



## I. JURISDICTION

1. The Commissioner has jurisdiction in this proceeding pursuant to Section 14-210 (a) of the Maryland Franchise Law.

## II. STATEMENT OF FACTS

2. C12 is a North Carolina limited liability company with a principal business address of 4101 Piedmont Parkway, Greensboro, NC 27410.

3. C12 offers and sells franchises for executive development programs directed to and for Christian business owners and their staff.

4. C12 has been registered with the Securities Division to offer and sell franchises under the Maryland Franchise Law from July 6, 2007 through July 6, 2008.

5. On July 7, 2008, C12 filed an application with the Securities Division to renew its franchise offering under the Maryland Franchise Law. The Securities Division reviewed C12's renewal application and, on July 21, 2008 and January 21, 2009, sent C12 comment letters outlining deficiencies that C12 had to correct in order to renew its franchise offering in Maryland.

6. C12 did not respond to the Securities Division's January 21, 2009 request for corrections to the application, and, as a result, the Securities Division deemed C12's renewal application abandoned as of September 30, 2009.

7. In connection with that renewal application, on January 21, 2009 the Commissioner signed an Escrow Order ("2009 Escrow Order") requiring C12 to deposit all initial fees, within 48 hours of the receipt of these funds, in an escrow account approved by the Commissioner until such time as the Commissioner takes further action.

8. C12 did not file any applications to register its franchise offering in Maryland in 2010 or 2011.

9. On or about December 16, 2011, a C12 representative advised the Securities Division that in August 2011, C12 had offered and sold a C12 franchise in Maryland.

10. Specifically, C12 represented that on August 30, 2011, C12 entered into a franchise agreement dated August 23, 2011 with a Maryland resident (“KG”), a resident of Frederick, Maryland, to operate a C12 franchise in Maryland.

11. C12 further represented that on or about June 9, 2010, C12 emailed a Franchise Disclosure Document (“FDD”) with an Issuance Date of January 1, 2010 to KG. C12 also represented that on August 15, 2011, C12 provided KG with an FDD with an Issuance Date of October 1, 2009. These FDDs were not reviewed by the Securities Division or registered under the Maryland Franchise Law for use in Maryland.

12. Neither FDD that C12 distributed to KG complies with the requirements of the Maryland Franchise Law.

13. Among other deficiencies, the Financial Performance Representation, in the form of a projection, that C12 included in each FDD did not have a reasonable basis and did not otherwise comply with the requirements under the Maryland Franchise Law for making a Financial Performance Representation.

14. In each FDD, C12 disclosed the 2009 Escrow Order. C12 stated that it had established an escrow account in a Maryland Bank and that all initial fees paid by Maryland franchisees would be deposited into the escrow account.

15. C12 represents that KG paid total initial franchise fees to C12 of \$25,000.00. These fees included a \$1,500.00 training fee and a \$1,500.00 support fee that were paid to C12 by credit card on July 1, 2011. The remaining \$12,000.00 franchise fee and \$10,000.00 marketing

expense fees were paid to C12 by checks on September 18, 2011. C12 represents that it fulfilled all its pre-opening obligations to KG as of July 31, 2011 and, thereafter, KG commenced its franchise business.

16. C12 concedes that it did not deposit any initial fees paid by KG into the Maryland escrow account as required by the 2009 Escrow Order.

17. C12 represented to the Securities Division that C12's offer and sale of a franchise in violation of the Maryland Franchise Law was inadvertent and that, prior to the date of this Consent Order, C12 had no formal, written procedures in place to ensure compliance with state franchise registration and disclosure requirements.

18. C12 represents that it has ceased all offers and sales of C12 franchises in violation of the Maryland Franchise Law.

19. C12 further represents that, other than the offer and sale of a C12 franchise to KG, C12 did not offer or sell any C12 franchise to any Maryland residents, or to any other residents for a C12 franchise to be located in whole or in part in Maryland.

20. C12 represents that it has prepared and implemented new written procedures to ensure that, in the future, it complies with all requirements of the Maryland Franchise Law and that it delivers the correct and updated form of FDD to prospective Maryland franchisees.

#### IV. CONCLUSIONS OF LAW

21. By engaging in the above activities, the Commissioner has concluded that C12 violated §§14-214, 14-216, 14-228 and 14-229 of the Maryland Franchise Law, the Maryland Franchise Regulations (COMAR) Sections 02.02.08.04 and 02.02.08.08, and the Commissioner's 2009 Escrow Order.

## V. ORDER AND CONSENT

22. THE COMMISSIONER HEREBY ORDERS, AND C12 REPRESENTS AND CONSENTS THAT:

- A. C12 shall immediately and permanently cease and desist from the offer and sale of franchises in violation of the Maryland Franchise Law;
- B. C12 shall promptly file and diligently pursue an application for an initial franchise registration in Maryland. For purposes of this Agreement “diligently pursue” means that an applicant submits a substantive response to a Securities Division comment letter regarding a registration application no later than 15 days after the applicant’s receipt of the comment letter;
- C. Within five (5) days of its receipt of the fully executed Consent Order of the Commissioner, C12 shall send KG a copy of this signed Consent Order, along with a Notice of Rescission Rights, in the form attached as Exhibit 1, informing KG that he is being offered an opportunity to immediately rescind his C12 franchise agreement under the terms of this Consent Order;
- D. Upon notification by the Securities Division that C12’s franchise offering has been effectively registered for use in Maryland, if KG has not already rescinded his C12 franchise in response to the Notice of Rescission Rights, C12 shall send to KG the following: (i) a copy of the applicable, effectively registered Maryland FDD; and (ii) a letter, in substantially the form attached to this letter as Exhibit 2, notifying KG that, now that C12 is effectively registered to offer franchises in Maryland, KG has a second opportunity to rescind his C12 franchise agreement under the terms stated in that letter;
- E. C12 agrees that if KG accepts C12’s offer to rescind his franchise purchase in response to the Notice of Rescission Rights or a subsequent Offer to Rescind Franchise Agreement required under this Consent Order, C12 will complete payments to KG within thirty (30) days of C12’s receipt of either written Acceptance;
- F. C12’s offer of a franchise for the limited purposes described in Paragraph 23 C of this Consent Order is exempt from the registration provisions of the Maryland Franchise Law; and
- G. C12 acknowledges that this Consent Order is a discloseable order as described under the Maryland Franchise Law, and Item 3 of the NASAA Franchise Registration and Disclosure Guidelines and Amended FTC Franchise Rule.



FORM  
(On Company Letterhead)

Certified Mail  
Return Receipt Requested

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Re: Notice of Rescission Rights**

Dear \_\_\_\_\_:

In accordance with discussions our attorneys have had with the Division of Securities of the Maryland Attorney General's Office (the "Securities Division"), [Insert name of Company] ("we") have agreed to offer rescission to any Maryland residents to whom we sold franchises in violation of the provisions of the Maryland Franchise Law. This offer of rescission is made in settlement of the administrative proceeding that the Division may bring for the sale of a franchise in violation of the Maryland Franchise Law and does not affect any civil liability for which we may be responsible.

If you elect to rescind and terminate your franchise, we agree to return to you all initial franchise fees, training fees, support fees, and marketing expense fees you paid us. If you purchased any optional items as part of your franchise agreement, we will reimburse you for the cost you paid us for those items.

In the event you elect to rescind, you will give up your franchise agreement. You also will give up any rights to use our trademarks and system and be obligated to refrain from using and disclosing any of our trade secrets and any of our confidential and proprietary information. We will make payments within thirty (30) days after we receive your Acceptance of Offer to Rescind.

This offer will remain open for thirty (30) days from the date you receive this letter. Please check the appropriate place below and return a signed copy of this letter to me within the time period. If you have any questions, please contact Dale E. Cantone, Assistant Attorney General, at the Division (410-576-6368).

If you do not rescind your franchise now, you will be given a second opportunity to rescind your franchise, after we have completed the registration process. When that registration is complete, we will send you a copy of a registered FDD and a new letter offering to rescind your franchise purchase under the same terms outlined in this letter.

Sincerely,  
THE COMPANY

**Exhibit 1**

ACCEPTANCE OR REFUSAL OF OFFER TO RESCIND FRANCHISE

1. I, the undersigned, acknowledge that I have read the preceding Notice of Offer to Rescind Franchise Agreement and understand its contents.
2. I understand that I have not waived my rights under the Maryland Franchise and Disclosure Law by signing this document or my right to accept a subsequent rescission offer at a later time.

**CHECK ONE**

\_\_\_\_\_ I hereby **accept** your offer of rescission and agree to not use your trademarks and system and to not use or disclose to anyone the trade secrets, and confidential and proprietary information that we obtained from you.

\_\_\_\_\_ **I do not wish to accept your offer of rescission at this time.** I understand that I will be given a second opportunity to rescind my franchise purchase once the franchisor has effectively registered its franchise offering with the Securities Division under the Maryland Franchise Law.

Date: \_\_\_\_\_

\_\_\_\_\_ Franchisee

FORM  
(On Company Letterhead)

Certified Mail  
Return Receipt Requested

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Re:    **[Company] Offer to Rescind Franchise Agreement**

Dear \_\_\_\_\_:

As you recall, [Insert name of Company] ("we") have agreed to offer rescission to any Maryland residents who entered into franchise agreements (collectively "franchises") with us in violation of the provisions of the Maryland Franchise Law. You previously received a "Notice of Rescission Rights" from us offering to rescind your franchise immediately. Now that we have completed the registration of our franchise, we are giving you this second opportunity to rescind your franchise, along with a copy of a Maryland Franchise Disclosure Document. We are making this offer in settlement of the administrative proceeding that the Division may bring for the sale of a franchise in violation of the Maryland Franchise Law and does not affect any civil liability for which we may be responsible.

If you elect to rescind and terminate your franchise, we agree to return to you all initial franchise fees, training fees, support fees, and marketing expense fees you paid us. If you purchased any optional items as part of your franchise agreement, we will reimburse you for the cost you paid us for those items.

In the event you elect to rescind, you will give up your franchise agreement. You also will give up any rights to use our trademarks and system and be obligated to refrain from using and disclosing any of our trade secrets and any of our confidential and proprietary information. We will make payments within thirty (30) days after we receive your Acceptance of Offer to Rescind your Franchise Agreement.

This offer will remain open for thirty (30) days from the date you receive this letter. Please check the appropriate place below and return a signed copy of this letter to me within the time period. If you have any questions, please contact Dale E. Cantone, Assistant Attorney General, at the Division (410-576-6368).

Sincerely,

THE COMPANY

**Exhibit 2**

ACCEPTANCE OR REFUSAL OF OFFER TO RESCIND FRANCHISE

1. I, the undersigned, acknowledge that I have read the preceding Notice of Offer to Rescind Franchise Agreement and understand its contents.
2. I understand that I have not waived my rights under the Maryland Franchise and Disclosure Law by signing this document.
3. I hereby make the following choice to accept or refuse your offer to rescind my franchise agreement:

**CHECK ONE**

\_\_\_\_\_ I hereby **accept** your offer of rescission and agree to not use your trademarks and system and to not use or disclose to anyone the trade secrets, and confidential and proprietary information that we obtained from you.

\_\_\_\_\_ I do **not accept** your offer of rescission. I wish to remain a franchisee under my franchise agreement.

Date: \_\_\_\_\_

\_\_\_\_\_  
Franchisee