

1 **STATE OF WASHINGTON**  
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**  
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING ) Order No.: S-20-2868-20-CO01  
5 whether there has been a violation of the )  
6 Franchise Investment Protection Act of ) CONSENT ORDER  
7 Washington by: )  
8 Morgan Rothschild, )  
9 Respondent )  
10 \_\_\_\_\_ )

11 On May 18, 2020, the Securities Administrator of the state of Washington issued Statement of Charges and  
12 Notice of Intent to Deny Franchise Broker Registration (Statement of Charges), order number S-20-2868-20-SC01,  
13 against Morgan Rothschild.

14 Pursuant to the Franchise Investment Protection Act of Washington, the Securities Division and Respondent  
15 Morgan Rothschild enter into this Consent Order to settle the allegations described in the Statement of Charges.

16 Respondent Morgan Rothschild neither admits nor denies the following Findings of Fact or Conclusions of  
17 Law:

18 **FINDINGS OF FACT**

19 Respondents

20 1. Morgan Rothschild is a Texas resident, who works as a franchise consultant for W.C. Franchise Developers,  
21 LLC. Morgan Rothschild previously lived in California and acted as the principal of Party Princess International, LLC.  
22 Morgan Rothschild was formerly known as Morgan Henning.

23 Past Administrative Actions

1 In December 2018, the Securities Division issued an Amended Statement of Charges and Notice of Intent to  
2 Enter Order to Cease and Desist (2018 Statement of Charges) against Morgan Rothschild and his company, Party  
3 Princess International.

4 3. In its 2018 Statement of Charges, the Securities Division alleged that Morgan Rothschild and Party Princess  
5 International violated the registration and disclosure document provisions of the Franchise Investment Protection Act in  
6 connection with the offer and sale of Party Princess International franchises in Washington. The Securities Division also  
7 alleged that Morgan Rothschild and Party Princess International also violated the Franchise Investment Protection Act's  
8 antifraud provision by making misleading statements to prospective franchisees about the profitability of owning a Party  
9 Princess International franchise in Washington.

CONSENT ORDER

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

1 4. To resolve the 2018 Statement of Charges, in August 2019, the Securities Division entered into a Consent Order  
2 with Morgan Rothschild and Party Princess International. In the Consent Order, the Securities Division adopted the  
3 findings of fact and conclusions of law from its 2018 Statement of Charges. The Consent Order provided that Morgan  
4 Rothschild and Party Princess International neither admitted, nor denied these findings of fact and conclusions of law.  
5 As part of the Consent Order, Party Princess International agreed to cease and desist from violations of the Franchise  
6 Investment Protection Act's registration, document disclosure, and antifraud provisions.

7 Franchise Broker Registration Application

8 5. On February 7, 2020, Morgan Rothschild filed a franchise broker application with the Securities Division to  
9 register as a franchise broker pursuant to RCW 19.100.140 and WAC 460-82.

10 Based on the Findings of Fact described above, the following Conclusions of Law are made:

11 **CONCLUSIONS OF LAW**

12 1. The past conduct, as described above and alleged in the Securities Division's 2018 Statement of Charges  
13 against Morgan Rothschild and Party Princess International, constitutes dishonest or unethical practices in the  
14 franchise industry, under RCW 19.100.252(6). Such violative conduct is grounds for the denial of a franchise broker  
15 application pursuant to 19.100.252.

16 **CONSENT ORDER**

17 Based on the foregoing and finding it in the public interest:

18 IT IS AGREED AND ORDERED that the Securities Division will deny the franchise broker registration  
19 application filed by Morgan Rothschild on February 7, 2020.

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

21 IT IS FURTHER AGREED that Morgan Rothschild enters into this Consent Order freely and voluntarily and  
22 with full understanding of its terms and significance.

23 IT IS FURTHER AGREED that in consideration of the foregoing, Morgan Rothschild waives its right to a  
hearing and to judicial review of this matter.

Signed this \_\_\_\_27th\_\_\_\_ day of \_\_\_\_\_August\_\_\_\_\_ 2020.

By \_\_\_\_\_/s/\_\_\_\_\_  
Morgan Rothschild

CONSENT ORDER

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

1 SIGNED and ENTERED this 10th day of September 2020.

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3  
4 

5  
6 \_\_\_\_\_  
7 William M. Beatty  
8 Securities Administrator

9 Approved by:

10 

11 \_\_\_\_\_  
12 Suzanne Sarason  
13 Chief of Enforcement

14 Presented by:

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16 \_\_\_\_\_  
17 Eric Palosaari  
18 Financial Legal Examiner

19 Reviewed by:

20 

21 \_\_\_\_\_  
22 Jack McClellan  
23 Financial Legal Examiner Supervisor

CONSENT ORDER

DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
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1 **STATE OF WASHINGTON**  
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**  
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING ) Order No.: S-20-2868-20-SC01  
5 whether there has been a violation of the )  
6 Franchise Investment Protection Act of ) STATEMENT OF CHARGES AND  
7 Washington by: ) NOTICE OF INTENT TO DENY FRANCHISE  
8 Morgan Rothschild, )  
9 )  
10 )  
11 Respondent. )  
12 )

13 THE STATE OF WASHINGTON TO: Morgan Rothschild

14 **STATEMENT OF CHARGES**

15 Please take notice that the Securities Administrator for the state of Washington enters this order against Morgan  
16 Rothschild, pursuant to RCW 19.100.252, denying his franchise broker registration. The Securities Administrator finds  
17 the following:

18 **TENTATIVE FINDINGS OF FACT**

19 Respondent

20 1. Morgan Rothschild is a Texas resident, who works as a franchise consultant for W.C. Franchise Developers,  
21 LLC. Morgan Rothschild previously lived in California and acted as the principal of Party Princess International, LLC.  
22 Morgan Rothschild was formerly known a Morgan Henning.

23 Past Administrative Action

1 In December 2018, the Securities Division issued an Amended Statement of Charges and Notice of Intent to  
2 Enter Order to Cease and Desist (Statement of Charges) against Morgan Rothschild and his company, Party Princess  
3 International.

4 Beginning in approximately 2015, Party Princess International sold franchises that provided costumed and  
5 themed parties, primarily for children. In its Statement of Charges, the Securities Division alleged that through the sale  
6 of Party Princess International franchises in Washington in 2015 and 2016, Morgan Rothschild and Party Princess  
7 International violated the registration and document disclosure provisions of the Franchise Investment Protection Act.  
8 As part of these sales, Morgan Rothschild and Party Princess International also used dishonest sales tactics by making  
9 misleading statements to prospective franchisees about the profitability of owning a Party Princess International  
10 franchise in Washington.

11 4. In sales material that Morgan Rothschild and Party Princess International provided to one Washington resident,  
12 Morgan Rothschild and Party Princess International represented that the prospective franchisee would be able to host a

1 large number of costumed and themed parties for children, and thus generate a substantial amount of revenue. In separate  
2 sales material that Morgan Rothschild and Party Princess International provided to this Washington resident, Morgan  
3 Rothschild and Party Princess International used financial projection worksheets to represent that he could expect high  
4 demand – and concomitant high revenues – for his potential franchise. Morgan Rothschild also represented to the  
5 Washington resident that he would easily be able to meet the minimum number parties that Party Princess International  
6 required its franchisees to host each month. Morgan Rothschild’s and Party Princess International’s representations about  
7 high franchise demand encouraged this Washington resident to purchase a Party Princess International franchise.

8 5. Morgan Rothschild and Party Princess International repeated these same sales tactics with another Washington  
9 resident. In one conversation with this Washington resident, Morgan Rothschild represented that, as a franchisee, the  
10 Washington resident could expect to earn between \$100,000 and \$200,000 per year in revenue. In subsequent  
11 conversations, Morgan Rothschild claimed that Party Princess International’s strong marketing efforts enabled the  
12 success of its franchise system and, thus, would lead to the Washington resident’s success as a franchisee. Morgan  
13 Rothschild later told this Washington resident that he would be easily able to host Party Princess International’s required  
14 minimum number of parties per month. As the Washington resident wavered on whether to purchase the franchise,  
15 Morgan Rothschild assured him that the franchise would generate a minimum of \$100,000 in revenue per year.<sup>1</sup> To his  
16 detriment, as described below, this Washington resident then purchased a Party Princess International franchise.

17 6. Morgan Rothschild and Party Princess International each generally failed to disclose the bases and assumptions  
18 underlying each of their representations to these Washington residents about the profitability of purchasing a Party  
19 Princess International franchise.

20 7. The Statement of Charges alleged that that Morgan Rothschild’s and Party Princess International’s dishonest  
21 sales tactics violated the Franchise Investment Protection Act’s antifraud provision, at RCW 19.100.170, because they  
22 made untrue statements of material fact or omitted to state material facts necessary to make the statements made, in light  
23 of the circumstances under which they were made, not misleading.

8. Soon after purchasing and opening his Party Princess International franchise, the Washington resident identified  
above in paragraph five suffered from a significant lack of demand for costumed and themed birthday parties for children.  
Contrary to Morgan Rothschild’s and Party Princess International’s representations, the franchise never generated  
enough business. After this this Washington resident filed a complaint with the Securities Division, Party Princess  
International filed an arbitration claim against him, seeking to terminate the Washington resident’s franchise agreement.  
The arbitration claim effectively erased the Washington resident’s significant investments in the purchase and operation  
of his franchise, forcing the Washington resident into bankruptcy.

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<sup>1</sup> Morgan Rothschild told this Washington resident that he could not put this representation into writing, due to regulatory prohibitions.

1 9. In its Statement of Charges, the Securities Division also documented litigation, in which other Party Princess  
2 International franchisees alleged that Morgan Rothschild and Party Princess International used the same dishonest sales  
3 tactics. In 2017, a Party Princess International franchisee sued Party Princess International for breach of the implied  
4 covenant of good faith and fair dealing, negligent misrepresentation, and fraud in the inducement. The franchisee's  
5 complaint alleged that Party Princess International had misrepresented on several occasions that the franchisee's  
6 franchise would be financially successful, when, in fact, the franchise suffered from low demand. The parties settled the  
7 case in 2017. That same year, another franchisee sued Party Princess International and Morgan Rothschild for violations  
8 of state consumer protection statutes, fraud, negligent misrepresentation, and fraud by omission. In its complaint, the  
9 franchisee, too, alleged that Morgan Rothschild and Party Princess International misrepresented that he would be able  
10 to operate a profitable franchise, when, in fact, his franchise never had a profitable month. The parties settled the case in  
11 2019.

12 10. As a consequence of the Statement of Charges and litigation described in the previous paragraph, Morgan  
13 Rothschild lost control of Party Princess International in 2019.

14 11. To resolve the Statement of Charges, in August 2019, the Securities Division entered into a consent order with  
15 Morgan Rothschild and Party Princess International. In the consent order, the Securities Division adopted the findings  
16 of fact and conclusions of law from its Statement of Charges, including the Securities Division's conclusion of law that  
17 Morgan Rothschild and Party Princess International violated RCW 19.100.170, the Franchise Investment Protection  
18 Act's antifraud provision. The consent order provided that Morgan Rothschild and Party Princess International neither  
19 admitted, nor denied these findings of fact and conclusions of law. As part of the consent order, Party Princess  
20 International agreed to cease and desist from violations of the Franchise Investment Protection Act's registration,  
21 document disclosure, and antifraud provisions.

#### 22 Franchise Broker Registration Application

23 12. On February 7, 2020, Morgan Rothschild filed a franchise broker application with the Securities Division to  
register as a franchise broker pursuant to RCW 19.100.140 and WAC 460-82.

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

#### CONCLUSIONS OF LAW

1. Morgan Rothschild's past conduct, as described above and identified in the Securities Division's Amended  
Statement of Charges against Morgan Rothschild and Party Princess International filed in 2018, constitutes dishonest  
or unethical practices in the franchise industry, under RCW 19.100.252(6). Such violative conduct is grounds for the  
denial of a franchise broker application pursuant to 19.100.252.

#### NOTICE OF INTENT TO DENY FRANCHISE BROKER REGISTRATION

1 Pursuant to 19.100.252, and based upon the above Tentative Findings of Fact and Conclusions of Law, the  
2 Securities Administrator intends to deny the franchise broker registration application filed by Morgan Rothschild on  
3 February 7, 2020.

4 **AUTHORITY AND PROCEDURE**

5 This Order is entered pursuant to the provisions of RCW 19.100.252 and is subject to the provisions of Chapter  
6 34.05 RCW. Morgan Rothschild may make a written request for a hearing as set forth in the Notice of Opportunity to  
7 Defend and Opportunity for Hearing accompanying this order. If Morgan Rothschild does not request a hearing within  
8 the time allowed, the Securities Administrator intends to adopt the above Tentative Findings of Fact, Conclusions of  
9 Law, and denial of Morgan Rothschild's franchise broker registration application as final.

10 Signed and Entered this 18th day of May 2020.

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12 \_\_\_\_\_  
13 William M. Beatty  
14 Securities Administrator

15 Approved by:

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17 \_\_\_\_\_  
18 Suzanne Sarason  
19 Chief of Enforcement

20 Presented by:

21 

22 \_\_\_\_\_  
23 Eric Palosaari  
Financial Legal Examiner

Reviewed by:



24 \_\_\_\_\_  
25 Jack McClellan  
26 Financial Legal Examiner Supervisor