companies" which was discussed above. This letter contained the statement, "Your investment
11 will be donated to EEF to be leveraged and obtain matching grants, as a fiscal strategy since EEF is a 501 (c3) [sic]
12 non-profit organization creating jobs and business opportunities." This letter also contained the statement, "Leverage
13 our funds by at least 100% within six months for obtaining 'Matching Grants.'" Investor C received a revised draft of
14 this letter which contained the statement, "All funds donated will be matched by grants by at least 100% within six
15 months by EEF."

16 33. A third document was a letter of intent which was received by at least Investors A and C. The letter of
17 intent explained how \$5,000 of a \$50,000 fee would go toward paying for the right to form a net branch. The letter
18 further explained how the rest of the money would be used to fund the ACRE program. In so doing, the letter
19 contained the statement, "The \$45,000 balance will be donated to Educate Enterprises Foundation, Inc. (EEF) as the
20 501(c)3 [sic] non-profit organization to act as the Fiscal Agent and entity to leverage the donation to obtain matching
21 funds to train twenty (20) enrollees of EEF's ACRE Program."

22 34. A fourth document was a "Fact Sheet" about EEF and designating Tuiasosopo as a "contact." The Fact
23 Sheet was distributed widely and was received by at least Investor C. The first line of the Fact Sheet was, "Educate
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1 Enterprises Foundation (EEF) is a Washington-based 501(c)(3) non-profit corporation established to benefit those who
2 are 50+ and who are unemployed or under-employed.”

3 35. EEF never obtained any grant funding. EEF was also never found eligible for any grant funding by
4 any organization that customarily awards grant funding. Patulot and Tuiasosopo had no basis upon which to promise
5 that they would be able to receive any grant funding whatsoever. Patulot and Tuiasosopo misrepresented to investors
6 that EEF was a 501(c)(3) non-profit organization.

7 **V. Registration Status and Offering Circular**

8 36. Respondents, Silvino Patulot III and Insource Jobs, Inc., are not currently registered to sell their
9 franchises in the state of Washington and have not previously been so registered.

10 37. Respondents, Silvino Patulot III and Insource Jobs, Inc., failed to deliver to Investors A, B, C and D a
11 disclosure document or offering circular as required by RCW 19.100.080 that contained the information about the
12 franchise required by RCW 19.100.040.

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

14 **CONCLUSIONS OF LAW**

15 1. The offer or sale of net branches described above constitutes the offer and/or sale of a franchise as
16 defined in RCW 19.100.010(4) and RCW 19.100.010(16).

17 2. The offer or sale of said franchise was in violation of RCW 19.100.020 because no registration for
18 such offer and/or sale was on file with the Securities Administrator.

19 3. The offer and/or sale of said franchise was in violation of RCW 19.100.080, the disclosure document
20 requirement provision of the Franchise Investment Protection Act, because Respondents failed to provide prospective
21 purchasers with a disclosure document that contained all material information about the franchise including, but not
22 necessarily limited to, a financial statement for the seller.
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1 4. The offer and/or sale of said franchise was made in violation of RCW 19.100.170 because the
2 misrepresentations described in Section IV of the Tentative Findings of Fact were untrue statements of material fact
3 and/or omissions of material fact necessary in order to make certain statements made by Respondents, in light of the
4 circumstances they were made, not misleading. The misrepresentations described in Section IV of the Tentative
5 Findings of Fact also amount to a device, scheme or artifice to defraud the purchasers of net branches of ACS NW.

6 **FINAL ORDER**

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

8 IT IS HEREBY ORDERED that Respondents, Silvino Patulot III and Insource Jobs, Inc., their agents and
9 employees each shall cease and desist from offering or selling franchises in violation of RCW 19.100.020, the
10 registration section of the Franchise Investment Protection Act of the state of Washington.

11 IT IS HEREBY ORDERED that Respondents, Silvino Patulot III and Insource Jobs, Inc., their agents and
12 employees each shall cease and desist from violating RCW 19.100.170, the anti-fraud section of the Franchise
13 Investment Protection Act of the state of Washington.

14 This ORDER is entered pursuant to RCW 19.100.248 and is subject to the provisions of Chapter 34.05 RCW.

15 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE**

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19 Signed and Entered this 22nd day of June 2012.

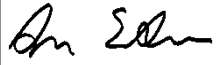
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21 By:

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24 William M. Beatty
25 Securities Administrator

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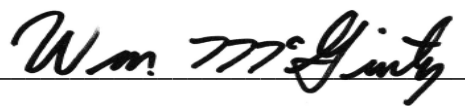
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