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

IN THE MATTER OF DETERMINING) Order No.: S-13-1175-15-FO01
Whether there has been a violation of the)
Business Opportunity Fraud Act of)
Washington by:) ENTRY OF FINDINGS OF FACT AND CONCLUSIONS
4) OF LAW AND FINAL ORDER TO CEASE AND DESIST
Drop Zone Digital Media LLC; and Lorenzo Reid,)
Respondents.)

On June 27, 2013, the Securities Administrator of the state of Washington issued order number S-13-1175-13-SC01, a Statement of Charges and Notice of Intent to Enter Order to Cease and Desist (Statement of Charges) against Drop Zone Digital Media LLC and Lorenzo Reid.

The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing (Notice of Opportunity for Hearing) and an Application for Adjudicative Hearing (Application for Hearing) were served on Respondents Drop Zone Digital Media LLC and Lorenzo Reid via certified mail on January 26, 2015.

The Notice of Opportunity for Hearing advised Respondents Drop Zone Digital Media LLC and Lorenzo Reid 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 Drop Zone Digital Media LLC and Lorenzo Reid, however, failed to request an administrative hearing, either on the Application for Hearing provided, or otherwise, within twenty days of receipt of the Statement of Charges and Notice of Opportunity for Hearing.

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:

FINDINGS OF FACT

Parties

1. Respondent Drop Zone Digital Media LLC (Drop Zone Digital Media) was a Washington limited liability company formed on December 16, 2010, for the purpose of establishing a nationwide digital advertising business. During the time period relevant to this Statement of Charges, Drop Zone Digital Media maintained a principal place of business in Seattle, Washington. The Washington Secretary of State administratively dissolved Drop Zone Digital Media on April 1, 2013.

2. Respondent Lorenzo Reid served as a member and a manager of Drop Zone Digital Media, and he acted as the sole principal of the company. Lorenzo Reid resided in Washington during the time period relevant to this Statement of Charges.

Nature of the Offering

1 3. Drop Zone Digital Media maintained a website, until as recently as March 2013, at
2 <http://www.dropzonenow.com>, in which it advertised the sale of licenses to an exclusive territory within the the Drop
3 Zone Digital Media Network. Each license gave the purchaser the right to operate a digital advertising business by
4 placing Drop Zone Digital Media television screens at third-party businesses (host business) within the licensed
5 territory. Drop Zone Digital Media represented to purchasers that it would sell advertising space on the Drop Zone
6 Digital Media television screens located at host businesses. Drop Zone Digital Media further represented that it would
7 provide purchasers and host businesses with a portion of the advertising revenue that Drop Zone Digital Media secured
8 for the Drop Zone Digital Media television screens. From 2011 to 2012, Drop Zone Digital Media sold approximately
9 30 Territory License Agreements. The company has since closed its business without fulfilling the many
10 representations that it made to purchasers of its license agreement.

11 4. In 2011, Purchaser A learned about the opportunity to operate a digital advertising business as part of the Drop
12 Zone Digital Media Network through its website. Purchaser A called the company for additional information and
13 received a copy of a sample Drop Zone Digital Media Territory License Agreement (license agreement) and financial
14 representations outlining the potential revenue that Drop Zone Digital Media would pay to purchasers, both of which
15 Purchaser A read and relied upon before deciding to sign the license agreement.

16 5. For a \$20,000 fee, Drop Zone Digital Media offered purchasers the right to operate, within a specific territory,
17 a digital advertising business as part of the Drop Zone Digital Media Network. In addition to the \$20,000 fee,
18 purchasers also had to pay \$2,500 for five Drop Zone Digital Media television screens, and purchasers could also
19 purchase additional Drop Zone Digital Media television screens at a rate of \$2,500 per-five screens. Drop Zone
20 Digital Media also charged purchasers a yearly \$2,100 renewal fee.

21 6. In addition to a license in an exclusive territory, Drop Zone Digital Media further represented that it would
22 provide purchasers with ongoing business, marketing, technical, and IT support, and Drop Zone Digital Media also
23 claimed that it would give purchasers Drop Zone Digital Media business cards and marketing material to distribute to
24 third-party businesses.

25 7. In the financial representations that Drop Zone Digital Media provided to Purchaser A, Drop Zone Digital
Media stated that purchasers could earn a 100 percent return on investment in 26 weeks or less. Drop Zone Digital
Media further represented that Purchaser A could expect \$5,987 per-month for 5 Drop Zone Digital Media television
screens in operation, \$11,965 per-month for 10 Drop Zone Digital Media television screens in operation, \$17,934 per-
month for 15 Drop Zone Digital Media television screens in operation, and \$23,912 for 20 Drop Zone Digital Media
television screens in operation.

8. In October 2011, Purchaser A formed a LLC, and Purchaser A's LLC entered into a license agreement with
Drop Zone Digital Media and purchased 10 Drop Zone Digital Media television screens from the company. Purchaser

1 A's LLC then wired \$25,000 to the Drop Zone Digital Media bank account in Seattle, Washington. In addition to
2 Purchaser A, between 2011 and 2012, approximately 30 other purchasers signed a license agreement with Drop Zone
3 Digital Media, paying an average fee of between \$20,000 and \$40,000 to Drop Zone Digital Media, with one
4 purchaser paying Drop Zone Digital Media approximately \$100,000.

5 9. After paying Drop Zone Digital Media, Purchaser A received, after much delay, only 2 of the 10 Drop Zone
6 Digital Media television screens that Purchaser A paid for, and Drop Zone Digital Media did not secure advertising on
7 the screens. Many other purchasers have not received the Drop Zone Digital Media television screens that they paid
8 for, and other purchasers have received Drop Zone Digital Media television screens with defective software. Drop
9 Zone Digital Media has ceased communication with Purchaser A and has since closed its business.

10 Other Actions

11 10. On March 24, 2011, Wayburn Digital Media, Inc. (Wayburn Digital Media) sued Drop Zone Digital Media
12 and Lorenzo Reid in King County Superior Court for injunctive relief and monetary damages, alleging breach of
13 contract, tortious interference with contractual relations, and a violation of the Washington Uniform Trade Secrets
14 Act. In its Complaint, Wayburn Digital Media alleged that Drop Zone Digital Media and Lorenzo Reid had unlawfully
15 copied Wayburn Digital Media's business model, branding technology, marketing strategies and materials, web
16 design, and graphic design.

17 11. On January 25, 2013, Judge Dean Lum entered Final Judgment and Order Granting Permanent Injunction
18 (Order), ordering Defendants Drop Zone Digital Media and Lorenzo Reid to pay Wayburn Digital Media \$325,962.00
19 and to cease and desist from operating a digital media advertising business of any kind in the USA or Canada for a
20 period of two years beginning December 20, 2012. The Defendants have since appealed this Order.

21 Failure to Provide a Disclosure Document

22 12. In connection with the offer and sale of the Drop Zone Digital Media business opportunity, Respondents Drop
23 Zone Digital Media and Lorenzo Reid both failed to provide the prospective purchaser with a disclosure document as
24 required by RCW 19.110.070.

25 Misrepresentations and Omissions

13. Respondents Drop Zone Digital Media and Lorenzo Reid failed to disclose to Purchaser A that Wayburn
Digital Media had sued Drop Zone Digital Media and Lorenzo Reid to enjoin them from operating a digital media
advertising business.

14. Respondent Drop Zone Digital Media failed to provide the basis and assumptions underlying the financial
representations that it made to Purchaser A.

15. Respondent Drop Zone Digital Media failed to disclose the basis upon which it claimed that it had the ability and resources to provide purchasers with ongoing business, marketing, technical, and IT support.

16. Respondent Drop Zone Digital Media failed to disclose to Purchaser A that the Drop Zone Digital Media television screens required specific software for Drop Zone Digital Media to display advertisements on, and, more broadly, it failed to disclose to purchasers the risk that this software may malfunction.

Registration Status

17. Respondents Drop Zone Digital Media and Lorenzo Reid are not currently registered to sell business opportunities in the state of Washington and have not previously been so registered.

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

CONCLUSIONS OF LAW

1. The offer or sale of license agreements as described above constitutes the offer and sale of a business opportunity as defined in RCW 19.110.020.
2. The offer or sale of this business opportunity is in violation of RCW 19.110.050 because no registration for such offer and sale by Respondents Drop Zone Digital Media and Lorenzo Reid was on file with the Securities Administrator for the time period in which the offer and sale occurred.
3. The offer and sale of this business opportunity is in violation of RCW 19.110.070 because Respondents Drop Zone Digital Media and Lorenzo Reid failed to provide prospective purchasers with the required disclosure document.
4. The offer or sale of said business opportunities were made in violation of RCW 19.110.120 because Respondents Drop Zone Digital Media and Lorenzo Reid all made untrue or misleading statements of material fact and omitted to state material facts in connection with the offer, sale, or lease of a business opportunity in Washington.

FINAL ORDER

Based upon the foregoing:

IT IS HEREBY ORDERED that Respondents Drop Zone Digital Media and Lorenzo Reid, as well as their agents and employees each shall cease and desist from offering or selling business opportunities in violation of RCW 19.110.050, the registration section of the Business Opportunity Fraud Act of the state of Washington.

IT IS FURTHER ORDERED that Respondents Drop Zone Digital Media and Lorenzo Reid, as well as their agents and employees each shall cease and desist from violating RCW 19.110.070, the disclosure document section of the Business Opportunity Fraud Act of the state of Washington.

1 IT IS FURTHER ORDERED that Respondents Drop Zone Digital Media and Lorenzo Reid, as well as their
2 agents and employees each shall cease and desist from violating RCW 19.110.120, the anti-fraud section of the
3 Business Opportunity Fraud Act of the state of Washington.

4 This Order is entered pursuant to RCW 19.110.150 and is subject to the provisions of Chapter 34.05 RCW.

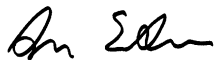
5 WILLFUL VIOLATION
6 OF THIS ORDER IS A CRIMINAL OFFENSE.

7 SIGNED and ENTERED this 25th day of March 2015.

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12 _____
13 William M. Beatty
14 Securities Administrator

15 Approved by:

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17 _____
18 Suzanne Sarason
19 Chief of Enforcement

20 Presented by:

21 

22 _____
23 Eric Palosaari
24 Financial Legal Examiner

25 Reviewed by:



Jack McClellan
Financial Legal Examiner Supervisor