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

IN THE MATTER OF DETERMINING Whether there has been a violation of the Franchise Investment Protection Act of

Order No. S-24-3772-24-CO01

Washington by:

CONSENT ORDER

The Paterson Center, LLC,

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CONSENT ORDER

## INTRODUCTION

Respondent.

Pursuant to the Franchise Investment Protection Act of Washington, RCW 19.100, the Securities Division and Respondent The Paterson Center, LLC do hereby enter into this Consent Order in settlement of the matters alleged herein. Respondent The Paterson Center, LLC neither admits nor denies the following Findings of Fact and Conclusions of Law.

### FINDINGS OF FACT

## Respondent

The Paterson Center, LLC ("Paterson") is a Colorado-based limited liability company that was 1. formed on or around April 21, 2008. Paterson is in the business of selling franchises that provide the "Paterson Process" to clients. The Paterson Process is a set of products and services designed to help customers meet their business goals. The Paterson Process includes training opportunities, professional development opportunities, business development coaching, and professional development literature.

### **Nature of the Conduct**

#### Overview

2. In or around 2021, Paterson sold unregistered franchises to two Washington residents. As part of these sales, Paterson granted the franchisees non-exclusive, non-transferable licenses to provide the

Paterson Process to a specified number of clients. Paterson failed to provide either of the franchisees with a Franchise Disclosure Document ("FDD").

Paterson Grants Franchisees the Right to Use a Trademarked Commercial Symbol

- 3. On or around June 19, 2021, Paterson and Franchisee #1 entered into a Paterson Guide Provisional License Agreement ("Agreement #1"). On or around July 13, 2021, Paterson and Franchisee #2 entered into a Paterson Guide Provisional License Agreement ("Agreement #2").
- 4. Franchisee #1 and Franchisee #2 will be collectively referred to throughout this Consent Order as the "Franchisees." Agreement #1 and Agreement #2 will be collectively referred to through this Consent Order as the "Agreements."
- 5. As part of the Agreements, Paterson granted the Franchisees the non-exclusive right to use a commercial symbol in accordance with a set of "Brand Guidelines." The Agreements permit the Franchisees to include the Paterson logo in their email signatures, on their business cards, and on their personal websites. The Agreements define the logo as one of Paterson's "Trademarks."

Paterson Provides a Marketing Plan to Franchisees

6. Agreement #1 grants Franchisee #1 the right to provide the Paterson Process to up to 4 clients. Agreement #2 grants Franchisee #2 the right to provide the Paterson Process to up to 2 clients. The Agreements state that the rights conferred upon the Franchisees are subject to a number of additional conditions.

<sup>1</sup> "Trademarks" are defined in the Agreement as all of Paterson's "rights in and to U.S. and foreign trademarks, service marks, trade names, brand names, logos, corporate names, and domain names, and other similar designations of source, sponsorship, association, or origin, together with the goodwill symbolized by any of the foregoing, in each case whether registered or unregistered and including all registrations and applications for, and renewals and extensions of, such rights and all similar or equivalent rights or forms of protection in any part of the world."

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7. The Agreements mandate that the Franchisees provide attribution to Paterson each time the Paterson Process is presented to a client. In addition, the Agreements grant Paterson the right to review the work of the Franchisees.

- 8. According to the Agreements, the Franchisees agree to abide by certain specifications when using Paterson's commercial marketing. Paterson agrees to provide the Franchisees with templates for marking and branding, which include "the correct brand marking."
- 9. If either of the Franchisees detail their work with the Paterson Process on their personal websites, the Agreements mandate that they display the Paterson logo on their sites. This logo "must not be unevenly stretched, obscured, or otherwise altered." Such a website must also include the text indicating that the Paterson Process was created by Tom Paterson and is the intellectual property of Paterson.
- 10. Pursuant to the Agreements, Paterson agrees to provide training and operational assistance to the Franchisees. Paterson commits to train them in its "brand 'voice' and tone." In addition, the Agreements encourage the Franchisees to tell potential clients, "What I'm about to show you is part of the [Paterson Process, the proprietary process in which I am trained and certified to guide individuals through." Moreover, the company agrees to provide the Franchisees with operational assistance by providing them with templates for contracts and proposals. Finally, the Agreements state that Paterson will provide both Franchisees with additional feedback "on an ad hoc basis, sometimes, one-to-one, and other times in groups."

## Paterson Requires Franchisees to Pay a Fee

11. By entering into Agreement #1, Franchisee #1 agrees to pay Paterson a "license fee" for each "course, event, or session that utilizes the Licensed Materials." This fee is in an amount equal to the greater of \$299.00 or 15% of the gross revenue realized by the Franchisee for presenting the course, event, or session.

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12. As part of Agreement #2, Franchisee #2 also agrees to pay Paterson a "license fee." This fee is in an amount equal to the greater of \$499.00 or 15% of the gross revenue realized by Franchisee #2 at each engagement where the licensed materials are presented.

### Paterson Failed to Provide Franchisees with an FDD

- 13. Paterson failed to provide either of the Franchisees with an FDD at least 14 days before the execution of the Agreements.
- 14. By failing to provide an FDD to the Franchisees, Paterson failed to provide the Franchisees with material information about its business, including information related to the financial condition of the company.

## **Registration Status**

- 15. Paterson is not currently registered to sell franchises in the state of Washington and has not previously been so registered.
- 16. Paterson has not filed a notice of exemption from registration with the Securities Administrator.
- 17. Paterson has submitted an FDD and a registration application that is currently under review by the Securities Division.

#### **CONCLUSIONS OF LAW**

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

1. The licensing agreements between The Paterson Center, LLC and the Franchisees described above constitute the offer and/or sale of franchises as defined in RCW 19.100.010(6), RCW 19.100.010(12), and RCW 19.100.010(17).

1	2. The Paterson Center, LLC violated RCW 19.100.020, the franchise registration section of the				
2	Franchise Investment Protection Act, by offering and/or selling a franchise for which no registration or				
3	exemption is on file with the Securities Administrator.				
4	3. The Paterson Center, LLC violated RCW 19.100.080, the disclosure document requirement				
5	section of the Franchise Investment Protection Act, by selling a franchise without providing the prospective				
6	franchisee with a current disclosure document at least 14 calendar days prior to the sale of the franchise.				
7	CONSENT ORDER				
8	Based on the foregoing and finding it in the public interest:				
9	IT IS AGREED AND ORDERED that Respondent The Paterson Center, LLC, and its agents and				
10	employees, shall cease and desist from violations of RCW 19.100.020.				
11	IT IS AGREED AND ORDERED that Respondent The Paterson Center, LLC, and its agents and				
12	employees, shall cease and desist from violations of RCW 19.100.080.				
13	IT IS AGREED AND ORDERED that Respondent The Paterson Center, LLC shall pay investigative				
14	costs of \$750.				
15	IT IS AGREED that Respondent The Paterson Center, LLC entered into this Consent Order freely				
16	and voluntarily and with a full understanding of its terms and significance.				
17	IT IS AGREED that the Securities Division has jurisdiction to enter this Consent Order.				
18	IT IS AGREED that in consideration of the foregoing, Respondent The Paterson Center, LLC waives				
19	its right to a hearing and to judicial review of this matter pursuant to Chapter 34.05 RCW.				
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21	WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.				
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CONSENT ORDER

Signed this10	day of	July	_ 2024.
Signed by:			
The Paterson Center, LLC			
Zach Miller, Partner			
Approved as to form by:			
Dan Eliades, Attorney for The Pa	aterson Center, LLC		
SIGNED and ENTERED	this 29th day of Ju	lv. 2024.	
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- A Calles		/s/	
		William M. Beatty Securities Administrator	
Approved by:		Presented by:	
CONSENT ORDER		DEPARTMENT	OF FINANCIAL INSTITUTIONS Securities Division
			PO Box 41200 Olympia, WA 98504-1200 360-902-8760

/s/	
Brian J. Guerard	Brett Werenski
Chief of Enforcement	Financial Legal Examiner
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Reviewed by:	
/s/	
Holly Mack-Kretzler	
Financial Legal Examiner Supervisor	

CONSENT ORDER