

ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND

IN THE MATTER OF:	*	
	*	
911 Restoration Franchise, Inc.,	*	Case No. 2016-0330
 Respondent,	*	
 * * * * * * * * * * * *		

CONSENT ORDER

WHEREAS, on October 27, 2014, the Maryland Securities Commissioner (the “Securities Commissioner”) issued a Consent Order (“2014 Consent Order”) against 911 Restoration Franchise, Inc. (“911 Restoration”) based on alleged violations by 911 Restoration of the registration and disclosure provisions of the Maryland Franchise Registration and Disclosure Law, MD. CODE ANN. BUS. REG §14-201 et seq. (2010 Repl. Vol. and Supp. 2013) (the “Maryland Franchise Law”); and

WHEREAS, under the 2014 Consent Order, the Securities Commissioner concluded 911 Restoration violated §§14-214, 14-216 and 14-228 of the Maryland Franchise Law; and

WHEREAS, under the 2014 Consent Order, the Securities Commissioner ordered, and 911 Restoration agreed, among other things, to send a copy of the 2014 Consent Order to a 911 Restoration franchisee from Baltimore, Maryland (“Maryland Franchisee”) and to make a rescission offer to that Maryland Franchisee; and

WHEREAS, based on information provided by the Maryland Securities Division (the “Securities Division”), the Securities Commissioner found grounds to allege that 911 Restoration did not comply with all of the terms of the 2014 Consent Order and had, as a result, violated the

2014 Consent Order; 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 911 Restoration admitting or denying any violation of law or the 2014 Consent Order, the Securities Commissioner and 911 Restoration have reached an agreement to enter into this Consent Order;

NOW, THEREFORE, IT IS HEREBY ORDERED AND DECREED:

I. JURISDICTION

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

II. STATEMENT OF FACTS

2. 911 Restoration is a California corporation with a principal business address of 7721 Densmore Ave., Van Nuys, California 91406.

3. 911 Restoration offers franchises for emergency response service businesses.

4. On October 27, 2014, 911 Restoration entered into a Consent Order (the “2014 Consent Order”) that the Securities Commissioner issued against it in order to resolve alleged violations of the registration and disclosure provisions of the Maryland Franchise Law, regarding an unregistered sale to the Maryland Franchisee.

5. Under the 2014 Consent Order, the Securities Commissioner ordered and 911 Restoration agreed that 911 Restoration would do the following: (A) immediately and permanently cease and desist from the offer and sale of franchises in violation of the Maryland Franchise Law; (B) diligently pursue the completion of 911 Restoration’s initial application with the Securities Division for franchise registration under the Maryland Franchise Law; (C) within five (5) days of

the 2014 Consent Order, send a copy of that document to the Maryland Franchisee; (D) upon notification of registration by the Securities Division, send to the Maryland Franchisee a copy of the Maryland-registered Franchise Disclosure Document (“FDD”) and a rescission offer in the form attached to the 2014 Consent Order; (E) if the Maryland Franchisee accepted the 911 Restoration rescission offer, complete payments to that Maryland Franchisee within 30 days of 911 Restoration’s receipt of that written acceptance; and (F) send 911 Restoration’s principal officers and others with management responsibility to a franchise law compliance program approved by the Securities Division.

6. On October 28, 2014, the Securities Division sent to counsel for 911 Restoration a fully executed copy of the 2014 Consent Order and reminded counsel of the franchisor’s obligations under the 2014 Consent Order, including the obligation to send a copy of the 2014 Consent Order to the Maryland Franchisee.

7. On or around February 19, 2015, the Securities Division contacted 911 Restoration requesting an update on 911 Restoration’s compliance with the terms of the 2014 Consent Order and advised that, based on the Securities Division’s records, 911 Restoration still was not effectively registered under the Maryland Franchise Law. The Securities Division further advised 911 Restoration that it had not responded to a Division comment letter from October 2014 regarding 911 Restoration’s pending franchise registration.

8. On February 19, 2015, an attorney (“New Counsel”) for 911 Restoration advised the Securities Division that 911 Restoration had changed its legal counsel since October 2014 and that New Counsel would be representing the franchisor in the future.

9. New Counsel advised the Securities Division that 911 Restoration had advised New

Counsel that the franchisor had sent a copy of the 2014 Consent Order to the Maryland Franchisee on October 30, 2014 at the Maryland Franchisee's business address, and that mailing was delivered on November 3, 2014.

10. On March 9, 2015, New Counsel advised the Securities Division that 911 Restoration's principal officers had completed a franchise law compliance program approved by the Securities Division.

11. On June 4, 2015, the Securities Division notified 911 Restoration that its initial franchise application was effectively registered for use in Maryland as of May 18, 2015.

12. On June 4, 2015, the Securities Division sent a letter to New Counsel reminding him of 911 Restoration's obligations under the 2014 Consent Order, including the requirement to send a rescission offer to the Maryland Franchisee.

13. On or around August 2015, New Counsel represented to the Securities Division that 911 Restoration had represented to him that 911 Restoration had sent the rescission offer by certified mail to the Maryland Franchisee, but the Maryland Franchisee had not accepted that package. According to New Counsel, 911 Restoration further represented that it re-sent the rescission offer to the Maryland Franchisee, which package was delivered on June 24, 2015, and the Maryland Franchisee had not responded to the offer to rescind the purchase of the 911 Restoration franchise.

14. In or around April 2016, the Maryland Franchisee contacted the Securities Division and represented that the Maryland Franchisee had never received a copy of the 2014 Consent Order and that, while the Maryland Franchisee received a package from 911 Restoration in June 2015, the contents of that package did not include the form of rescission offer required under the 2014 Consent Order, or any rescission offer, but, instead, contained a flash drive with materials unrelated to the 911

Restoration franchise offering and the 2014 Consent Order.

15. In October 2016, New Counsel for 911 Restoration provided documentation to the Securities Division confirming that the franchisor had sent something by certified mail to the Maryland Franchisee, which package was delivered and signed by an employee of the Maryland Franchisee on June 25, 2014.

16. New Counsel has represented that, based on all of the information 911 Restoration could obtain, the package that it delivered to the Maryland Franchisee should have contained a flash drive with a copy of a Maryland-registered FDD and a rescission offer in the form required under the 2014 Consent Order. 911 Restoration has no direct evidence, however, of the actual contents of the package it mailed to the Maryland Franchisee. As a result, 911 Restoration cannot disprove the Maryland Franchisee's representations that the contents of the package it received on June 24, 2015 did not contain a Maryland-registered FDD or the rescission offer required under the 2014 Consent Order.

III. CONCLUSIONS OF LAW

17. By engaging in the above activities, the Securities Commissioner has concluded that 911 Restoration violated the 2014 Consent Order.

IV. ORDER AND CONSENT

18. THE SECURITIES COMMISSIONER HEREBY ORDERS, AND 911 RESTORATION REPRESENTS AND CONSENTS THAT:

- A. 911 Restoration shall immediately and permanently cease and desist from the offer and sale of franchises in violation of the Maryland Franchise Law and from violating the terms of the 2014 Consent Order;

- B. Within ten (10) days of its receipt of a fully signed copy of this Consent Order, 911 Restoration shall send to the Maryland Franchisee, with a copy to the Securities Division, 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 1, notifying the Maryland Franchisee that the Maryland Franchisee is being given an opportunity to rescind the 911 Restoration franchise agreement under the terms stated in that letter;
- C. 911 Restoration agrees that if the Maryland Franchisee accepts 911 Restoration's offer to rescind the 911 Restoration franchise in response to the Offer to Rescind Franchise Agreement required under this Consent Order, 911 Restoration will complete any payments 911 Restoration is required to make to the Maryland Franchisee under this Consent Order within thirty (30) days of 911 Restoration's receipt of the Maryland Franchisee's Acceptance of the Offer to Rescind Franchise Agreement;
- D. 911 Restoration 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

19. Jurisdiction shall be retained by the Securities 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

20. If 911 Restoration 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 Securities 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 Securities Commissioner or a court finds that 911 Restoration 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 it.

VII. MODIFICATION OF CONSENT ORDER

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

SO ORDERED:

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

MELANIE SENTER LUBIN
SECURITIES COMMISSIONER

DATE OF THIS ORDER:

February 10, 2017

BY CONSENT:

911 Restoration Franchise, Inc.

By: Idan Shpizear, Founder and CEO

FORM
(On Company Letterhead)

Certified Mail
Return Receipt Requested

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

Dear _____:

In accordance with discussions our attorneys have had with the Securities Division 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 registration provisions of the Maryland Franchise Law. 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 franchise, we agree to return to you all initial franchise fees you paid us less the cost for any unreturned items and equipment included in the purchase price you paid for the franchise. If you purchased any optional items as part of your franchise, we will reimburse you for the cost you paid us for any of the items that you return. In turn, 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 to you 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

BY:

Enclosure: Maryland-registered FDD
cc: Dale E. Cantone, Assistant Attorney General

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.
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