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Attorneys for Complainant

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

In the Matter of:)	
)	
THE COMMISSIONER OF FINANCIAL)	CONSENT ORDER
PROTECTION AND INNOVATION,)	
)	
Complainant,)	
)	
v.)	
)	
MATCO TOOLS CORPORATION,)	
)	
Respondent.)	
)	
)	

This Consent Order is entered into between the Commissioner of Financial Protection and Innovation (Commissioner) and Matco Tools Corporation (MTC) (collectively the Parties) and is made with respect to the following facts:

I.

Recitals

A. The Commissioner is the head of the Department of Financial Protection and Innovation (Department) and is responsible for administering and enforcing the Franchise Investment Law (FIL) (Corp. Code, § 31000 et seq.),¹ and registering the offer and sale of franchises

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
4 information which is intended to provide prospective franchisees with facts upon which to make an
5 informed decision to purchase a franchise, as stated in section 31001.

6 B. At all relevant times, MTC, a Delaware corporation, was doing business at 4403
7 Allen Road, Stow, Ohio 44224. At all relevant times, MTC offered mobile tool distributorship
8 franchises to California franchise investors. MTC was exempt from filing a registration with the
9 Department to offer and/or sell franchises in California pursuant to section 31101 of the FIL in 2022.
10 MTC filed the correct annual consecutive filing exemption form, Notice 255528, with the
11 Department for 2022, accordingly. MTC provided a Franchise Disclosure Document (FDD) to
12 prospective and actual California investor franchisees in 2022 (2022 MTC FDD).

13 C. Pursuant to section 31201, it is unlawful for any person to offer or sell a franchise in
14 this state by means of any written or oral communication not enumerated in section 31200, which
15 includes an untrue statement of a material fact or omits to state a material fact necessary in order to
16 make the statements made, in the light of the circumstances under which they were made, not
17 misleading.

18 1. MTC, in their 2022 MTC FDD, represented that the initial franchise fee for the
19 purchase of a MTC “225 Distributor” franchise was \$5,600. In or about September 30, 2022, a
20 California franchise investor located in Apple Valley, California (MTC Franchisee) purchased a
21 MTC 225 Distributor franchise but was charged \$8,000 instead of the listed \$5,600 initial franchise
22 fee².

23 2. MTC represented to the MTC Franchisee that the New Distributor Starter
24 Inventory (initial inventory) for a MTC franchise was \$45,895 in APPENDIX L-2 of the franchise
25 agreement executed by both MTC and the MTC Franchisee in 2022. However, the price listed in the
26
27
28

² MTC has since returned the amount of \$2,400 to the MTC Franchisee.

MTC Franchisee loan documents and charged for the same New Distributor Starter Inventory (initial inventory) was \$70,877.27³.

D. The Commissioner hereby finds as follows:

1. MTC made two (2) untrue statements of material fact or omitted 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, thereby violated section 31201.

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

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, Matco Tools Corporation will consent to an order to desist and refrain from violating Corporations Code sections 31201, and any other provision 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. Matco Tools Corporation shall pay the Department administrative penalties in the amount of five thousand dollars (\$5,000) for 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. MTC acknowledges that the Commissioner is ready, willing, and able to proceed with the filing of an administrative enforcement action on the charges

³ MTC offered to the MTC Franchisee a buy back of all inventory sold without fees or reduction in price, but the MTC Franchisee did not accept the offer.

1 contained in this Consent Order. MTC hereby waives the right to any hearings, and to any
2 reconsideration, appeal, or other right to review which may be afforded pursuant to the FIL, the
3 Administrative Procedure Act (APA), the Code of Civil Procedure (CCP), or any other provision of
4 law. MTC further expressly waives any requirement for the filing of any accusation pursuant to
5 Government Code section 11415.60, subdivision (b). By waiving such rights, MTC effectively
6 consents to this Consent Order and all of its terms becoming final.

7 5. Failure to Comply with Consent Order. MTC agrees that if it fails to comply with
8 the Desist and Refrain Order in this Consent Order, the Commissioner may, in addition to all other
9 available remedies it may invoke under the FIL, summarily suspend, revoke, or deny its FIL
10 registration (if applicable). MTC stipulates to the finality of any such FIL registration suspensions,
11 revocations, or denials that the Commissioner may order. MTC waives any notice and hearing
12 rights to contest such summary suspensions, revocations, or denials which may be afforded under
13 the FIL, the APA, the CCP, or any other provision of law in connection therewith.

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

18 7. Future Actions by Commissioner. If MTC fails to comply with any terms of the
19 Consent Order, the Commissioner may institute proceedings for any and all violations otherwise
20 resolved by this Consent Order. The Commissioner reserves the right to bring any future actions
21 against MTC, or any of its partners, owners, officers, shareholders, directors, employees, or
22 successors for any and all unknown violations of the FIL or any other law under the Commissioner's
23 jurisdiction.

24 8. Assisting Other Agencies. Nothing in this Consent Order limits the Commissioner's
25 ability to assist any other government agency (whether city, county, state, or federal) with any
26 administrative, civil, or criminal action brought by that agency against MTC, or any other person
27 based upon any of the activities alleged in this matter or otherwise.
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1 9. Headings. The headings to the paragraphs of this Consent Order are inserted for
2 convenience only and will not be deemed a part hereof or affect the construction or interpretation of
3 the provisions hereof.

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

6 11. Reliance. Each of the Parties represents, warrants, and agrees that in executing this
7 Consent Order, it has relied solely on the statements set forth herein and the advice of its own
8 counsel. Each of the Parties further represents, warrants, and agrees that in executing this Consent
9 Order, it has placed no reliance on any statement, representation, or promise of any other party, or
10 any other person or entity not expressly set forth herein, or upon the failure of any party or any
11 other person or entity to make any statement, representation, or disclosure of anything whatsoever.
12 The Parties have included this clause: (1) to preclude any claim that any party was in any way
13 fraudulently induced to execute this Consent Order; and (2) to preclude the introduction of parol
14 evidence to vary, interpret, supplement, or contradict the terms of this Consent Order.

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

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

27 14. Governing Law. This Consent Order will be governed by and construed in
28 accordance with California law. Each of the Parties hereto consents to the jurisdiction of such

court, and hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in such court.

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

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

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

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

To Matco Tools Corp: Mr. Michael Sturm, Esq.
Lathrop GPM LLP
600 New Hampshire Avenue, NW
The Watergate, Suite 700
Washington, D.C. 20037
michael.strum@lathropgpm.com

To the Commissioner: Marisa I. Urteaga-Watkins, Esq,
Department of Financial Protection and Innovation
651 Bannon Street, Suite 300
Sacramento, California 95811
marisa.urteaga-watkins@dfpi.ca.gov

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

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

21. Effective Date. This Consent Order shall become final and effective when signed by all Parties and delivered by the Commissioner’s agent via e-mail to MTC’s agent, Michael Sturm, Esq. at michael.sturm@lathropgpm.com.

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

Dated: 5/5/2025

KHALIL MOHSENI
Commissioner of Financial Protection
and Innovation

By: _____
COLLEEN MONAHAN
Deputy Commissioner

Dated: 5/5/2025

MATCO TOOLS CORPORATION

By: _____
JEFFREY DARRAH
Chief Financial Officer