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IN THE MATTER OF:  
THE HOP KNOT FRANCHISING CORP.  
MICHAEL T. BONEY  
a/k/a MICHAEL BONEY  
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**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**  
**MATTER NO. CSF-22-14433-B**

**I. PRELIMINARY STATEMENT**

1. The Banking Commissioner (“Commissioner”) is charged with the administration of Chapter 672c of the Connecticut General Statutes, the Connecticut Business Opportunity Investment Act (“Act”).
2. Pursuant to Section 36b-71(a) of the Act, the Commissioner, through the Securities and Business Investments Division (“Division”) of the Department of Banking (“Department”), has conducted an investigation into the activities of The Hop Knot Franchising Corp. (“Hop Knot Franchising”), and Michael T. Boney a/k/a Michael Boney (“Boney”) (collectively, “Respondents”), their officers, agents, representatives and employees to determine if they, or any of them, have violated, are violating or are about to violate provisions of the Act (“Investigation”).
3. As a result of the information obtained during the Investigation, the Commissioner has reason to believe that Respondents have violated certain provisions of the Act. Accordingly, the Commissioner has reason to believe that a basis exists to: (i) issue a stop order denying effectiveness to the business opportunity registration application filed by Hop Knot Franchising under Section 36b-68 of the Act;

(ii) issue an order to cease and desist against Respondents under Section 36b-72(a) of the Act; and (iii) impose a fine upon Respondents pursuant to Section 36b-72(b) of the Act.

## **II. RESPONDENTS**

4. Respondent Hop Knot Franchising is 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 Office of the Secretary of the State of Connecticut list the Hop Knot Franchising'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.

5. Respondent 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.

## **III. STATEMENT OF FACTS**

### **Purchaser-Investor One**

6. Purchaser-Investor One is a resident of Tolland, Connecticut. On or about July 23, 2018, Purchaser-Investor One met with Boney to discuss buying a franchise to be located in Storrs, Connecticut. On July 29, 2018, Purchaser-Investor One received a franchise disclosure document dated July 16, 2018 ("July 16, 2018, FDD"), from Hop Knot Franchising. On October 3, 2018, Purchaser-Investor One signed a franchise agreement with Hop Knot Franchising and wired \$40,000 to Hop Knot Franchising as an initial franchise fee.

7. At the time Purchaser-Investor One bought the Storrs franchise, Hop Knot Franchising's business opportunity was not registered under the Act.

8. In a complaint filed with the Division, Purchaser-Investor One stated that Hop Knot Franchising never provided Purchaser-Investor One with a signed copy of the franchise agreement.

9. In a complaint filed with the Division, Purchaser-Investor One stated to the Division that, notwithstanding representations in the July 16, 2018, FDD, Hop Knot Franchising never provided Purchaser-Investor One with the degree of training or support described in the July 16, 2018, FDD.

10. Purchaser-Investor One ultimately retained legal counsel and voided the franchise agreement on December 13, 2019; but has yet to receive a return of the franchise fee and additional costs remitted to Respondents.

### **Purchaser-Investor Two**

11. Purchaser-Investor Two is a resident of Meriden, Connecticut. On March 29, 2019, Respondents sold two franchises to Purchaser-Investor Two, one to be located in Hamden, Connecticut, and the other to be located in West Hartford, Connecticut. The March 29, 2019, franchise agreements were signed by Boney on behalf of Hop Knot Franchising. Purchaser-Investor Two paid a \$40,000 initial franchise fee for the Hamden location, a \$20,000 initial franchise fee for the West Hartford location, and received a copy of the July 16, 2018, FDD.

12. At the time Purchaser-Investor Two bought the Hamden and West Hartford franchises, Hop Knot Franchising's business opportunity was not registered under the Act.

13. In a complaint filed with the Division, Purchaser-Investor Two reported that, while the Hamden location was opened, the West Hartford location never launched due to a leasing issue, and Boney refused to return Purchaser-Investor Two's \$20,000 franchise fee for the West Hartford location.

### **Hop Knot Franchising's Filing History with the Division**

14. On January 22, 2019, and January 23, 2019, following the franchise sale to Purchaser-Investor One, Hop Knot Franchising filed with the Division an application and fee for business opportunity registration pursuant to Section 36b-62(b) of the Act ("January 2019 Application"). The January 2019 Application was dated January 22, 2019.

15. The January 2019 Application was signed by Boney as president of Hop Knot Franchising. The January 2019 Application stated that: (i) business opportunities would only be sold in Connecticut; (ii) no business opportunity sales had been made in or from Connecticut prior to the date of the January 2019 Application; (iii) no monies had been accepted from prospective purchaser-investors nor had the seller entered into any agreements with prospective Connecticut purchaser-investors; and (iv) by signing the January 2019 Application, Boney certified that the statements contained in the application and its accompanying documents were true and correct to the best of his knowledge.

16. On March 7, 2019, the Division e-mailed Hop Knot Franchising a comment letter requesting that it address, among other things, the prior sale of the Storrs franchise. The response was due by April 8, 2019. The comment letter advised Hop Knot Franchising that its business opportunity application remained pending and that no offers or sales should be made from Connecticut or to Connecticut purchaser-investors until the business opportunity was effectively registered.

17. Since the Division did not receive a response to its March 7, 2019, comment letter, the January 2019 Application was deemed abandoned pursuant to Section 36b-68(e) of the Act.

18. On June 13, 2019, following the franchise sales to Purchaser-Investor One and Purchaser-Investor Two, Hop Knot Franchising filed with the Division a second application for business opportunity registration pursuant to Section 36b-62(b) of the Act ("June 2019 Application"). The June 2019 Application was dated June 11, 2019 and received by the Division on June 13, 2019. The June 2019 Application remains pending.

19. The June 2019 Application was signed on Hop Knot Franchising's behalf by its then attorney. The June 2019 Application stated that: (i) business opportunities would also be sold in New Jersey and Pennsylvania and that they were eligible to be sold in those states; (ii) no business opportunity sales had been made in or from Connecticut prior to the date of the June 2019 Application; (iii) no monies had been accepted from prospective purchaser-investors nor had the seller entered into any agreements with prospective Connecticut purchaser-investors; and (iv) by signing the June 2019 Application, Hop Knot

Franchising, through its attorney, certified that the statements contained in the application and its accompanying documents were true and correct to the best of its knowledge.

20. On September 24, 2019, the Division issued an initial comment letter requesting additional information. A more complete investigation followed shortly thereafter. The June 2019 Application remains pending.

**IV. STATUTORY BASIS FOR NOTICE OF INTENT TO ISSUE STOP ORDER  
DENYING EFFECTIVENESS TO A BUSINESS OPPORTUNITY REGISTRATION,  
ORDER TO CEASE AND DESIST AND NOTICE OF INTENT TO FINE**

a. The Hop Knot Franchising Franchises Offered and Sold by Respondents Constitute a “Business Opportunity” as Statutorily Defined

21. Paragraphs 1 through 20, inclusive, are incorporated and made a part hereof as if more fully set forth herein.

22. The Hop Knot Franchising franchises offered and sold by Respondents constitute a “business opportunity” as defined in Section 36b-61(2) of the Act. Section 36b-61(2) of the Act defines the term “business opportunity” to mean:

the sale or lease, or offer for sale or lease, of any product, equipment, supply or service which is sold or offered for sale to the purchaser-investor for the purpose of enabling the purchaser-investor to start a business, and in which the seller represents that: . . . (D) the seller will provide a sales program or marketing program to the purchaser-investor  
. . . .

23. Both Purchaser-Investor One and Purchaser-Investor Two are a “purchaser-investor” within the meaning of Section 36b-61(6) of the Act, in that they are a “person who has purchased or is solicited for the purchase of a business opportunity”.

24. Respondents are “sellers” within the meaning of Section 36b-61(8) of the Act, in that they are “a person who sells or offers to sell a business opportunity or any agent or person who, directly or indirectly, acts on behalf of such person”.

b. Respondents Offered and/or Sold Unregistered Business Opportunities in Violation of Sections 36b-62(a) and 36b-67(1) of the Act

25. Paragraphs 1 through 24, inclusive, are incorporated and made a part hereof as if more fully set forth herein.

26. Section 36b-62(a) of the Act provides that “[n]o person shall sell or offer a business opportunity in this state unless such business opportunity is registered under this section or is exempt from registration under section 36b-65.” Section 36b-67(1) of the Act provides, in part that “[n]o person shall in connection with the sale or offer for sale of a business opportunity: (1) Sell or offer for sale a business opportunity in this state or from this state unless it has first been registered with the commissioner and declared effective by the commissioner in accordance with the provisions of section 36b-62”.

27. From at least July 2018 through 2019, Respondents offered and/or sold unregistered business opportunities to at least two purchaser-investors in violation of Sections 36b-62(a) and 36b-67(1) of the Act, as more fully described in paragraphs 6 through 13, inclusive. Such business opportunities were not exempt from registration under Section 36b-65 of the Act nor did they qualify for a definitional exclusion under Section 36b-61(2) of the Act.

28. Respondents’ violations of Sections 36b-62(a) and 36b-67(1) of the Act form a basis for an order to cease and desist to be issued against Respondents pursuant to Section 36b-72(a) of the Act, the imposition of a fine upon Respondents pursuant to Section 36b-72(b) of the Act, and/or as wilful misconduct, a basis for a stop order denying effectiveness to Hop Knot Franchising’s business opportunity registration under Section 36b-68(a)(4) of the Act.

c. Respondents Filed a Materially False or Misleading Statement With the Commissioner in Violation of Section 36b-80 of the Act

29. Paragraphs 1 through 28, inclusive, are incorporated and made a part hereof as if more fully set forth herein.

30. The January 2019 Application and the June 2019 Application filed with the Commissioner by Respondents contained materially false or misleading statements regarding the extent of Respondents' prior business opportunity sales activity in and from Connecticut, as more fully described in paragraphs 14 through 20. Such statements violated Section 36b-80 of the Act.

31. Respondents' violation of Section 36b-80 of the Act forms a basis for an order to cease and desist to be issued against Respondents pursuant to Section 36b-72(a) of the Act, the imposition of a fine upon Respondents pursuant to Section 36b-72(b) of the Act, and/or as wilful misconduct, a basis for a stop order denying effectiveness to Hop Knot Franchising's business opportunity registration under Section 36b-68(a)(4) of the Act.

32. Hop Knot Franchising's statements in the January 2019 Application and the June 2019 Application regarding the extent of its prior business opportunity sales activity in and from Connecticut were materially false or misleading, and also support the entry of a stop order denying Hop Knot Franchising's business opportunity registration pursuant to Section 36b-68(a)(3) of the Act.

d. Respondents Violated Section 36b-66 of the Act by Failing to Provide Purchaser-Investors with a Signed Copy of the Contract

33. Paragraphs 1 through 32, inclusive, are incorporated and made a part hereof as if more fully set forth herein.

34. Section 36b-66(a) provides that "[e]very business opportunity contract or agreement shall be in writing and a copy shall be given to the purchaser-investor at the time he signs the contract."

35. In at least one instance, 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, as more fully described in paragraph 8.

36. Respondents' violation of Section 36b-66 of the Act forms a basis for an order to cease and desist to be issued against Respondents pursuant to Section 36b-72(a) of the Act, the imposition of a fine upon Respondents pursuant to Section 36b-72(b) of the Act, and/or as wilful misconduct, a basis for a

stop order denying effectiveness to Hop Knot Franchising’s business opportunity registration under Section 36b-68(a)(4) of the Act.

**V. 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**

**WHEREAS**, as a result of the Investigation, the Commissioner finds that grounds exist to deny respondent Hop Knot Franchising’s business opportunity registration pursuant to Section 36b-68(a) of the Act;

**WHEREAS**, as a result of the Investigation, the Commissioner finds that, with respect to the activity described herein, Respondents wilfully violated Sections 36b-62(a), 36b-67(1), 36b-80 and 36b-66 of the Act, and that such wilful violations form a basis for a stop order denying effectiveness to Hop Knot Franchising’s business opportunity registration under Section 36b-68(a)(4) of the Act;

**WHEREAS**, Section 36b-68(a) of the Act provides, in part, that:

The commissioner may issue a stop order denying effectiveness to . . . any business opportunity registration if the commissioner finds that: (1) Such order is in the public interest; (2) such order is necessary for the protection of purchaser-investors or prospective purchaser-investors; (3) the registration of the business opportunity is incomplete in any material respect but is not abandoned pursuant to subsection (e) of this section or contains any statement which was, in the light of the circumstances under which it was made, false or misleading with respect to any material fact; [or] (4) any provision of sections 36b-60 to 36b-80, inclusive, or any regulation, order or condition lawfully adopted, issued or imposed under said sections has been wilfully violated by any person . . . .

**WHEREAS**, Section 36b-68(c) of the Act states, in pertinent part, that “[n]o stop order may be entered under this section except as provided in subsection (b) of this section without: (1) Appropriate prior notice to the applicant or registrant of a business opportunity; (2) opportunity for a hearing; and (3) the issuance of written findings of fact and conclusions of law by the commissioner”;



**WHEREAS**, the Commissioner believes that the entry of a stop order denying Hop Knot Franchising's business opportunity registration would be in the public interest and necessary for the protection of purchaser-investors or prospective purchaser-investors;

**NOW THEREFORE**, notice is hereby given to Hop Knot Franchising that the Commissioner intends to issue a stop order denying effectiveness to Hop Knot Franchising's business opportunity registration, subject to Hop Knot Franchising's right to request a hearing on the allegations set forth above.

**WHEREAS**, the Commissioner finds that Respondents have violated Sections 36b-62(a), 36b-66, 36b-67(1) and 36b-80 of the Act;

**WHEREAS**, the Commissioner further finds that the issuance of an Order to Cease and Desist and the imposition of a fine upon Respondents is necessary or appropriate in the public interest or for the protection of purchaser-investors and consistent with the purposes fairly intended by the policies and provisions of the Act;

**WHEREAS**, notice is hereby given to Respondents that the Commissioner intends to impose a maximum fine not to exceed one hundred thousand dollars (\$100,000) per violation upon Respondents;

**WHEREAS**, the Commissioner **ORDERS** that **THE HOP KNOT FRANCHISING CORP. CEASE AND DESIST** from directly or indirectly violating the provisions of the Act, including without limitation: (1) offering and selling unregistered business opportunities; (2) making false or misleading statements to the Commissioner in violation of Section 36b-80 of the Act; and (3) failing to provide purchaser-investors with a copy of the business opportunity contract at the time the purchaser-investor signs the contract in contravention of Section 36b-66 of the Act;

**WHEREAS**, the Commissioner **ORDERS** that **MICHAEL T. BONEY a/k/a MICHAEL BONEY CEASE AND DESIST** from directly or indirectly violating the provisions of the Act, including without limitation: (1) offering and selling unregistered business opportunities; (2) making false or misleading statements to the Commissioner in violation of Section 36b-80 of the Act; and (3) failing to

provide purchaser-investors with a copy of the business opportunity contract at the time the purchaser-investor signs the contract in contravention of Section 36b-66 of the Act;

**THE COMMISSIONER FURTHER ORDERS THAT**, pursuant to Sections 36b-68(c) and 36b-72 of the Act, Respondents will be afforded an opportunity for a hearing on the allegations set forth above if a written request for a hearing is received by the Department of Banking, Securities and Business Investments Division, 260 Constitution Plaza, Hartford, Connecticut 06103-1800 or submitted by e-mail to [DOB.hearingsupport@ct.gov](mailto:DOB.hearingsupport@ct.gov) within fourteen (14) days following each Respondent's receipt of this Order. To request a hearing, complete and return the enclosed Appearance and Request for Hearing Form to one of the above-referenced addresses. If a Respondent will not be represented by an attorney at the hearing, please complete the Appearance and Request for Hearing Form as "pro se".

Respondents may request that the hearing be held in person at the Department's offices or remotely via videoconference using Microsoft Teams. Once a written request for a hearing is received, the Commissioner may issue a notification of hearing and designation of hearing officer that acknowledges receipt of a request for a hearing, designates a hearing officer and sets the date of the hearing in accordance with Section 4-177 of the General Statutes of Connecticut and Section 36a-1-21 of the Regulations of Connecticut State Agencies. If a hearing is requested, the hearing will be held on May 10, 2022, at 10 a.m.

If a hearing is requested, it will be held in accordance with the provisions of Chapter 54 of the General Statutes of Connecticut, unless a Respondent fails to appear at the requested hearing. At such hearing, each Respondent will have the right to appear and present evidence, rebuttal evidence and argument on all issues of fact and law to be considered by the Commissioner. Any remote hearing will be held in accordance with Section 149 of June Special Session Public Act 21-2, and the Remote Hearing Guidelines available on the Department's website at <https://portal.ct.gov/dob>.

If any Respondent does not request a hearing within the time period prescribed or fails to appear at any such hearing, the allegations herein against any such Respondent will be deemed admitted. Accordingly, the Commissioner shall issue a Stop Order Denying Effectiveness to Hop Knot

Franchising's Business Opportunity Registration, the Order to Cease and Desist shall remain in effect and become permanent against any such Respondent and the Commissioner may order that the maximum fine be imposed upon any such Respondent.

So ordered at Hartford, Connecticut,  
this 1<sup>st</sup> day of April 2022.

\_\_\_\_\_/s/\_\_\_\_\_  
Jorge L. Perez  
Banking Commissioner

**CERTIFICATION**

I hereby certify that on this 1<sup>st</sup> day of April 2022, I caused to be mailed by certified mail, return receipt requested, the foregoing 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 to The Hop Knot Franchising Corp. at: 170 Main Street, #6, Middletown, Connecticut 06457, certified mail no.7016 2710 0000 5892 1832; and 505 Main Street, Middletown, Connecticut 06457, certified mail no.; 7016 2710 0000 5892 1870 and to Michael T. Boney a/k/a Michael Boney, 75 Wanda Lane, Middletown, Connecticut 06457, certified mail no. 7016 2710 0000 5892 1849.

\_\_\_\_\_/s/\_\_\_\_\_  
Julie Carta  
Administrative Assistant