

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, NOVEMBER 23, 2010

101130044

COMMONWEALTH OF VIRGINIA, *ex. rel.*

STATE CORPORATION COMMISSION

v.

THE GLOVE LADY, LLC
and
ROBERT TEAGUE,
Defendants

CASE NO. SEC-2009-00119

CASE NO. SEC-2010-00052

FINAL ORDER

On June 9, 2010, the State Corporation Commission ("Commission") issued a Rule to Show Cause ("Rule") against The Glove Lady, LLC ("TGL") and Robert Teague ("Teague") (collectively, "Defendants"). The Rule alleged various violations of the Virginia Retail Franchising Act ("Act"), § 13.1-557 *et seq.* of the Code of Virginia. Specifically, it alleged that the Defendants offered and sold franchises in the Commonwealth of Virginia without being registered in violation of § 13.1-560 of the Act, and failed to provide Virginia franchisees with the appropriate disclosure documents in violation of § 13.1-563 (4) of the Act.

The Rule, among other things, assigned the matter to a Hearing Examiner and scheduled an evidentiary hearing for August 4, 2010. Additionally, the Rule ordered the Defendants to file a responsive pleading on or before June 30, 2010, in which the Defendants were required to expressly admit or deny the allegations in the Rule and present any affirmative defenses that they intended to assert. The Defendants were advised that they may be found in default if they failed to either timely file a responsive pleading or other appropriate pleading, or if they filed such pleading and failed to make an appearance at the hearing. If found in default, the Defendants were advised that they would be deemed to have waived all objections to the admissibility of

evidence and may have entered against them a judgment by default imposing some or all of the sanctions permitted by law.

On June 30, 2010, Teague filed a letter on behalf of the Defendants that stated, among other things, that TGL was no longer in business and insolvent. Teague asserted that the Defendants tried to comply with their legal obligations and asked for mercy from the court.

An evidentiary hearing on the Rule was convened on August 4, 2010. Gauhar R. Naseem, Esquire, appeared on behalf of the Division. The Defendants failed to appear after receiving notice of the hearing.

At the hearing, the Division, by counsel, offered into the record the affidavit of Jonathan Hawkins, investigator with the Division, together with attachments, and the return receipt from the certified mailing of the Rule.

The Division requested that the Hearing Examiner: (i) recommend to the Commission that the Commission enter a judgment order imposing a \$25,000 monetary penalty for each violation of the Act for a total of \$100,000 against TGL; (ii) recommend to the Commission that the Commission enter a judgment order imposing a \$25,000 monetary penalty for each violation of the Act for a total of \$100,000 against Teague; (iii) recommend to the Commission that the Defendants be ordered to make rescission and restitution to the Virginia franchisees; (iv) recommend to the Commission that each Defendant be assessed the amount of \$4,472 for a total of \$8,944 for costs of the Division's investigation; and (v) recommend the Defendants be permanently enjoined from violating the Act.

On August 20, 2010, the Hearing Examiner issued his Report. In his report, he found that (i) the testimony and documentary evidence submitted by the Division proved by clear and convincing evidence the Defendants' violations of the Act; (ii) each Defendant should be

penalized a total of \$50,000 for violations related to the sale of the franchise on December 12, 2007; and (iii) if the Defendants rescind both Virginia franchises and make restitution to the franchisees of their franchise fee, no other penalties will be required of either Defendant. The Report allowed the Defendants 21 days in which to provide comments. The Defendants did not file comments.

NOW THE COMMISSION, upon consideration of the Rule, the record, the Hearing Examiner's Report, and the applicable statutes, is of the opinion and finds that the Hearing Examiner's findings and recommendations are reasonable and should be adopted.

Accordingly, IT IS ORDERED THAT:

(1) In accordance with the Commission's regulatory duties and powers pursuant to § 13.1-570 of the Act, judgment is entered for the Commonwealth against Defendant TGL in the amount of Fifty Thousand Dollars (\$50,000);

(2) In accordance with the Commission's regulatory duties and powers pursuant to § 13.1-570 of the Act, judgment is entered for the Commonwealth against Defendant Teague in the amount of Fifty Thousand Dollars (\$50,000);

(3) In accordance with the Commission's regulatory duties and powers pursuant to § 13.1-567 of the Act, each Defendant shall be assessed the amount of \$4,472 for a total of \$8,944 for costs of the Division's investigation;

(4) If the Defendants rescind both Virginia franchises and make restitution to the franchisees of their franchise fee within six months of the date of this order, and submit to the Division an Affidavit containing proof that restitution payments were made by providing certified mail return receipts and a copy of the check sent to each franchisee, no penalties will be required of either Defendant;

(5) The Defendants are permanently enjoined from violating the Act in the future; and

(6) This case is dismissed and the papers herein shall be placed in the file for ended causes.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission, by CERTIFIED MAIL, RETURN RECEIPT REQUESTED, to: Robert Teague, President, The Glove Lady, LLC, 8505 Paseo Alameda NE, Albuquerque, New Mexico 87113; Louis Manganiello, Esquire, Law Offices of Louis Manganiello, Esquire, Suite 404, 10924 Vance Jackson, Texas 78230; and the Commission's Office of General Counsel and Division of Securities and Retail Franchising.