

ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND

IN THE MATTER OF:

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Beauty Supply Institute, LLC

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Respondent,

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Case No. 2023-0374

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**Summary Order to Cease and Desist and
Order to Show Cause**

WHEREAS, the Securities Division of the Office of the Maryland Attorney General, pursuant to the authority granted under the Maryland Business Opportunities Sales Act, MD. CODE ANN. BUS. REG. § 14-101 et seq. (2014 Repl. Vol. and Supp. 2023) (the “Maryland Business Opportunity Act”), undertook an investigation of Beauty Supply Institute, LLC (“BSI”); and

WHEREAS, as a result of that investigation, the Maryland Securities Commissioner (the “Securities Commissioner”) has determined that BSI engaged and may continue to engage in activities that violate the registration and disclosure provisions of the Maryland Business Opportunity Act and a previous order of the Securities Commissioner; and

WHEREAS, the Securities Commissioner has determined that immediate action against BSI is in the public interest;

NOW, THEREFORE, pursuant to section 14-110 of the Maryland Business Opportunity Act, it is hereby:

ORDERED, that BSI immediately cease and desist from the offer or sale of any business

opportunity in or from Maryland, pending a hearing in this matter or until such time as the Securities Commissioner modifies or rescinds this Order; and it is further

ORDERED, that BSI show cause why a final order should not be entered against it, ordering BSI to cease and desist from offering business opportunities in violation of the Maryland Business Opportunity Act and permanently barring BSI from offering and selling business opportunities in Maryland.

The Securities Commissioner alleges the following as a basis for this Order:

I. JURISDICTION

1. The Securities Commissioner has jurisdiction in this proceeding pursuant to section 14-110(a) of the Maryland Business Opportunity Act.

II. STATEMENT OF FACTS

On information and belief, the Securities Commissioner alleges the following:

A. Respondent

2. BSI is a Georgia limited liability company.
3. BSI's principal office address is 1900 The Exchange, Suite 650, Atlanta, GA 30339.
4. BSI maintains an Internet website at www.beautysupplyinstitute.com.
5. On its website, BSI purports to offer training and consulting services for individuals that aspire to become beauty supply store owners. On that website, BSI states "We have many options to get you to your Grand Opening date: Online Courses, Conferences, Resource Materials, Consulting and more."
6. Through its website, BSI solicits individuals interested in opening a beauty supply

store. BSI's website includes video testimony from beauty store owners on their success in the beauty supply industry and their experiences with BSI.

7. Through its Beauty Supply Store Opening & Owner's Conferences ("Conferences"), BSI solicits individuals interested in opening a beauty supply store. BSI includes video testimony on its website from individuals discussing their experience at BSI's Conferences.

8. On its website, BSI claims that individuals can make money from the beauty supply business. BSI states "The smallest boutiques store can generate \$200k and up. Modest sized stores can do much more." BSI further states "A store can turn a profit in as little as 4-6 months and others may take 1-1.5 years."

9. On its website, BSI states that, for a fee, it would provide store opening services including site review, lease negotiation, products ordering, marketing, training, store set-up, and others.

10. On its website, BSI offers six different "Store Opening Delivery Packages: Full Contact, Full Impact, Full Experience, Full Incubation, Full Implementation, and Full Collaboration." 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."

11. On its website, BSI describes the six different levels of its store opening delivery packages as follows:

"Full Contact Store Opening" -- "when our field team makes two travel-included visits to your location and handle all aspects of putting your store together. This includes ordering products, infrastructure, equipment and miscellaneous items, setting up accounts, handling shipping, assembling shelves, pricing products, building your point-of-sale database, building inventory and much more."

“Full Impact Store Opening” -- “With this package you get enrolled in the Beauty Supply Store Owner’s Online Academy so you can start getting ready to implement key strategies once we get your store opened. This program contains 19 Store Sales, Marketing and Operations classes, plus classes on expanding your store and how to successfully open additional locations on your own.”

“Full Experience Store Opening” -- “finding your location for you, a business plan and funding acquisition to get you opened and our Entrepreneur’s Skills Enhancement training to make sure your management, leadership and operations skills are superior to that of a typical start-up entrepreneur.”

“Full Incubation Store Opening” --“With this package we focus heavily on your ability to stay in business. This package adds the element of us handling key marketing strategies for your store for a year like we have done and continue to do for our own store Shelly’s Beauty Supply located in Atlanta, GA.”

“Full Implementation Store Opening” as “With this package we focus heavily on your ability to stay in business physically and online. This package adds the cyber element of business strategies for your store.”

“Full Collaboration Store Opening” as “This package includes everything in the Full Implementation Store Opening Delivery Package plus a fully functioning salon in your brick-and-mortar store. With this package you get to run a multi-operational business with diverse revenues and a captive audience.”

12. BSI has never registered with the Securities Division to offer and sell business opportunities under the Maryland Business Opportunity Act.

B. The 2020 Consent Order

13. On September 6, 2019, the Securities Commissioner issued an Order to Show Cause against BSI regarding the alleged offer and sale of a BSI business opportunity in Maryland. In the Order to Show Cause, the Securities Commissioner ordered that BSI show cause why a final order should not be entered ordering it to cease and desist from violating the registration and disclosure provisions of the Maryland Business Opportunity Act and permanently barring it from engaging in the offer and sale of business opportunities in Maryland.

14. On February 11, 2020, the Securities Commissioner entered into a Consent Order

(“2020 Consent Order”) with BSI to resolve the alleged violations of the registration and disclosure provisions of the Maryland Business Opportunity Act.

15. Under the 2020 Consent Order, the Securities Commissioner concluded that BSI violated sections 14-113 and 14-114 of the Maryland Business Opportunity Act by offering and selling a business opportunity in Maryland in 2018, when BSI was not registered under the Maryland Business Opportunity Act.

16. Specifically, under the 2020 Consent Order, the Securities Division alleged that, in 2018, BSI offered and sold to AP, a Maryland resident, a business opportunity in the form of a Store Opening Service Agreement for the Full Experience Store Opening package.

17. In the 2020 Consent Order, BSI agreed, among other things, to immediately and permanently cease and desist from the offer and sale of business opportunities in violation of the Maryland Business Opportunity Act, and to make a full and unconditional refund of all fees AP paid to BWI under her Store Opening Service Agreement.

18. BSI never registered with the Securities Division to offer or sell business opportunities under the Maryland Business Opportunity Act, and after the date of the 2020 Consent Order, BSI continued to offer and sell business opportunities to Maryland residents in violation of the Maryland Business Opportunity Act, as described below.

C. The Sale of a BSI Business Opportunity to “AG”

19. On May 10, 2021, “AG,” a resident of Laurel, Maryland, signed a “Store Opening Services Agreement” with BSI to purchase the “Full Experience” store opening package.

20. The Store Opening Services Agreement that AG signed with BSI stated that AG paid BSI a \$11,500 retainer towards a \$25,000 fee to become a Full Experience store opening

client.

21. Under AG's Store Opening Services Agreement BSI agreed to provide site review, lease negotiation, store set-up, on-site training, inventor, and other services to AG.

22. On or around May 31, 2021, AG signed a "Credit Enhancement & Funding Addendum" Agreement with BSI.

23. The services that BSI was to provide to AG under the "Credit Enhancement & Funding Addendum" included transferring AG into a "funding program" administered by a financial services agency with which BSI partnered.

24. The funding program that BSI provided for AG established a holding account with funds that AG would deposit to pay for operational expenditures related to AG's store opening project, including fixtures, equipment, and inventory.

25. AG was to fund the holding account with sufficient funds to pay BSI for AG's store opening project, or a minimum of \$50,000 if her store opening budget was more than \$50,000.

26. On or around July 12, 2021, AG paid BSI a total of \$65,000 for her Store Opening Services Agreement fee and for funds for her holding account.

27. On or around May 2022, AG signed a lease agreement with a third-party lessor for premises that AG intended to use for her beauty supply store.

28. AG received some fixtures and inventory from BSI between May 2022 and March 2023.

29. On or around March 2023, AG opened her beauty supply store. AG's beauty supply store closed in August 2023.

D. The Sale of a BSI Business Opportunity to “ESDF”

30. On August 1, 2022, “ESDF”, a resident of Frederick, Maryland, signed a “Store Opening Services Agreement” with BSI to purchase the “Full Experience” store opening package.

31. The Store Opening Services Agreement that ESDF signed with BSI stated that AG paid BSI a \$22,500 retainer fee. ESDF was credited with \$2,500 paid to BSI for a “Business Plan” on October 18, 2018.

32. Under ESDF’s Store Opening Services Agreement, BSI agreed to provide site review, lease negotiation, store set-up, on-site training, inventory, and other services to ESDF.

33. ESDF’s Store Opening Services Agreement requires that ESDF establish a holding account with funds that ESDF would deposit to pay for operational expenditures related to ESDF’s store opening project, including fixtures, equipment, and inventory.

34. ESDF was to fund the holding account with sufficient funds to pay BSI for ESDF’s store opening project, or a minimum of \$50,000 if her store opening budget was more than \$50,000.

35. On or around August 9, 2022, ESDF paid BSI a total of \$67,800 in addition to the \$2,500 paid on October 18, 2018, for a business plan. ESDF paid BSI a total of \$70,300 for a broker fee, her Store Opening Services Agreement fee, and for funds for her holding account.

36. On or around February 2023, ESDF signed a lease agreement with a third-party lessor for premises that ESDF intended to use for her beauty supply store.

37. ESDF received some fixtures from BSI, but she did not receive any inventory.

38. On or around December 2023, ESDF opened her beauty supply store after

purchasing inventory from third parties unrelated to BSI.

E. The Sale of a BSI Business Opportunity to “ECW”

39. On September 16, 2021, “ECW,” a resident of Odenton, Maryland, signed a “Store Opening Services Agreement” with BSI to purchase the “Full Implementation” store opening package.

40. The Store Opening Services Agreement that ECW signed with BSI stated that ECW paid BSI a \$35,000 retainer fee to become a Full Implementation store opening client.

41. Under ECW’s Store Opening Services Agreement BSI agreed to provide site review, lease negotiation, store set-up, on-site training, inventory, marketing service, employee training, and other services to ECW.

42. ECW’s Store Opening Services Agreement required that ECW establish a holding account with funds that AG would deposit to pay for operational expenditures related to ECW’s store opening project, including fixtures, equipment, and inventory.

43. ECW was to fund the holding account with sufficient funds to pay BSI for ECW’s store opening project, or a minimum of \$50,000 if her store opening budget was more than \$50,000.

44. On or around February 17, 2022, ECW paid BSI a total of \$85,000 for her Store Opening Services Agreement fee and for funds for her holding account.

45. On or around April 27, 2023, ECW signed a lease agreement with a third-party lessor for premises that ECW intended to use for her beauty supply store.

46. BSI provided lease negotiation services to ECW regarding the lease agreement for her beauty supply store.

47. On or around January 18, 2024, ECW emailed BSI requesting cancellation of the Store Opening Services Agreement and a refund.

48. On January 25, 2024, BSI agreed to cancel ECW's Store Opening Service Agreement and conduct an audit on the account to determine the actual amount that will be levied against the funds in the holding fund account.

49. ECW never opened a beauty supply store.

COUNT ONE
(Violation of Registration Provision)

WHEREAS, section 14-113 of the Maryland Business Opportunity Act makes it unlawful for any person to offer or sell a business opportunity in Maryland unless the business opportunity is registered with the Securities Commissioner; and

WHEREAS, BSI offered and sold business opportunities in Maryland without registering the business opportunity with the Securities Commissioner;

NOW, THEREFORE, IT IS HEREBY ORDERED, pursuant to section 14-110 (a) of the Maryland Business Opportunity Act, that BSI cease and desist from engaging in the offer and sale of business opportunities in violation of section 14-113 of the Maryland Business Opportunity Act pending a hearing in this matter and until such time as this Order is modified or rescinded; and

IT IS FURTHER ORDERED that BSI show cause why it should not be ordered to permanently cease and desist from the offer and sale of business opportunities in violation of the registration provisions of the Maryland Business Opportunity Act, and permanently be barred from the offer or sale of business opportunities in or from Maryland.

COUNT TWO
(Violation of Disclosure Provision)

WHEREAS, section 14-114 of the Maryland Business Opportunity Act makes it unlawful for any person to offer or sell a business opportunity in Maryland without first giving a prospective buyer a copy of a disclosure document at least 10 full business days before the buyer executes an agreement or pays any consideration towards the purchase of the business opportunity; and

WHEREAS, section 14-113.1 of the Maryland Business Opportunity Act defines the information that must be included in the disclosure document required to be given to prospective buyers; and

WHEREAS, BSI offered and sold business opportunities in Maryland without giving the prospective Maryland Buyers a copy of the disclosure document that is required under the Maryland Business Opportunity Act;

NOW, THEREFORE, IT IS HEREBY ORDERED, pursuant to section 14-110 (a) of the Maryland Business Opportunity Act, that BSI cease and desist from engaging in the offer and sale of business opportunities in violation of section 14-114 of the Maryland Business Opportunity Act pending a hearing in this matter and until such time as this Order is modified or rescinded; and

IT IS FURTHER ORDERED that BSI show cause why it should not be ordered to permanently cease and desist from the offer and sale of business opportunities in violation of the disclosure provisions of the Maryland Business Opportunity Act, and permanently be barred from the offer or sale of business opportunities in or from Maryland.

COUNT THREE

(Violation of an order of the Securities Commissioner)

WHEREAS, BSI is the subject of an order of the Securities Commissioner, the 2020 Consent Order, in which the Securities Commissioner ordered, and BSI agreed, among other things, to immediately and permanently cease and desist from the offer and sale of business opportunities in violation of the Maryland Business Opportunity Act; and

WHEREAS, after the 2020 Consent Order, BSI continued to offer and sell business opportunities in Maryland in violation of the Maryland Business Opportunity Act;

NOW, THEREFORE, IT IS HEREBY ORDERED that BSI immediately cease and desist from offering and selling business opportunities in Maryland in violation of an order of the Securities Commissioner in the form of the 2020 Consent Order and permanently be barred from the offer or sale of business opportunities in or from Maryland.; and

IT IS FURTHER ORDERED that BSI show cause why a final order should not be issued directing BSI to permanently cease and desist from engaging in activities that violate the 2020 Consent Order and permanently be barred from the offer or sale of business opportunities in or from Maryland.

COUNT FOUR

(Misrepresentation in connection with the offer or sale of business opportunities)

WHEREAS, section 14-120 of the Maryland Business Opportunity Act prohibits any person, in connection with the offer or sale of a business opportunity, from making any untrue statement of material fact or omitting to state a material fact necessary in order to make the statement made, in light of the circumstances under which it is made, not misleading; and

WHEREAS, BSI made misrepresentations of material fact and/or omissions of material fact about the BSI business opportunity to the Maryland Buyers by failing to disclose the 2020 Consent Order to the Maryland Buyers and not providing required disclosure documents to the Maryland Buyers;

NOW, THEREFORE, IT IS HEREBY ORDERED, pursuant to section 14-110 (a) of the Maryland Business Opportunity Act, that BSI cease and desist from engaging in the offer and sale of business opportunities in violation of section 14-120 of the Maryland Business Opportunity Act pending a hearing in this matter and until such time as this Order is modified or rescinded; and

IT IS FURTHER ORDERED that BSI show cause why it should not be ordered to permanently cease and desist from the offer and sale of business opportunities in violation of the disclosure provisions of the Maryland Business Opportunity Act, and permanently be barred from the offer or sale of business opportunities in or from Maryland.

COUNT FIVE
(Unlawful Income or Earnings Representations)

WHEREAS, section 14-122 of the Maryland Business Opportunity Act prohibits any person, in connection with the offer or sale of a business opportunity, from making any representation that the business opportunity provides income or earning potential of any kind unless the seller has documentation to substantiate the representation and discloses that documentation to the prospective buyer when the representation is made; and

WHEREAS, BSI made representations to prospective Maryland buyers that the beauty supply business opportunity can generate \$200k and up and a beauty supply store can turn a profit in as little as 4-6 months but BSI did not have documentation to substantiate the

representation and/or did not disclose that documentation to the prospective buyer when the representation was made;

NOW, THEREFORE, IT IS HEREBY ORDERED, pursuant to section 14-110 (a) of the Maryland Business Opportunity Act, that BSI cease and desist from engaging in the offer and sale of business opportunities in violation of section 14-122 of the Maryland Business Opportunity Act pending a hearing in this matter and until such time as this Order is modified or rescinded; and

IT IS FURTHER ORDERED that BSI show cause why it should not be ordered to permanently cease and desist from the offer and sale of business opportunities in violation of the disclosure provisions of the Maryland Business Opportunity Act, and permanently be barred from the offer or sale of business opportunities in or from Maryland.

**REQUIREMENT OF ANSWER AND
NOTICE OF OPPORTUNITY FOR HEARING**

IT IS FURTHER ORDERED, pursuant to COMAR 02.02.06.06, that BSI shall file with the Securities Commissioner a written Answer to this Order within fifteen days of service of the Order. The Answer shall admit or deny each factual allegation in the Order and shall set forth affirmative defenses, if any. If BSI is without knowledge or information sufficient to form a belief as to the truth of an allegation, BSI shall so state.

The Answer also shall indicate whether BSI requests a hearing. A hearing will be scheduled in this matter if one is requested in writing within fifteen days of receipt of this Order. Failure by BSI to file a timely written request for a hearing in this matter shall be deemed a waiver by Respondent of the right to such a hearing.

Failure by BSI to file an Answer or a request for a hearing shall result in entry of a final order:

- (a) directing BSI to permanently cease and desist from violation of the Maryland Business Opportunity Act; and
- (b) permanently barring BSI from engaging in the offer or sale of business opportunities in Maryland.

SO ORDERED:

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

March 8, 2024

MELANIE SENTER LUBIN
SECURITIES COMMISSIONER