

ADMINISTRATIVE PROCEEDING  
BEFORE THE  
SECURITIES COMMISSIONER OF MARYLAND

IN THE MATTER OF: \*

Chandy Enterprises, LLC, \*  
d.b.a. Palm Beach Vapors, \*

Respondent, \*

Case No. 2017-0479

\* \* \* \* \*

**CONSENT ORDER**

WHEREAS, the Securities Division of the Office of the Attorney General of Maryland (the “Securities Division”) initiated an inquiry into the franchise-related activities of Chandy Enterprises, LLC, d.b.a. Palm Beach Vapors (“Chandy”) 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. 2016) (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 Chandy violated the registration and disclosure provisions of the Maryland Franchise Law in relation to the offer and sale of a Palm Beach Vapors 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 Chandy admitting or denying any violation of law, the Securities Commissioner and Chandy have reached an agreement to enter into this Consent Order; and

WHEREAS, Chandy 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 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**

**A. Background**

2. Chandy is an Oklahoma limited liability company with a principal business address of 9717 E. 42<sup>nd</sup> Street, Suite 109, Tulsa, OK 74146.

3. Charles “Chip” Paul (“Paul”) is the founder and director of Chandy.

4. Chandy offers or has offered franchises for businesses to sell electronic cigarettes, custom-made liquids for the electronic cigarettes, and related accessories and products.

5. Chandy was registered to offer franchises under the Maryland Franchise Law for a one year period between September 8, 2015 and September 8, 2016.

6. On July 28, 2016, Chandy filed an application with the Securities Division to renew its then-current franchise registration under the Maryland Franchise Law. The Securities Division reviewed that registration application and issued comment letters requesting corrections and additional information regarding the Chandy franchise offering.

7. Chandy did not respond to the Securities Division September 15, 2016 comment letter, and Chandy’s registration application in Maryland was deemed abandoned.

8. On February 11, 2015, Chandy entered into a franchise agreement with Yeager

One, Inc., (“Yeager One”) a Maryland corporation with a principal business address in Odenton, Maryland, for the operation of a Palm Beach Vapors franchise to be operated in Ann Arundel County, Maryland.

9. Chandy acknowledges that it was not registered to offer franchises under the Maryland Franchise Law at the time it entered into a franchise agreement with Yeager One.

10. Yeager One paid an initial franchise fee to Chandy of \$15,000 plus additional fees for furniture, fixtures, and equipment, that Yeager One received from Chandy to be used in the operation of her franchise.

11. Chandy did not give to Yeager One a copy of a franchise disclosure document with all of the information that the Securities Division requires to be included in a franchise disclosure document under the Maryland Franchise Law.

12. On April 10, 2017, Yeager One served on the Maryland Securities Commissioner a copy of a lawsuit that Yeager One filed in the Circuit Court for Anne Arundel County, Maryland against Chandy and related parties. In Yeager One’s lawsuit against Chandy, Yeager One is seeking, among other remedies, to rescind its franchise agreement with Chandy.

13. Chandy represents that it has ceased offering franchises and will not offer or sell any franchises in Maryland or to any prospective Maryland franchisees until Chandy has effectively registered its franchise offering with the Securities Division

14. Chandy also represents that, other than the offer and sale of a franchise to Yeager One, Chandy did not offer or sell any franchises in Maryland or to any Maryland residents at any time it was not effectively registered to offer and sell franchises under the Maryland Franchise Law.

15. Chandy further represents that, as of the date of this Consent Order, Chandy has insufficient assets at this time to make any rescission offers to any Palm Beach Vapors franchisees.

### III. CONCLUSIONS OF LAW

16. By engaging in the above activities, the Securities Commissioner has concluded that Chandy violated §§14-214, 14-216 and 14-228 of the Maryland Franchise Law and COMAR 02.02.08.04.

### IV. ORDER AND CONSENT

17. THE SECURITIES COMMISSIONER HEREBY ORDERS, AND CHANDY REPRESENTS AND CONSENTS THAT:

- A. Chandy shall immediately and permanently cease and desist from the offer and sale of franchises in violation of the Maryland Franchise Law;
- B. Neither Chandy nor Paul shall, in the future, offer or sell franchises in Maryland or to any prospective Maryland franchisees without complying with the registration and disclosure provisions of the Maryland Franchise Law and only after Paul and the principal officers and franchise sales staff of the franchisor have completed a franchise law compliance program approved, in advance, by the Securities Division;
- C. Within ten (10) days of its receipt of the fully executed Consent Order of the Securities Commissioner, Chandy shall send to Yeager One a copy of this signed Consent Order and an Offer to Rescind Franchise Agreement in substantially the form attached to this Consent Order as Exhibit 1;
- D. Chandy agrees that if Yeager One accepts Chandy's offer to rescind Yeager One's franchise in response to the Offer to Rescind Franchise Agreement required under this Consent Order, Chandy will complete any payments Chandy is required to make to Yeager One under this Consent Order within one hundred eighty (180) days of its receipt of Yeager One's Acceptance of the Offer to Rescind Franchise Agreement;
- E. Chandy shall be assessed a civil monetary penalty in the amount of \$16,500, which penalty shall not become payable until 181 days after the date Chandy

receives Yeager One's Acceptance of Offer to Rescind Franchise Agreement. The civil monetary penalty shall be offset by the total amount of the initial franchise fees and other fees that Chandy has returned to Yeager One under the Rescission Offer required under this Consent Order;

- F. Chandy 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

18. 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

19. If Chandy 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 Chandy 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

20. 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**

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MELANIE SENTER LUBIN  
SECURITIES COMMISSIONER

**DATE OF THIS ORDER:**

November 28, 2017

**BY CONSENT:**

Chandy Enterprises, LLC, d.b.a. Palm Beach Vapors

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By: Charles W. ("Chip") Paul, Director

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Charles W. ("Chip") Paul

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 fees you paid. If you purchased any other items as part of your franchise, we will reimburse you for the cost you paid us for any of the items that you return. We will be responsible for shipping costs for returned items. 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 one hundred eighty (180) 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:

Encl: Consent Order

**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