

BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND

IN THE MATTER OF:

**LMS Franchising, LLC,
d.b.a. Little Medical School**

Case No. 2018-0738

Respondent.

* * * * *

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 LMS Franchising, LLC, d.b.a. Little Medical School (“LMS”) under the authority granted under the Maryland Franchise Registration and Disclosure Law, MD. CODE ANN. BUS. REG. §14-201 et seq. (2015 Repl. Vol. and Supp. 2018) (the “Maryland Franchise Law”); and

WHEREAS, based on information presented by the Securities Division, the Maryland Securities Commissioner (the “Securities Commissioner”) has concluded that grounds exist to allege that LMS violated the registration and disclosure provisions of the Maryland Franchise Law in relation to the offer and sale of a Little Medical School franchise 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 LMS admitting or denying any violation of law, the Securities Commissioner and LMS have reached an agreement to enter into this Consent Order; and

WHEREAS, LMS waives its rights to a hearing and any rights to seek judicial review or

otherwise challenge or contest the terms and conditions of this Consent Order; and

WHEREAS, the Securities Commissioner has determined that it is in the public interest to issue this Consent Order;

NOW, THEREFORE, it is hereby agreed, and the Securities Commissioner hereby orders:

I. JURISDICTION

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

II. FINDINGS OF FACT

2. LMS is a Missouri limited liability company with a principal business address of 707 N. New Ballas Road, St. Louis, Missouri 63141.

3. In 2014, LMS began offering franchises for the development and operation of a mobile business that conducts after school and summer camp programs featuring medical-themed projects that teach medicine, science, and the benefit of good health for children.

4. LMS was registered with the Securities Division to offer franchises in Maryland for several periods, including from April 5, 2017 through April 5, 2018. LMS did not renew its 2017 registration that expired on April 5, 2018.

5. On June 8, 2018, LMS filed a new initial franchise registration application with the Securities Division. In response, the Securities Division requested that LMS provide an undertaking that it had not offered or sold franchises in Maryland or to any Maryland residents after its previous registration expired on April 5, 2018.

6. In response to the Securities Division's request for an undertaking, LMS acknowledged that LMS had offered a franchise to a Maryland entity, Beck Education, LLC, d.b.a. Little Medical School of Baltimore ("Beck"), and that Beck signed its franchise agreement on

April 6, 2018, the day after LMS's Maryland franchise registration expired.

7. Although LMS represents that it did not provide to Beck a copy of a fully executed franchise agreement, LMS acknowledges that it granted a Little Medical School franchise to Beck on or after April 6, 2018.

8. LMS represents that it gave Beck a copy of LMS's Franchise Disclosure Document in February 2018, when LMS was registered to offer franchises under the Maryland Franchise Law.

9. LMS acknowledges that it did not execute, and it did not require Beck to execute, the Maryland Addendum to the LMS Franchise Agreement that LMS had disclosed in its Franchise Disclosure Document registered with the Securities Division.

10. LMS represents that, other than the sale of a franchise to Beck, LMS has not entered into any franchise agreements with any Maryland residents or with any other residents granting them the right to operate an LMS franchise located in whole or in part in Maryland.

11. LMS represents that it has engaged an attorney experienced with franchise law compliance matters to provide training to LMS officers and sales personnel to ensure that, in the future, LMS will comply with all registration and disclosure requirements under the Maryland Franchise Law.

12. LMS further represents and agrees that, in the future, it will comply with all registration and disclosure provisions under the Maryland Franchise Law.

III. CONCLUSIONS OF LAW

13. By engaging in the above activities, the Commissioner has concluded that LMS violated the registration and disclosure provisions, §§14-214, 14-216, and 14-223 of the Maryland Franchise Law.

IV. ORDER AND CONSENT

14. THE COMMISSIONER HEREBY ORDERS AND LMS HEREBY CONSENTS AND REPRESENTS AS FOLLOWS:

- A. LMS shall immediately and permanently cease and desist from the offer and sale of franchises in violation of the Maryland Franchise Law;
- B. LMS shall diligently pursue its pending application to register the LMS franchise offering under the Maryland Franchise Law. For purposes of this Agreement, “diligently pursue” means that an applicant submits a substantive response to each Securities Division comment letter regarding a registration application no later than 30 days after the applicant’s receipt of that comment letter;
- C. Upon notification by the Securities Division that LMS’s franchise offering has been effectively registered for use in Maryland, LMS shall send to Beck 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 Beck that it has the opportunity to rescind its LMS Franchise Agreement under the terms stated in that letter;
- D. LMS agrees that if Beck accepts LMS’s offer to rescind its franchise agreement in response to the Offer to Rescind Franchise Agreement, LMS will complete payments to Beck within thirty (30) days of LMS’s receipt of that written Acceptance; and
- E. LMS acknowledges that this Consent Order is a disclosable 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

15. 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

16. If LMS 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 LMS 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

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

SO ORDERED:

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

MELANIE SENTER LUBIN
SECURITIES COMMISSIONER

DATE OF THIS ORDER:

January 30, 2019

BY CONSENT:

LMS Franchising, LLC

By: Dr. Mary Mason, President

FORM
(On Company Letterhead)

Certified Mail
Return Receipt Requested

Re: [Company] Notice of Offer to Rescind Franchise Agreement

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 any persons who entered into a Franchise Agreement with us related to the operation of a Little Medical School franchise in Maryland to settle allegations that we violated the registration and disclosure 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 agreement, we agree to return to you all initial franchise fees you paid us and cancel all post-term and non-competition obligations you may have to us under the Franchise Agreement, other than those obligations discussed in this letter.

In the event you elect to rescind, we will cancel 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 Securities Division (410-576-6368).

Sincerely,

THE COMPANY

Exhibit 1

ACCEPTANCE OR REFUSAL OF OFFER TO RESCIND FRANCHISE AGREEMENT

1. I, the undersigned franchisee, 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