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7 Attorneys for Complainant

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

11 In the Matter of:	)	FIL ORG ID: 130338
	)	
12 THE COMMISSIONER OF FINANCIAL	)	CITATION INCLUDING:
13 PROTECTION AND INNOVATION,	)	
	)	1. DESIST AND REFRAIN ORDER;
14 Complainant,	)	
	)	2. ASSESSMENT OF
15 v.	)	ADMINISTRATIVE PENALTIES;
	)	
16	)	3. CLAIM FOR ANCILLARY RELIEF
	)	
17 CLASSIC ROCK COFFEE CO.	)	
18 FRANCHISING LLC, and	)	(Corp. Code §§ 31406 and 31408)
19 KENT MORRISON, as an individual,	)	
	)	
20 Respondents.	)	

21 The Complainant, the Commissioner of Financial Protection and Innovation (Commissioner),  
22 finds the following:

23 **I.**

24 **Jurisdiction and Venue**

25  
26 1. 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 2. To register a franchise, a franchisor must file a Uniform Franchise Disclosure  
2 Document (FDD) with the Commissioner for review and approval, in accordance with FIL sections  
3 31111, 31112, 31114, and Cal. Code Regs., tit. 10, section 310.111.

4 3. The disclosure requirements of the FIL are intended to avoid misrepresentations and  
5 to provide prospective franchisees with facts upon which to make an informed decision to purchase  
6 a franchise, as stated in section 31001.

7 4. The Commissioner brings this action pursuant to the provisions of the FIL, and the  
8 rules and regulations promulgated thereunder, including section 31406.

9 **II.**

10 **Statement of Facts**

11 5. At all relevant times, Classic Rock Coffee Co. Franchising LLC (Classic Rock) is a  
12 limited liability company organized and existing under the laws of the State of Missouri, on or  
13 around August 2, 2012, with a principal place of business at 1900 West Sunset, Suite A116,  
14 Springfield, Missouri 65807.

15 6. Classic Rock offers franchisees the opportunity to operate a Classic Rock Coffee Co.  
16 store selling “coffee drinks, protein shakes, smoothies, pastries, soups, salads, and sandwiches,  
17 equipment, apparel, and related merchandise.”

18 7. From December 2013 to April 2019, Classic Rock was registered with the  
19 Commissioner to offer and sell franchises in California.

20 8. At all relevant times, Kent Morrison (Morrison) was the Managing Member and  
21 President of Classic Rock, with a principal place of business at 1900 West Sunset, Suite A116,  
22 Springfield, Missouri 65807.

23 9. At all relevant times, Brett Payne (Payne) was the Director of Franchise Operations of  
24 Classic Rock, with a principal place of business at 1900 West Sunset, Suite A116, Springfield,  
25 Missouri 65807.

26 10. On or around January 10, 2019, the Commissioner issued a Citation including: (1)  
27 Desist and Refrain Order, (2) Assessment of Administrative Penalties, and (3) Claim for Ancillary  
28 Relief to Classic Rock (2019 Citation).

1           11.     Classic Rock failed to provide the registered FDD to a franchisee, at least 14 days  
2 prior to the execution of the franchise agreement or receiving consideration from franchisee as  
3 required under Corporations Code section 31119.

4           12.     During the period of March 2017, Classic Rock offered and sold a franchise in this  
5 state by means of a written or oral communication which included an untrue statement of a material  
6 fact or omitted to state a material fact necessary in order to make the statements made, in the light of  
7 the circumstances under which they were made, not misleading by failing to disclose to the  
8 franchisee that she did not receive the then effective 2016 FDD. Classic Rock misled the franchisee  
9 in violation of Corporations Code section 31201.

10          13.     The Desist and Refrain Order in the 2019 Citation stated:

11                   Pursuant to Corporations Code sections 31402 and 31406, Classic  
12                   Rock Coffee Co. Franchising LLC is hereby cited and ordered to desist  
13                   and refrain from failing to give franchise disclosure documents to  
14                   franchisees within the time prescribed by Corporations Code section  
15                   31119.

16          14.     The Desist and Refrain Order in the 2019 Citation also stated:

17                   Pursuant to Corporations Code sections 31402 and 31406, Classic  
18                   Rock Coffee Co. Franchising LLC is hereby cited and ordered to desist  
19                   and refrain from further offer or sale of franchises by means of written  
20                   or oral communications which include an untrue statement of material  
21                   fact or omit to state a material fact necessary in order to make the  
22                   statements made, in light of the circumstances under which they were  
23                   made, not misleading.

24          15.     Pursuant to Corporations Code section 31406, the Commissioner’s Citation ordered  
25 Classic Rock to pay an administrative penalty in the amount of \$5,000 within 60 days from the date  
26 of the Citation.

27          16.     Pursuant to Corporations Code section 31408, the Commissioner’s Citation also  
28 ordered Classic Rock to pay restitution in the amount of \$39,000 to Franchisee A.M. within 60 days  
from the date of the Citation.

          17.     On or around January 15, 2019, the Commissioner served Classic Rock’s registered  
agent of process and counsel of record with the 2019 Citation by certified mail return receipt.



1 brought by a public agency and relating to the franchise or to a Federal,  
2 State, or Canadian franchise . . . . (Emphasis in original.)<sup>1</sup>

3 24. Corporations Code section 31200 states:

4 It is unlawful for any person **willfully to make any untrue statement of a**  
5 **material fact** in any application, notice or report filed with the  
6 commissioner under this law, or **willfully to omit to state in any such**  
7 **application**, notice, or report **any material fact which is required to be**  
8 **stated therein**, or fail to notify the commissioner of any material change  
9 as required by Section 31123. (Emphasis applied.)

10 25. Corporations Code section 31406 states:

11 (a) If, upon inspection or investigation, based upon a complaint or  
12 otherwise, the commissioner has cause to believe that a person is violating  
13 any provision of this division or any rule or order promulgated pursuant to  
14 this division, the commissioner may issue a citation to that person in  
15 writing describing with particularity the basis of the citation. Each citation  
16 may contain an order to desist and refrain and an assessment of an  
17 administrative penalty not to exceed two thousand five hundred dollars  
18 (\$2,500) per violation and shall contain reference to this section, including  
19 the provisions of subdivision (c). All penalties collected under this section  
20 shall be deposited in the State Corporations Fund.

21 (b) The sanctions authorized under this section shall be separate from, and  
22 in addition to, all other administrative, civil, or criminal remedies.

23 (c) If within 60 days from the receipt of the citation, the person cited fails  
24 to notify the commissioner that the person intends to request a hearing as  
25 described in subdivision (d), the citation shall be deemed final.

26 (d) Any hearing under this section shall be conducted in accordance with  
27 Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of  
28 Title 2 of the Government Code.

(e) After the exhaustion of the review procedures provided for in this  
section, the commissioner may apply to the appropriate superior court for  
a judgment in the amount of the administrative penalty and order  
compelling the cited person to comply with the order of the commissioner.  
The application shall include a certified copy of the final order of the  
commissioner and shall constitute a sufficient showing to warrant the  
issuance of the judgment and order.

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<sup>1</sup> The North American Securities Administrators Association, Inc. 2008 Franchise Registration and Disclosure Guidelines can be viewed at <https://www.nasaa.org/industry-resources/uniform-forms/franchise-registration-and-disclosure-guidelines/>; and <https://www.nasaa.org/wp-content/uploads/2011/07/2-2008UFOC.pdf>.

26. Based upon the foregoing findings, the Commissioner is of the opinion that Classic Rock Coffee Co. Franchising LLC and Kent Morrison willfully made an untrue statement of a material fact and omitted to state in an application, notice, or report a material fact which is required to be stated therein, in violation of Corporations Code section 31200 and Cal. Code of Regs., tit. 10, section 310.111. Pursuant to Corporations Code section 31406, Classic Rock Coffee Co. Franchising LLC and Kent Morrison are hereby cited and ordered to desist and refrain from further violating Corporation Code section 31200 and Cal. Code of Regs., title 10, section 310.111.

27. This Order is necessary, in the public interest, for the protection of investors and franchisees and consistent with purposes, policies, and provisions of the FIL.

**IV.**

**Administrative Penalties**

28. Pursuant to Corporations Code section 31406, Classic Rock Coffee Co. Franchising LLC and Kent Morrison are hereby assessed and ordered, jointly and severally, to pay an administrative penalty of \$2,500.00 for Citation A under the FIL, as follows:

**CITATION A:** On or around February 21, 2020, Classic Rock Coffee Co. Franchising LLC and Kent Morrison filed with the Commissioner a franchise registration application and FDD for the offer or sale of Classic Rock Coffee Co. store franchises, certified under penalty of law as true and correct by Kent Morrison as its President, that made an untrue statement of a material fact and omitted to state at least one material fact that is required to be stated therein in violation of Corporations Code section 31200 and Cal. Code of Regs., tit. 10, section 310.111.

30. Pursuant to Corporations Code section 31406, the total administrative penalty of \$2,500 shall be due within 60 days of receipt of Citation A and shall be made payable to the Commissioner in the form of a cashier’s check or Automated Clearing House deposit to “Department of Financial Protection and Innovation,” 2101 Arena Boulevard, Sacramento, California 95834, contemporaneously with notice of transmittal to Vanessa T. Lu at Vanessa.Lu@dfpi.ca.gov.

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V.

**Order for Ancillary Relief**

31. Corporations Code section 31408 states, in relevant part:

(a) If the commissioner determines it is in the public interest, the commissioner may include in any administrative action brought under this division, including a stop order, a claim for ancillary relief, including, but not limited to, a claim for rescission, restitution or disgorgement or damages on behalf of the persons injured by the act or practice constituting the subject matter of the action, and the administrative law judge shall have jurisdiction to award additional relief. The person affected may be required to attend remedial education, as directed by the commissioner . . . .

32. Pursuant to Corporations Code section 31408, subdivision (a), Classic Rock Coffee Co. Franchising LLC, Kent Morrison, Brett Payne, and all persons employed thereby who assist in preparing franchise registrations or who assist in franchise selling, are hereby required to attend remedial education, which shall consist of eight hours of franchise law training courses per person and offered by instructors or providers that are acceptable to the Commissioner (Remedial Education). Classic Rock Coffee Co. Franchising LLC, Kent Morrison, and Brett Payne must obtain prior approval of the instructors or providers of Remedial Education within 30 days of receipt of this Order. Proof of attendance of the Remedial Education shall be submitted to Vanessa T. Lu at Vanessa.Lu@dfpi.ca.gov within 90 days of the date of this Order.

This Order is necessary, in the public interest, for the protection of investors and franchisees and consistent with the purposes, policies, and provisions of the Franchise Investment Law.

Dated: June 16, 2021

MANUEL P. ALVAREZ  
Commissioner of Financial Protection and Innovation

By \_\_\_\_\_

MARY ANN SMITH  
Deputy Commissioner  
Enforcement Division

