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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Franchise Investment Protection Act of
Washington by:

ILKB LLC, d.b.a. ILOVEKICKBOXING.COM,
FC Online Marketing, Inc., and
Michael Alan Parella, a.k.a. Mike Parella,

Respondents.

Order No. S-19-2812-22-SC01

STATEMENT OF CHARGES AND
NOTICE OF INTENT TO
ENTER ORDER TO CEASE AND DESIST

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THE STATE OF WASHINGTON TO:

ILKB LLC, FC Online Marketing, Inc., and
Michael Alan Parella

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Please take notice that the Securities Administrator for the state of Washington has reason to believe that Respondents ILKB LLC, d.b.a. ILOVEKICKBOXING.COM, FC Online Marketing, Inc., and Michael Alan Parella, a.k.a. Mike Parella, (“Respondents”) have violated the Franchise Investment Protection Act of Washington (“the Act”), RCW 19.100, and that their violations justify the entry of an order of the Securities Administrator under RCW 19.100.248 to cease and desist from such violations. The Securities Administrator finds as follows:

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TENTATIVE FINDINGS OF FACT

Respondents

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1. ILKB LLC (“ILKB”), d.b.a. ILOVEKICKBOXING.COM, was formed in New York on January 18, 2012 with its principal place of business in Merrick, New York. ILKB was in the business of offering franchises that offer kickboxing and other related fitness programs and services to retail customers and offers kickboxing equipment, accessories and related supplies.

1 2. FC Online Marketing, Inc. (“FCOM”) was formed in New York on November 30, 2009 with
2 its principal place of business in Levittown, New York. FCOM is in the business of offering website design,
3 search engine optimization, lead generation, new customer membership processing and fulfillment, and
4 other online marketing services.

5 3. Michael Alan Parella (“Parella”) is the founder and is/was the Manager and Chief Executive
6 Officer of ILKB. Parella is also the founder and is/was the Chief Executive Officer of FCOM.

7 **Background and Prior Administrative Actions**

8 4. In 2012, the Office of the Attorney General of the State of New York ("OAG") had launched
9 an investigation to determine if 'Subscription Licenses' offered by ILKB’s affiliate FCOM were in fact
10 franchise licenses pursuant to the New York State Franchise Sales Act. After the OAG determined that ILKB’s
11 affiliate FCOM sold franchises from and within New York while it was not registered or otherwise exempt
12 from franchise registration, it required FCOM to send rescission letters to all of its licensees, providing them
13 the option to convert to franchisees of ILKB.

14 5. In 2014, the Minnesota Department of Commerce (“DOC”) advised IKLB that it was prepared
15 to commence formal action against the company for the offer and sale of unregistered franchises in violation
16 of the Minnesota franchise laws. On June 23, 2014, the DOC entered into a settlement of the violations with
17 ILKB in the form of a Consent Order. IKLB and its officers, directors, agents, and employees, were ordered
18 in the Consent Order to cease and desist from offering or selling any franchises in Minnesota until registered
19 with the DOC. ILKB was required to offer rescission to its Minnesota franchisees and to pay a civil penalty
20 of \$2,000.

21 **Nature of the Conduct**

22 6. Prior to 2012, Respondents promoted the use of the ILKB names and marks in the signage and
23 branding of martial arts and fitness businesses in Washington (“ILKB License”). Respondents offered and

1 sold two Licenses to at least one Washington resident, charging a licensing fee of \$5,000. Parella and FCOM
2 offered marketing assistance to Licensees through the ILKB website at iLoveKickboxing.com. Parella,
3 FCOM, and ILKB entered into agreements for at least five Washington licensed locations.

4 7. Respondents offered and sold Licensees a variety of goods and services that included
5 proprietary and non-proprietary products such as “iLoveKickboxing.com gloves” and punching bags. Parella,
6 FCOM, and ILKB offered the Licensees marketing assistance through website design, search engine
7 optimization and other online marketing services and the ILKB fee based website directory listing services.
8 They provided Licensees with marketing assistance in the form of advertising the locations through the ILKB
9 website’s “Find an iLoveKickboxing.com Location” feature that allowed potential customers to enter their
10 zip code to find the closest ILKB Licensee.

11 8. In 2012 and prior to registering to offer and sell ILKB franchises in Washington, Parella,
12 FCOM, and ILKB began the process of converting “licensees” to ILKB franchises. ILKB offered at least one
13 Washington Licensee the opportunity to convert his License into an ILKB franchise prior being issued a
14 permit to offer franchise in the state and falsely represented to him that IKLB was "licensed" to offer
15 franchises.

16 9. ILKB sent an email dated June 6, 2012 to another Washington Licensee, who was one of at
17 least five ILKB licensees in the state, and said that ILKB would be reserving a space for him “even though
18 we are not legal there (in Washington) yet.” In the email, ILKB sent the Resident a link to a PDF document
19 on its website with additional information on converting his license to an IKLB franchise. The document,
20 titled “17 Reasons Why You Need to Convert From a License to a Franchise, Now” stated that the first 50
21 Licensees to convert from a ILKB License location to a ILKB franchise would be free and those doing so
22 would not have to pay an initial franchise fee. ILKB made a financial performance representation in the
23 document through the following statement:

1 “Our corporate locations are the top 2 producing ILKB schools in the country. One of
2 them has consistently brought in over 100 contracts for the last 3 months.”

3 ILKB failed to disclose material facts to the Resident in connection with this financial performance
4 representation such as the performance of the balance of other schools.

5 10. In May 2012, ILKB and Parella filed a franchise registration application with the Securities
6 Division and were issued a permit to offer franchises in July 2012. The application included the ILKB
7 Franchise Disclosure Document (“FDD”). The Washington Franchise Investment Protection Act (“the Act”)
8 requires that a franchisor include a copy of its FDD, that will be provided to prospective franchisees, as part
9 of its registration application. Franchisors are required to amend their FDDs in event of a material change to
10 the information contained in the FDD.

11 11. ILKB and Parella stated in the initial and amended 2012 FDD’s Item 1 disclosure that “FCOM
12 does not offer and has never offered franchises in any line of business.” FDD Item 1 requires the franchisor
13 to disclose, among other things, whether it or any affiliate has previously offered a franchise.

14 12. In 2013, ILKB and Parella amended the Item 1 disclosure to state that:

15 “From 2009 to 2011, FCOM offered member-subscriber agreements which met the
16 definition of franchise agreements, but it no longer does so...”

17 ILKB and Parella failed to fully disclose all of the material facts relating to the “agreements which met the
18 definition of franchise agreements” and the violations of the New York franchise laws in Item 1 and/or Item
19 3 of the ILKB FDD from 2012 to 2019. FDD Item 3 requires that a franchisor disclose the following for any
20 predecessor, affiliate who offers franchises under the franchisor’s principal trademark, or other person who
21 will have management responsibility relating to the sale or operation of its franchises: an administrative,
22 criminal, or material civil action alleging a violation of a franchise, antitrust, or securities law, or alleging
23 fraud, unfair or deceptive practices, or comparable allegations.

1 13. From 2014 to 2019, ILKB and Parella failed to fully disclose to the Securities Division and in
2 its FDD all of the material facts relating to ILKB's violation of Minnesota franchise laws and the requirement
3 to make rescission offers to franchisees and pay a civil penalty.

4 14. On May 21, 2015, an ILKB employee forwarded an email message from Parella to a
5 Washington resident and licensee. Parella's message came with a warning to this resident that ILKB was going
6 to be raising its franchise fees and that the resident could avoid the increase in fees by buying additional
7 franchises now. Parella stated in the message that ILKB had "re-vamped our grand opening process, and
8 locations are getting HUNDREDS of members in their facilities before they even open." Parella made a
9 financial performance representation through his claim that "Many (franchisees) are even breaking even in
10 just 10-12 weeks." ILKB and Parella provided the purported number of membership trials sold by four ILKB
11 locations, before they opened, without including a similar or comparable representation in Item 19 of the
12 ILKB Franchise Disclosure Document and failing to provide a reasonable basis and written substantiation for
13 the representations made to prospective franchisees. The FDD that ILKB and Parella had filed with the
14 Securities Division in May of 2015 stated that:

15 "We do not make any representation about a franchisee's future financial performance or the
16 past financial performance of company-owned or franchised outlets. We also do not authorize
17 employees or representatives to make any such representations either orally or in writing. If
18 you are purchasing an existing outlet, however, we may provide you with the actual records of
19 that outlet. If you receive any other financial performance information or projections of your
20 future income, you should report it to the franchisor's management by contacting our Chief
21 Executive Officer, Mr. Michael Parrella, ILKB LLC, 3601 Hempstead Turnpike, Suite 503,
22 Levittown, New York 11756, (516) 543-0041; the Federal Trade Commission; and the
23 appropriate state regulatory agencies.

1 **Registration Status in Washington**

2 15. Prior to July 27, 2012, ILKB, Parella, and FCOM had not registered and been cleared by the
3 Securities Division to offer and sell franchises in Washington and had not filed a notification of claim of
4 exemption with the state.

5 Based upon the above Findings of Fact, the following Conclusions of Law are made:

6 **CONCLUSIONS OF LAW**

7 1. The offer of the licenses and franchises described above constitutes the offer and/or sale of a
8 franchise as defined in RCW 19.100.010(6), RCW 19.100.010(12), and RCW 19.100.010(17).

9 2. The offer and or sale of FCOM/ILKB licensed businesses and the offer and sale of the right to
10 convert said licenses to an ILKB franchise constitutes the offer and/or sale of unregistered franchises in
11 violation of RCW 19.100.020.

12 3. The misrepresentation or omission of material facts relating to the ILKB franchise initial and
13 renewal applications and financial performance representations in the offer of ILKB franchises as described
14 above are a violation of the anti-fraud provisions of RCW 19.100.170.

15 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

16 Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities
17 Administrator intends to order that Respondents and their agents and employees, each shall cease and desist
18 from violations of RCW 19.100.020 and RCW 19.100.170.

19 **AUTHORITY AND PROCEDURE**

20 This Order is entered pursuant to the provisions of RCW 19.100.248 and is subject to the provisions
21 of Chapter 34.05 RCW. Each Respondent may make a written request for a hearing as set forth in the
22 NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this
23

1 order. If a Respondent does not request a hearing within the allowed time, the Securities Administrator
2 intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and enter an order to
3 cease and desist permanent as to that Respondent.

4 SIGNED and ENTERED this 30th day of January 2024

5 /s/



6 _____
7 William M. Beatty
8 Securities Administrator

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12 Approved by:
13 /s/

14 _____
15 Brian Guerard
16 Chief of Enforcement

17 Presented by:
18 /s/

19 _____
20 Martin Cordell
21 Financial Legal Examiner

22 Reviewed by:
23 /s/

Huang Lam
Financial Legal Examiner Supervisor