

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND**

In the Matter of:

*

360 PAINTING, INC., and

*

Case Number 2015-0477

PAUL FLICK,

*

Respondents.

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ORDER TO SHOW CAUSE

WHEREAS, the Securities Division of the Office of the Attorney General of Maryland (the “Securities Division”) initiated an investigation into the franchise-related activities of 360 Painting, Inc., and Paul Flick (collectively “Respondents”) under the authority granted under the Maryland Franchise Registration and Disclosure Law, MD. BUS. REG. CODE ANN. §§14-201 et seq. (2015 Repl. Vol.) (the “Maryland Franchise Law”); and

WHEREAS, as a result of that investigation, the Maryland Securities Commissioner (the “Commissioner”) has found grounds to allege that Respondents violated the anti-fraud, registration, and disclosure provisions of the Maryland Franchise Law, in relation to the offer to sell, and sale of 360 Painting franchises in Maryland;

NOW, THEREFORE, the Commissioner hereby orders Respondents to show cause why a final order should not be entered ordering each of them to permanently cease and desist from violating the anti-fraud, registration, and disclosure provisions of the Maryland Franchise Law.

The Commissioner alleges the following as a basis for this Order:

I. JURISDICTION

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

II. STATEMENT OF FACTS

A. Respondents

2. 360 Painting, Inc. (“360 Painting”) is a Virginia corporation with a principal business address of 113 South Columbus Street, Suite 401, Alexandria, Virginia 22314.

3. Paul Flick (“Flick”) is the chief executive officer of 360 Painting.

4. 360 Painting offers and sells franchises for retail painting businesses.

5. Flick has solicited individuals, including Maryland residents, to invest in a 360 Painting franchise.

6. 360 Painting was registered with the Securities Division to offer and sell franchises under the Maryland Franchise Law from August 1, 2007 through August 1, 2008.

7. 360 Painting has not been registered to offer or sell franchises under the Maryland Franchise Law at any time after August 1, 2008.

B. 360 Painting Website

8. 360 Painting maintains an Internet website at [www.360 Painting.com](http://www.360Painting.com), which has a link to a page entitled “Start Your Own 360 Painting Franchise.”

9. The 360 Painting website includes a link to request additional information about the 360 Painting franchise opportunity.

10. The 360 Painting website also states as follows:

The 360° PAINTING franchise marketing system allows you to enter the market place and

take control of it quickly. Get off on the Right Foot - With a low initial investment, you can get your business started fast without going deep into debt. Control - This is your business. You control how quickly and efficiently your business grows with the support of the franchisor. Generate Wealth and Equity - When you're ready to retire there is more waiting for you than a cake and a pat on the back. As a business owner you can sell your business and be rewarded for what you have built!

C. Offers and Sales of 360 Painting Franchises in Maryland

11. In the Fall of December 2012, LB, a resident of Clinton, Maryland, had discussions with Flick about investing in a 360 franchise. Flick advised LB that he had sold several successful 360 Painting franchises in Maryland.

12. In December 12, 2012, LB entered into a Franchise Agreement with 360 Painting granting her the right to operate a 360 Painting franchise in Maryland.

13. LB paid 360 Painting a franchise fee of \$32,000.00.

14. At the time Respondents offered and sold a 360 Painting franchise to LB in 2012, 360 Painting was not registered to offer or sell franchises in Maryland.

15. As of the date of this Order, the 360 Painting website identifies that it has two Maryland franchise locations, one operated by an individual with the initials HL, located in Bel Air Maryland ("Bel Air Franchisee"), and a second location operated by a business located in Columbia, Maryland ("Columbia Franchisees").

16. In 2015, the Columbia Franchisees met with Flick to discuss investing in a 360 Painting franchise.

17. The Columbia Franchisees entered into a 360 Painting franchise agreement in or around November 2015.

18. 360 Painting gave the Columbia Franchisees a "Franchise Disclosure Document" prior to their execution of a 360 Painting franchise agreement.

19. At the time Respondents offered and sold a 360 Painting franchise to the Columbia Franchisees in 2015, 360 Painting was not registered to offer or sell franchises in Maryland.

COUNT ONE
(Violation of Registration Provisions)

WHEREAS, section 14-228 of the Maryland Franchise Law makes it unlawful for any person to offer to sell, through advertisement or otherwise, or sell a franchise in Maryland or to a Maryland resident unless the offering has been registered with the Commissioner before the person offers to sell, through advertisement or otherwise, or sells the franchise in Maryland; and

WHEREAS, Respondents offered to sell franchises, and sold franchises in Maryland without registering the offering with the Commissioner;

NOW, THEREFORE, IT IS HEREBY ORDERED that Respondents show cause why they should not be ordered to permanently cease and desist from the offer or sale of franchises in Maryland in violation of the registration provisions of section 14-228 of the Maryland Franchise Law.

COUNT TWO
(Violation of Disclosure Provisions)

WHEREAS, section 14-223 of the Maryland Franchise Law makes it unlawful for any person to offer to sell or sell a franchise in Maryland or to a Maryland resident without first giving a prospective franchisee a copy of the offering prospectus and a copy of each proposed agreement that relates to the sale of the franchise at the earlier of: (1) 14 calendar days before the execution by the prospective franchisee of any binding agreement with the franchisor; (2) 14 calendar days before payment of any consideration that relates to the franchise relationship; or (3) a reasonable request by a prospective franchisee to receive a copy of the offering prospectus; and

WHEREAS, under section 14-216 (a) and COMAR 02.02.08.04, the “offering prospectus” that a franchisor must give to a prospective franchisee is the Franchise Disclosure Document that is registered by the Securities Division and that contains 23 separate Items of disclosure; and

WHEREAS, Respondents offered to sell and sold franchises in Maryland without giving the prospective Maryland franchisees the offering prospectus required under the Maryland Franchise Law at any time before the Maryland franchisees paid consideration or signed a binding contract related to the franchise;

NOW, THEREFORE, IT IS HEREBY ORDERED that Respondents show cause why they should not be ordered to permanently cease and desist from the offer and sale of franchises in violation of the disclosure provisions of section 14-223 of the Maryland Franchise Law.

COUNT THREE

(Misrepresentation in connection with the offer or sale of franchises)

WHEREAS, section 14-229 of the Maryland Franchise Law prohibits any person, in connection with the offer to sell or sale of a franchise, directly or indirectly, to employ a device, scheme or artifice to defraud; make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or engage in any act, practice, or course of business which operates or would operate as a fraud or deceit on any person; and

WHEREAS, in connection with the offer and sale of a franchise, Respondents made material omissions of fact about the 360 Painting franchise offering by offering franchises in Maryland and distributing Franchise Disclosure Documents to prospective Maryland franchisees without advising the prospective Maryland franchisees that the 360 Painting franchise was not registered with the Securities Division to lawfully offer and sell franchises in Maryland;

NOW, THEREFORE, IT IS HEREBY ORDERED that Respondents show cause why they should not be ordered to permanently cease and desist from the offer and sale of franchises in violation of the anti-fraud provisions of section 14-229 of the Maryland Franchise Law.

**REQUIREMENT OF ANSWER AND
NOTICE OF OPPORTUNITY FOR HEARING**

IT IS FURTHER ORDERED, pursuant to section 14-210 of the Maryland Franchise Law and COMAR 02.02.06.06, that Respondents shall file with the Commissioner a written Answer to this Order within fifteen days of service of the Order. The Answer shall admit or deny each factual allegation in the Order and shall set forth affirmative defenses, if any. A respondent without knowledge or information sufficient to form a belief as to the truth of an allegation shall so state.

The Answer also shall indicate whether a respondent requests a hearing. A hearing will be scheduled in this matter if one is requested in writing. Failure by any respondent to file a written request for a hearing in this matter shall be deemed a waiver by that respondent of the right to such a hearing. Failure of any respondent to file an Answer, including a request for a hearing, shall result in entry of a final order directing that Respondent to permanently cease and desist from violation of the Maryland Franchise Law.

SO ORDERED:

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

Dated: February 23, 2016

MELANIE SENTER LUBIN
SECURITIES COMMISSIONER