

ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND

IN THE MATTER OF:

Snapology Community Programs, L.P.

and its successor Snapology, LLC,

Respondent

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Case No. 2015-0429

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CONSENT ORDER

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 Snapology Community Programs, L.P. and its successor Snapology, LLC (“Snapology”) under the authority granted under the Maryland Franchise Registration and Disclosure Law, MD. CODE ANN. BUS. REG §14-201 et seq. (2015 Repl. Vol.) (the “Maryland Franchise Law”); and

WHEREAS, based on information presented by the Securities Division, the Maryland Securities Commissioner (the "Commissioner") concluded that grounds exist to allege that Snapology violated the registration and disclosure provisions of the Maryland Franchise Law, in relation to the offer and sale of Snapology franchises in Maryland; and

WHEREAS, before the holding of a hearing in this matter, without trial or final adjudication of any issue of fact or law, and without Snapology admitting or denying any violation of law, the Commissioner and Snapology have reached an agreement to enter into this Consent Order;

NOW, THEREFORE, IT IS HEREBY ORDERED AND DECREED:

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. Snapology, LLC is a Pennsylvania limited liability company with a principal business address of 1699 Washington Road, Suite 200, Pittsburgh, PA 15228.

3. Snapology Community Programs, L.P. is the predecessor of Snapology, LLC (collectively, “Snapology”) and maintained its principal business address at 1699 Washington Road, Suite 200, Pittsburgh, PA 15228.

4. Snapology entered into License Agreements and Training Service Agreements (collectively “License Agreements”) for licensees to operate a Snapology Learning Center.

5. During the period October 15, 2010 to March 10, 2015, Snapology entered into Two (2) License Agreements with licensees (“Maryland Licensees”) who were, at the time of the License Agreements, either Maryland residents or non-Maryland residents operating a Snapology Learning Center located in Maryland.

6. Specifically, Snapology entered into Snapology License Agreements with the following Maryland Licensees: DLL and JJS of Columbia, MD (the “Columbia Licensees”) signed the License Agreements with Snapology as of December 12, 2012 and paid an initial license fee of \$3,000 and an initial training fee of \$14,000; and JSW and RAW of Frederick, MD (the “Frederick Licensees”) signed the License Agreements with Snapology as of December 5, 2014 and paid an initial license fee of \$6,000 and an initial training fee of \$20,000.

7. The Snapology License Agreements require Maryland Licensees to operate their Snapology Learning Centers under the Snapology trade name using the Snapology standards of

quality and technical specifications. The Maryland Licensees must operate their Snapology Learning Center using lesson plans and other materials provided by Snapology.

8. The Maryland Licensees pay Snapology annual license fees.

9. The Commissioner has determined that the Snapology License Agreements that Snapology entered into with the Maryland Licensees constitute a “franchise” as defined under the Maryland Franchise Law.

10. Snapology was not registered with the Securities Division to offer franchises in Maryland at the time it entered into its License Agreements with the Maryland Licensees.

11. Snapology did not give the Maryland Licensees a franchise disclosure document disclosing material information about the Snapology franchise offering before the Maryland Licensees entered into their Snapology franchise.

12. Snapology represents that it has ceased offering franchises and it has ceased and shall no longer offer license agreements in Maryland or to any Maryland residents, and that it will not offer or sell franchises in Maryland or to any Maryland residents until Snapology has registered its franchise offering with the Securities Division.

13. Snapology represents that it has filed with the Securities Division an application to register the Snapology franchise offering and that it will diligently pursue registration of that franchise offering.

14. Snapology also represents that, other than the sales to the Maryland Licensees described in this Consent Order, Snapology did not offer or sell any Snapology franchise in Maryland or to any Maryland residents.

15. Snapology further represents that, prior to the date of this Consent Order, it has made a rescission offer to the Columbia Franchisee, which the Columbia Franchisee has accepted,

and the parties have entered into an agreement resolving all outstanding issues regarding the offer and sale of a Snapology License Agreement.

IV. CONCLUSIONS OF LAW

16. By engaging in the above activities, the Commissioner has concluded that Snapology violated §§ 14-214, and 14-223 of the Maryland Franchise Law, and Maryland Franchise Regulations (COMAR) Section 02.02.08.04.

V. ORDER AND CONSENT

17. THE COMMISSIONER HEREBY ORDERS, AND SNAPOLOGY REPRESENTS AND CONSENTS THAT:

- A. Snapology shall immediately and permanently cease and desist from the offer and sale of franchises in violation of the Maryland Franchise Law;
- B. Snapology shall diligently pursue the completion of the pending application to register the Snapology franchise offering in Maryland;
- C. Upon notification by the Securities Division that Snapology's franchise offering has been effectively registered for use in Maryland, Snapology shall send to the Frederick Licensee the following: (i) a copy of an effectively registered Maryland FDD; (ii) a copy of this Consent Order; and, (iii) a letter, in substantially the form attached to this letter as Exhibit 1, notifying the Frederick Licensee that it has the right to rescind its Snapology license and training services agreement; and
- D. Snapology acknowledges that this Consent Order is a discloseable order as described under § 14-216(c)(9)(i)(4) of the Maryland Franchise Law.

VI. JURISDICTION RETAINED

18. 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.

VII. CONSEQUENCES OF VIOLATING THIS CONSENT ORDER

19. If Snapology 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 Snapology 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 Snapology.

VIII. MODIFICATION OF CONSENT ORDER

20. 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:

January 15, _____ 2016

BY CONSENT:

SNAPOLOGY COMMUNITY PROGRAMS, L.P.
and SNAPOLOGY, LLC

BY: Laura Coe, President

FORM
(On Company Letterhead)

Certified Mail
Return Receipt Requested

Re: [Company] Notice of Offer to Rescind Franchise

Dear _____:

In accordance with discussions our attorneys have had with the Securities Division of the Office of the Attorney General of Maryland (the "Securities Division"), [Insert name of Company] ("we") have agreed to offer rescission to all Maryland residents who entered into franchises with us in the form of License Agreements and Training Services Agreements (collectively "License Agreements") and other residents who entered into License Agreements with us related to Snapology Centers to be located in Maryland. This offer of rescission is made in settlement of the administrative proceeding that the Securities 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 License and Training Services Agreements, we agree to return to you the initial license and training fees you paid us for your Snapology Center.

In the event you elect to rescind, we will cancel your License Agreements. 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.

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 Securities Division (410-576-6368).

Sincerely,

THE COMPANY

Exhibit 1

ACCEPTANCE OR REFUSAL OF OFFER TO RESCIND FRANCHISE

1. I, the undersigned licensee, acknowledge that I have read the preceding Notice of Offer to Rescind Franchise 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:

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 License Agreements.

Date: _____

Licensee