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BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
OF THE STATE OF CALIFORNIA

In the Matter of:)	
)	FIL ORG ID.: 169924
THE COMMISSIONER OF BUSINESS OVERSIGHT,)	
)	STATEMENT IN SUPPORT OF STOP
)	ORDER DENYING EFFECTIVENESS OF
)	FRANCHISE RENEWAL REGISTRATION
Complainant,)	
)	(Corp. Code § 31117)
v.)	
)	
MEDIA360 FRANCHISING, LLC,)	
)	
Respondent.)	
)	
)	

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

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

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

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

16 12. Johnson’s affiliation with Meridian was not disclosed in Media360’s Initial
17 Application.

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

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

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

28 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.

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22. Under the SEC Order effective April 14, 2016, Johnson is:

a. ordered to cease and desist from committing or causing any violations and any future violations of sections 206(4) and 207 of the Advisers Act and Rules 206(4)-2 and 206(4)-7 promulgated thereunder;

b. barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

c. prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter;

d. barred from participating in any offering of a penny stock, including, acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer, or issuer for purposes of the issuance of trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock; and

e. required to pay a civil money penalty of \$45,000 to the SEC.

C.

An Employee of Suspended Entity Conner & Associates, LLC dba Franchise Marketing Systems is listed as a Franchise Seller in Media360’s Renewal Application

23. On December 1, 2014, the Commissioner issued a Citation Including: (1) Desist and Refrain Order; (2) Assessment of Administrative Penalties; and (3) Claim for Ancillary Relief and Costs against Conner and Associates, LLC, a Georgia limited liability company (d/b/a Franchise Marketing Systems) (“FMS”), among other subjects.

24. On March 8, 2016, FMS and the Commissioner entered into a Stipulation to Citation wherein FMS agreed that it would not offer or sell, or assist in the offer or sale of franchises in the state of California until July 1, 2021.

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27. 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.

28. 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.

29. Based upon the foregoing findings, the Commissioner is of the opinion that Media360 Franchising, LLC failed to comply with Corporations Code sections 31123 and 31200, and that the Franchise Disclosure Document submitted on April 21, 2016, would constitute misrepresentation to, or deceit or fraud of the purchasers because it fails to disclose Johnson’s affiliation with Meridian, and lists a Conner & Associates LLC d/b/a Franchise Marketing Systems employee as a franchise seller but fails to disclose the currently effective order prohibiting Conner & Associates LLC d/b/a Franchise Marketing Systems from offering or selling, or assisting in the offer or sale of franchises in California. In addition, based upon the foregoing findings, the Commissioner is of the opinion that Reid S. Johnson, identified in the Renewal Application as Media360’s CEO and managing partner, is subject to a currently effective order of the Securities and Exchange Commission barring Johnson as a securities broker, dealer, or investment adviser, and whose involvement in the operation and sale of franchises by Media360 Franchising, LLC creates an unreasonable risk to prospective franchisees.

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30. For these reasons, the Commissioner of Business Oversight has determined that an order should be issued pursuant to Corporations Code section 31115, subdivisions (a), (b) and (d)(2) denying the effectiveness of franchise renewal registration by Media360 Franchising, LLC.

Dated: June 8, 2016
Los Angeles, California

JANN LYNN OWEN
Commissioner of Business Oversight

By _____
Danielle A. Stoumbos
Senior Counsel, Enforcement Division