

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

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

7 Beyond Juice, Inc.; Sally Kline;
8 Morrie Freedman,

9 Respondents.

Order Number S-07-028-07-SCO1

STATEMENT OF CHARGES AND NOTICE
OF INTENT TO ENTER ORDER TO CEASE
AND DESIST, IMPOSE FINES, AND
CHARGE COSTS

10 THE STATE OF WASHINGTON TO:

Beyond Juice, Inc.
Sally Kline
Morrie Freedman

11 **STATEMENT OF CHARGES**

12 Please take notice that the Securities Administrator of the State of Washington has reason to
13 believe that Respondents, Beyond Juice, Inc., Sally Kline, and Morrie Freedman have each violated
14 the Securities Act of Washington and that their violations justify the entry of an order of the Securities
15 Administrator under RCW 21.20.390 against each to cease and desist from such violations. The
16 Securities Administrator believes these are grounds for imposing fines pursuant to RCW 21.20.395, and
17 charging costs pursuant to RCW 21.20.390(5).

18 The Securities Administrator finds as follows:

19 **TENTATIVE FINDINGS OF FACT**

20 Respondents

21 1. Beyond Juice, Inc. ("Beyond Juice"), a Nevada corporation, was incorporated on January
22 10, 1996 and is currently conducting business at 7745 East Gelding Drive #102B, Scottsdale, AZ
23 85260. Beyond Juice "is a business of nutrition based fast good restaurants".

24 STATEMENT OF CHARGES AND NOTICE
OF INTENT TO ENTER ORDER TO CEASE
AND DESIST, IMPOSE FINES, AND
CHARGE COSTS

1

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

1 2. Sally Kline (“Kline”) is the President of Beyond Juice.

2 3. Morrie Freedman (“Freedman”) is the founder of Beyond Juice.

3 Background

4 4. On December 16, 2005, the Securities Administrator issued a Statement of Charges and
5 Notice of Intent to Issue an Order to Cease and Desist (S-04-211-05-SC01) against Beyond Juice
6 Corporation and Beyond Juice LLC related to the offer and sale of unregistered franchises. On July
7 5, 2006 Beyond Juice Corporation and Beyond Juice LLC entered into a Consent Order (S-04-211-06-
8 CO01) with the Securities Administrator. The companies agreed to cease and desist from any
9 violation of the Franchise Investment Protection Act and paid investigative costs of \$1,500.

10 Nature of the Offering

11 5. Between 2003 and 2006, Morrie Freedman, Sally Kline, and Beyond Juice company
12 representatives offered and sold investments in Beyond Juice, Inc. to at least one Washington Resident.
13 At least one investor was not accredited or sophisticated. The offerings were in the form of preferred
14 and common stock both offered at \$1.00 per share.

15 6. In late 2003, a Washington Resident (“Resident”) received a phone call from a Beyond
16 Juice representative. The representative initially offered the Resident the opportunity to purchase a
17 license to run a Beyond Juice restaurant. The license was to operate a store in Sacramento, CA. The
18 representative told the Resident that Beyond Juice had stores all across the country and was selling one
19 license a week. Later, during the same telephone conversation, the representative offered to sell the
20 Resident “founder’s shares” in Beyond Juice. He offered the Resident the opportunity to purchase the
21 shares for \$1.00 each and represented that there were five million outstanding shares.

1 7. In January of 2004, the Resident was again contacted by Beyond Juice, this time by
2 Morrie Freedman, who represented to the Resident he was the founder of Beyond Juice. Freedman
3 told the Resident was coming to Vancouver, Washington to talk to potential investors and wanted to
4 meet the Resident. The Resident met with Freedman at a Vancouver hotel. During the meeting
5 Freedman told the Resident that the founder's shares Beyond Juice was offering were going to be
6 worth a lot of money because the company was "going public" and the shares the Resident could
7 currently purchase for \$1.00 would soon be worth \$3.00 to \$5.00 each. Freedman did not give the
8 Resident a private offering memorandum or any other offering materials, such as a financial statement.

9 8. On February 10, 2004 the Resident purchased 10,000 shares of Beyond Juice "founder's
10 shares" for \$1.00 per share.

11 9. In September or October of 2006 the Resident received a telephone call from another
12 Beyond Juice representative, who identified himself as a salesperson for the company. The
13 representative told the Resident that Beyond Juice was building four new stores in Las Vegas and was
14 trying to sell one million shares to raise money. The representative offered the Resident the
15 opportunity to purchase common shares.

16 10. Around that same time the Resident received a package from Beyond Juice. The package
17 contained a prospectus and offering documents related to the offering, including a subscription
18 agreement. The offering documents were dated September 1, 2006 and stated that Beyond Juice "is
19 offering 1,000,000 shares of Common Stock for a purchase price of one dollar (\$1.00) per share." The
20 documents specified the minimum purchase was for 10,000 shares and the maximum purchase was for
21 1,000,000 shares. The offering period was from September 1, 2006 until August 31, 2007.

1 11. The offering materials also included profit projections. The projected net profits for
2 Beyond Juice from October 2006 through September 2007 were \$2,146,213. The projected net profits
3 for Beyond Juice from October 2007 through September 2008 were \$6,880,258. The offering
4 materials did not include a basis for these projections and did not include financial statements or
5 information about earnings or profits for prior years.

6 Misrepresentations and Omissions

7 12. Beyond Juice failed to provide material information regarding the company including,
8 but not limited to: financial statements; a detailed use of proceeds; basis for profit projections;
9 limitations on profit projections; general risk factors related to the restaurant industry; specific risk
10 factors related to the fast food industry; operational history of Beyond Juice; and previous enforcement
11 actions taken against Beyond Juice by state agencies.

12 Registration Status

13 13. Beyond Juice, Inc. is currently not registered to sell its securities in the State of
14 Washington and has not previously been so registered.

15 14. Sally Kline is not currently registered as a securities salesperson or broker-dealer in the
16 State of Washington and has not previously been so registered.

17 15. Morrie Freedman is not currently registered as a securities salesperson and has not
18 previously been so registered.

19 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:
20
21
22

1 **CONCLUSIONS OF LAW**

2 1. The offer and/or sale of the investments described above constitute the offer and/or sale
3 of a security as defined in RCW 21.20.005 (10) and (12).

4 2. Sally Kline violated RCW 21.20.040, by offering and selling said securities while not
5 registered as a securities salesperson or broker-dealer in the State of Washington.

6 3. Morrie Freedman violated RCW 21.20.040, by offering and selling said securities while
7 not registered as a securities salesperson or broker-dealer in the State of Washington.

8 4. Beyond Juice, Inc., Sally Kline, and Morrie Freedman each violated 21.20.140 by
9 offering and selling unregistered securities.

10 5. The offer and/or sale of the Beyond Juice, Inc. securities by Respondents was made in
11 violation of RCW 21.20.010 because, as set forth in the Tentative Findings of Fact, Respondents made
12 misstatements of material fact or omitted to state material facts necessary in order to make the
13 statements made, in light of circumstances under which they were made, not misleading.

14
15 **NOTICE OF INTENT TO ISSUE AN ORDER TO CEASE AND DESIST**

16 Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities
17 Administrator intends to order that Respondents, Beyond Juice, Inc., Sally Kline, and Morrie Freedman,
18 and their agents and employees, shall each permanently cease and desist from violations of RCW
19 21.20.140 and RCW 21.20.010.

20 In addition, the Securities Administrator intends to order that Respondents, Sally Kline, and Morrie
21 Freedman, and their agents and employees, shall each permanently cease and desist from violations of
22 RCW 21.20.040.

1 **NOTICE OF INTENT TO IMPOSE FINES**

2 Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of
3 Law, the Securities Administrator intends to order that:

- 4 a. Respondent Beyond Juice, Inc. shall be liable for and pay a fine of \$10,000;
- 5 b. Respondent Sally Kline shall be liable for and pay a fine of \$10,000;
- 6 c. Respondent Morrie Freedman shall be liable for and pay a fine of \$10,000;

7
8 **NOTICE OF INTENT TO CHARGE COSTS**

9 Pursuant to RCW 21.20.390(5), and based upon the Tentative Findings of Fact and Conclusions of
10 Law, the Securities Administrator intends to order that the Respondents, Beyond Juice, Inc., Sally Kline,
11 and Morrie Freedman, shall be liable for and pay the Securities Division the costs, fees and other expenses
12 incurred in the conduct of the administrative investigation and hearing of this matter.

13
14 **AUTHORITY AND PROCEDURE**

15 This STATEMENT OF CHARGES AND NOTICE OF INTENT TO ISSUE AN ORDER TO
16 CEASE AND DESIST, IMPOSE FINES, AND CHARGE COSTS is entered pursuant to the provisions of
17 RCW 21.20.390 and RCW 21.20.395 and is subject to the provisions of Chapter 34.05 RCW. Each
18 Respondent may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO
19 DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order.

20 If a Respondent does not request a hearing, the Securities Administrator intends to adopt the above
21 Tentative Findings of Fact and Conclusions of Law as final, enter a permanent order against those

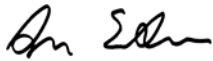
1 respondents to cease and desist from violations of the Securities Act, and enter an order imposing the fine
2 and charging costs, as described above.

3 DATED AND ENTERED this day 29th of June, 2007.
4

5
6 

7 _____
8 MICHAEL E. STEVENSON
9 Securities Administrator

10 Approved by:

11 

12 _____
13 Suzanne Sarason
14 Chief of Compliance & Examinations

15 Presented by:

16 

17 _____
18 Angela R. Vogel
19 Enforcement Attorney