

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING) Order Number S-10-122-10-SC01
Whether there has been a violation of the)
Franchise Investment Protection Act of) STATEMENT OF CHARGES AND NOTICE
Washington by:) OF INTENT TO ENTER ORDER TO CEASE
) AND DESIST
)
B3 Studios, LLC d/b/a barre3;)
)
Respondent)

THE STATE OF WASHINGTON TO: B3 Studios, LLC d/b/a barre3

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondent, B3 Studios, LLC d/b/a barre3; has violated the Franchise Investment Protection Act of Washington, RCW 19.100, and that its violations justify the entry of an order of the Securities Administrator under RCW 19.100.248 to cease and desist from such violations. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

I.

RESPONDENT

1. B3 Studios, LLC d/b/a barre3 is an Oregon limited liability company with its principal place of business in Portland, Oregon.

1 II.

2 **NATURE OF THE OFFERING**

3 2. In 2009, B3 Studios, LLC d/b/a barre3 (B3 Studios), a provider of fitness classes, offered
4 and/or sold licenses to an Oregon resident and two Washington State residents to operate barre3
5 fitness studios in the Vancouver and Bellevue, Washington areas respectively. The company
6 offered its “unique exercise methods and programs for instruction,” the use of its trademarks,
7 service marks, trade names, copyrighted materials, systems and other methods to prospective
8 licensees. The company also provides a manual that demonstrates how to teach classes and how
9 to train instructors to teach classes. In addition, the company provides advice to prospective
10 licensees on vendors and software to be used in connection with the business. The Oregon
11 resident, a barre3 instructor, contacted the co-founders of the company about the opportunity to
12 operate her own studio and was sold a territory in the Vancouver, Washington area for an initial
13 fee of \$10,000 and an ongoing fee of 3% of gross revenues. Two Washington residents contacted
14 the company in 2009 about operating a barre3 studio in the Bellevue, Washington area and
15 negotiated with the company an exclusive territory for their proposed location. B3 Studios
16 provided prospective offerees with a “profit and loss worksheet” from which to calculate
17 projected revenue and expenses and a license agreement with a copy of the proposed territory
18 attached.
19

20
21 3. In exchange for upfront or ongoing fees, B3 Studios granted its Washington Vancouver
22 and Bellevue licensees the right to use the B3 Studios names and marks; provided them with
23 training and a manual regarding the operation of a barre3 fitness studio; provided them with an
24 exclusive territory for the operation of a barre3 fitness studio; and provided them with operation,
25 technical and promotional assistance. B3 Studios maintains a website at: www.barre3.com that,

1 on May 24, 2010, stated that the Vancouver studio will open on June 5, 2010 and that the
2 Bellevue studio will open “early summer.” Address and contact information for the Washington
3 locations are provided on the B3 Studios website.

4 **Continuing Offering**

5 4. The B3 Studios’ website invites persons interested in owning a barre3 exercise studio to
6 contact Chris Lincoln, the co-founder and chief executive officer of the company. The company
7 website states:
8

9 We are excited to announce that we are now licensing barre3 to qualified
10 entrepreneurs who share our mission to create a company around balance.

11 and offers prospective licensees the following:

- 12 • comprehensive instructor training and development
- 13 • barre3 sequencing and innovative techniques
- 14 • new class formats
- 15 • site selection and lease negotiations
- 16 • design and construction
- 17 • launch strategy from pre-sale through grand opening
- 18 • sales, marketing, and branding
- 19 • studio operations and financials
- 20 • developing and managing multiple studios
- 21 • and more...

22 The Website also states:

23 We are currently licensing territories to qualified candidates anywhere outside of the
24 Portland metro area.

25 **III.**

FAILURE TO DELIVER OFFERING CIRCULAR

4. B3 Studios did not provide prospective purchasers with a disclosure document or offering
circular as required by RCW 19.100.080 that contained the information about the franchise required
by RCW 19.100.040.

1 IV.

2 **REGISTRATION STATUS**

3 5. B3 Studios is not currently registered to sell franchises in the state of Washington and has
4 not previously been so registered.

5
6 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:
7

8 **CONCLUSIONS OF LAW**

9 I.

10 The offer or sale of the fitness studio opportunities described above constitutes the
11 offer or sale of a franchise as defined in RCW 19.100.010(4) and RCW 19.100.010(16).
12

13 II.

14 The offer or sale of said franchise is in violation of RCW 19.100.020 because no
15 registration for such offer or sale is on file with the Securities Administrator.
16

17 III.

18 The offer or sale of said franchise was made in violation of RCW 19.100.080 because B3
19 Studios did not provide prospective purchasers with a disclosure document or offering circular
20 required under RCW 19.100.040 prior to the sale of the franchise.
21

22 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

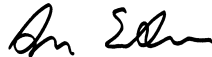
23 Based on the above Tentative Findings of Fact and Conclusions of Law, the Securities
24 Administrator intends to order that B3 Studios, LLC d/b/a barre3, its agents and employees each
25 shall cease and desist from violations of RCW 19.100.020 and RCW 19.100.080.

1 **AUTHORITY AND PROCEDURE**

2 This Order is entered pursuant to the provisions of RCW 19.100.248 and RCW
3 19.100.130 and is subject to the provisions of RCW 34.05. B3 Studios, LLC d/b/a barre3, may
4 make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO
5 DEFEND AND OPPORTUNITY FOR HEARING accompanying this order.
6

7 If the Respondent does not request a hearing, the Securities Administrator intends to
8 adopt the above Tentative Findings of Fact and Conclusions of Law as final and enter a
9 permanent order to cease and desist as to the Respondent.
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11 Dated and Entered this 27th day of May, 2010.

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14 _____
15 SUZANNE SARASON
16 Chief of Enforcement

17 Presented by:

18 

19 Martin Cordell
20 Financial Legal Examiner
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