

1 **STATE OF WASHINGTON**  
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**  
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING  
5 Whether there has been a violation of the  
6 Franchise Investment Protection Act by:

7 StretchMed Franchise LLC,  
8 Respondent.

Order No. S-24-3704-24-SC01

STATEMENT OF CHARGES AND NOTICE OF  
INTENT TO ENTER ORDER TO  
CEASE AND DESIST

9 **THE STATE OF WASHINGTON TO:**

StretchMed Franchise LLC

10 **STATEMENT OF CHARGES**

11 Please take notice that the Securities Administrator of the State of Washington has reason to believe  
12 that Respondent StretchMed Franchise LLC violated the Franchise Investment Protection Act. The Securities  
13 Administrator believes these violations justify the entry of an order against Respondent StretchMed Franchise  
14 LLC to cease and desist from such violations pursuant to RCW 19.100.248. The Securities Administrator  
15 finds as follows:

16 **TENTATIVE FINDINGS OF FACT**

17 **Respondents**

18 1. StretchMed Franchise LLC (“StretchMed”) is a Puerto Rico entity formed on April 1, 2020  
19 with its principal place of business in San Juan, Puerto Rico. StretchMed sells franchises that provide one-on-  
20 one assistance with stretching muscles for health purposes.

21 **Nature of the Conduct**

22 2. On July 12, 2023, StretchMed filed a registration application to offer and sell franchises in  
23 Washington State with the Washington Department of Financial Institutions (“Department”) containing  
materially inaccurate financial statements. Additionally, StretchMed did not amend its franchise disclosure

1 document (FDD) it submitted with its registration application to disclose a California consent order entered  
2 on October 20, 2023 as soon as reasonably possible.

3 *StretchMed's Franchise Disclosure Document*

4 3. Pursuant to StretchMed's franchise registration application with the Department, StretchMed  
5 provided its FDD. The FDD is a required document which must be provided to prospective franchisees at  
6 least fourteen days before the sale of a franchise. The FDD discloses information about the franchise business,  
7 including financial statements of the franchisor. The financial statements must be audited by a properly  
8 licensed, independent certified public accountant (CPA). The FDD must be submitted to, and approved by,  
9 the Department as a part of the registration application for the offer and sale of franchises in Washington.

10 4. The FDD StretchMed submitted pursuant to its July 12, 2023 application with the Department  
11 contained financial statements that were audited by a CPA who was not properly licensed to issue audited  
12 financials. The auditing CPA's license was revoked by the Texas State Board of Public Accountancy on  
13 March 11, 2021. That CPA signed and certified the Independent Auditor's Report regarding StretchMed's  
14 financial statements on April 17, 2023, more than two years after that CPA's license was revoked.

15 5. On October 20, 2023, StretchMed entered into a consent order with the California Department  
16 of Financial Protection and Innovation related to StretchMed's use of financial statements that were audited  
17 by the same unlicensed CPA. The consent order alleges that StretchMed submitted these improperly audited  
18 financial statements within its FDD in its 2022 and 2023 applications for registration to offer and sell  
19 franchises in California. The California consent order further alleges that StretchMed distributed the FDD,  
20 which contained the improperly audited financial statements, to prospective franchisees pursuant to the offer  
21 and sale of franchises in California.

22 6. Despite having a pending registration application with the Department, StretchMed did not  
23 disclose that it had submitted the improperly audited financial statements nor that it entered a consent order

1 in California regarding the materially inaccurate FDD as soon as reasonably possible. Additionally,  
2 StretchMed did not make these required disclosures on its own initiative. Instead, on December 11, 2023, the  
3 Department sent a comment letter informing StretchMed it was aware of the licensing actions taken against  
4 the accountant who audited its financial statements and of its entry into a consent order in California. The  
5 Department requested StretchMed revise its FDD to include properly audited financial statements and to  
6 properly disclose the consent order in item 3 of its FDD.

7 7. In response, on December 21, 2023, StretchMed submitted an amended registration application  
8 with an updated FDD which disclosed that “on or about June 28, 2023, we applied for the franchise registration  
9 in the State of California. The Department of Financial Protection and Innovation of the State of California  
10 notified us that the CPA who had completed the audit of our financials did not have an active license. Our  
11 application was denied and we would be charged of [sic] \$3,000 for this administrative action. We retained a  
12 new CPA who completed a new audit for our financials.” The amended FDD StretchMed disclosed in its  
13 amended application contained financial statements that were audited by a licensed CPA.

14 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

15 **CONCLUSIONS OF LAW**

16 8. StretchMed violated RCW 19.100.170(1), the antifraud section of the Franchise Investment  
17 Protection Act, by submitting untrue statements of material fact in the form of financial statements that were  
18 not audited by a properly licensed CPA in its application to register to sell franchises. StretchMed further  
19 violated RCW 19.100.170(1) by omitting material facts and/or failing to notify the Department of a material  
20 change in its application by not amending its FDD as soon as reasonable possible to include disclosure of  
21 entry into a consent order with the State of California on October 20, 2023.

22 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

23

1 Pursuant to RCW 19.100.248, and based upon the Tentative Findings of Fact and Conclusions of Law,  
2 the Securities Administrator intends to order StretchMed, and its agents and employees, to each permanently  
3 cease and desist from violating RCW 19.100.170.

4 **AUTHORITY AND PROCEDURE**

5 This Statement of Charges is entered pursuant to the provisions of Chapter 19.100 RCW and is subject  
6 to the provisions of Chapter 34.05 RCW. StretchMed may make a written request for a hearing as set forth in  
7 the Notice of Opportunity for Hearing accompanying this Order. If a respondent does not make a hearing  
8 request in the time allowed, the Securities Administrator intends to adopt the above Tentative Findings of Fact  
9 and Conclusions of Law as final and to enter a permanent order to cease and desist as to that respondent.

10  
11 SIGNED and ENTERED this 16th day of February, 2024.

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14 \_\_\_\_\_/s/\_\_\_\_\_  
William M. Beatty  
Securities Administrator

15 Approved by:

Presented by:

16  
17 \_\_\_\_\_/s/\_\_\_\_\_  
Brian J. Guerard  
Chief of Enforcement

18 \_\_\_\_\_/s/\_\_\_\_\_  
Denise Griffith  
Financial Legal Examiner

19 Reviewed by:

20 \_\_\_\_\_/s/\_\_\_\_\_  
21 Holly Mack-Kretzler  
22 Financial Legal Examiner Supervisor

