

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, JUNE 26, 2015

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COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. SEC-2015-00002

TMA FRANCHISE SYSTEMS, INC.
D/B/A THE MOSQUITO AUTHORITY
and
JOSEPH D. OSBORNE,
Defendants

SETTLEMENT ORDER

The State Corporation Commission's ("Commission") Division of Securities and Retail Franchising ("Division") conducted an investigation of TMA Franchise Systems, Inc. d/b/a The Mosquito Authority ("The Mosquito Authority") and Joseph D. Osborne ("Osborne") (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").

The Mosquito Authority, a North Carolina corporation, incorporated on December 2, 2011. The Division alleges that The Mosquito Authority, along with its predecessor, TMA Franchise Systems, LLC, began offering and selling Virginia-based franchises as early as February 2010. At all relevant times, Osborne was president of The Mosquito Authority or TMA Franchise Systems, LLC.

The Mosquito Authority's franchise has never been registered with the Division to offer and sell franchises to be located in Virginia. On September 14, 2014, The Mosquito Authority self-reported to the Division the offer and sale of unregistered Virginia-based franchises. Based

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on the Division's investigation, it alleges sales to at least 11 franchisees. Thus, the Division alleges that The Mosquito Authority violated the registration requirements of the Act.

The Division further alleges that because The Mosquito Authority never registered to offer and sell franchises with the Division, it did not provide appropriately cleared disclosure documents to the Virginia-based franchisees identified in paragraph 3. To ensure prospective franchisees receive material information about a franchise prior to their purchase, the franchise's Franchise Disclosure Document ("FDD"), franchise agreement, and FDD attachments must be cleared for use by the Division prior to prospective franchisees receiving them. Prospective franchisees can then make an informed decision as to whether they should enter into a franchise agreement.

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 the Commonwealth of Virginia ("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 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 Twenty Thousand Dollars (\$20,000) in monetary penalties.

(2) The Defendants will pay to the Treasurer, contemporaneously with the entry of this Order, the amount of Two Thousand Five Hundred Dollars (\$2,500) to defray the costs of investigation.

(3) The Defendants will provide a copy of this Order to each Virginia franchisee. Within sixty (60) days after entry of this Order, the Defendants will submit an affidavit to the Division confirming that it provided a copy of the Order to each Virginia franchisee.

(4) 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.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:
Joseph D. Osborne, TMA Franchise Systems, Inc. d/b/a The Mosquito Authority, 1375 Main Avenue, SW, Hickory, North Carolina 28602; Raymond T. McKenzie, Esquire, The Law Offices of Raymond T. McKenzie, Esquire, 60 Market Street, Suite 205, Gaithersburg, Maryland 20878; 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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STATE CORPORATION COMMISSION

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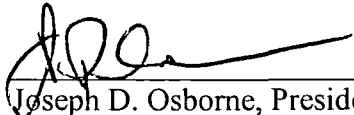
ADMISSION AND CONSENT

TMA Franchise Systems, Inc. d/b/a The Mosquito Authority and Joseph D. Osborne (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").

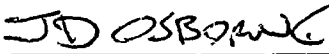
The Defendants further state that no offer, tender, threat or promise of any kind whatsoever has been made by the Commission or any member, subordinate, employee, agent or representative thereof in consideration of the foregoing Order.

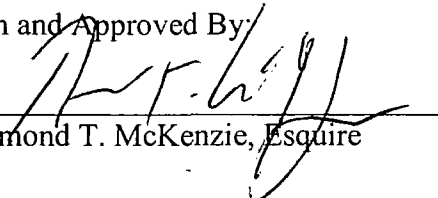
TMA Franchise Systems, Inc.
d/b/a The Mosquito Authority

Date: 6-11-15

By: 
Joseph D. Osborne, President

Date: 6-18-15

By: 
Joseph D. Osborne

Seen and Approved By:

Raymond T. McKenzie, Esquire