

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

AT RICHMOND, APRIL 5, 2017

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COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. SEC-2016-00044

KLINE FRANCHISING, INC.  
d/b/a BURN BOOT CAMP  
and  
DEVAN KLINE,  
Defendants

SETTLEMENT ORDER

The State Corporation Commission's ("Commission") Division of Securities and Retail Franchising ("Division") conducted an investigation of Kline Franchising, Inc. d/b/a Burn Boot Camp ("Kline Franchising") and Devan Kline ("Mr. Kline") (collectively, "Defendants") pursuant to § 13.1-567 of the Virginia Retail Franchising Act ("Act"), § 13.1-557 *et seq.* of the Code of Virginia ("Code").

Kline Franchising is a North Carolina corporation doing business as Burn Boot Camp ("BBC"). Kline Franchising was organized on October 9, 2014. Mr. Kline is the founder and president of BBC and at all relevant times was the sole principal of BBC. BBC offers a fitness boot camp for women comprised of a series of fitness programs built around proprietary high intensity workout routines. The Defendants never registered BBC to be offered or sold as a franchise in the Commonwealth of Virginia ("Virginia"). However, from November 8, 2015 to May 20, 2016, the Division alleges that the Defendants sold three unregistered BBC franchises to be located in Virginia to three separate Virginia franchisees ("Virginia Franchisees").

Further, the Division alleges that the Defendants failed to provide the Virginia Franchisees a Franchise Disclosure Document ("FDD") and franchise agreement cleared for use by the Division in connection with the unregistered sales. A cleared FDD and franchise agreement provide material information to prospective franchisees in order for them to make an informed decision regarding the purchase of a franchise. Because no cleared FDD and franchise agreement were provided to the Virginia Franchisees, the Division alleges that regulatory oversight was circumvented.

Prior to the entry of this Order, the Defendants voluntarily offered rescission to the Virginia Franchisees. Each of the Virginia Franchisees accepted the Defendants' offer of rescission and the initial franchise fees were returned to the respective Virginia Franchisees.

Based on the investigation, the Division alleges the Defendants violated: (i) § 13.1-560 of the Act by selling or offering to sell franchises in Virginia prior to registering under the provisions of the Act; and (ii) § 13.1-563 (4) of the Act by failing to, directly or indirectly, provide the Virginia Franchisees with (i) the franchise agreement and (ii) such disclosure documents as may be required by rule or order of the Commission.

If the provisions of the Act are violated, the Commission is authorized by § 13.1-562 of the Act to revoke a defendant's registration, by § 13.1-568 of the Act to issue temporary or permanent injunctions, by § 13.1-570 of the Act to impose certain monetary penalties and to request a defendant make rescission and restitution, and by § 12.1-15 of the Code to settle matters within its jurisdiction.

The Defendants neither admit nor deny these allegations but admit to the Commission's jurisdiction and authority to enter this Settlement Order ("Order").

As a proposal to settle all matters arising from these allegations, the Defendants have made an offer of settlement to the Commission wherein the Defendants will abide by and comply with the following terms and undertakings:

(1) The Defendants will pay to the Treasurer of Virginia ("Treasurer"), contemporaneously with the entry of this Order, the amount of Fifteen Thousand Dollars (\$15,000) in monetary penalties.

(2) The Defendants will pay to the Treasurer, contemporaneously with the entry of this Order, the amount of Four Thousand Dollars (\$4,000) to defray the costs of investigation.

(3) The Defendants will not violate the Act in the future.

The Division has recommended that the Commission accept the offer of settlement of the Defendants.

NOW THE COMMISSION, having considered the record herein, the offer of settlement of the Defendants, and the recommendation of the Division, is of the opinion that the Defendants' offer should be accepted.

Accordingly, IT IS ORDERED THAT:

(1) The offer of the Defendants in settlement of the matter set forth herein is hereby accepted.

(2) The Defendants shall fully comply with the aforesaid terms and undertakings of this settlement.

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

Dismissal of this case does not relieve the Defendants from their reporting obligations to any regulatory authority.

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AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:  
Kline Franchising, Inc. d/b/a Burn Boot Camp and Devan Kline, 311 Gilead Road, Huntersville,  
North Carolina 28078; and Steven D. Rinaldi, Esquire, 4845 Rugby Avenue, Suite 301,  
Bethesda, Maryland 20814; and a copy shall be delivered to the Commission's Office of General  
Counsel and Division of Securities and Retail Franchising.

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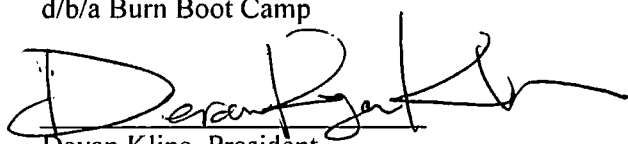
KLINE FRANCHISING, INC. D/B/A BURN BOOT CAMP  
and  
DEVAN KLINE  
Defendants

ADMISSION AND CONSENT

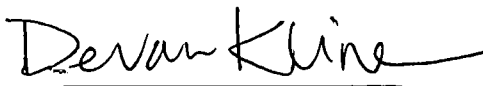
Kline Franchising, Inc. d/b/a Burn Boot Camp and Devan Kline (collectively, "Defendants"), admit to the jurisdiction of the State Corporation Commission ("Commission") as to the party and subject matter hereof and, neither admitting nor denying the allegations made herein by the Division of Securities and Retail Franchising, hereby consent to the form, substance and entry of the foregoing Settlement Order ("Order").

The Defendants further state that no offer, tender, threat or promise of any kind whatsoever has been made by the Commission or any member, subordinate, employee, agent or representative thereof in consideration of the foregoing Order.

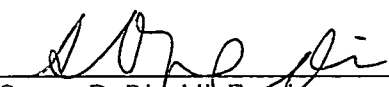
Date: March 16, 2017

Kline Franchising, Inc.  
d/b/a Burn Boot Camp  
By:   
Devan Kline, President

Date: March 16, 2017

  
Devan Kline

Seen and Approved By:

  
Steven D. Rinaldi, Esquire