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Attorneys for Complainant

BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
OF THE STATE OF CALIFORNIA

In the Matter of:)	FIL ORG. ID.: 169924
)	
THE COMMISSIONER OF BUSINESS OVERSIGHT,)	
)	
Complainant,)	CITATIONS INCLUDING:
)	(1) DESIST AND REFRAIN ORDER;
v.)	
)	(2) ASSESSMENT OF
MEDIA360 FRANCHISING, LLC; REID S. JOHNSON,)	ADMINISTRATIVE PENALTIES;
)	AND
)	
Respondents.)	(3) ATTORNEYS' FEES
)	
)	
)	

Jan Lynn Owen, the California Commissioner (“Commissioner”) of the Department of Business Oversight (“Department”), finds the following:

I
Introduction

1. Media360 Franchising, LLC (“Media360”) was formed on November 17, 2014 as an Arizona limited liability company. Media360’s principal business address is 8800 N. Gainey Center

1 Drive, Suite 276, Scottsdale, Arizona 85258. The company maintains a website at
2 <http://media360.co/>.

3 2. At all relevant times, Reid S. Johnson (“Johnson”) was Media360’s managing partner
4 and chief executive officer (“CEO”). At all relevant times, Johnson was also a “control” person of
5 Media360. “Control” is defined by Corporations Code section 160.¹

6 3. The Commissioner is the head of the Department and is responsible for administering
7 and enforcing the California Franchise Investment Law (Corp. Code, § 31000 et seq.) (“FIL”), and
8 registering the offer and sale of franchises in California.

9 4. To register a franchise, a franchisor must file a Uniform Franchise Disclosure
10 Document (“Franchise Disclosure Document”) with the Department for review and approval, in
11 accordance with sections 31111 and 31114.

12 5. The disclosure requirements of the FIL are intended to avoid misrepresentations and
13 to provide prospective franchisees with facts upon which to make an informed decision to purchase a
14 franchise, as stated in section 31001.

15 **II**
16 **Statement of Facts**

17 **A.**
18 **Media360, LLC’s Initial and Renewal Franchise Registration Applications Failed to Disclose**
19 **Johnson’s Affiliation with Meridian United Capital, LLC**

20 6. On January 20, 2015, Media360 filed a Franchise Registration Application with the
21 Department pursuant to section 31111 (the “Initial Application”). The Initial Application disclosed
22 Johnson as Media360’s sole managing partner.

23 7. Applicants are required to disclose all directors, trustees, general partners, principal
24 officers and any other individual who will have management responsibility relating to the sale or
25 operation of the franchise in Item 2 of the Franchise Disclosure Document. For each person listed,
26 Applicants are required to state his or her principal positions and employers during the past five
27 years, including each position’s start date, ending date, and location.

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¹ All further statutory references are to the Corporations Code unless otherwise indicated.

1 8. Media360’s Initial Application listed Johnson as Media360’s sole managing partner,
2 and disclosed Johnson’s employment with The Planning Group of Scottsdale, LLC (“TPGS”) but did
3 not disclose any other employment.

4 9. Meridian United Capital, LLC (formerly known as Meridian United Securities, LLC)
5 was at all relevant times an Arizona limited liability company formed on June 26, 2003. Johnson was
6 Meridian’s majority owner, manager, and executive officer from at least July 2004 until on or about
7 October 16, 2012. Meridian was a registered broker dealer with the Financial Industry Regulatory
8 Authority (“FINRA”) from at least November 21, 2002 to on or about December 17, 2012.

9 10. On or around October 21, 2013, Johnson entered into a Letter of Acceptance, Waiver
10 and Consent with FINRA (“FINRA Settlement”) to settle allegations that: (1) Meridian acting by
11 and through Johnson as a placement agent for Insured Private Equity Fund (which was owned by
12 Johnson) did not return investor funds by the date specified in the private placement memorandum
13 (“PPM”); (2) Johnson backdated restated subscription agreements with investors; (3) Johnson made
14 negligent misrepresentations in a supplement to the PPM; and (4) Meridian acting by and through
15 Johnson failed to establish, maintain, and enforce adequate procedures relating to the offering.

16 11. Under the FINRA Settlement, Johnson agreed to a 45 business-day suspension from
17 associating with a FINRA member firm and a \$15,000.00 fine.

18 12. Johnson’s affiliation with Meridian was not disclosed in Media360’s Initial
19 Application.

20 13. An officer of the applicant is required to review the Franchise Disclosure Document
21 and certify its accuracy to the Commissioner. Johnson signed the following notarized certification on
22 behalf of Media360, dated January 14, 2015:

23 I certify under penalty of law that I have read and know the contents of this
24 application and the documents attached as exhibits and incorporated by
25 reference and that the statements in all these documents are true and
26 correct.

27 14. The Department issued an order allowing Media360 to offer and sell franchises in
28 California on March 19, 2015. Under this order, Media360’s franchise registration was effective
through April 20, 2016.

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15. On April 21, 2016, Media360 filed a franchise renewal application with the Commissioner (the “Renewal Application”). Johnson is listed as Media360’s sole managing partner.

16. Johnson’s affiliation with Meridian was not disclosed in Media360’s Renewal Application.

17. An officer of the applicant is required to review the Franchise Disclosure Document and certify its accuracy to the Commissioner. Johnson signed the following certification on behalf of Media360, dated April 15, 2016:

I certify under penalty of law that I have read and know the contents of this application, including the Franchise Disclosure Document with an issuance date of attached as an exhibit [sic], and that all material facts stated in all those documents are accurate and those documents do not contain any material omissions[.] I further certify that I am duly authorized to make this certification on behalf of the Franchisor and that I do so upon my personal knowledge[.]

B.
The United States Securities and Exchange Commission’s April 14, 2016 Cease-And-Desist Order and Broker, Dealer, and Investment Adviser Bar Against Reid S. Johnson

18. On or around August 6, 2015, the United States Securities and Exchange Commission (“SEC”) issued an Order Instituting Administrative and Cease-And-Desist Proceedings (“SEC enforcement action”) against Johnson, titled *In the matter of Reid S. Johnson*, administrative proceeding File No. 3-16730, alleging that The Planning Group of Scottsdale, LLC and Johnson violated provisions of the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, and the Investment Company Act of 1940.

19. Franchisors are required to promptly notify the Commissioner of any material change in the information contained in the franchise registration application as originally submitted.

20. Media360 failed to amend the Franchise Disclosure Document to disclose the August 6, 2015 SEC enforcement action against Johnson.

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III
Citations and Desist and Refrain Order
Violation of Corporations Code Sections 31123 and 31200

21. Corporations Code section 31123 provides:

A franchisor shall promptly notify the commissioner in writing, by an application to amend the registration, of any material change in the information contained in the application as originally submitted, amended or renewed. The commissioner may by rule further define what shall be considered a material change for such purposes, and the circumstances under which a revised offering prospectus must accompany such application.

22. Corporations Code section 31200 provides:

It is unlawful for any person willfully to make any untrue statement of a material fact in any application, notice or report filed with the commissioner under this law, or willfully to omit to state in any such application, notice, or report any material fact which is required to be stated therein, or fail to notify the commissioner of any material change as required by Section 31123.

23. Based upon the foregoing findings, the Commissioner is of the opinion that Media360 and Johnson, in violation of section 31123, failed to promptly notify the Commissioner of a material change in the information contained in the application as originally submitted.

CITATION A: Media360 and Johnson failed to amend the Initial Application to disclose the SEC enforcement action alleging that Johnson violated federal securities laws.

24. Based upon the foregoing findings, the Commissioner is of the opinion that Media360 and Johnson willfully made untrue statements of material fact in applications filed with the Commissioner or omitted to state material facts which were required to be stated in an application filed with the Commissioner including the following:

CITATION B: Media360 and Johnson failed to disclose its affiliation with Meridian in the Initial Application and Renewal Application.

Pursuant to section 31406, Johnson and Media360 are hereby cited and ordered to desist and refrain from further violations of the Franchise Investment Law, including sections 31123 and 31200.

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29. This order is necessary, in the public interest, for the protection of investors and franchisees and consistent with the purposes, policies and provisions of the Franchise Investment Law.

V
Attorney's Fees

30. Corporations Code section 31408 provides:

(a) If the commissioner determines it is in the public interest, the commissioner may include in any administrative action brought under this division, including a stop order, a claim for ancillary relief, including, but not limited to, a claim for rescission, restitution or disgorgement or damages on behalf of the persons injured by the act or practice constituting the subject matter of the action, and the administrative law judge shall have jurisdiction to award additional relief. The person affected may be required to attend remedial education, as directed by the commissioner.

(b) In an administrative action brought under this part the commissioner is entitled to recover costs, which in the discretion of the administrative law judge may include any amount representing reasonable attorney's fees and investigative expenses for the services rendered, for deposit into the State Corporations Fund for the use of the Department of Corporations.

31. Pursuant to section 31408, Media360 and Johnson shall pay attorney's fees to the Department of Business Oversight in the aggregate amount of \$1,000.00, or according to proof. The amount awarded for attorney's fees shall be made payable to the Department of Business Oversight and submitted to Danielle A. Stoumbos, Senior Counsel, 320 West 4th Street, Suite 750, Los Angeles, California 90013-2344, no later than 60 days from the date of this order.

Dated: June 8, 2016

Los Angeles, California

JANN LYNN OWEN
Commissioner of Business Oversight

By _____
MARY ANN SMITH
Deputy Commissioner
Enforcement Division