
*
IN THE MATTER OF: *
*
THE HOP KNOT FRANCHISING CORP. *
*
MICHAEL T. BONEY *
a/k/a MICHAEL BONEY *
*

CONSENT ORDER
MATTER NO. CSF-22-14433-B

I. PRELIMINARY STATEMENT

WHEREAS, the Banking Commissioner (“Commissioner”) is charged with the administration of Chapter 672c of the Connecticut General Statutes, the Connecticut Business Opportunity Investment Act (“Act”);

WHEREAS, Respondent The Hop Knot Franchising Corp. (“Hop Knot Franchising”) was a Connecticut corporation formed on July 9, 2018. Hop Knot Franchising’s address as reported to the Division was 170 Main Street, #6, Middletown, Connecticut 06457. Records maintained by the State of Connecticut Secretary of the State list the corporation’s address as 505 Main Street, Middletown, Connecticut 06457, and show that Hop Knot Franchising was dissolved on July 2, 2020. Hop Knot Franchising was in the business of offering beer and gourmet pretzel franchises;

WHEREAS, Respondent Michael T. Boney a/k/a Michael Boney (“Boney”) was, at all times pertinent hereto, a co-owner and president of Hop Knot Franchising. On November 9, 2018, Boney became the sole owner of Hop Knot Franchising;

WHEREAS, pursuant to Section 36b-71(a) of the Act, the Commissioner, through the Securities and Business Investments Division (“Division”) of the Department of Banking, has conducted an investigation into the activities of Hop Knot Franchising and Boney (collectively, “Respondents”), their officers, agents, representatives, and employees to determine if any of them have violated, are violating or are about to violate provisions of the Act (“Investigation”);

WHEREAS, as a result of the Investigation, on April 1, 2022, the Commissioner, acting pursuant to Sections 36b-68 and 36b-72 of the General Statutes of Connecticut, issued a Notice of Intent to Issue Stop Order Denying Effectiveness to a Business Opportunity Registration, Order to Cease and Desist, Notice of Intent to Fine and Notice of Right to Hearing against Respondents (collectively, “Notice”), which Notice is incorporated by reference herein;

WHEREAS, on April 9, 2022, the Notice was received by Respondents;

WHEREAS, on April 15, 2022, Respondents requested a hearing on the matters alleged in the Notice;

WHEREAS, on April 19, 2022, the Commissioner issued a Notification of Hearing and Designation of Hearing Officer, wherein the Commissioner appointed Staff Attorney Eric Beckenstein as Hearing Officer, and scheduled a hearing on the matters alleged in the Notice for May 10, 2022, at 10 a.m. (“Hearing”);

WHEREAS, Hearing Officer Beckenstein continued the Hearing to December 15, 2022, at 10 a.m.;

WHEREAS, Respondents and the Commissioner now desire to resolve the matters alleged in the Notice without the need for further administrative proceedings;

WHEREAS, Respondents have provided documentation to the Division demonstrating that they are financially unable to repay the affected purchaser-investors or to pay the administrative fine that might otherwise have been imposed against them pursuant to Section 36b-72 of the Act as a result of this administrative proceeding or as a term of this Consent Order, and fine will be stayed for a period of three years (as set forth in Section IV below);

WHEREAS, an administrative proceeding initiated under Sections 36b-68 and 36b-72 of the General Statutes of Connecticut would constitute a “contested case” within the meaning of Section 4-166(4) of the General Statutes of Connecticut;

WHEREAS, Section 36b-72(d) of the Business Opportunity Act provides, in relevant part, that “[a]ny time after the issuance of an order or notice provided for in subsection (a) or (b) of this section, the commissioner may accept an agreement by any respondent named in such order or notice to enter into a written consent order in lieu of an adjudicative hearing”;

WHEREAS, Section 4-177(c) of the General Statutes of Connecticut and Section 36a-1-55(a) of the Regulations provide that a contested case may be resolved by consent order, unless precluded by law;

WHEREAS, Respondents expressly consent to the Commissioner’s jurisdiction under the Act and to the terms of this Consent Order;

WHEREAS, the Commissioner finds that the entry of this Consent Order is necessary or appropriate in the public interest or for the protection of purchaser-investors and consistent with the purposes fairly intended by the policy and provisions of the Act;

WHEREAS, Respondents acknowledge that they have had the opportunity to consult with and be represented by independent counsel in negotiating and reviewing this Consent Order and that they execute this Consent Order freely;

AND WHEREAS, Respondents, through their execution of this Consent Order, specifically assure the Commissioner that none of the violations alleged in this Consent Order shall occur in the future.

II. CONSENT TO WAIVER OF PROCEDURAL RIGHTS

WHEREAS, Respondents, through their execution of this Consent Order, voluntarily waive the following rights:

1. To be afforded notice and an opportunity for a hearing within the meaning of Sections 36b-68(c), 36b-72(a), and 36b-72(b) of the Act and Section 4-177(a) of the General Statutes of Connecticut;

2. To present evidence and argument and to otherwise avail themselves Sections 36b-68(c), 36b-72(a), and 36b-72(b) of the Act and Section 4-177c(a) of the General Statutes of Connecticut;
3. To present their position in a hearing in which each is represented by counsel;
4. To have a written record of the hearing made and a written decision issued by a hearing officer; and
5. To seek judicial review of, or otherwise challenge or contest the matters described herein, including the validity of this Consent Order.

III. ACKNOWLEDGEMENT OF THE COMMISSIONER'S ALLEGATIONS

WHEREAS, Respondents, through their execution of this Consent Order, acknowledge the following allegations of the Commissioner;

1. Respondents violated Sections 36b-62(a) and 36b-67(1) of the Act by offering and selling unregistered business opportunities to at least two purchaser-investors;
2. Respondents violated Section 36b-80 of the Act by filing materially false or misleading statements with the Commissioner regarding the extent of their prior business opportunity sales activity in or from Connecticut; and
3. Respondents violated Section 36b-66 of the Act by failing to provide a purchaser-investor with a signed copy of the business opportunity contract at the time the purchaser-investor signed the contract;

WHEREAS, the Commissioner would have the authority to enter findings of fact and conclusions of law after granting Respondents an opportunity for a hearing;

AND WHEREAS, Respondents acknowledge the possible consequences of an administrative hearing and voluntarily agree to consent to the entry of the sanctions described below.

IV. CONSENT TO ENTRY OF SANCTIONS

WHEREAS, Respondents, through their execution of this Consent Order, consent to the Commissioner's entry of a Consent Order imposing on them the following sanctions:

1. Respondents, their representatives, agents, employees, affiliates, assigns, successors in interest, and those persons in active concert or participation with them shall cease and desist from engaging in conduct constituting or which would constitute a violation of the Act, or any rule or order adopted or issued under the Act, either directly or through any person, organization or

other device, including without limitation, violations of Sections 36b-62(a), 36b-66, 36b-67(1), and 36b-80 of the Act;

2. For three years, commencing on the date this Consent Order is entered by the Commissioner, Respondent Boney shall be barred from associating in any proprietary or supervisory capacity with any seller of business opportunities and from offering or selling business opportunities as defined in Section 36b-61(2) of the Act. During and subsequent to such three-year period, Respondent Boney shall not engage in any activity that would constitute grounds for administrative, civil, or criminal sanctions under the Act. At the expiration of such three-year period, Respondent Boney shall file a sworn affidavit with the Commissioner stating that he has complied with the sanctions in this paragraph;
3. Based on the contents of the financial affidavit submitted by Respondents to the Division, the imposition of any fine that otherwise would have been imposed against Respondents pursuant to Section 36b-72(b) of the Act shall be temporarily stayed for three years from the date this Consent Order is entered by the Commissioner, provided that such stay shall no longer be in force and effect, and Respondents will be obligated to immediately pay a fine of fifty thousand dollars (\$50,000) by the Commissioner, if the Commissioner ascertains at any time that (i) any Respondent is able to pay an administrative fine; or (ii) Respondents failed to disclose any material asset, materially misstated the value of any asset or made any other material misstatement or omission in the financial affidavit. This paragraph is without prejudice to the right of the Commissioner, in the Commissioner's discretion, to take such further action on the matter in the future following expiration of the temporary stay as may be warranted by the then existing circumstances. Respondents, through their execution of this Consent Order, knowingly, wilfully and voluntarily waive their right to notice and an administrative hearing in conjunction with the implementation of this paragraph; provided, however, that, prior to invoking any enforcement measures contemplated by this paragraph, the Commissioner shall provide the relevant Respondent with an informal opportunity to demonstrate its/his compliance with this Consent Order. After the expiration of three years from the date this Consent Order is entered, if the Division determines that Respondents are still unable to pay the administrative fine, such fine will be waived; and
4. Effective on the date this Consent Order is entered by the Commissioner, the pending business opportunity registration of Hop Knot Franchising shall be deemed denied pursuant to Section 36b-68 of the Act.

V. CONSENT ORDER

NOW THEREFORE, the Commissioner enters the following:

1. The Sanctions set forth above be and are hereby entered;
2. Entry of this Consent Order by the Commissioner is without prejudice to the right of the Commissioner to take enforcement action against Respondents, their affiliates and/or successors in interest based upon a violation of this Consent Order or the matters underlying its entry if the Commissioner determines that compliance with the terms herein is not being observed or if any representation made by or on behalf of Respondents in connection with the Investigation is subsequently discovered to be untrue;

3. Nothing in this Consent Order shall be construed as limiting the Commissioner's ability to take enforcement action against Respondents based upon: (i) evidence of which the Division was unaware on the date hereof relating to a violation of the Act or any regulation or order under the Act; or (ii) evidence indicating that Respondents withheld material information from, or made any material misstatement or omission to, the Commissioner in connection with this matter;
4. Respondents shall not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, that the Commissioner had a basis to pursue the allegations set forth in Section III of this Consent Order, or create the impression that this Consent Order is without factual basis;
5. Respondents shall not take any position in any proceeding brought by or on behalf of the Commissioner, or to which the Commissioner is a party, that is inconsistent with any part of this Consent Order. Nothing in this Consent Order affects Respondents' (i) testimonial obligations; or (ii) right to take any legal or factual position in litigation, arbitration, or other legal proceedings in which the Commissioner is not a party; and
6. Nothing in this Consent Order shall be construed as limiting in any way the ability of purchaser-investors to pursue restitution through private litigation; and
7. This Consent Order shall become final when entered.

So ordered at Hartford, Connecticut,
this 20th day of December 2022.

_____/s/_____
Jorge L. Perez
Banking Commissioner

CONSENT TO ENTRY OF ORDER

I, Michael T. Boney, state on behalf of The Hop Knot Franchising Corp., that I have read the foregoing Consent Order; that I know and fully understand its contents; that I am authorized to execute this Consent Order on behalf of The Hop Knot Franchising Corp.; that The Hop Knot Franchising Corp. agrees freely and without threat or coercion of any kind to comply with the terms and conditions stated herein; and that The Hop Knot Franchising Corp. consents to the entry of this Consent Order.

The Hop Knot Franchising Corp.

By: _____/s/_____
Michael T. Boney
President

State of: Connecticut

County of: Hartford

On this the 19th day of December, 2022, before me, the undersigned officer, personally appeared Michael T. Boney, who acknowledged himself to be the President of The Hop Knot Franchising Corp., a corporation, and that he, as such President, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as President.

In witness whereof I hereunto set my hand.

_____/s/_____
Commissioner of the Superior Court

CONSENT TO ENTRY OF ORDER

I, Michael T. Boney, state that I have read the foregoing Consent Order; that I know and fully understand its contents; that I agree freely and without threat or coercion of any kind to comply with the terms and conditions stated herein; and that I consent to the entry of this Consent Order.

_____/s/_____
Michael T. Boney

State of: Connecticut

County of: Hartford

On this the 19th day of December, 2022, before me, the undersigned officer, personally appeared Michael T. Boney, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument and acknowledged that he executed the same for the purposes therein contained.

In witness whereof I hereunto set my hand.

_____/s/_____
Commissioner of the Superior Court