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8 Attorneys for Complainant

9 BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION
10 OF THE STATE OF CALIFORNIA

11 In the Matter of:)
12 THE COMMISSIONER OF FINANCIAL) CONSENT ORDER
13 PROTECTION AND INNOVATION,)
14 Complainant,)
15 v.)
16 SPRINKLES FRANCHISE GROUP, LLC.,)
also known as SPRINKLES,)
17 Respondent.)
18 _____)

19 This Consent Order is entered into between the Commissioner of Financial Protection and
20 Innovation (Commissioner) and Sprinkles Franchise Group, LLC., also known as Sprinkles,
21 (Sprinkles) (collectively the Parties) and is made with respect to the following facts:
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23 **I.**

24 **Recitals**

25 A. The Commissioner is the head of the Department of Financial Protection and
26 Innovation (Department) and is responsible for administering and enforcing the Franchise
27 Investment Law (FIL) (Corp. Code, § 31000 et seq.),¹ and registering the offer and sale of franchises
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¹ All further statutory references are to the Corporations Code unless otherwise indicated.

1 in California. To register a franchise, a franchisor must file an application which includes a Uniform
2 Franchise Disclosure Document (FDD) with the Department for review and approval, in accordance
3 with sections 31111 and 31114. The FIL requires franchisors to disclose certain material information
4 which is intended to provide prospective franchisees with facts upon which to make an informed
5 decision to purchase a franchise, as stated in section 31001.

6 B. At all relevant times, Sprinkles was and is a Delaware limited liability company, with
7 a principal place of business at 7710 Rialto Blvd., Suite 150, Austin, Texas 78735. At all relevant
8 times, Sprinkles offered franchises to California investors featuring cupcakes and other menu
9 items prepared according to the specified recipes and procedures. Sprinkles' FIL registration with
10 the Department will expire on April 21, 2025.

11 C. Pursuant to section 31203, it is unlawful for any person to violate any order of the
12 Commissioner or condition to the effectiveness of the registration of the offer or sale of franchises.

13 1. Sprinkles was registered with the Department to offer and/or sell franchises in
14 California pursuant to the FIL from September 13, 2023, to April 22, 2024, by application no. 28159
15 (2023 Registration). Sprinkles was then registered with the Department to offer and/or sell
16 franchises in California pursuant to the FIL from May 16, 2024, to April 21, 2025, by renewal
17 application no. 31798 (2024 Registration).

18 2. As to the 2023 Registration, Sprinkles was ordered by the Department to
19 obtain a surety bond to financially substantiate the 2023 Registration. The requirement to obtain a
20 surety bond was a condition to the effectiveness of the 2023 Registration. Sprinkles submitted the
21 required surety bond to the Department and amended the 2023 Registration California Addendum to
22 include language indicating the existence of the surety bond. Based upon the submission of the
23 surety bond, the Department approved the 2023 Registration application. Therefore, Sprinkles was
24 registered to offer and/or sell franchises pursuant to the FIL from September 13, 2023, to April 22,
25 2024. However, on December 5, 2023, the Department received notice and a copy of the Sprinkles
26 surety bond cancellation, indicating that the Sprinkles surety bond would be cancelled on or about
27 January 4, 2024, well before the expiration of the 2023 Registration. Sprinkles failed to provide
28 another surety bond as required to financially substantiate the 2023 Registration. At no time did the

1 Department remove the Sprinkles surety bond requirement for the 2023 Registration. Therefore,
2 Sprinkles failed to maintain a condition to the effectiveness of the 2023 Registration.

3 3. As to the 2024 Registration, Sprinkles filed for FIL late renewal with the
4 Department on or about May 1, 2024, by way of the 2024 Registration. The condition to obtain a
5 surety bond was still in place for the 2024 Registration. Sprinkles removed the surety bond language
6 that the Department required in both the 2023 and 2024 Registrations and switched to a fee deferral
7 without the approval of the Department or notice to the Department. At no time did Sprinkles secure
8 a surety bond for the 2024 Registration. At no time did Sprinkles obtain the Department's approval
9 to substitute a fee deferral for the surety bond requirement for the 2024 Registration. Furthermore,
10 Sprinkles made the change from surety bond to fee deferral in the 2024 Registration and failed to
11 submit a marked copy of the FDD to show the Department the change. Without realizing the change
12 because the change was not noted in the marked copy of the FDD, the Department approved the
13 2024 Registration on May 16, 2024. At no time did the Department remove the surety bond
14 requirement for the 2023 Registration and 2024 Registration. Therefore, Sprinkles violated the
15 Commissioner's order to secure a surety bond to substantiate the 2023 Registration and the 2024
16 Registration.

17 D. Pursuant to section 31122, a registration renewal application shall be in the form and
18 content prescribed by the Commissioner.

19 1. The renewal application (the 2024 Registration), failed to include the
20 required surety bond. The surety bond was prescribed by the Commissioner and at no time was the
21 requirement for the surety bond removed by the Department. Therefore, Sprinkles violated section
22 31122 because Sprinkles did not include a surety bond in the renewal 2024 Registration.

23 E. Sprinkles, by way of the 2023 Registration and the 2024 Registration, violated
24 sections 31203 and 31122 by failing to include a surety bond for the entirety of the 2023
25 Registration and 2024 Registration.

26 F. NOW, THEREFORE, in consideration of the foregoing, and the terms and conditions
27 set forth herein, the Parties agree as follows:
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II.

Terms and Conditions

1. Purpose. This Consent Order resolves the issues set forth herein above before the Commissioner in a manner that avoids the expense of a hearing and other possible court proceedings, protects consumers, is in the public interest, and is consistent with the purposes and provisions of the applicable law.

2. Desist and Refrain Order. Pursuant to Corporations Code section 31406, Sprinkles Franchise Group, LLC., also known as Sprinkles, is hereby ordered to desist and refrain from the violations of Corporations Code sections 31203 and 31122, and any other violations of the FIL. The issuance of this order is necessary, in the public interest, for the protection of investors and is consistent with the purposes, policies, and provisions of the FIL.

3. Penalties. Sprinkles Franchise Group, LLC., also known as Sprinkles, shall pay an administrative penalty of two thousand (\$2,000) for at least two (2) FIL violations, no later than fifteen (15) days, after the Effective Date of this Consent Order as defined in paragraph 21 (Effective Date). Failure to pay Penalties in a timely manner shall be deemed to be a material breach of this Consent Order.

4. Waiver of Hearing Rights. Sprinkles acknowledges that the Commissioner is ready, willing, and able to proceed with the filing of an administrative enforcement action on the charges contained in this Consent Order. Sprinkles hereby waives the right to any hearings, and to any reconsideration, appeal, or other right to review which may be afforded pursuant to the FIL, the Administrative Procedure Act, the Code of Civil Procedure, or any other provision of law. Sprinkles further expressly waives any requirement for the filing of any accusation pursuant to Government Code section 11415.60, subdivision (b). By waiving such rights, Sprinkles effectively consents to this Consent Order and all of its terms becoming final.

5. Failure to Comply with Consent Order. Sprinkles agrees that if it fails to comply with the Desist and Refrain Order in this Consent Order, the Commissioner may, in addition to all other available remedies it may invoke under the FIL, summarily suspend, revoke, or deny its FIL

1 registration (if applicable). Sprinkles stipulates to the finality of any such FIL registration
2 suspensions, revocations, or denials that the Commissioner may order. Sprinkles waives any notice
3 and hearing rights to contest such summary suspensions, revocations, or denials which may be
4 afforded under the FIL, the California Administrative Procedure Act, the California Code of Civil
5 Procedure, or any other provision of law in connection therewith.

6 6. Information Willfully Withheld or Misrepresented. This Consent Order may be
7 revoked, and the Commissioner may pursue any and all remedies available under law against
8 Sprinkles, if the Commissioner discovers that Sprinkles knowingly or willfully withheld or
9 misrepresented information used for and relied upon in this Consent Order.

10 7. Future Actions by Commissioner. If Sprinkles fails to comply with any terms of the
11 Consent Order, the Commissioner may institute proceedings for any and all violations otherwise
12 resolved by this Consent Order. The Commissioner reserves the right to bring any future actions
13 against Sprinkles, or any of its partners, owners, officers, shareholders, directors, employees, or
14 successors for any and all unknown violations of the FIL or any other law under the Commissioner’s
15 jurisdiction.

16 8. Assisting Other Agencies. Nothing in this Consent Order limits the Commissioner’s
17 ability to assist any other government agency (whether city, county, state, or federal) with any
18 administrative, civil, or criminal action brought by that agency against Sprinkles, or any other
19 person based upon any of the activities alleged in this matter or otherwise.

20 9. Headings. The headings to the paragraphs of this Consent Order are inserted for
21 convenience only and will not be deemed a part hereof or affect the construction or interpretation of
22 the provisions hereof.

23 10. Binding. This Consent Order is binding on all heirs, assigns, and/or successors in
24 interest.

25 11. Reliance. Each of the Parties represents, warrants, and agrees that in executing this
26 Consent Order, it has relied solely on the statements set forth herein and the advice of its own
27 counsel. Each of the Parties further represents, warrants, and agrees that in executing this Consent
28 Order, it has placed no reliance on any statement, representation, or promise of any other party, or

1 any other person or entity not expressly set forth herein, or upon the failure of any party or any
2 other person or entity to make any statement, representation, or disclosure of anything whatsoever.
3 The Parties have included this clause: (1) to preclude any claim that any party was in any way
4 fraudulently induced to execute this Consent Order; and (2) to preclude the introduction of parol
5 evidence to vary, interpret, supplement, or contradict the terms of this Consent Order.

6 12. Waiver, Amendments, and Modifications. No waiver, amendment, or modification
7 of this Consent Order will be valid or binding unless it is in writing and signed by each of the
8 Parties. The waiver of any provision of this Consent Order will not be deemed a waiver of any
9 other provision. No waiver by either Party of any breach of, or of compliance with, any condition
10 or provision of this Consent Order by the other Party will be considered a waiver of any other
11 condition or provision or of the same condition or provision at another time.

12 13. Full Integration. This Consent Order is the final written expression and the complete
13 and exclusive statement of all the agreements, conditions, promises, representations, and covenant
14 between the Parties with respect to the subject matter hereof, and supersedes all prior or
15 contemporaneous agreements, negotiations, representations, understandings, and discussions
16 between and among the Parties, their respective representatives, and any other person or entity with
17 respect to the subject matter covered hereby.

18 14. Governing Law. This Consent Order will be governed by and construed in
19 accordance with California law. Each of the Parties hereto consents to the jurisdiction of such
20 court, and hereby irrevocably waives, to the fullest extent permitted by law, the defense of an
21 inconvenient forum to the maintenance of such action or proceeding in such court.

22 15. Counterparts. This Consent Order may be executed in one or more separate
23 counterparts, each of which when so executed, shall be deemed an original. Such counterparts shall
24 together constitute a single document.

25 16. Effect Upon Future Proceedings. If Sprinkles applies for any license, registration,
26 permit, or qualification under the Commissioner’s current or future jurisdiction, or is the subject of
27 any future action by the Commissioner to enforce this Consent Order, then the subject matter hereof
28 shall be admitted for the purpose of such application(s) or enforcement proceeding(s).

1 17. Voluntary Agreement. Sprinkles enters into this Consent Order voluntarily and
2 without coercion and acknowledges that no promises, threats, or assurances have been made by the
3 Commissioner or any officer, or agent thereof, about this Consent Order. The Parties each
4 represent and acknowledge that he, she, or it is executing this Consent Order completely voluntarily
5 and without any duress or undue influence of any kind from any source.

6 18. Notice. Any notice required under this Consent Order shall be provided to each
7 party at the following addresses:

8 To Sprinkles: Trish Macaskill, Esq.
9 Akerman
10 1900 16th Street, Suite 950
11 Denver, Colorado 80202
12 trish.macaskill@akerman.com

13 To the Commissioner: Marisa I. Urteaga-Watkins, Esq,
14 Department of Financial Protection and Innovation
15 2101 Arena Boulevard
16 Sacramento, California 95834
17 marisa.urteaga-watkins@dfpi.ca.gov

18 19. Signatures. A fax, scanned, or electronic signature shall be deemed the same as an
19 original signature.

20 20. Public Record. Sprinkles hereby acknowledges that this Consent Order is and will
21 be a matter of public record.

22 21. Effective Date. This Consent Order shall become final and effective when signed by
23 all Parties and delivered by the Commissioner’s agent via e-mail to Sprinkles’s agent, Trish
24 Macaskill, Esq. at trish.macaskill@akerman.com.

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1 22. Authority to Sign. Each signatory hereto covenants that he/she possesses all
2 necessary capacity and authority to sign and enter into this Consent Order and undertake the
3 obligations set forth herein.

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5 Dated: 1/23/2025

KC MOHSENI
Acting Commissioner of Financial Protection
and Innovation

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9 By: _____
COLLEEN MONAHAN
Deputy Commissioner

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11 Dated: 1/3/2025

12 SPRINKLES FRANCHISE GROUP, LLC., also
13 known as SPRINKLES

14
15 By: _____
JUSTIN MURAKAMI
16 Chief Operations Officer and President