

ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND

IN THE MATTER OF:

**Knights of the Razor Inc.,
dba No Grease!® Barbershop**

Respondent.

Case No. 2024-0474

* * * * *

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 Knights of the Razor Inc., dba No Grease!® Barbershop (“KOTR”) 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 KOTR violated the registration and disclosure provisions of the Maryland Franchise Law in relation to the offer and sale of a franchise under the Maryland Franchise Law; 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 KOTR admitting or denying any violation of law, the Securities Commissioner and KOTR have reached an agreement to enter into this Consent Order; and

WHEREAS, KOTR 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. KOTR is a North Carolina corporation with a principal business address located at 333 East Trade Street, Suite D, Charlotte, North Carolina 28202.

3. KOTR offers and sells franchises for the development and operation of a full-service barbershop that offers traditional and contemporary hair cutting services, creative hair design, hair coloring, hair weaving, brow waxing services, and other grooming services and products for men, women and children using the trade name “No Grease!® Barbershop.”

4. KOTR has never registered with the Securities Division to offer and sell franchises under the Maryland Franchise Law.

5. On August 15, 2024, KOTR filed an initial application with the Securities Division to register the KOTR franchise offering under the Maryland Franchise Law.

6. On September 18, 2024, the Securities Division reviewed KOTR’s initial application and issued comments to the application that the franchisor needed to address before the Securities Division would register KOTR’s franchise offering.

7. Among the comments the Securities Division made on KOTR’s August 15, 2024

submission was a request that the franchisor submit an undertaking stating that the franchisor had not offered or sold any franchises in Maryland during the time the franchisor was not effectively registered under the Maryland Franchise Law and for the franchisor to explain the Maryland franchise location listed in item 20 of the Franchise Disclosure Document (“FDD”) submitted for review because the franchisor had never registered to offer or sell franchises in Maryland.

8. On November 19, 2024, an attorney for KOTR emailed the Securities Division (“November 19, 2024 email”). In the November 19, 2024 email, the attorney acknowledged that KOTR offered and sold a franchise in Maryland during the period it was not registered under the Maryland Franchise Law. Specifically, the attorney acknowledged that, on September 15, 2019, while KOTR was not registered under the Maryland Franchise Law, KOTR offered and sold a franchise to “NMD,” a resident of North Carolina in which that individual was granted the right to own and operate a KOTR franchise to be located in Maryland.

9. In the November 19, 2024 email, counsel for KOTR stated that KOTR believed that it did not need to register the KOTR franchise offering for the sale to NMD because NMD was KOTR’s accountant since 2012 and was familiar with the franchisor and its finances.

10. On November 19, 2024, the Securities Division emailed the attorney for KOTR and requested a copy of the franchise agreement and any FDD given to or signed by NMD.

11. On November 26, 2024, counsel for KOTR emailed the Securities Division an FDD and the franchise agreement that NMD signed.

12. Under KOTR’s franchise agreements with NMD, NMD paid KOTR initial franchise fees of \$25,000.

13. The Securities Commissioner has determined that KOTR sold an unregistered franchise to NMD.

14. Although KOTR gave NMD an FDD before NMD entered into its Franchise Agreement with KOTR, the FDD was not reviewed by the Securities Division or registered under the Maryland Franchise Law.

15. NMD's franchise is open and operating as of the date of this Consent Order.

16. KOTR represents that, other than the sale of a franchise to NMD, KOTR did not offer or sell a franchise in Maryland or to any Maryland residents.

17. KOTR 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 KOTR violated sections 14-214, 14-216, and 14-231 of the Maryland Franchise Law.

IV. ORDER AND CONSENT

19. THE SECURITIES COMMISSIONER HEREBY ORDERS AND KOTR HEREBY CONSENTS AND REPRESENTS AS FOLLOWS:

- A. KOTR shall immediately and permanently cease and desist from the offer and sale of franchises in violation of the Maryland Franchise Law;
- B. Within ten (10) days of its receipt of a fully executed Consent Order of the Securities Commissioner, KOTR shall send to NMD 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 NMD that it is being offered an opportunity to immediately rescind its KOTR franchise agreement under the terms of this Consent Order and, if it opts to rescind, receive a refund of the initial fees it paid KOTR and the amounts paid for any equipment or products NMD purchased from KOTR if NMD returns, at the franchisor's expense, the equipment or product NMD received;
- C. If NMD does not opt to rescind its KOTR franchise agreement in response to KOTR's Notice of Rescission rights, KOTR shall diligently pursue its pending application to register the KOTR 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. If NMD does not opt to rescind the franchise agreement in response to the Notice of Rescission Rights, and KOTR 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”), KOTR shall be assessed an additional civil monetary penalty in the amount of One Thousand Dollars (\$1,000.00) due and payable within fifteen (15) days after the Due Date, which civil penalty amount shall continue to increase by \$250.00 (“Additional Penalty”) for every additional month after the Due Date so long as KOTR has not obtained a registration of its franchise offering with the Securities Division. If KOTR is not registered as required under this Agreement 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 Agreement, and on the 15th day of each succeeding month so long as KOTR is not registered as required under this Agreement. If KOTR fails to make timely payments to the Office of the Attorney General as required under this Agreement, 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, and not offset, the balance of the civil monetary penalty owed to the Securities Division;
- E. Within ten (10) days of notification by the Securities Division that KOTR’s franchise offering is effectively registered for use in Maryland, KOTR shall send to NMD 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 Franchise,” notifying NMD that it is being given a second opportunity to rescind its KOTR Franchise Agreement under the terms of this Consent Order;
- F. KOTR shall remit to the Office of Attorney General, as a civil monetary penalty, the sum of Seven hundred and Fifty Dollars (\$750); and
- G. The Securities Commissioner has determined that KOTR’s offer of a franchise to NMD 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;
- H. KOTR 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 KOTR 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 KOTR 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;

January 22, 2025

SO ORDERED:

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

MELANIE SENTER LUBIN
SECURITIES COMMISSIONER

BY CONSENT:

Knights of the Razor, Inc., d.b.a. No Grease Barbershop

By: Damian Johnson- CEO/Founder

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 franchise fees you paid us under your Franchise Agreement and if applicable, give you a full refund of the cost you paid us for any equipment package or product you purchased from us, if you return the equipment/product to us, at our expense. We will refund the initial franchise fee you paid to us within 31 days after we receive your Acceptance of Offer to Rescind, and we will refund the price of the equipment/product within 31 days of receiving the equipment or product.

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. Please contact me to arrange for the return to you of the equipment from my Equipment Package.

_____ 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 franchise fees you paid us under your Franchise Agreement and if applicable, give you a full refund of the cost you paid us for any equipment package/product you purchased from us, if you return the equipment/product to us, at our expense. We will refund the initial franchise fee you paid to us within 31 days after we receive your Acceptance of Offer to Rescind, and we will refund the price of the equipment package/product within 31 days of receiving the equipment or product.

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. Please contact me to arrange for the return to you of the equipment/product

_____ I do **not accept** your offer of rescission. I wish to remain a franchisee under my franchise agreement.

Date: _____

Franchisee