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IN THE MATTER OF: *
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ANCHORED TINY HOMES *
FRANCHISING LLC *
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**NOTICE OF INTENT TO ISSUE
STOP ORDER DENYING
EFFECTIVENESS TO BUSINESS
OPPORTUNITY REGISTRATION

ORDER TO CEASE AND DESIST

AND

NOTICE OF RIGHT TO HEARING

MATTER NO. CS-24-202453-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 Anchored Tiny Homes Franchising LLC (“Respondent”), its 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 Respondent has violated certain provisions of the Act. Accordingly, the Commissioner has

reason to believe that a basis exists to, among other things: (i) issue a stop order under Section 36b-68 of the Act denying effectiveness to the renewal business opportunity registration application filed by Respondent under Section 36b-62(g) of the Act; and (ii) issue an order to cease and desist against Respondent under Section 36b-72(a) of the Act.

II. RESPONDENT

4. Respondent is an active Wyoming limited liability company formed on January 17, 2022. Respondent was co-founded by Colton Paulhus, Chief Executive Officer of Respondent, and by Scott Paulhus. Respondent's last address as reported to the Division is 4401 Hazel Avenue, Suite 225, Fair Oaks, California 95628.

5. According to its Franchise Disclosure Document, Respondent offers franchises featuring "Anchored Tiny Homes, a business that designs, sells, and installs customized tiny home accessory dwelling units, affordable homes, and related services and products." Respondent offers marketing support services to prospective franchisees.

III. STATEMENT OF FACTS

Respondent's Precarious Financial Condition

6. Respondent filed its initial business opportunity registration with the Division on June 21, 2023. That registration expired on April 30, 2024. Although Respondent applied to renew its registration through its former counsel, that renewal never became effective.

7. On May 2, 2024, Division staff noted that the most recent Franchise Disclosure Document, filed by Respondent in conjunction with its renewal, reflected a negative balance as of the end of 2023. The Division requested an updated balance sheet showing that the business was solvent. On May 7, 2024, Division staff reiterated its request for information on how Respondent would address the deficiency.

8. On June 3, 2024, Respondent's former legal counsel ("formal counsel") requested that the Division defer consideration of the issue rather than require the impoundment or escrow of fees which

would have addressed the financial deficiency. On June 27, 2024, the Division explained that a deferral would not be feasible and that either an escrow or impoundment or a surety bond would be necessary. On June 27, 2024, in response to former counsel's inquiry, the Division replied that a surety bond would have to be equal to the amount of the franchise fee. Former counsel replied that its clients were working on obtaining a bond and would follow up once it was ready. Instead, on September 9, 2024, the former counsel advised the Division that it was no longer representing Respondent.

9. Since June 27, 2024, neither Respondent nor its former legal counsel have communicated with the Division concerning the cited negative balance or its resolution.

10. On October 31, 2024, the Division sent a formal "Opportunity to Show Compliance" letter to Respondent. The letter to Respondent was returned to the Division as undeliverable.

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

a. Respondent is in the Business of Offering and Selling a
"Business Opportunity" as Statutorily Defined

11. Paragraphs 1 through 10, inclusive, are incorporated and made a part hereof as if more fully set forth herein.

12. The franchises offered and sold by Respondent 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"

b. Respondent's Failure to Make Adequate Financial Arrangements to Fulfill its
Business Opportunity Contractual Obligations Forms a Basis for the Commissioner to
Initiate Proceedings Under Section 36b-62(c)(2) of the Act.

13. Paragraphs 1 through 12, inclusive, are incorporated and made a part hereof as if more fully set forth herein.

14. Section 36b-62(c)(2) of the Act states that: “If the commissioner finds that a seller has failed to demonstrate that adequate financial arrangements have been made to fulfill the obligations set forth in the business opportunity agreement, the commissioner may require the escrow or impoundment of fees and other funds paid by the purchaser-investor or purchaser-investors until such obligations have been fulfilled, or, at the option of the seller, the furnishing of a surety bond as provided by regulation, adopted pursuant to section 36b-77, or order of the commissioner, if the commissioner finds that such requirement is necessary and appropriate to protect purchaser-investors.”

15. Respondent’s failure to comply with the Commissioner’s request for the escrow or impoundment of fees and other funds paid by purchaser precludes Respondent’s registration from being renewed.

16. 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 . . .”

c. Respondent’s Failure to Observe the Requirements for Renewing Its Business Opportunity Registration Supports the Entry of an Order to Cease and Desist by the Commissioner

17. 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 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”.

28. Respondent’s violation of Sections 36b-62(a) and 36b-67(1) of the Act, given the non-renewal of its business opportunity registration, forms a basis for an order to cease and desist to be issued against Respondent pursuant to Section 36b-72(a) of the Act, and/or as wilful misconduct, a basis for a stop order denying effectiveness to Respondent’s business opportunity registration under Section 36b-68(a)(4) of the Act.

**V. NOTICE OF INTENT TO ISSUE STOP ORDER DENYING
EFFECTIVENESS TO BUSINESS OPPORTUNITY RENEWAL REGISTRATION,
ORDER TO CEASE AND DESIST AND NOTICE OF RIGHT TO HEARING**

WHEREAS, the Commissioner does not believe that the Respondent’s renewal business opportunity application should be made effective due to Respondent’s failure to comply with the financial requirements contemplated by Section 36b-62(c)(2) of the Act;

WHEREAS, as a result of the Investigation, the Commissioner further finds that grounds exist to deny the renewal registration application of Respondent pursuant to Section 36b-68(a) of the Act;

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 Respondent’s business opportunity renewal 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 Respondent that the Commissioner intends to issue a stop order denying effectiveness to Respondent’s business opportunity registration, subject to Respondent’s right to request a hearing on the allegations set forth above.

WHEREAS, the Commissioner finds that Respondent has violated Section 36b-62(a) of the Act;

WHEREAS, the Commissioner further finds that the issuance of an Order to Cease and Desist against Respondent 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, the Commissioner **ORDERS** that **ANCHORED TINY HOMES FRANCHISING LLC CEASE AND DESIST** from directly or indirectly violating the provisions of the Act, including without limitation: offering and selling unregistered business opportunities;

THE COMMISSIONER FURTHER ORDERS THAT, pursuant to Sections 36b-68(c) and 36b-72 of the Act, Respondent 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 within fourteen (14) days following the 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 Respondent will not be represented by an attorney at the hearing, please complete the Appearance and Request for Hearing Form as "pro se".

Respondent 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 February 25, 2025, 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 Respondent fails to appear at the requested hearing. At such hearing, 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 Respondent does not request a hearing within the time period prescribed or fails to appear at any such hearing, the allegations herein against Respondent will be deemed admitted. Accordingly, the Commissioner shall issue a Stop Order Denying Effectiveness to Anchored Tiny Homes Franchising LLC's Business Opportunity Registration, and the Order to Cease and Desist shall remain in effect and become permanent against Respondent.

So ordered at Hartford, Connecticut,
this 17th day of January 2025.

_____/s/_____
Jorge L. Perez
Banking Commissioner

CERTIFICATION

I hereby certify that on this 21st day of January 2025, 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, and Notice of Right to Hearing to Anchored Tiny Homes Franchising, LLC at: 4401 Hazel Avenue, Suite 225, Fair Oaks, California 95628, certified mail no 9589 0710 5270 0567 2697 63.

/s/

Tiffany Thibodeau
Paralegal Specialist