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

12 In the Matter of:)
13 THE COMMISSIONER OF FINANCIAL) CONSENT ORDER
PROTECTION AND INNOVATION,)
14)
15 Complainant,)
16 v.)
17 K1 SPEED FRANCHISING, INC.,)
18 Respondent.)
19)

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21 Complainant, the Commissioner of Financial Protection and Innovation (Commissioner) as
22 head of the Department of Financial Protection and Innovation (Department), and Respondent, K1
23 Franchising, Inc. (K1), enter into this Consent Order with respect to the following:

24 **I.**

25 **Recitals**

26 A. The Commissioner is authorized to administer and enforce the provisions of the
27 Franchise Investment Law (Corp. Code § 31000 *et seq.*) (FIL) and the rules and regulations
28 promulgated thereunder which control the registration, offer, and sale of franchises in California.

1 B. The Commissioner brings this action pursuant to the provisions of the FIL, and the
2 rules and regulations promulgated thereunder, including Corporations Code sections 31406.

3 C. Respondent is a Delaware corporation with a principal place of business at 17221 Von
4 Karman Ave., Irvine, California 92614.

5 D. David Danglard is the Chief Executive Officer of K1 and is authorized to enter into this
6 Consent Order on behalf of Respondent.

7 E. Pursuant to Corporations Code section 31110, it is unlawful to offer or sell a franchise
8 in this state unless the offer of the franchise has been registered with the Commissioner or is exempt.
9 Further, under Corporations Code section 31119, it is unlawful to sell a franchise without first
10 providing the prospective franchisee with the Franchise Disclosure Document (FDD) at least 14 days
11 prior to the execution of the franchise agreement or receipt of consideration.

12 F. As stated in California Corporations Code section 31001, it is the intent of the FIL to
13 provide each prospective franchisee with the information necessary to make an intelligent decision
14 regarding the franchise being offered.

15 G. Between 2020 and 2023, K1 offered and sold franchises in this state. K1 was not
16 registered to offer or sell franchises with the Commissioner pursuant to the FIL.

17 H. Corporations Code section 31119 requires franchisors to provide prospective
18 franchisees with a franchise disclosure document at least 14 days prior to the execution of the
19 franchise agreement or receipt of consideration.

20 I. Franchise disclosure documents (FDD) must comply with the Uniform Franchise
21 Disclosure Document Guidelines, as adopted by the North American Securities Administrators
22 Association, Inc. on June 22, 2007, and effective July 1, 2007 (See Corp. Code, § 31114 and Cal.
23 Code Regs., tit. 10, § 310.111, subd. [b]) (hereinafter, FDD Guidelines) and the amended Franchise
24 Rule, 16 C.F.R. 436. Under the FDD Guidelines and the amended Franchise Rule, franchisors must
25 disclose certain material information in the FDD filed with the Department, including, but not limited
26 to whether the franchisor or its affiliates are approved suppliers of goods that are required to be
27 purchased as part of the franchise agreement and whether the franchisor or its affiliates may derive
28 revenue or other material consideration from the required purchases.

1 J. Failure to provide the required FDD disclosures is an omission of material facts.

2 K. Under Corporations Code section 31201 it is unlawful for any person to offer or sell a
3 franchise in this state by means of any written or oral communication not enumerated in section 31200
4 which includes an untrue statement of a material fact or omits to state a material fact necessary in
5 order to make the statements made, in the light of the circumstances under which they were made, not
6 misleading.

7 L. From 2020 to March 2023, the FDDs K1 provided to California franchisees failed to
8 disclose that K1 was not registered with the Commissioner to sell franchises in California.

9 M. The Commissioner and Respondent intend to resolve this matter amicably without the
10 necessity of a hearing or other litigation. Respondent admits to the jurisdiction of the Commissioner
11 in this matter and consents to the entry of this Consent Order.

12 NOW, THEREFORE, in consideration of the foregoing and the terms and conditions set forth
13 herein, the parties agree as follows.

14 **II.**

15 **Terms and Conditions**

16 1. Purpose. This Consent Order resolves the issues set forth in paragraphs A through L
17 above, in a manner that avoids the expense of a hearing and other possible court proceedings, protects
18 consumers, is in the public interest, and is consistent with the purposes and provisions of the FIL.

19 2. Desist and Refrain Order. Pursuant to California Corporations Code sections 31402 and
20 31406, Respondent is hereby ordered to desist and refrain from violating California Corporations Code
21 sections 31110, 31200 and 31201.

22 3. Penalties. Respondents shall pay Penalties of \$30,000.00 prior to or concurrent with
23 the Respondent's execution of this Consent Order. Penalties should be made payable to the
24 Commissioner in the form of a cashier's check or an Automated Clearing House deposit to the
25 "Department of Financial Protection and Innovation," and transmitted to the attention of Accounting-
26 Department of Financial Protection and Innovation, 651 Bannan Street, Sacramento, California 95811.
27 Notice of such payment shall promptly be sent to the attention of Daniel DuBois, Senior Counsel, at
28 Daniel.DuBois@dfpi.ca.gov. The Commissioner acknowledges receipt of payment of the Penalties

1 from Respondents before or contemporaneous with the Commissioner’s execution of this Consent
2 Order.

3 4. Ancillary Relief Order. K1 hereby agrees to provide the Department proof that it
4 offered all California franchisees ancillary relief of, at a minimum, the option to cancel all franchise
5 agreements, and any contracts stemming from those agreements, relating to or made with K1. The
6 offer of ancillary relief must also offer to provide, at minimum, a refund of the initial franchise fees
7 paid by the franchisee. K1 will provide proof that it made offers of ancillary relief to
8 Daniel.DuBois@dfpi.ca.gov within 10 business days of the effective date of this Consent Order as
9 defined in Paragraph 24. K1 hereby agrees to return all franchise initial fees taken from California
10 franchisees who choose to cancel their franchise agreements.

11 5. Restitution Payments. Upon notice that a franchisee accepts the offer for ancillary
12 relief, K1 will refund the franchisee at least all of the franchise initial fees within 10 business days.
13 Within 2 calendar days of each refund of franchise initial fees, K1 shall submit proof of the payment
14 to the Commissioner. Payments shall be made directly to franchisees via electronic transfer
15 (Automatic Clearing House Payment or Wire Transfer to bank account) or certified bank cashier’s
16 check. No other form of payment shall be accepted. The proof of each payment shall be sent to
17 Daniel.DuBois@dfpi.ca.gov. The failure to make any payment as set forth above shall be a material
18 breach of this consent order.

19 6. Notice to Franchisees of Consent Order. Respondent shall provide a copy of this
20 Consent Order to all franchisees in California within 30 days of the Effective Date of this Consent
21 Order. Respondent shall submit to the Commissioner proof(s) of service (by email and certified mail)
22 of a copy of this Consent Order for each of the franchisees

23 7. Waiver of Hearing Rights. Respondent acknowledges that the Commissioner is ready,
24 willing, and able to proceed with the filing of an administrative enforcement action on the charges
25 contained in this Consent Order. Respondent hereby waives the right to any hearings, and to any
26 reconsideration, appeal, or other right to review which may be afforded pursuant to the FIL, the
27 California Administrative Procedure Act, the California Code of Civil Procedure, or any other
28 provision of law. Respondent further expressly waives any requirement for the filing of an Accusation

1 pursuant to Government Code section 11415.60, subdivision (b). By waiving such rights, Respondent
2 effectively consents to the Consent Order becoming final.

3 8. Failure to Comply with Consent Order. Respondent agrees that if it fails to comply with
4 the terms of this Consent Order, the Commissioner may, in addition to all other available remedies it
5 may invoke under the FIL, summarily suspend, revoke, or deny Respondent's FIL registration until
6 Respondent is in compliance. Respondent waives any notice and hearing rights to contest such
7 summary suspensions which may be afforded under the FIL, the California Administrative Procedure
8 Act, the California Code of Civil Procedure, or any other provision of law in connection therewith.

9 9. Information Willfully Withheld or Misrepresented. This Consent Order may be
10 revoked, and the Commissioner may pursue any and all remedies available under law against
11 Respondent if the Commissioner discovers that Respondent knowingly or willfully withheld or
12 misrepresented material information.

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

18 11. Assisting Other Agencies. Nothing in this Consent Order limits the Commissioner's
19 ability to assist a government agency (whether city, county, state, federal, or otherwise) or self-
20 regulatory organization with any administrative, civil, or criminal action brought by that agency or
21 organization based upon any of the activities alleged in this matter or otherwise.

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

25 13. Binding. This Consent Order is binding on all heirs, assigns, and/or successors in
26 interest.

27 14. Reliance. Each of the parties represents, warrants, and agrees that in executing this
28 Agreement it has relied solely on the statements set forth herein and the advice of its own counsel.

1 Each of the parties further represents, warrants, and agrees that in executing this Agreement and
2 except as stated in paragraph 9 above, it has placed no reliance on any statement, representation, or
3 promise of any other party, or any other person or entity not expressly set forth herein, or upon the
4 failure of any party or any other person or entity to make any statement, representation, or disclosure
5 of anything whatsoever. The parties have included this clause: (1) to preclude any claim that any party
6 was in any way fraudulently induced to execute this Agreement; and (2) to preclude the introduction
7 of parol evidence to vary, interpret, supplement, or contradict the terms of this Agreement.

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

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

20 17. Governing Law. This Consent Order will be governed by and construed in accordance
21 with California law. Each of the parties hereto consents to the jurisdiction of the Superior Court of
22 California for the County of Sacramento, and hereby irrevocably waives, to the fullest extent permitted
23 by law, the defense of an inconvenient forum to the maintenance of an action or proceeding in such
24 court relating to this Consent Order.

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

28 19. Effect Upon Future Proceedings. If Respondent applies for any license, permit,

1 qualification, or registration under the Commissioner’s current or future jurisdiction, or are the subject
2 of any future action by the Commissioner to enforce this Consent Order, then the subject matter hereof
3 shall be admitted for purpose of such application(s) or enforcement proceeding(s).

4 20. Voluntary Agreement. Respondent enters into this Consent Order voluntarily and
5 without coercion and acknowledge that no promises, threats, or assurances have been made by the
6 Commissioner or any offer, or agent thereof, about this Consent Order. The Parties each represent and
7 acknowledge that he, she, or it is executing this Consent Order completely voluntarily and without any
8 duress or undue influence of any kind from any source.

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

11 If to Respondent, to: Thomas O’Connell, Esq.
12 655 W. Broadway, Suite 1600
13 San Deigo, California 92101
toconnel@buchalter.com

14 If to the Commissioner, to: Daniel DuBois, Senior Counsel
15 Department of Financial Protection and Innovation
16 1455 Frazee Road
San Diego, CA 92108
17 Daniel.DuBois@dfpi.ca.gov.

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

20 23. Public Record. Respondent hereby acknowledge that this Consent Order is and will be
21 a matter of public record.

22 24. Effective Date. This Consent Order shall become final and effective when signed by all
23 parties and delivered by the Commissioner’s agent via e-mail to Respondent at
24 toconnell@buchalter.com.

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

28 IN WITNESS WHEREOF, the parties hereto have approved and executed the Consent Order

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on the dates set forth opposite their respective signatures.

KHALIL MOHSENI
Commissioner of Financial Protection and Innovation

Dated: August 12, 2025

By: _____
MARY ANN SMITH
Deputy Commissioner
Enforcement Division

K1 SPEED FRANCHISING, INC.

Dated: July 31, 2025

By: _____
DAVID DANGLARD
Owner

APPROVED AS TO FORM AND CONTENT

Dated: July 25, 2025

By: _____
Thomas O'Connell, ESQ.

