

1 CLOTHILDE V. HEWLETT  
Commissioner of Financial Protection and Innovation  
2 COLLEEN MONAHAN  
Acting Deputy Commissioner  
3 THERESA LEETS  
Assistant Chief Counsel  
4 MARISA I. URTEAGA-WATKINS (State Bar No. 236398)  
Counsel  
5 Department of Financial Protection and Innovation  
6 2101 Arena Blvd.  
Sacramento, California 95834  
7 Telephone: 916-576-7430

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 )  
13 PROTECTION AND INNOVATION, )  
14 Complainant, ) CONSENT ORDER  
15 v. )  
16 PEAC SYSTEMS, LLC. formally known as )  
17 PERSONALIZED ADAPTIVE LEARNING )  
18 SYSTEMS, LLC., also known as PALS )  
19 LEARNING CENTER, )  
Respondent. )

20  
21 This Consent Order is entered into between the Commissioner of Financial Protection and  
22 Innovation (Commissioner), and PEAC Systems, LLC., formally known as Personalized Adaptive  
23 Learning Systems, LLC., also known as PALS Learning Center collectively, Parties, and is made  
24 with respect to the following facts:

25 I.

26 **RECITALS**

27 A. The Commissioner is the head of the Department of Financial Protection and  
28 Innovation (Department) and is responsible for administering and enforcing the Franchise

1 Investment Law (FIL) (Corp. Code, § 31000 et seq.),<sup>1</sup> and registering the offer and sale of franchises  
2 in California. To register a franchise, a franchisor must file an application which includes a Uniform  
3 Franchise Disclosure Document (FDD) with the Department for review and approval, in accordance  
4 with sections 31111 and 31114.

5 B. At all relevant times, PEAC Systems, LLC, is a New Jersey limited liability company  
6 formally known as Personalized Adaptive Learning Systems, LLC., also known as PALS Learning  
7 Center (PEAC), a New Jersey limited liability company, doing business in California and in New  
8 Jersey at 500 Route 17 South, Suite 304, Hasbrouck Heights, New Jersey, 07604. At all relevant  
9 times, PEAC offers and sells after-school tutoring assistance franchise outlets for adolescent  
10 students. At all relevant times, PEAC engaged in the offer and sale of PEAC franchises in California. At  
11 all relevant times, PEAC was not registered to offer and sell franchises in California at any time by  
12 the Department.

13 C. Pursuant to section 31110, it is unlawful for any person to offer or sell a franchise in  
14 California, unless the offer is registered with the Commissioner or is exempt from registration.

15 D. From at least November 2019 to May 2021, PEAC entered into at least four (4)  
16 franchise agreements referred to as “PALS License Agreement” (Agreements) with four (4)  
17 California franchisees<sup>2</sup> for the operation of four (4) PEAC outlets, using a system prescribed by  
18 PEAC (PEAC California Franchises). PEAC was not registered to offer and sell franchises by the  
19 Commissioner, nor was PEAC exempt from registration in violation of section 31110.

20 E. Pursuant to section 31119, it is unlawful to sell any franchise without first providing a  
21 prospective franchisee with the FDD at least fourteen (14) days prior to the execution of a franchise  
22 agreement or receipt of consideration.

23 F. From at least 2019, PEAC executed four (4) franchise agreements, and/or collected  
24 franchise fees for each of the PEAC California Franchises. However, PEAC did not provide the  
25

26 \_\_\_\_\_  
27 <sup>1</sup> All further statutory references are to the Corporations Code unless otherwise indicated.

28 <sup>2</sup> PALS License Agreement for the La Habra, California location, executed on November 19, 2019;  
PALS License Agreement for the Fremont, California location, executed on August 18, 2020; PALS  
License Agreement for the Los Angeles, California location, executed on September 2, 2020; and  
PALS License Agreement for the Irvine, California location, executed on May 1, 2021.

1 PEAC California franchisees with an FDD at all, let alone at least fourteen (14) days prior to the  
2 execution of the franchise agreement and/or receipt of the franchise fee payment.

3 G. Pursuant to section 31156, no person shall publish in California any advertisement  
4 offering a franchise subject to registration requirements of the FIL unless a true copy of the  
5 advertisement has been filed with the Commissioner at least three (3) business days prior to the first  
6 publication, unless such advertisement has been exempted by rule of the Commissioner.

7 H. From at least 2019, PEAC published their website [www.palsystems.net](http://www.palsystems.net) (PEAC  
8 Website) on the global internet. The PEAC Website advertised PEAC services and advertised  
9 franchise investment opportunities under a tab named “Franchise”. At no time did PEAC file the  
10 PEAC Website and all related tabs with the Commissioner, in violation of section 31156.

11 I. From at least 2019, PEAC published an advertisement in the form of a three paneled  
12 folded brochure mailer (PEAC Brochure). The PEAC Brochure, on the top left corner, contained  
13 PEAC’s then current address of 2050 Center Avenue, Suite 420, Fort Lee, New Jersey 07024. On the  
14 right of the PEAC Brochure, there is a square which states “Stamp” to facilitate the mailing of the  
15 PEAC Brochure. The PEAC Brochure contained information regarding PEAC services and  
16 advertised franchise investment opportunities. The PEAC Brochure provides information regarding  
17 PEAC’s “A True Opportunity”. At no time did PEAC file the PEAC Brochure with the  
18 Commissioner, in violation of section 31156.

19 J. The Commissioner finds that PEAC, on at least four (4) instances, offered and sold at  
20 franchises in California without being registered with the Commissioner or exempt, in violation of  
21 section 31110.

22 K. The Commissioner also finds that PEAC, on at least four (4) instances, failed to  
23 provide franchisees in California with a PEAC FDD at least fourteen (14) days prior to the receipt of  
24 consideration in violation of section 31119.

25 L. The Commissioner finally finds that PEAC, on at least two (2) instances, failed to  
26 provide a true copy of advertisements to the Commissioner in violation of section 31156.

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

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

II.

**TERMS AND CONDITIONS**

1. Purpose. This Consent Order resolves the issues before the Commissioner [findings in paragraphs A through L above] 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, PEAC, LLC. is hereby ordered to desist and refrain from the violations of Corporations Code sections 31110, 31119, and 31156, set forth herein and from violating the Franchise Investment Law. 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 Franchise Investment Law.

3. Penalties. PEAC, LLC. shall pay an administrative penalty of \$14,000 (Penalties) no later than fifteen (15) days after the effective date of this Consent Order as defined in Paragraph 22 (Effective Date). The Penalties must be made payable in the form of a cashier's check or Automated Clearing House deposit to the Department and transmitted to the attention of **Accounting – SRD Franchise Unit** at the Department of Financial Protection and Innovation, 2101 Arena Boulevard, Sacramento, California 95834. Notice of the payment must be concurrently sent via email to Marisa I. Urteaga-Watkins, Esq. at marisa.urteaga-watkins@dfpi.ca.gov. Failure to pay Penalties in a timely manner shall be deemed to be a material breach of this Consent Order.

4. Remedial Education. PEAC agrees that the following class of persons are required to and will attend remedial education in each of their respective businesses: (1) All persons with direct management responsibility relating to the sale of franchises; (2) All persons who assist in preparing franchise materials (excluding outside lawyers and accountants); and (3) the person who certifies the accuracy of any PEAC franchise disclosure document. Each of these persons shall complete at least eight (8) hours of continuing education offered by a Commissioner approved franchise attorney within six (6) months of the Effective Date of this Consent Order. PEAC shall file proof of compliance, a certificate of completion with a sworn affidavit that each required party completed the remedial education from the approved training provider to the Commissioner upon

1 completion of the required remedial education. Proof of compliance shall be sent to the Department  
2 of Financial Protection and Innovation, Attn. Marisa I. Urteaga-Watkins, Counsel, 2101 Arena  
3 Blvd., Sacramento, California 95834 and at marisa.urteaga-watkins@dfpi.ca.gov.

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

12 6. Failure to Comply with Consent Order. PEAC agrees that if it fails to comply with  
13 the terms of this Consent Order, the Commissioner may, in addition to all other available remedies it  
14 may invoke under the FIL, summarily suspend or revoke PEAC’s franchise registration (if  
15 applicable) or deny PEAC’s FIL applications (if applicable), until PEAC is in compliance. PEAC  
16 waives any notice and hearing rights to contest such summary actions by the Commissioner, which  
17 may be afforded under the FIL, APA, CCP, or any other provision of law.

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

22 8. Future Actions by Commissioner. If PEAC fails to comply with any terms of the  
23 Consent Order, the Commissioner may institute proceedings for any and all violations otherwise  
24 resolved by this Consent Order. The Commissioner reserves the right to bring any future actions  
25 against PEAC, or any of its partners, owners, officers, shareholders, directors, employees, or  
26 successors for any and all unknown violations of the FIL or any other law under the Commissioner’s  
27 jurisdiction.

28 ///

1           9.     Assisting Other Agencies. Nothing in this Consent Order limits the Commissioner’s  
2 ability to assist any other government agency (whether city, county, state, or federal) with any  
3 administrative, civil, or criminal action brought by that agency against PEAC, or any other person  
4 based upon any of the activities alleged in this matter or otherwise.

5           10.   Headings. The headings to the paragraphs of this Consent Order are inserted for  
6 convenience only and will not be deemed a part hereof or affect the construction or interpretation of  
7 the provisions hereof.

8           11.   Binding. This Consent Order is binding on all heirs, assigns, and/or successors in  
9 interest.

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

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

25          14.   Full Integration. This Consent Order is the final written expression and the complete  
26 and exclusive statement of all the agreements, conditions, promises, representations, and covenant  
27 between the Parties with respect to the subject matter hereof, and supersedes all prior or  
28 contemporaneous agreements, negotiations, representations, understandings, and discussions

1 between and among the Parties, their respective representatives, and any other person or entity with  
2 respect to the subject matter covered hereby.

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

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

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

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

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

21 To PEAC: Jay Sung Lee, Esq.  
22 307 Fifth Avenue, 4<sup>th</sup> Floor  
23 New York, New York 10016

24 To the Commissioner: Marisa I. Urteaga-Watkins, Esq,  
25 Department of Financial Protection and Innovation  
26 2101 Arena Blvd.  
27 Sacramento, California 95834

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

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

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

22. 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 PEAC’s agent, Jay Sung Lee, Esq. at [jslee@jsleelaw.com](mailto:jslee@jsleelaw.com)

23. 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: 10/06/2022

CLOTHILDE V. HEWLETT  
Commissioner of Financial Protection and Innovation

By: \_\_\_\_\_

COLLEEN MONAHAN  
Acting Deputy Commissioner

Dated: 10/06/2022

PEAC Systems, LLC., formally known as  
PERSONALIZED ADAPTIVE LEARNING  
SYSTEMS, LLC., also known as PALS LEARNING  
CENTER

By: \_\_\_\_\_

GIL C. CHOI  
Chief Executive Officer