

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, JUNE 4, 2015

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2015 JUN -4 P 2:31

COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. SEC-2015-00012

ELITE SPORTS ENTERPRISES, INC.,
WILLIAM JOHN SCHMELZ, III,
and
BLAKE SONNEK-SCHMELZ,
Defendants

SETTLEMENT ORDER

The State Corporation Commission's ("Commission") Division of Securities and Retail Franchising ("Division") conducted an investigation of Elite Sports Enterprises, Inc. ("Elite Sports"), William John Schmelz, III, and Blake Sonnek-Schmelz (collectively, "Defendants") pursuant to § 13.1-567 of the Virginia Retail Franchising Act ("Act"), § 13.1-557 *et seq.* of the Code of Virginia ("Code").

Elite Sports, a New Jersey corporation organized in September 2001, offers Soccer Post franchises. The Soccer Post franchise is a retail store offering soccer equipment, athletic footwear, and related sports apparel and accessories. William John Schmelz, III, Blake Sonnek-Schmelz, and Brent Sonnek-Schmelz co-own and operate Elite Sports.

Elite Sports was registered with the Division to offer and sell Soccer Post franchises to be located in the Commonwealth of Virginia ("Virginia") from August 13, 2004, to August 13, 2006. Between February 2009 and January 2011, the Defendants offered and sold two unregistered Soccer Post franchises to be located in Virginia.

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The Defendants omitted to state a material fact by failing to provide audited financial statements or any financial disclosure to the prospective franchisees. At the time of the unregistered sales, the Commission Rules required Elite Sports to provide audited financial statements for their previous three fiscal years to the prospective franchisees.

The Defendants failed to provide Franchise Disclosure Documents ("FDD") reviewed by the Division to prospective franchisees in connection with these unregistered sales.

The FDD, franchise agreement, and FDD attachments are reviewed by the Division to ensure material information is provided before these documents are allowed to be given to a prospective franchisee. Prospective franchisees can then make an informed decision as to whether they should enter into a franchise agreement. Because the FDD was not reviewed by the Division, the Division alleges that regulatory oversight was circumvented.

On April 1, 2015, Elite Sports submitted a franchise registration application to the Division, and the application is currently pending.

Based on the investigation, the Division alleges the Defendants violated: (i) § 13.1-560 of the Act by selling or offering to sell franchises in Virginia prior to registering under the provisions of the Act; (ii) § 13.1-563 (2) of the Act by making untrue statements of a material fact or omitting to state a material fact necessary in order to avoid misleading the offeree in connection with the sale or offer to sell a franchise; and (iii) § 13.1-563 (4) of the Act by failing to, directly or indirectly, provide franchisees with (i) the franchise agreement and (ii) such disclosure documents as may be required by rule or order of the Commission.

If the provisions of the Act are violated, the Commission is authorized by § 13.1-562 of the Act to revoke a defendant's registration, by § 13.1-568 of the Act to issue temporary or permanent injunctions, by § 13.1-570 of the Act to impose certain monetary penalties and to

request a defendant make rescission and restitution, and by § 12.1-15 of the Code to settle matters within its jurisdiction.

The Defendants neither admit nor deny these allegations but admit to the Commission's jurisdiction and authority to enter this Settlement Order ("Order").

As a proposal to settle all matters arising from these allegations, the Defendants have made an offer of settlement to the Commission wherein the Defendants will abide by and comply with the following terms and undertakings:

- (1) The Defendants will pay to the Treasurer of Virginia ("Treasurer"), contemporaneously with the entry of this Order, the amount of Twenty Thousand Dollars (\$20,000) in monetary penalties.
- (2) The Defendants will pay to the Treasurer, contemporaneously with the entry of this Order, the amount of Two Thousand Dollars (\$2,000) to defray the costs of investigation.
- (3) The Defendants will provide a copy of this Order to current Virginia franchisees, Soccer 10, LLC, and Free Kick Enterprises, Inc. Within 60 days after entry of this Order, the Defendants will submit an affidavit to the Division confirming that it provided a copy of the Order to current Virginia franchisees, Soccer 10, LLC, and Free Kick Enterprises, Inc. As part of the affidavit, the Defendants will include copies of certified mail receipts as evidence of the mailing.
- (4) The Defendants will not violate the Act in the future.

The Division has recommended that the Commission accept the offer of settlement of the Defendants.

NOW THE COMMISSION, having considered the record herein, the offer of settlement of the Defendants, and the recommendation of the Division, is of the opinion that the Defendants' offer should be accepted.

Accordingly, IT IS ORDERED THAT:

(1) The offer of the Defendants in settlement of the matter set forth herein is hereby accepted.

(2) The Defendants shall fully comply with the aforesaid terms and undertakings of this settlement.

(3) This case is dismissed, and the papers herein shall be placed in the file for ended causes.

Dismissal of this case does not relieve the Defendants from their reporting obligations to any regulatory authority.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:
Elite Sports Enterprises, Inc., 252 Highway 35, Eatontown, New Jersey 07724;
Brent Sonnek-Schmelz, Esquire, 252 Highway 35, Eatontown, New Jersey 07724; and a copy shall be delivered to the Commission's Office of General Counsel and Division of Securities and Retail Franchising.

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Defendants

ADMISSION AND CONSENT

Elite Sports Enterprises, Inc., William John Schmelz, III, and Blake Sonnek-Schmelz (collectively, "Defendants"), admit to the jurisdiction of the State Corporation Commission ("Commission") as to the party and subject matter hereof and, neither admitting nor denying the allegations made herein by the Division of Securities and Retail Franchising, hereby consent to the form, substance and entry of the foregoing Settlement Order ("Order").

The Defendants further state that no offer, tender, threat or promise of any kind whatsoever has been made by the Commission or any member, subordinate, employee, agent or representative thereof in consideration of the foregoing Order.

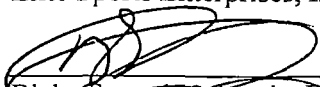
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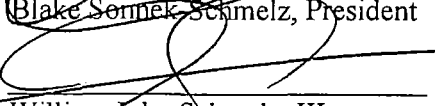
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Elite Sports Enterprises, Inc.

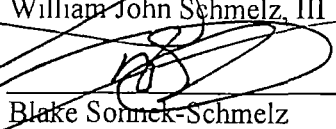
By:


Blake Sonnek-Schmelz, President


By:


William John Schmelz, III

By:


Blake Sonnek-Schmelz

Seen and Approved By:


Brent Sonnek-Schmelz, Esquire