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:
Salon Professional Education Company, LLC d/b/a S.P.E.C. LLC
S.P.E.C. LLC, f/k/a APS, LLC,
Respondents.

Order No.: S-13-1358-CO01
CONSENT ORDER

Pursuant to the Franchise Investment Protection Act of Washington, RCW 19.100, the Securities Division and Respondent, Salon Professional Education Company, LLC, do hereby enter into this CONSENT ORDER in settlement of the matters alleged herein. Respondent Salon Professional Education Company, LLC, neither admits nor denies the Findings of Fact or Conclusions of Law as stated below.

FINDINGS OF FACT

I. Respondents
1. Salon Professional Education Company, LLC d/b/a S.P.E.C. LLC (“SPEC”) is a Minnesota limited liability company with a place of business at 4377 15th Avenue South, Fargo ND 58103. SPEC was formed on July 13, 2004, as “APS, LLC” (“APS”). APS changed its name to “Salon Professional Education Company, LLC” on December 24, 2012.
2. SPEC franchises The Salon Professional Academy schools that train students in hairdressing and cosmetology.

II. Nature of Offering
3. In 2008, Respondent SPEC, when it was named APS, offered and sold a franchise to a Washington resident. In the Franchise Agreement entered into by SPEC and the Washington franchisee on August 6, 2008 (“Agreement”), SPEC granted the franchisee the exclusive right to open a The Salon Professional Academy franchise in the Seattle/Tacoma area. Under the Agreement, SPEC was to provide the Washington franchisee with a floorplan for the school, consulting and website services, a list of approved vendors, manuals and business plans, as well as the right to
use SPEC’s trademarks and advertising materials. The Washington franchisee had to pay a franchise fee of $23,310, an “advertising and web fee” of $32,400 and an “on-going support fee” of $32,400, all payable in monthly installments. The franchisee opened a The Salon Professional Academy school in Tacoma, Washington.

III. Failure to Timely Deliver Franchise Disclosure Document

4. Respondent SPEC did not provide the Washington franchisee with its franchise disclosure document ("FDD") prior to entering into the Agreement with that franchisee in August 2008. SPEC did not provide the FDD to the Washington franchisee until 2009.

IV. Registration Status

6. Respondent SPEC was not registered to sell its franchises in the state of Washington when it sold the Washington franchise in August 2008, and had not previously been so registered. There is no notification of exemption on file with the state of Washington for that time period.

7. On February 19, 2009, Respondent SPEC, when it was named APS, submitted a franchise application with the Securities Division to register its franchise. The Securities Division granted SPEC a Franchise Registration Permit, effective February 27, 2009. The Permit expired on February 27, 2010. SPEC did not renew the Permit.

V. Untrue Statement of Material Fact in Franchise Application

8. As part of the February 2009 franchise application, SPEC filed with the Securities Division an FDD that did not disclose the existence of the Washington franchise. In Item 20, Table 3 of the FDD, SPEC failed to disclose that any Washington franchises were opened from 2006-2008. In Table 5 of Item 20, SPEC failed to disclose that any Washington franchises were projected to open as of December 31, 2008. In Exhibit F of the FDD, which listed all franchises as of December 21, 2008, SPEC failed to disclose the name, address and phone number of the Washington franchise.

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

CONCLUSIONS OF LAW

I.

The offer or sale of The Salon Professional Academy franchise as described above constitutes the offer and/or sale of a franchise as defined in RCW 19.100.010(6), RCW 19.100.010(12) and RCW 19.100.010(17).
II.

The offer or sale of said franchise was in violation of RCW 19.100.020 because no registration for such offer and/or sale is on file with the Securities Administrator, state of Washington.

III.

The offer and/or sale of said franchise was in violation of RCW 19.100.080, the disclosure document requirement provision of the Franchise Investment Protection Act, because Respondent failed to provide the prospective purchaser with an offering circular or franchise disclosure document that contained the information about the franchise required by RCW 19.100.040 at least fourteen calendar days prior to the execution of the Franchise Agreement by the Washington franchisee.

IV.

The offer and/or sale of said franchise was in violation of RCW 19.100.170(1) because Respondent made an untrue statement of material fact in the application that it filed with the Division, as described in Section V of the Findings of Fact.

CONSENT ORDER

Based upon the foregoing and finding it in the public interest:

IT IS AGREED AND ORDERED THAT Respondent, Salon Professional Education Company, LLC d/b/a S.P.E.C. LLC, their agents and employees shall each cease and desist from offering or selling franchises in violation of RCW 19.100.020, the registration section of the Franchise Investment Protection Act of the state of Washington.

IT IS FURTHER AGREED AND ORDERED that Respondent, Salon Professional Education Company, LLC d/b/a S.P.E.C. LLC, its agents, and its employees shall each cease and desist from violating RCW 19.100.080, the franchise disclosure document section of the Franchise Investment Protection Act of the state of Washington.

IT IS FURTHER AGREED that Respondent, Salon Professional Education Company, LLC d/b/a S.P.E.C. LLC, their agents and employees shall each cease and desist from violating RCW 19.100.170, the anti-fraud section of the Franchise Investment Protection Act of the state of Washington.
IT IS FURTHER AGREED AND ORDERED that Respondent, Salon Professional Education Company, LLC d/b/a S.P.E.C. LLC, shall be liable for and shall pay investigative costs of $1,000 prior to the entry of this Consent Order.

IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

IT IS FURTHER AGREED that Respondent, Salon Professional Education Company, LLC d/b/a S.P.E.C. LLC, enters into this Consent Order freely and voluntarily and with full understanding of its terms and significance.

IT IS FURTHER AGREED that in consideration of the foregoing, Respondent, Salon Professional Education Company, LLC d/b/a S.P.E.C. LLC, waives its right to a hearing and to judicial review of this matter.

Signed this 7th day of November, 2013.

Signed by Salon Professional Education Company, LLC

By /s/ JODI ELLINGSON
President

SIGNED and ENTERED this 13th day of November, 2013.

WILLIAM M. BEATTY
Securities Administrator

Approved by:

SUZANNE SARASON
Chief of Enforcement

PRESENTED by:

HUONG LAM
Financial Legal Examiner
Reviewed by:

JACK MCCLELLAN
Financial Legal Examiner Supervisor