STATE OF WASHINGTON DEPARTMENT OF FINANCIAL INSTITUTIONS **SECURITIES DIVISION**

IN THE MATTER OF DETERMINING 3 Whether there has been a violation of the 4

Franchise Investment Protection Act of

Washington by:

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AFN Sports, LLC,

Fan Sports, LLC,

Respondents.

Order No. S-18-2572-19-CO01

CONSENT ORDER

Pursuant to the Franchise Investment Protection Act of Washington, Chapter 19.100 RCW, the Securities Division and Respondents AFN Sports, LLC and Fan Sports, LLC do hereby enter into this Consent Order in settlement of the matters alleged herein. Respondents neither admit nor deny the Findings of Fact or Conclusions of Law as stated below.

FINDINGS OF FACT

Respondents

1. AFN Sports, LLC (AFN) is an Illinois limited liability company formed on June 28, 2017 with its principal place of business in West Chicago, Illinois. Between about July 2017 and April 2019, AFN did business as Knockerball, and it was in the business of selling Knockerball franchises. The franchise business involved renting out equipment to play Knockerball bubble soccer or archery at parties or other events. AFN granted licenses to franchisees to operate the business under the Knockerball name and trademark. AFN offered franchise packages that included Knockerball supplies and equipment, marketing methods and materials, national advertising, management software, and a customized website.

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2. Fan Sports, LLC (Fan Sports) is an Illinois limited liability company formed on June 28, 2017 with its principal place of business in West Chicago, Illinois. Between about July 2017 and July 2018, like AFN, Fan Sports was in the business of selling Knockerball franchises.

Nature of the Conduct

- 3. Between about July 2017 and April 2019, AFN and Fan Sports offered franchises to Washington residents. AFN and Fan Sports offered franchises on their website, knockerball.com, in Facebook ads, and on Craigslist. AFN sold Knockerball franchises to at least two Washington residents after each resident saw an ad on Facebook or Craigslist.
- 4. Between about May and November 2018, AFN and Fan Sports sold Knockerball franchises to three Washington residents. The cost of the franchises ranged from \$6,990 to \$10,800, depending on the amount of Knockerball equipment that was included in the franchise package. The cost of the franchise package included "proven marketing methods," which were shared with the franchisee once they purchased the franchise. The packages also included marketing materials.
- 5. To purchase the franchise, each franchisee signed an Independent Operator Agreement with AFN or Fan Sports. In the agreement, AFN or Fan Sports granted the franchisees a non-exclusive license to operate a business under the Knockerball mark.
- 6. In the agreement, AFN or Fan Sports agreed to sell the franchisees all of the Knockerball branded equipment that the franchisees would need for their businesses, and the franchisees agreed to only use Knockerball branded bubble soccer balls and related equipment unless such equipment was unavailable.
- 7. In the agreement, the franchisees agreed to not use the Knockerball mark in a way that AFN or Fan Sports would find objectionable, and the franchisees agreed to submit all advertising, marketing, and promotional materials to AFN or Fan Sports for preapproval. In the agreement, AFN or Fan Sports agreed to

provide each franchisee with a customized Knockerball website for their business. The franchise package also included a pin on the map of Knockerball businesses at knockerball.com.

8. Neither AFN nor Fan Sports provided any of the Washington franchisees with a franchise disclosure document prior to the franchisees signing the agreement.

Registration Status

- 9. Respondent AFN Sports, LLC is not currently registered to sell its franchises in the state of Washington and has not previously been so registered. There is no notification of exemption on file with the state of Washington.
- 10. Respondent Fan Sports, LLC is not currently registered to sell its franchises in the state of Washington and has not previously been so registered. There is no notification of exemption on file with the state of Washington.

Based upon the above Findings of Fact, the following Conclusions of Law are made:

CONCLUSIONS OF LAW

- 1. The offer or sale of franchises as described above constitutes the offer or sale of a franchise as defined in RCW 19.100.010(6), RCW 19.100.010(12), and RCW 19.100.010(17).
- 2. The offer or sale of said franchises was in violation of RCW 19.100.020 because no registration for such offers or sales was on file with the Washington Securities Administrator.
- 3. The sale of said franchises was in violation of RCW 19.100.080 because AFN Sports, LLC and Fan Sports, LLC failed to provide the franchisees with a franchise disclosure document prior to the sale of the franchises.

CONSENT ORDER

Based upon the foregoing and finding it in the public interest:

IT IS AGREED AND ORDERED that Respondents AFN Sports, LLC and Fan Sports, LLC, their agents, and their employees, shall each cease and desist from any violation of RCW 19.100.020, the registration section of the Franchise Investment Protection Act of the state of Washington.

IT IS FURTHER AGREED AND ORDERED that Respondents AFN Sports, LLC and Fan Sports, LLC, their agents, and their employees, shall each cease and desist from any violation of RCW 19.100.080, the franchise disclosure document section of the Franchise Investment Protection Act of the state of Washington.

IT IS FURTHER AGREED AND ORDERED that Respondents AFN Sports, LLC and Fan Sports, LLC shall be jointly and severally liable for and shall pay investigative costs of \$1,500 prior to the entry of this Consent Order.

IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

IT IS FURTHER AGREED that Respondents AFN Sports, LLC and Fan Sports, LLC each enter into this Consent Order freely and voluntarily and with a full understanding of its terms and significance.

IT IS FURTHER AGREED that in consideration of the foregoing, Respondents AFN Sports, LLC and Fan Sports, LLC each waive their right to a hearing and to judicial review of this matter.

1 2	Signed by: AFN Sports, LLC	Signed by: Fan Sports, LLC
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4	Joseph Ricely, Manager	Joseph Ricely, Manager
5	Approved as to Form by:	
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7	/s/ Christine Tani, Bar No.	
8	Attorney for Respondent	
9	SIGNED and ENTERED this4th day of	<u>September</u> , 2019.
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11		Million Meate
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13 14		William M. Beatty Securities Administrator
15	Approved by:	Presented by:
16		BALLA A
17	the 2000	Mo0000
18	Suzanne Sarason	Holly Mack-Kretzler
19	Chief of Enforcement	Financial Legal Examiner
20	Reviewed by:	
21	4.11	
22	Win J Hund	
23	Brian Guerard Financial Legal Examiner Supervisor	

CONSENT ORDER

DEPARTMENT OF FINANCIAL INSTITUTIONS Securities Division PO Box 9033 Olympia, WA 98507-9033 360-902-8760