

ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND

IN THE MATTER OF:

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Beauty Supply Institute, LLC,

*

Case No. 2019-0090

Respondent,

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CONSENT ORDER

WHEREAS, the Securities Division of the Office of the Attorney General of Maryland (the “Securities Division”) initiated an investigation into the activities of Beauty Supply Institute, LLC (“BSI”) under the authority granted under the Maryland Business Opportunities Sales Act, Title 14, Subtitle 1, Business Regulation Article, Annotated Code of Maryland (2015 Repl. Vol. and Supp. 2019) (the “Business Opportunity Act”); 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 BSI violated the registration and disclosure provisions of the Business Opportunity Act in relation to the offer and sale of a BSI business opportunity 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 BSI admitting or denying any violation of law, the Securities Commissioner and BSI have reached an agreement to enter into this Consent Order; and

WHEREAS, BSI 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 14-110 (a) of the Business Opportunity Act.

II. FINDINGS OF FACT

2. BSI is a Georgia corporation with a principal business address of 1900 The Exchange, Suite 650, Atlanta Georgia 30339.

3. BSI maintains an Internet website at www.beautysupplyinstitute.com.

4. On its website, BSI states that it offers training and consulting services for individuals that aspire to become beauty supply store owners. On its website, BSI state that “We have many options to get you to your Grand Opening date: Online Courses, Conferences, Resource Materials, Consulting and more.”

5. On its website, BSI states “The smallest boutiques store can generate \$220k and up. Modest sized stores can do much more.” BSI also states that “A store can turn a profit in as little as 4-6 months and others may take 1-1/5 years.”

6. On its website, BSI offers four different store opening packages, which it calls Full Contact, Full Impact, Full Experience, or Full Incubation. BSI states “The different levels depend on the level of involvement you would want us to have, your desire to minimize errors, or your desire to save time.”

7. On or around January 2018, “AP,” a resident of Laurel, Maryland, attended a BSI “Beauty Supply Store Opening Conference” in Los Angeles.

8. On February 28, 2018, AP signed a “Store Opening Services Agreement” with

BSI to purchase its “Full Experience” store opening package.

9. According to BSI’s website, BSI’s Full Experience store opening package includes a BSI field team making two travel visits to the buyer’s location, handling all aspects of putting the buyer’s store together, including ordering products, infrastructure, equipment, setting up accounts, handling shipping, assembling shelves, pricing products, building a point of sale database, and building inventory. Purchase of that package also entitles the buyer to enrollment in BSI’s Online Academy, assistance with finding a store location, a business plan and funding acquisition, and additional management training called BSI’s Entrepreneur’s Enhancement.

10. The Store Opening Services Agreement that AP signed required her to pay a total fee of \$25,000 to BSI, of which amount \$10,000 was due upon execution of the agreement.

11. Prior to her signing her BSI Store Opening Services Agreement, AP paid BSI \$5,000 by wire transfer and an additional \$5,000 by credit card.

12. AP never opened a beauty supply store.

13. On or around September 27, 2018, AP emailed BSI requesting cancellation of her Store Opening Services Agreement. AP also requested a full refund from BSI of all fees she paid related to her BSI Store Opening Services Agreement.

14. BSI offered AP a partial refund of the fee she paid to BSI, but AP refused BSI’s offer.

15. BSI has never registered as a business opportunity seller with the Securities Division as required under the Business Opportunity Act.

16. BSI did not provide to AP prior to her signing her Store Opening Services Agreement a business opportunity disclosure statement prepared under the Business Opportunity Act and filed with the Securities Division.

17. BSI represents that after January 1, 2016, other than the sale to AP, BSI has not entered into any other Store Opening Services Agreements with any Maryland residents.

18. BSI represents that, after the date of this Consent Order, before BSI enters into any other Store Opening Services Agreements in Maryland, BSI will file with the Securities Division and complete a business opportunity registration application under the Business Opportunity Act and otherwise comply with all provisions of the Business Opportunity Act.

III. CONCLUSIONS OF LAW

19. By engaging in the above activities, the Securities Commissioner has determined that BSI violated §§14-113 and 14-114 of the Business Opportunity Act.

ORDER AND CONSENT

20. THE COMMISSIONER HEREBY ORDERS AND BSI CONSENTS AND REPRESENTS AS FOLLOWS:

- A. BSI shall immediately and permanently cease and desist from the offer and sale of business opportunities in violation of the Business Opportunity Act;
- B. Within ten (10) days of its receipt of a fully executed Consent Order of the Securities Commissioner, BSI shall send to AP by Federal Express a certified check with a full and unconditional refund of all fees AP paid to BSI; and
- C. BSI acknowledges that this Consent Order is a disclosable order as described under the Business Opportunity Act.

V. JURISDICTION RETAINED

21. 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

22. If BSI 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 Business Opportunity Act 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 BSI has violated this Consent Order, the Statement of Facts and the violations of the Business Opportunity Act alleged in the Consent Order shall be deemed admitted and may be introduced into evidence against it.

VII. MODIFICATION OF CONSENT ORDER

23. 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 Documents**

MELANIE SENTER LUBIN
SECURITIES COMMISSIONER

DATE OF THIS ORDER:

February 11, 2020

BY CONSENT:

Beauty Supply Institute, LLC

//s//

By: