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

IN THE MATTER OF DETERMINING ) Order No.: S-06-183-12-SC01  
Whether there has been a violation of the )  
Franchise Investment Protection Act of ) STATEMENT OF CHARGES AND NOTICE OF INTENT  
Washington by: ) TO ENTER ORDER TO CEASE AND DESIST  
)  
Silvino Patulot III; Petelo David Tuiasosopo; )  
Insource Jobs, Inc.; Strategic Business )  
Development, LLC; Educate Enterprises Services, )  
LLC, )  
)  
Respondents. )

**THE STATE OF WASHINGTON TO: Silvino Patulot III; Petelo David Tuiasosopo; Insource  
Jobs, Inc.; Strategic Business Development, LLC;  
Educate Enterprises Services, LLC**

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**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator for the state of Washington has reason to believe that Respondents, Silvino Patulot III, Petelo David Tuiasosopo, Insource Jobs, Inc., Educate Enterprises Services, LLC and Strategic Business Development, LLC, have each violated the Franchise Investment Protection Act of Washington, RCW 19.100, and that their violations justify the entry of an order of the Securities Administrator under RCW 19.100.248 against each to cease and desist from such violations. The Securities Administrator finds as follows:

**TENTATIVE FINDINGS OF FACT**

**I. Respondents**

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.
2. Strategic Business Development, LLC is a Washington limited liability company. It was formed on October 21, 2005, as "American Capital Solutions, Northwest, LLC." This Statement of Charges will refer to Strategic Business Development, LLC as "ACS NW" within the Tentative Findings of Fact because the conduct alleged herein occurred while it was known by that name. ACS NW changed its name to "Alternative Career Solutions, LLC" on May 24, 2006, and then changed its name to "Strategic Business Development, LLC" on January 4, 2007.
3. Educate Enterprises Services, LLC is a Washington limited liability company. It was formed on December 2, 2005, as "Educate Enterprises Foundation, LLC." It changed its name to "Educate Enterprises Services,

1 LLC” on September 22, 2006. This Statement of Charges will refer to Educate Enterprises Services, LLC as “EEF”  
2 within the Tentative Findings of Fact because the conduct alleged herein occurred while it was known by that name.

3 4. Silvino Patulot III (“Patulot”) is a resident of Washington State and was a resident of Washington  
4 State at all times relevant to this Statement of Charges. Patulot is the sole director and employee of IJI.

5 5. Petelo David Tuiasosopo (“Tuiasosopo”) is a resident of Washington State and was a resident of  
6 Washington State at all times relevant to this Statement of Charges. Tuiasosopo was the president of EEF at all times  
7 relevant to this Statement of Charges. Tuiasosopo was also the managing member of ACS NW, at all times relevant to  
8 this Statement of Charges.

## 9 **II. Other Related Parties**

10 6. ACS-Renton, LLC is a Washington limited liability company. It was formed on March 23, 2006 and  
11 became inactive on July 2, 2007.

## 12 **III. Nature of the Offering**

13 7. Despite being organized as distinct entities, ACS NW, IJI and EEF were all run and operated by  
14 Patulot and/or Tuiasosopo. ACS NW, IJI and EEF shared profits and paid for joint expenses out of the same  
15 Washington Mutual bank account in the name of EEF. Respondents represented that ACS NW was an organizer of  
16 mortgage origination businesses using the “ACS” name. Respondents also represented that IJI was an educator with  
17 specific expertise in the real estate industry. Finally, Respondents represented that EEF was a 501(c)(3) non-profit  
18 organization, the mission of which was to reduce unemployment in the “baby-boomer” demographic group.

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

### 24 *Loan Origination*

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

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

#### *ACRE*

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

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

#### *Promotion and Sale of Net Branches*

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

14. Respondents represented that to purchase a net branch, an initial investment of \$50,000 was necessary. 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 right to provide "educational marketing services" in the "ACS" name and an exclusive territory. Net branch purchasers created limited liability companies with the name of their territory appended to the "ACS" name, such as "ACS-Renton" or "ACS-Tacoma." The exclusive territory was only valid for one year, but could be renewed for a \$10,000 service fee. It was represented that the remaining \$45,000 would be "donated" to EEF, and because EEF was a non-profit organization, it could procure matching grants. Investors were told that they would receive their \$45,000 "donation" back once a matching grant was procured.

1 15. In practice, Respondents sold net branches for a variety of prices ranging from \$5,000 to \$50,000. At  
2 the suggestion of the Respondents, some investors took out small business loans to fund their purchase of a net branch.  
3 At least one investor was told that he was required to take out a small business loan to purchase a net branch.

4 16. At least four Washington residents purchased net branches of ACS from Respondents. Respondents  
5 raised \$130,000 from these four Washington residents, but refunded one investor \$33,000 of his \$45,000 investment.

6 *Investor A*

7 17. In November of 2005, Investor A went to a friend's house for the purpose of meeting Patulot. Patulot  
8 gave a presentation to Investor A regarding IJI, EEF and ACS NW. Patulot told Investor A that for \$5,000 she could  
9 own a net branch of ACS NW. She was told that if she gave \$5,000 to EEF, EEF would assist her to obtain a \$50,000  
10 small business loan that would be used to fund the start up costs of her business. In addition, EEF would obtain a  
11 matching grant that would also be used to fund the start up costs of her net branch of ACS NW, including the cost of  
12 training employees in the ACRE program. Investor A received some offering materials from Patulot, but did not  
13 receive a franchise disclosure document or a uniform offering circular.

14 18. On January 31, 2006, Investor A wrote out a check to EEF in the amount of \$5,000 and signed a letter  
15 of intent describing the purported business model. The letter of intent granted Investor A the right to operate an "ACS"  
16 branch, an exclusive territory, and the right to assistance from EEF and IJI including accounting, marketing, and  
17 management assistance. Investor A was also promised that Patulot would train her in the operation of her business, and  
18 that Patulot and Tuiasosopo would provide assistance in the day-to-day operations of the business. Investor A's check  
19 was endorsed by Tuiasosopo and deposited in a Washington Mutual bank account under EEF's name on February 6,  
20 2006. Investor A named her business "ACS-Tacoma, LLC."

21 19. On March 2, 2006, at the request of Patulot and Tuiasosopo, Investor A signed an application for a  
22 business line of credit with Washington Mutual for \$50,000. The application was delivered to a Washington Mutual  
23 location by Patulot or Tuiasosopo or at their direction. After the application was submitted and approved, Tuiasosopo  
24 instructed Investor A to withdraw \$45,000 from the line of credit in cash and deposit it into the EEF Washington  
25 Mutual bank account. On March 13, 2006, Investor A withdrew \$50,000 from her business line of credit and deposited  
\$45,000 into the EEF Washington Mutual account. Tuiasosopo had also instructed Investor A to withdraw the  
remaining \$5,000 in cash from the line of credit for a "reimbursement," of her initial \$5,000 payment to EEF.

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

*Investor B*

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21. In the fall of 2005, Investor B attended a birthday party where Patulot gave a presentation regarding his various businesses. Intrigued, Investor B attended a meeting organized by Patulot in January 2006. Investor B was then offered the opportunity to start an ACS net branch in Bellevue for \$5,000. He was also told he would be required 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 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 loans per month which made between \$5,000 and \$6,000 each.

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

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1 and Tuiasosopo signed Investor C's Letter of Intent on March 10, 2006. In the letter of intent, Investor C was told that  
2 EEF would obtain matching grants for all of Investor C's investment, which would be used to fund his business. The  
3 letter of intent also granted to investor C an exclusive territory, the right to operate as an "ACS" net branch and the  
4 right to assistance from IJI, EEF and ACS NW, including accounting, marketing, and management assistance. Investor  
5 C was also promised that Patulot would train him in the operation of his business. On March 23, 2006, "ACS-Federal  
6 Way, LLC" was created by Investor C. Investor C never did any business as an ACS net branch.

#### 7 *Investor D*

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

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

### 20 **IV. Misrepresentations and Omissions**

#### 21 *Earnings Claims*

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

26 29. Another such document was a letter with the subject line "Opportunity to License and Co-own Net  
27 Branches of Mortgage Companies" which was distributed widely and was received by at least Investors A and B. This  
28 letter was signed by Patulot and contained the statement, "Expected ROI: 280% or \$280,000.00 net from the projected  
29 \$1 million gross revenue."

30 30. Respondents had no data to substantiate these claims, and did not inform investors that they had no  
31 such substantiating data. They also failed to disclose the limitations of their representations.

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

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

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

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

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

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

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

**V. Registration Status and Offering Circular**

37. Respondents, Silvino Patulot III, Petelo David Tuiasosopo, Insource Jobs, Inc., Strategic Business Development, LLC and Educate Enterprises Services, LLC are not currently registered to sell their franchises in the state of Washington and have not previously been so registered.

38. Respondents, Silvino Patulot III, Petelo David Tuiasosopo, Insource Jobs, Inc., Strategic Business Development, LLC and Educate Enterprises Services, LLC failed to deliver to Investors A, B, C and D 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.

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

**CONCLUSIONS OF LAW**

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

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

3. The offer and/or sale of said franchise was in violation of RCW 19.100.080, the disclosure document requirement provision of the Franchise Investment Protection Act, because Respondents failed to provide prospective purchasers with a disclosure document that contained all material information about the franchise including, but not necessarily limited to, a financial statement for the seller.

4. The offer and/or sale of said franchise was made in violation of RCW 19.100.170 because the misrepresentations described in Section IV of the Tentative Findings of Fact were untrue statements of material fact and/or omissions of material fact necessary in order to make certain statements made by Respondents, in light of the circumstances they were made, not misleading. The misrepresentations described in Section IV of the Tentative Findings of Fact also amount to a device, scheme or artifice to defraud the purchasers of net branches of ACS NW.

**NOTICE OF INTENT TO ORDER THE RESPONDENTS TO CEASE AND DESIST**

Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondents Silvino Patulot III, Petelo David Tuiasosopo, Insource Jobs, Inc., Strategic Business Development, LLC, and Educate Enterprises Services, LLC and their agents and employees each shall cease and desist from violations of RCW 19.100.020, RCW 19.100.080 and RCW 19.100.170.

**AUTHORITY AND PROCEDURE**

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This Order is entered pursuant to the provisions of RCW 19.100.248 and is subject to the provisions of Chapter 34.05 RCW. Respondents, Silvino Patulot III, Petelo David Tuiasosopo, Insource Jobs, Inc., Strategic Business Development, LLC and Educate Enterprises Services, LLC may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order. If a respondent does not request a hearing within the allowed time, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and enter a final order to cease and desist as to that respondent.

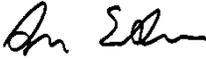
Signed and Entered this 26th day of April 2012.

By:



William M. Beatty  
Securities Administrator

Approved by:



Suzanne Sarason  
Chief of Enforcement

Presented by:



Bridgett Fisher  
Financial Legal Examiner

Presented by:



William McGinty  
Financial Legal Examiner