

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

II. STATEMENT OF FACTS

2. Sherri's Foods is a Pennsylvania corporation formed in 2001 with a principal business address of 1909 State Street, Camp Hill, Pennsylvania 17011.

3. Sherri's Foods has operated or had ownership interests in Sherri's Crab Cake food carts, which sell Sherri's Crab Cake sandwiches and other food services.

4. In 2013, Sherri's Foods licensed to its wholly owned subsidiary, Sherri's Crab Cakes, LLC ("Sherri's Franchise"), the right to use and sublicense the use of Sherri's Foods trademarks and other intellectual property in order to offer and sell Sherry's Crab Cake franchises.

5. On June 19, 2014, Sherri's Franchise filed an initial application and Franchise Disclosure Document ("FDD") with the Securities Division to register its franchise offering under the Maryland Franchise Law.

6. Item 20 of Sherri's Franchise FDD discloses that "A license was granted to a Delaware distributor covering parts of Maryland and all of Delaware..."

7. The Securities Division reviewed the Sherri's Franchise registration application and, on July 22, 2014, sent Sherri's Franchise a comment letter identifying deficiencies in the application and FDD.

8. In that July 22, 2014 deficiency letter, the Securities Division noted that it appeared that Sherri's Franchise or Sherri's Foods may have offered or sold a franchise in Maryland without being registered to do so. The Securities Division requested information about the sale of Sherri's Foods licensed distributorships in Maryland.

9. Sherri's Franchise responded to the Securities Division's July 22, 2014 comment

letter and acknowledged that, in 2011, Sherri's Foods entered into an "Exclusive Distributor Agreement" with a resident of Rehoboth Beach, Delaware ("Delaware Distributor"), granting him the right to operate a Sherri's Crab Cake food cart in a territory consisting of the "Delmarva peninsula," which comprises Delaware and parts of Maryland and Virginia.

10. On July 1, 2012, Sherri's Foods entered into an amended Exclusive Distributor Agreement with the Delaware Distributor. The amended agreement is similar to the original agreement between the parties but with corrections for errors mutually agreed to between the parties.

11. Sherri's Foods represents that the Delaware Distributor has never been a resident of Maryland, and that the Delaware Distributor's grant of a territory in Maryland consisted of the right to sell Sherri's products from a mobile food cart at fairs and shows located, at times, in Maryland.

12. Sherri's Foods also represents that any offer or sale by Sherri's Foods of a franchise in violation of the Maryland Franchise Law was inadvertent.

13. Sherri's Foods further represents that, other than the offer and sale of to the Delaware Distributor described above, Sherri's Foods has not offered or sold any distributorships or franchises in Maryland or to any Maryland residents.

III. CONCLUSIONS OF LAW

14. By engaging in the above activities, the Commissioner has concluded that Sherri's Foods offered and sold a franchise where the franchise business was operated, in part, in Maryland in violation of §14-214 of the Maryland Franchise Law.

IV. ORDER AND CONSENT

15. THE COMMISSIONER HEREBY ORDERS, AND SHERRI'S FOODS REPRESENTS AND CONSENTS THAT:

- A. Sherri's Foods shall immediately and permanently cease and desist from the offer and sale of franchises in violation of the Maryland Franchise Law;
- B. Sherri's Foods shall pay a civil monetary penalty of Two Thousand Five Hundred Dollars (\$2,500) to the Office of the Attorney General for violations of the Maryland Franchise Law
- C. Sherri's Foods 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.

V. JURISDICTION RETAINED

16. Jurisdiction shall be retained by the Commissioner for such further orders and directions as may be necessary or appropriate for the construction or enforcement of the Consent Order.

VI. CONSEQUENCES OF VIOLATING THIS CONSENT ORDER

17. If Sherri's Foods fails to comply with any term of this Consent Order, the Securities Division may bring administrative or judicial proceedings against it to enforce this Consent Order or to sanction it for violating an order of the Commissioner, and may take any other action authorized under the Maryland Franchise Law or any other applicable law. In any such proceeding in which, after an opportunity for a hearing, the Commissioner or a court finds that Sherri's Foods has violated this Consent Order, the Statement of Facts and the violations of the Maryland Franchise Law alleged in the Consent Order shall be deemed admitted and may be introduced into evidence against Sherri's Foods.

VII. MODIFICATION OF CONSENT ORDER

18. The terms of this Consent Order may be modified only by a subsequent order issued by the Commissioner.

SO ORDERED:

**Commissioner's Signature on File
w/Original Document**

MELANIE SENTER LUBIN
SECURITIES COMMISSIONER

DATE OF THIS ORDER:

March 9, 2015

BY CONSENT:

Sherri's Fun Foods, Inc.

By: Keith Behney, President