

STATE OF MICHIGAN
CIRCUIT COURT FOR THE 17th JUDICIAL CIRCUIT
KENT COUNTY

DANA NESSEL, ATTORNEY GENERAL
OF THE STATE OF MICHIGAN,

Petitioner,

v

THE CROWN JEWEL SPA & SALON, INC.
and JULIE SALISBURY,

Respondents.

File No.: 19-11-MS

HON. PAUL J. DENENFELD

Darrin F. Fowler (P53464)
Carl J. Hammaker, III (P81203)
Assistant Attorneys General
Michigan Dep't of Attorney General
Corporate Oversight Division
P.O. Box 30736
Lansing, MI 48909
(517) 335-7632
FowlerD1@michigan.gov
HammakerC@michigan.gov

ASSURANCE OF VOLUNTARY COMPLIANCE

Dana Nessel, Attorney General of the State of Michigan, on behalf of the State of Michigan, Julie Salisbury and Greg Salisbury in their personal capacities, and The Crown Jewel Spa & Salon, Inc. (Crown Jewel) hereby execute and agree to be bound by this Assurance of Voluntary Compliance (Assurance).

This Assurance concerns the resolution of alleged violations of the Michigan Consumer Protection Act, 1976 PA 331, as amended, MCL 445.901 *et seq.* (MCPA). Julie Salisbury, Greg Salisbury, and Crown Jewel agree not to contest any terms of this Assurance.

THEREFORE, the parties agree as follows:

I. Jurisdiction

1.1 The Department of Attorney General (the Department) has jurisdiction over the subject matter of this Assurance pursuant to MCL 445.905 and 445.910. Crown Jewel waives all objections and defenses that it may have as to the jurisdiction of the Department over the matters covered by this Assurance.

II. Parties Bound

2.1 This Assurance binds Crown Jewel, whether acting through associates, principals, officers, directors, employees, representatives, successors or assigns, or through any other subsidiary, corporation, assumed name or business entity. Crown Jewel is responsible for compliance with the terms of this Assurance, and must ensure that all owners, employees, subcontractors, agents and representatives comply with the terms of this Assurance.

III. Definitions

3.1 "Assurance" means this Assurance of Voluntary Compliance.

3.2 "BBB" means the Better Business Bureau of Western Michigan.

3.3 "COD" means the Michigan Department of Attorney General, Corporate Oversight Division.

3.4 "Crown Jewel" refers to The Crown Jewel Spa & Salon, Inc; Julie Salisbury and Greg Salisbury in both their personal and corporate capacities; and all employees; agents; representatives; and contractors for The Crown Jewel Spa & Salon, Inc.

3.5 "NIA" means the Notice of Intended Action issued to Crown Jewel on August 26, 2019. See Attachment A.

3.6 "Parties" means COD and Crown Jewel, collectively.

3.7 All other terms shall have the meaning specifically defined in the MCPA.

IV. COD's investigation of Crown Jewel

4.1 Consumers who believe they have been treated unlawfully in the purchase of goods or services for personal or household purposes may file a complaint with the Attorney General. Earlier this year, the Attorney General began receiving consumer complaints against Crown Jewel. The complaints all related to gift cards the consumers could no longer use due to the closure of the business. Some of the complaints alleged that the cards had been purchased just weeks before Crown Jewel's closure. Julie Salisbury, the owner of Crown Jewel, responded to two of the complaints in a letter stating that Crown Jewel closed on December 31, 2018.

The COD reached out to the BBB and received additional complaints that were consistent with those being filed with the Attorney General. A review of publicly available information demonstrated that the building occupied by Crown Jewel had gone into foreclosure in September 2018 and had been subsequently quit-claimed to the bank holding the mortgage through a Sheriff's Deed in October 2018. The mortgagee in default was K&Q, LLC, which was acting through Greg Salisbury.

4.2 Based upon the above information, the Attorney General had probable cause to believe Crown Jewel was in violation of the MCPA because it had collected

money on gift cards without a reasonable expectation of being able to deliver the paid-for services, and because it had failed to provide refunds upon business closure. This prompted the Attorney General to file an *Ex Parte* Petition for Civil Investigative Subpoenas in the Kent County Circuit Court, see docket number 19-11-MS.

Investigative subpoenas were then issued to Crown Jewel and K&Q, LLC—the latter entity being owned by Greg Salisbury and the holder of the mortgage on the building occupied by Crown Jewel. Under these subpoenas, the Attorney General received documentation that included the identities of consumers that had purchased gift cards from Crown Jewel during 2018, along with data showing the extent to which such gift cards had value upon them that was unredeemed and unrefunded. The Attorney General also received bank and credit card statements showing expenditures from Crown Jewel during 2018, along with other documentation deemed relevant to the investigation. Both Julie and Greg Salisbury submitted to examination for investigative testimony.

4.3 In entering into the Assurance, the mutual objective of the parties is to resolve, without litigation, COD's potential claims under the MCPA for preliminary and permanent injunctive relief, as well as the potential claims for payment of damages and reimbursement of the Department's costs and expenses related to the investigation. The entry into this Agreement by Crown Jewel is not an admission of liability with respect to the particular claims of any individual consumer. Crown Jewel is offering this Assurance to avoid the time and expense of litigating this matter.

V. Implementation of Compliance Measures

5.1 Through the investigation, COD obtained evidence Crown Jewel has committed MCPA violations tantamount to fraud and conversion. From September 1, 2018 through December 8, 2018, Crown Jewel and its owner, Julie Salisbury, sold gift cards without a reasonable likelihood of being able to deliver the services underlying those sales. Although Ms. Salisbury indicated in a letter to COD that gift card sales stopped as of December 14, 2018, the documentary evidence Crown Jewel supplied shows the last gift card sale occurred on December 8, 2018.

The documentary evidence supplied by Crown Jewel also showed a significant blurring between personal and corporate funds. Although the foreclosure on the mortgage to K&Q, LLC was offered as the explanation for Crown Jewel's demise, the evidence demonstrated Crown Jewel never paid rents to K&Q, LLC. Instead, the mortgage payments made by K&Q, LLC were financed through personal funds and money supplied by Synergy Marketing, LLC, a business associated with Greg Salisbury's business affairs.

Meanwhile, a review of the bank account and credit card statements held in the name of Crown Jewel demonstrated that Julie Salisbury made personal expenditures from the Crown Jewel bank account and on the Crown Jewel credit cards. During the period from September 1, 2018 through December 31, 2018, such expenditures included thousands of dollars for personal clothing, veterinary expenses for the family dog, and a monthly lease payment on a personal vehicle in the amount of \$854.34. Ms. Salisbury also admitted to using \$1,000 from the Crown Jewel bank account to

purchase gift cards from The Chop House (Grand Rapids) for personal purposes on December 31, 2018—which was the last day of operations for Crown Jewel. Funds were not available to make refunds upon Crown Jewel’s closure due, in part, to these personal expenditures.

Based upon the investigative findings, the Attorney General issued the NIA to Crown Jewel expressing the intention to file an MCPA suit, and to include a claim for conversion. The intention to name Julie and Greg Salisbury in their personal capacities, as well as the other entities identified during the investigation, was also stated in the NIA.

5.2 Crown Jewel agrees that the facts as stated in the preceding section shall be taken as true without further proof in any bankruptcy case or subsequent civil litigation pursued by the Attorney General to enforce the rights of her Office or any consumer to any payment or money judgment pursuant to this agreement, including but not limited to a non-dischargeability complaint in any bankruptcy case.

Defendants further stipulate and agree that the facts stated in section 5.1 establish all elements necessary to sustain an action by the Attorney General pursuant to Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, and that this agreement shall constitute a waiver by Crown Jewel (including Julie and Greg Salisbury) of any right to discharge any of the payments required under section 6.1.

5.3 The documentation supplied by Crown Jewel during the investigation includes information about all the gift cards sold from September 1, 2018, through December 8, 2018, but the extent of that information varies. While it does include the

gift card identification number and the name of each purchaser, there is a varying degree of contact information—and sometimes there is no contact information. To facilitate reimbursements as contemplated by section 6.1, Crown Jewel will cooperate with all requests from COD for documents and information designed to ensure addresses are found for these gift card purchasers so that refunds can be made.

5.4 Crown Jewel understands that by accepting these assurances, the Attorney General and COD are making no representation as to their adequacy in providing good customer service, or compliance with the MCPA. In other words, if the Attorney General receives consumer complaints or other information in the future suggesting that Crown Jewel has violated, or is violating, the MCPA, Crown Jewel's implementation of these assurances shall not deprive COD from taking any appropriate action described in the MCPA. COD warns Crown Jewel that, if there is evidence of any future MCPA violations occurring after the effective date of this assurance, COD may seek judicial relief that includes, but is not limited to, injunctive relief and damages.

VI. Financial obligations

6.1 Crown Jewel agrees to resolve this matter, and avoid the need for litigation, through payments totaling \$19,500. It is the mutual desire of the parties to ensure compensation to all consumers with remaining balances on gift cards purchased from September 1, 2018, through the closure of Crown Jewel. Given the circumstances detailed in section 5.1, it has also been agreed that each such consumer will receive an additional 10% on that remaining balance.

Accordingly, Crown Jewel's payment obligations under this agreement shall be met through the following schedule:

1. Crown Jewel shall make payments totaling \$3419.90 to the consumers identified in Attachment B within thirty days of the Effective Date. These payments shall be made directly by Crown Jewel (including Julie and Greg Salisbury) by sending a check or money order made payable to the consumer in the amount specified in Attachment B. These payments shall be sent via the United States Postal Service in an envelope clearly identifying the sender as Crown Jewel. The mailings shall be addressed to the consumers at the addresses specified in Attachment B.
2. Within forty-five days of the Effective Date, COD will supply Crown Jewel with a list of additional consumers to receive payments, and their addresses. Crown Jewel shall make payments in a total not to exceed \$5400 to these additional consumers designated by COD within sixty days of the Effective Date. These payments shall be made directly by Crown Jewel (including Julie and Greg Salisbury) by sending a check or money order made payable to the consumer in the amount specified by COD. These payments shall be sent via the United States Postal Service in an envelope clearly identifying the sender as Crown Jewel. The mailings shall be addressed to the consumers at the addresses specified by COD.

3. Within seventy-five days of the Effective Date, the Attorney General will provide Crown Jewel with an additional list of consumers to receive payments, and their addresses. Crown Jewel shall make payments in a total not to exceed \$5400 to the consumers identified by COD within ninety days of the Effective Date. These payments shall be made directly by Crown Jewel (including Julie and Greg Salisbury) by sending a check or money order made payable to the consumer in the amount specified by COD. These payments shall be sent via the United States Postal Service in an envelope clearly identifying the sender as Crown Jewel. The mailings shall be addressed to the consumers at the addresses specified by COD.
4. Crown Jewel shall make a payment to the Attorney General in the amount of the difference between \$19,500 and the designated reimbursements in the preceding subsections within 120 days of the Effective Date. The purpose of this subsection is to ensure that Crown Jewel's total payments under this agreement total \$19,500—thus Crown Jewel will not economically benefit from the inability of the Parties to locate any gift card purchaser. This payment shall be considered a civil fine for the purposes of MCL 445.905 and the Bankruptcy Code. It is understood that the Attorney General will make \$5,000 from this civil fine available to consumers through distribution in a claims process. To be eligible for a distribution under this subsection, a consumer must be

able to substantiate that he or she has an unredeemed balance on a gift card purchased from the Crown Jewel. The purchase must have been made from January 1, 2013, through August 31, 2018. The amounts of any distributions will be at COD's discretion, and Crown Jewel waives any right to challenge such amounts. COD reserves the right to adjust the amounts of any distributions based on the size and number of claims received.

6.2 If any of the payments to consumers made by Crown Jewel under the preceding section are returned due to mail delivery failures, Crown Jewel shall notify Darrin F. Fowler and Carl J. Hammaker in the COD by electronic mail, using the email addresses provided during the investigation. From the date such electronic mail notice is given, COD shall have ninety days to identify and supply to Crown Jewel by electronic mail an alternative address for sending the check to the consumer. If COD is unable to provide such an alternative address, it will advise Crown Jewel to make an equivalent payment to the State of Michigan, which shall discharge Crown Jewel's obligation to the consumer for purposes of this Agreement.

6.3 Should any payment to a consumer made under this Agreement be made through a check that is denied for insufficient funds, or through a defective money order, Crown Jewel shall be responsible for paying the affected consumer two times the amount of any bank fees incurred, plus an additional \$25. These additional sums, plus the original obligation, shall be paid to the consumer within thirty days of Crown Jewel being advised of the situation—regardless of whether such notice comes from

COD or the consumer. If a consumer advises Crown Jewel of a defective payment as contemplated by this section, Crown Jewel will advise COD by electronic mail within three days of receiving notice from the consumer.

6.4 COD shall give Crown Jewel written notice of the consumer distributions it makes pursuant to section 6.1(D). This notice will be in the form of a letter that identifies the consumers who have received distributions, their addresses, and the amount of the distribution.

6.5 The payment to the Attorney General anticipated by Section 6.1(D), and any payments necessary under section 6.2, shall be made by certified check or money order payable to the "State of Michigan." The payments and any other information shall be sent to Darrin F. Fowler, Assistant Attorney General, Corporate Oversight Division, P.O. Box 30736, Lansing, MI 48909.

VII. Release

7.1 Upon the Effective Date, the COD hereby releases and discharges Crown Jewel and any of its parent entities, affiliates, subsidiaries, predecessors, successors or assigns, and each and all of its past or present officers, directors, associates, shareholders, controlling persons, representatives, employees, attorneys, counselors, advisors, or agents, from any and all civil or administrative claims, demands, rights, actions, causes of action, and liabilities, of any kind or nature whatsoever, that are based directly or indirectly on the Attorney General's consumer protection investigation as identified in the aforementioned Notice of Intended Action, including the alleged acts, failures to act, omissions, misrepresentations, facts, events,

transactions, statement, occurrences or other subject matter which were or could have been set forth, alleged, complained of or otherwise referred to in the Notice of Intended Action. Nothing herein shall be construed as a waiver or release of claims asserted or that may be asserted by individual consumers.

VIII. General Provisions

8.1 This Assurance is binding upon, inures to the benefit of, and applies to the parties and their successors-in-interest. This Assurance does not bind any Division of the Michigan Department of the Attorney General other than COD, or other agencies, boards, commissions or offices of the State of Michigan.

8.2 This Assurance does not affect, expand or limit the rights of any private party to pursue any available remedy or remedies pursuant to applicable law, except that any common law right of set off would still be applicable. Further, this Assurance does not create any private right or cause of action to any third party.

8.3 This Assurance does not constitute an approval by the Attorney General of any of Crown Jewel's business practices and Crown Jewel must not make any representation to the contrary.

8.4 No change or modification of this Assurance is valid unless in writing and signed by all parties.

8.5 Within three business days of the Effective Date of this Assurance, COD will file a copy of this Assurance, as well as a notice with the Ingham County Circuit Court in the above-captioned matter stating that the investigation has been completed.

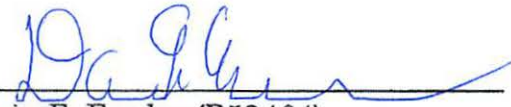
8.6 Unless a temporary restraining order is sought, COD will make reasonable efforts to provide written notice in the event that COD believes Crown Jewel to be in noncompliance with any provision of this Assurance, setting forth the basis for such belief.

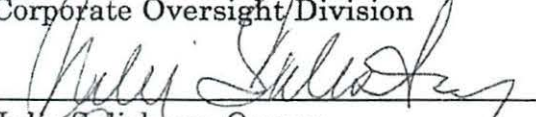
IX. Signatories

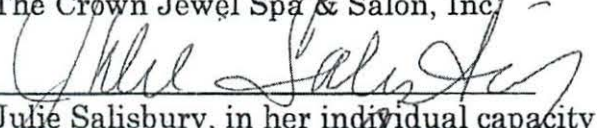
9.1 Each undersigned individual represents and warrants that he or she is fully authorized by the party he or she represents to enter into this Assurance and to legally bind such party to the terms and conditions of this Assurance.

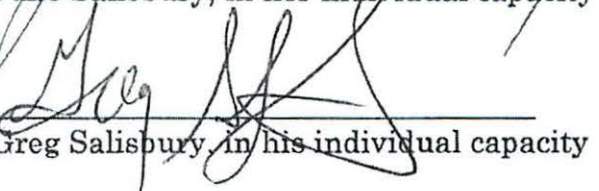
X. Effective Date

10.1 The effective date of this Assurance is the date upon which the COD representative signs this Assurance.

Dated: 10/11/2019 By: 
Darrin F. Fowler (P53464)
Carl J. Hammaker, III (P81203)
Assistant Attorneys General
Michigan Dep't of Attorney General
Corporate Oversight Division

Dated: 10/10/19 By: 
Julie Salisbury, Owner
The Crown Jewel Spa & Salon, Inc.

Dated: 10/10/19 By: 
Julie Salisbury, in her individual capacity

Dated: 10/10/19 By: 
Greg Salisbury, in his individual capacity