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

IN THE MATTER OF DETERMINING)
whether there has been a violation of the)
Franchise Investment Protection Act of)
Washington by:)
Alpha Martial Arts, LLC and Christopher)
Herrman,)
Respondents)

Order No. S-16-2006-16-CO01

CONSENT ORDER

8 Pursuant to the Franchise Investment Protection Act of Washington, RCW 19.100, the Securities
9 Division and Respondents Alpha Martial Arts, LLC and Christopher Herrman do hereby enter into this
10 Consent Order in settlement of the matters alleged herein. Respondents Alpha Martial Arts, LLC and
11 Christopher Herrman neither admit nor deny the Findings of Fact or Conclusions of Law as stated below.

12 **FINDINGS OF FACT**

13 **Respondent**

- 14 1. Alpha Martial Arts, LLC, (“AMA”) is a Washington Limited Liability Company formed in
15 2004 and whose principal place of business is located in Seattle, Washington.
16 2. Christopher Herrman is the owner and managing member of Alpha Martial Arts, LLC.

17 **Nature of the Offering**

- 18 3. In 2011, Christopher Herrman had discussions with one of his students about the possibility
19 of opening a second Alpha Martial Arts, LLC location in Seattle, Washington. AMA and Herrman provided
20 the student a draft license agreement that required him to pay AMA an initial \$5,000 fee and to pay monthly
21 fees on a sliding scale ranging from 15% of gross income of \$10,000 or less to 7.5% of gross income of
22 \$18,000 to \$27,750. For monthly gross income exceeding \$27,750, the student was to be obligated to pay a
23 flat fee of \$2,500. In return, AMA would grant the student the right to use the AMA name, logos, website,
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1 curriculum, lesson plans, business system, retail systems, marketing tools and enrollment tools. Herrman
2 would provide one hour of “weekly consulting” to the student. The length of the agreement was to be for a
3 minimum of two years. In 2012, AMA entered into an oral license agreement with the student (“the
4 Licensee”) to operate an AMA location in Seattle. AMA allowed the Licensee to use the AMA name, logos,
5 website, curriculum, lesson plans, business system, retail systems, marketing tools and enrollment tools.
6 AMA marketed the Licensee’s business on the AMA website. Herrman also provided the Licensee regular
7 consulting on topics such as advice on the curriculum, lesson plans, marketing and training. The draft
8 license agreement was never signed. AMA waived the initial fee and allowed the Licensee to defer the
9 payment of a percentage of the Licensee’s gross revenue, which amounted to approximately \$87,000 from
10 2012 to 2015. The Licensee currently pays AMA quarterly 10% of his gross revenue with a cap of \$2,000
11 per month. AMA did not provide the Licensee with a Franchise Disclosure Document that described
12 material information about the purchase of the license opportunity.
13

14 **Registration Status**

15 4. In 2011 and 2012, Respondents were not registered to offer or sell franchises in the state of
16 Washington and, prior to that time, had not previously been so registered.

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

18 **CONCLUSIONS OF LAW**

19
20 1. The offer or sale of the oral license agreement as described above constitutes the offer or sale
21 of a franchise as defined in RCW 19.100.010(6), RCW 19.100.010(12), and RCW 19.100.010(17).

22 2. The offer and sale of said franchise was in violation of RCW 19.100.080 because
23 Respondents failed to provide the Licensee with a franchise disclosure document.
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1 3. The offer or sale of said franchise was in violation of RCW 19.100.020 because no
2 registration for such offer or sale was on file with the Washington Securities Administrator.

3 **CONSENT ORDER**

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

5 IT IS AGREED AND ORDERED that Respondents Alpha Martial Arts, LLC and Christopher
6 Herrman, their agents and employees shall each cease and desist from offering or selling franchises in
7 violation of RCW 19.100.020 and RCW 19.100.080, the registration and disclosure document sections of
8 the Franchise Investment Protection Act of the state of Washington.

9 IT IS FURTHER AGREED AND ORDERED that Respondents Alpha Martial Arts, LLC
10 and Christopher Herrman shall be liable for and shall pay investigative costs of \$ 1,200 prior to the entry of
11 this Consent Order.

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

13 IT IS FURTHER AGREED that Respondents Alpha Martial Arts, LLC and Christopher Herrman
14 enter into this Consent Order freely and voluntarily and with a full understanding of its terms and
15 significance.
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17 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents Alpha Martial Arts,
18 LLC and Christopher Herrman waive their right to a hearing and to judicial review of this matter.
19

20 Signed this 12th day of August, 2016.

21 Signed by:

Approved as to form by:

22 _____
23 /s/
24 Alpha Martial Arts, LLC, by
Christopher Herrman, Managing Member

_____ /s/
Howard Morrill, Attorney for Respondent
Washington State Bar Number 17252

25 _____
/s/
Christopher Herrman, an Individual

CONSENT ORDER

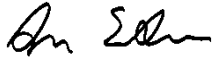
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SIGNED and ENTERED this 23rd day of August, 2016.



William M. Beatty
Securities Administrator

Approved by:



Suzanne Sarason
Chief of Enforcement

Presented by:



Martin Cordell
Financial Legal Examiner

Reviewed by:



Jack McClellan
Financial Legal Examiner Supervisor