ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND

In the Matter of:	*	
TAPVILLE FRANCHISING, INC.	*	Case No. 2024-0137
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 Tapville Franchising, Inc. ("Tapville") under the authority granted under the Maryland Franchise Registration and Disclosure Law, MD. BUS. REG. CODE ANN. Sections 14-201 et seq. (2015 Repl. Vol.) (the "Maryland Franchise Law"); and

WHEREAS, as a result of that investigation, the Maryland Securities Commissioner (the "Securities Commissioner") found grounds to allege that Tapville violated the registration and disclosure provisions of the Maryland Franchise Law in relation to an offer to sell and sale of a Tapville area development 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 Tapville admitting or denying any violation of law, the Securities Commissioner and Tapville have reached an agreement to enter into this Consent Order; and

WHEREAS, Tapville 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

A. Respondent

2. Tapville is a Delaware corporation with a principal business address of 216 S. Washington Street, Naperville, Illinois 60540.

3. Tapville offers franchises for self-pour beer taprooms and self-service restaurants offering beer, wine, cocktails, and food using the name Tapville Social.

4. Tapville began offering franchises in February 2019.

5. Tapville has never been registered to offer and sell franchises under the Maryland Franchise Law.

B. The Tapville franchise registration application

6. On January 31, 2023, Tapville filed with the Securities Division an initial application to register the Tapville Social franchise offering under the Maryland Franchise Law. Tapville included with that registration application a Franchise Disclosure Document ("Tapville FDD") for the Tapville Social franchise offering dated April 30, 2022.

7. The Tapville FDD disclosed in Item 20 that, as of December 31, 2021, Tapville had only three franchise outlets, one located in Connecticut and two located in Illinois. Tapville's list of franchisees, however, disclosed a current franchisee with an address in Upper Marlboro,

Maryland.

8. The Securities Division reviewed Tapville's franchise registration application and, on February 7, 2023 and February 21, 2023, respectively, notified Tapville of deficiencies in the Tapville FDD that Tapville had to address before the Securities Division would register the Tapville Social franchise offering under the Maryland Franchise Law.

9. In the Securities Division's February 21, 2023 comment letter, the Securites Division commented that it had come to the attention of the Securities Division that Tapville had offered and sold franchises either to be operated in Maryland or to a Maryland resident, and it requested a detailed explanation of the facts surrounding any unregistered sales and copies of agreements signed by all franchisees, among other information.

10. On September 1, 2023, Tapville responded to the Securities Division's February 21, 2023 comment letter but did not include the requested information about the alleged unregistered sale of a Tapville Social franchise in Maryland.

11. On September 21, 2023, the Securities Division reiterated its request for an explanation of the alleged unregistered sale of a Tapville Social franchise in Maryland and copies of agreements signed by all franchisees, among other information.

C. The sale of a Tapville Social Area Development Franchise in Maryland

12. On March 27, 2024, Tapville responded to the Securities Division's September 21, 2023 comment letter and acknowledged that, on December 31, 2021, Tapville entered into an Area Development Agreement (the "Development Agreement") with two Maryland residents (the "Maryland Developers") that included the reservation of rights for one territory in Virginia, one territory in Maryland, and one territory in the District of Columbia.

13. On April 9, 2024, an attorney representing the Securities Division requested

additional information about the alleged offer and sale of an unregistered sale of a Tapville Social area development franchise in Maryland.

14. On April 22, 2024, Tapville responded to the Securities Division's request for information and provided a copy of the Tapville Development Agreement with the Maryland Developers, among other information.

15. The Tapville Development Agreement requires the Maryland Developers to open three Tapville Social franchises: two Tapville Social kiosks and one Tapville Social mobile franchise.

16. Under the Tapville Development Agreement, the Maryland Developers were required to pay Tapville a development fee of $29,250 plus additional initial franchise fees once the Maryland Developers signed individual franchise agreements for each Taproom Social franchise the Maryland Developers were required to open under the Taproom Development Agreement.

17. In its March 27, 2024 letter, Tapville represented that the Maryland Developers opened one Tapville Social kiosk franchise ("Kiosk Franchise") in the Mall in Columbia, Maryland, although the Maryland Developers had not paid Tapville a separate initial franchise fee or signed an individual franchise agreement for that Kiosk Franchise location.

18. Although Tapville gave to the Maryland Developers an FDD prior to the date the Maryland Developers signed the Development Agreement, the form of that FDD was not reviewed or registered by the Securities Division and did not comply with the requirements of the Maryland Franchise Law.

C. Representations by Tapville

19. Tapville represents that, other than the sale of the Taproom Development

Agreement and a Taproom Social Kiosk Franchise to the Maryland Developers, Taproom has not offered or sold any franchises in Maryland or to any Maryland residents.

20. Taproom represents that it has implemented new procedures, including new software, to ensure that it does not offer or sell any franchise subject to registration under the Maryland Franchise Law without an effective franchise registration from the Securities Division.

21. Tapville represents and agrees that, in the future, it will comply with all provisions under the Maryland Franchise Law.

III. CONCLUSIONS OF LAW

22. By engaging in the above activities, the Securities Commissioner has concluded that Tapville violated sections 14-214, 14-216, and 14-223 of the Maryland Franchise Law.

IV. ORDER AND CONSENT

23. THE SECURITIES COMMISSIONER HEREBY ORDERS AND TAPVILLE HEREBY CONSENTS AND REPRESENTS AS FOLLOWS:

A. Tapville shall permanently cease and desist from the offer or sale of franchises in violation of the Maryland Francise Law;

B. Within ten (10) days of its receipt of a fully executed Consent Order of the Securities Commissioner, Tapville shall send to the Maryland Developers 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 the Maryland Developers that they are being offered an opportunity to immediately rescind their Development Agreement and Kiosk Franchise under the terms of this Consent Order and, if they opt to rescind, receive a refund of the initial fees they paid to Tapville;

C. If the Maryland Developers do not opt to immediately rescind their Tapville Development Agreement and Kiosk Franchise in response to the Notice of Rescission Rights, Tapville shall diligently pursue its pending initial application to register the Tapville franchise offering under section 14-215 of 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. Tapville shall remit to the Office of Attorney General, as a civil monetary penalty, the sum of Five Hundred Dollars ($500);

E. If the Maryland Developers do not opt to rescind their Tapville Development Agreement and Kiosk Franchise in response to the Notice of Rescission Rights, and Tapville fails to register its franchise offering with the Securities Division as required under this Agreement as of six (6) months from the date of this Agreement ("Due Date"), Tapville shall be assessed an additional civil monetary penalty of One Thousand Dollars ($1,000) payable within fifteen (15) days after the Due Date, which civil penalty amount shall continue to increase by Two Hundred Fifty Dollars ($250) ("Additional Penalty") for every additional month after the Due Date so long as Tapville has not obtained a registration of its franchise offering with the Securities Division. If Tapville is not registered as required under this Consent Order after seven months, an Additional Penalty shall be due and payable by the fifteenth (15) day of the eighth month after the date of this Consent Order, and on the 15th day of each succeeding month so long as Tapville is not registered as required under this Consent Order. If Tapville fails to make timely payments to the Office of the Attorney General as required under this Consent Order, and payments are delinquent for more than sixty (60) days, the Office of the Attorney General may refer collection of the monies due under this Consent Order to the Central Collections Unit ("CCU") of the State of Maryland. If a referral is made, any fee assessed by CCU shall be in addition to the balance of the monetary penalty owed to the Securities Division;

F. If Tapville is required to register its franchise offering under Subparagraph C of this Paragraph, within ten (10) days of notification by the Securities Division that Tapville' franchise offering is effectively registered for use in Maryland, Tapville shall send to the Maryland Developers the following: (i) a copy of an effectively registered Maryland FDD; and (ii) a letter, in substantially the form attached to this letter as Exhibit 2 captioned "Offer to Rescind Area Development Agreement and Kiosk Franchise," notifying the Maryland Developers that they are being given a second opportunity to rescind their Tapville Development Agreement and Kiosk Franchise under the terms of this Consent Order;

G. The Securities Commissioner has determined that Tapville's offer of a franchise to the Maryland Developers in the form of the Notice of Rescission Rights described in Subparagraph (B) of this Paragraph is exempt from the registration provisions of the Maryland Franchise Law; and

H. Tapville 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

24. 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

25. If Tapville fails to comply with any term of this Consent Order, the Securities Division may bring administrative or judicial proceedings against Tapville 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 Tapville 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 Tapville.

VII. MODIFICATION OF CONSENT ORDER

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

DATE OF THIS ORDER:

June 17, 2024

SO ORDERED:

Commissioner's Signature on File w/Original Documents

_____
MELANIE SENTER LUBIN
SECURITIES COMMISSIONER

BY CONSENT:

Tapville Franchising, Inc.

_____
By: Joseph Tota, CEO

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 Area Development Agreements and 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 Area Development Agreement and Kiosk Franchise, we agree to cancel your Area Development Agreement and Franchise Agreement, including all post-term and non-competition obligations you may have to us under that Area Development Agreement and 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 Area Development Agreement and Kiosk Franchise Agreement, if any, 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 Area Development Agreement and Franchise Agreement now, you will be given a second opportunity to rescind your Area Development Agreement and 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 Area Development Agreement and 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 NOTICE OF RESCISSION RIGHTS

1. I, the undersigned, acknowledge that I have read the preceding Notice of Rescission Rights 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 Area Development Agreement and 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 Area Development Agreement and Kiosk Franchise Agreement at this time. I understand that I will be given a second opportunity to rescind my Area Development Agreement and Kisok Franchise after the company has registered its franchise offering under the Maryland Franchise Law

_____ _____

Date Area Developer/Franchisee

FORM
(On Company Letterhead)

BY FEDERAL EXPRESS

Re: **[Company] Offer to Rescind Area Development Agreement and Kiosk Franchise**

Dear _____:

As you recall, [Insert Name of Company] ("we") agreed to offer rescission to you of your Area Development Agreement and Franchise Agreement with us. You previously received a "Notice of Rescission Rights" from us offering to rescind your Area Development Agreement and Kiosk 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 Area Development Agreement and Kiosk Franchise Agreement, we agree to cancel your Area Development Agreement and Kiosk Franchise Agreement, including all post-term and non-competition obligations you may have to us under that Area Development Agreement and 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 Area Development Agreement and Kiosk Franchise Agreement, if any. We will refund the initial franchise fee you paid to us within 31 days after we receive your Acceptance of Offer to Rescind.

If you consider remaining a franchisee under your current Area Development Agreement and Kiosk 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 AREA DEVELOPMENT AGREEMENT AND FRANCHISE AGREEMENT

1. I, the undersigned, acknowledge that I have read the preceding Offer to Rescind Area Development Agreement and 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 Area Development Agreement and 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 Area Development Agreement and Kiosk Franchise Agreement.

Date:_____

_____
Area Developer/Franchisee