

ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND

IN THE MATTER OF:

Network In Action Intl. LLC.,

Respondent.

Case No. 2022-0214

* * * * *

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 Network In Action Intl. LLC. (“Network In Action”) 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 “Securities Commissioner”) has concluded that grounds exist to allege that Network In Action violated the registration and disclosure provisions of the Maryland Franchise Law in relation to the offer and sale of franchises under the Maryland Franchise Law;

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

WHEREAS, Network In Action waives its right 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. Network In Action is a Texas limited liability company formed on August 24, 2015 with a principal business address located at 770 S. Post Oak Lane, Suite 105, Houston, Texas 77056.

3. Network In Action offers and sells franchises for professional networking and referral services using the name “NETWORK IN ACTION.”

4. On September 21, 2017, Network In Action filed an initial application with the Securities Division to register the Network In Action franchise offering under the Maryland Franchise Law.

5. On November 7, 2017, the initial franchise registration application for Network In Action was made effective in Maryland. The registration was effective for a period of one year, from November 7, 2017 to November 7, 2018.

6. On September 9, 2022, Network In Action refiled an initial registration application with the Securities Division.

7. In September and October 2022, respectively, the Securities Division reviewed Network In Action's registration application and notified the franchisor of deficiencies in its Franchise Disclosure Document ("FDD") that must be corrected before the Securities Division would register the Network in Action franchise offering in Maryland.

8. The FDD that Network In Action filed with the Securities Division on September 9, 2022 disclosed that, even though Network In Action's franchise offering was not registered under the Maryland Franchise Law after November 7, 2018, Network In Action had opened franchises in Maryland in 2019, 2020, and 2021, respectively.

9. Based upon that disclosure, on October 20 2022, the Securities Division issued a comment that it had come to the attention of the Securities Division that Network In Action may have offered and sold franchises either to be operated in Maryland or to a resident of Maryland, when Network In Action was not registered to offer and sell franchises in Maryland.

10. On November 10, 2022, an attorney for Network In Action submitted a letter to the Securities Division acknowledging that Network In Action offered and sold franchises in Maryland during the period it was not registered under the Maryland Franchise Law. The attorney for Network In Action included with his letter copies of FDDs provided to two Maryland entities or individuals and two franchise agreements signed with Maryland entities or individuals (collectively "Maryland Franchisees").

11. The franchise agreements that Network in Action signed with the Maryland Franchisees are described below:

- A. On April 9, 2017, Network In Action entered into a franchise agreement with Inner Gauge Consulting, LLC, a Maryland limited liability company

(“Inner Gauge”), in which that entity was granted the right to own and operate a Network In Action franchise in Columbia, Maryland.

- B. On December 17, 2020, Network In Action entered into a franchise agreement with “JF,” a resident of Bel Air, Maryland, in which that individual was granted the right to own and operate a Network In Action franchise in Harford County, Maryland.

12. Under Network In Action’s franchise agreements with the Maryland Franchisees, the Maryland Franchisees paid Network In Action initial franchise fees of \$20,000 and \$17,000, respectively.

13. Network in Action represented to the Securities Division that, as of the date of this Consent Order, the franchise agreement with Inner Gauge has been terminated, but JF continues to operate as a franchisee of Network in Action.

14. The Securities Division has determined that the franchise agreements that Network In Action entered into with the Maryland Franchisees are “franchises” under the Maryland Franchise Law.

15. Although Network In Action gave the Maryland Franchisees copies of an FDD before those Maryland Franchisees entered into franchise agreements with Network In Action, the FDDs were not reviewed by the Securities Division or registered under the Maryland Franchise Law.

16. Network In Action represents that, other than the franchise agreements with the Maryland Franchisees, Network In Action did not offer or sell a franchise in Maryland or to any Maryland residents during the period it was not properly registered in Maryland.

17. Network In Action represents and agrees that, in the future, it will comply with all

provisions under the Maryland Franchise Law.

III. CONCLUSIONS OF LAW

18. By engaging in the above activities, the Securities Commissioner has concluded that Network In Action violated §§14-214, 14-216, and 14-231 of the Maryland Franchise Law.

IV. ORDER AND CONSENT

19. THE SECURITIES COMMISSIONER HEREBY ORDERS AND NETWORK IN ACTION HEREBY CONSENTS AND REPRESENTS AS FOLLOWS:

- A. Within ten (10) days of its receipt of a fully executed Consent Order of the Securities Commissioner, Network In Action shall send to Inner Gauge a cashier's check for \$20,000 representing a full refund of the initial fee that franchisee paid to Network In Action, with no conditions or demands for a release of liability and with an acknowledgment that Inner Gauge is not subject to any post-term covenants under the Network In Action franchise agreement;
- B. Within ten (10) days of its receipt of a fully executed Consent Order of the Securities Commissioner, Network In Action shall send to JF the following: (i) a copy of this Consent Order; and (ii) a letter, in substantially the form attached to this letter as Exhibit 1, captioned "Notice of Rescission Rights," notifying JF that he is being offered an opportunity to immediately rescind his Network In Action franchise agreement under the terms of this Consent Order and, if he opts to rescind, receive a refund of the initial fees he paid Network In Action;
- C. If JF does not opt to rescind his Network In Action franchise agreement in response to Network In Action's Notice of Rescission rights, Network In Action shall diligently pursue its pending application to register the Network In Action franchise offering under the Maryland Franchise Law. For purposes of this Consent Order, "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;
- D. Within ten (10) days of notification by the Securities Division that Network In Action's franchise offering is effectively registered for use in Maryland, Network In Action shall send to JF the following: (i) a copy of effectively registered Maryland FDD; and (ii) a letter, in substantially the form attached to this letter as Exhibit 2 captioned "Offer to Rescind Franchise," notifying JF that he is being given a second opportunity to rescind his Network In Action franchise agreement

under the terms of this Consent Order;

- E. The Securities Commissioner had determined that Network In Action's offer of a franchise to JF in the form of the Notice of Rescission Rights described in this Consent Order is exempt from the registration provisions of the Maryland Franchise Law;
- F. Network In Action 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

20. 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

21. If Network In Action fails to comply with any term of this Consent Order, the Securities Division may bring administrative or judicial proceedings against them to enforce this Consent Order or to sanction them 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 Network In Action 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

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

DATE OF THIS ORDER:

February 3, 2023

SO ORDERED:

**Commissioner's Signature on File
W/Original Documents**

MELANIE SENTER LUBIN
SECURITIES COMMISSIONER

BY CONSENT:

Network In Action Intl., LLC

By: Scott Talley, Franchise Director

FORM
(On Company Letterhead)

BY FEDERAL EXPRESS

Re: **[Company] Notice of Rescission Rights**

Dear _____:

In accordance with discussions our attorneys have had with the Securities Division of the Office of the Attorney General of Maryland, [Insert Name of Company] ("we") have agreed under the attached Consent Order to offer rescission to any Maryland residents who entered into Franchise Agreement(s) with us in violation of the registration and disclosure provisions of the Maryland Franchise Law. We are making this offer in settlement of the administrative proceeding that the Division may bring for the alleged sale of a franchise in violation of the Maryland Franchise Law, and this offer 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 cancel your Franchise Agreement, including all post-term and non-competition obligations you may have to us under that 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

In the event you rescind, we will return to you the initial fees you paid us under your Franchise Agreement, and we will make payments to you within thirty- one (31) days after we receive your Acceptance of Offer to Rescind.

If you do not rescind your franchise agreement now, you will be given a second opportunity to rescind your franchise agreement, after we have completed the franchise registration process. When that registration is complete, we will send you a copy of a Maryland registered Franchise Disclosure Document and a new letter offering to rescind your franchise agreement under the same terms outlined in this letter.

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 Tade Osikomaiya, Assistant Attorney General, at the Division (410-576-7039).

Sincerely,

[The Company]

cc: Consent Order

ACCEPTANCE OR REFUSAL OF OFFER TO RESCIND FRANCHISE AGREEMENT

1. I, the undersigned, acknowledge that I have read the preceding Notice of Rescission Rights for 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 at this time. I understand that I will be given a second opportunity to rescind my franchise once the franchisor has registered the franchise offering with the securities Division under the Maryland Franchise Law.

Date

Franchisee

FORM
(On Company Letterhead)

BY FEDERAL EXPRESS

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

Dear _____:

As you recall, [Insert Name of Company] ("we") agreed to offer rescission to you of your franchise agreement with us. You previously received a "Notice of Rescission Rights" from us offering to rescind your franchise agreement immediately. Now that we have completed the registration of our franchise offering, we are giving you this second opportunity to rescind your franchise. 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 cancel your Franchise Agreement, including all post-term and non-competition obligations you may have to us under that 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

In the event you rescind, we will return to you the initial fees you paid us under your Franchise Agreement, and we will make payments to you within thirty- one (31) days after we receive your Acceptance of Offer to Rescind.

If you consider remaining a franchisee under your current franchise agreement, we are including a franchise disclosure document regarding that franchise offering that you should review before making that decision.

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 Tade Osikomaiya, Assistant Attorney General, at the Division (410-576-7039).

Sincerely,

[The Company]

cc: Franchise Disclosure Document

ACCEPTANCE OR REFUSAL OF OFFER TO RESCIND FRANCHISE AGREEMENT

1. I, the undersigned, acknowledge that I have read the preceding 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, patents, 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