

BEFORE THE  
DIVISION OF SECURITIES  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
STATE OF WISCONSIN

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In the Matter of  
JOHNNY R. ADAMS and JOHNNY ON  
THE SPOT, LLC,

PETITION FOR ORDER

Respondents.

File No. S-06119(FX)

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The staff of the Bureau of Registration and Enforcement of the Division of Securities, Department of Financial Institutions, State of Wisconsin has conducted an investigation in this matter pursuant to sec. 553.55, Wis. Stats., and as a result thereof alleges as follows:

1. Johnny R. Adams (“Adams”) is an individual, with a last known address of 968 Wesley Road, Oregon, Wisconsin 53575.
2. Johnny on the Spot, LLC (“JS”) is a business entity, with a last known business address of 968 Wesley Road, Oregon, Wisconsin 53575.
3. Adams, at all times material hereto, has been the sole member and founder of JS.
4. On November 30, 2004, JS filed an application for registration with the Department of Financial Institutions which included a registration statement on the form required by sec. 553.27(4), Wis. Stats.
5. On April 7, 2005, Adams sold to two persons in Wisconsin the franchise opportunity in JS by providing them with the Johnny on the Spot, LLC Franchise Agreement (“Agreement”).
6. Upon information and belief the persons in Wisconsin were not provided with the disclosure document required by sec. 553.27(4), Wis. Stats.
7. Respondents have violated sec. 553.27(4), Wis. Stats. by failing to provide the required offering documents to the persons in Wisconsin.
8. Upon information and belief Articles 5 and 6 of the Agreement provided to the Wisconsin persons stated franchisor will provide a two-week period training at one of the Franchisor’s approved training facilities and at a certified school.
9. Upon information and belief, the persons in Wisconsin only received brief instructions or no instructions by Adams and the training that was to be provided was brief training at Adams’ sister’s home in Florida and was not at a training facility.

10. Upon information and belief, Article 9 of the Agreement provided to the persons in Wisconsin stated the parties agree that Franchisor “shall conduct, determine, maintain, and administer all national and/or regional advertising funds which are or may hereafter be established...”

11. Upon information and belief, on September 24, 2005, the franchisor provided the persons in Wisconsin with an Addendum to the franchise agreement relating to a loan Adams made to the persons in Wisconsin and included charging franchisees \$800 a month for advertising to Adams.

12. Upon information and believe Adams covered the portion of the Agreement and told one of the persons to sign the agreement regarding the loan. The person in Wisconsin was not aware of the change in payment of advertising.

13. Upon information and belief, the persons in Wisconsin received no formal training and only went to a convention in Chicago, Illinois for two days in January of 2006, which is almost a year later. This was not a training seminar but a convention for people in the pressure washing business.

14. Upon information and belief, the persons in Wisconsin became aware at this convention that the products they were using in the business were hazardous and they should be using preventative measures to avoid injury. This information was not provided to the persons in Wisconsin in any form prior to signing the agreement or prior to working on pressure washing jobs.

15. Upon review of the Agreement on file with the Department and the Agreement received by the franchisees, there are omissions and/or changes in what was provided to franchisees. They are as follows:

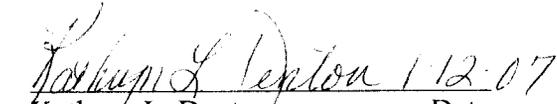
- a. Article 4 of the Agreement on file with the Department offers two options for Royalty Payments and the Agreement signed by the Franchisees only offers one option.
- b. Section 4.3 was changed in the Agreement given to the prospective franchisees to change payment of a fee until after training has been provided.
- c. On pages 1 and 2 of the Agreement, “office cleaning services” and “to operate a window washing (including multi-story buildings) and office cleaning using the Franchisor’s system” were added but are omitted from the Agreement on file with the Department.
- d. Article 11 of the Agreement on file with the Department, there is no section 11.3 but in the Agreement there is added an 11.3 regarding termination by Franchisee.

e. Article 14 of the Agreement on file with the Department discloses information about arbitration. The Agreement signed by the Franchisees states subsection 14.2 is "intentionally deleted."

16. Upon information and belief, Adams told the persons in Wisconsin his business made over \$100,000 the past year. The financial statements filed with the Department only showed an income of \$2,322.85 for the nine months ended September 30, 2004 with sales of only \$20,818.03 for that same period. The financial statements of the related company, Johnny's Pressure Washing LLC actually showed a loss of \$15,724.53. These financial statements were not disclosed to the franchisees as required by Chapter 553, Wis. Stats.

17. Based on paragraphs above, respondents have violated sec. 553.41(3), Wis. Stats.. by making an untrue statement of a material fact or omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

Therefore, the staff of the Bureau of Registration and Enforcement petitions the Administrator of the Division of Securities for the issuance of the attached order pursuant to Ch. 553, Wis. Stats.

  
Kathryn L. Denton                      Date  
Examiner  
Enforcement Unit

  
David A. Cohen                      Date  
Supervising Attorney  
Enforcement Unit