

MARY ANN SMITH  
Deputy Commissioner  
SEAN M. ROONEY  
Assistant Chief Counsel  
SOPHIA C. KIM (State Bar No. 265649)  
Senior Counsel  
Department of Financial Protection and Innovation  
320 West 4<sup>th</sup> Street, Suite 750  
Los Angeles, California 90013  
Telephone: (213) 503-0457  
Email: Sophia.Kim@dfpi.ca.gov

Attorneys for Complainant

BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION

OF THE STATE OF CALIFORNIA

In the Matter of:	)	FIL ORG ID: 458153
THE COMMISSIONER OF FINANCIAL	)	CITATION INCLUDING:
PROTECTION AND INNOVATION,	)	(1) DESIST AND REFRAIN ORDER;
Complainant,	)	(2) ASSESSMENT OF ADMINISTRATIVE
v.	)	PENALTIES.
STAY SALTY, LLC, also known as SALTY	)	(3) CLAIM FOR ANCILLARY RELIEF
PAWS,	)	(Cal. Corp. Code §§ 31402, 31406, 31408)
Respondent.	)	

The Complainant, the Commissioner of Financial Protection and Innovation  
(Commissioner), of the Department of Financial Protection and Innovation (Department) finds the  
following:

**I.**

**Introduction**

1. At all relevant times, Stay Salty, LLC, also known as Salty Paws (Salty) is a  
Delaware limited liability company located at 43 Rehoboth Avenue, Rehoboth Beach, Delaware  
19971.

2. The Commissioner is the head of the Department of Financial Protection and  
Innovation (Department) and is responsible for administering and enforcing the Franchise

Investment Law (FIL) (Cal. Corp. Code §§ 31000 – 31528),<sup>1</sup> and registering the offer and sale of franchises in California. To register a franchise, a franchisor must file an application that includes a Franchise Disclosure Document (FDD) with the Department for review, in accordance with sections 31111 and 31114. The FIL requires franchisors to disclose certain material information that is intended to provide prospective franchisees with facts upon which to make an informed decision to purchase a franchise, as stated in section 31001.

3. At all relevant times, Salty offered dog food and dog ice cream franchises to California investors. At all relevant times, Salty was registered to offer and sell franchises in California by the Department from June 10, 2022, to April 20, 2023, by way of Application No. 24906 filed on June 10, 2022 (2022 Application). The 2022 Application included copies of the FDD and franchise agreement that Salty was to use with California investors. Any subsequent amendment made by Salty to the 2022 Application is a post-effective amendment as required by section 31123 (Post-Effective Amendment) relating back to the 2022 Application. In this case, Salty never filed any subsequent Post-Effective Amendment(s) to amend the 2022 Application with the Department.

4. Pursuant to California Corporations Code section 31119, it is unlawful to sell any franchise without first providing a prospective franchisee with FDD at least fourteen (14) days prior to the execution of a franchise agreement or receipt of consideration.

5. After offering and selling a Salty franchise outlet to franchisees RS & JS (Franchisees), Salty executed an “Ice Cream Truck Addendum” with the Franchisees for the sale of a second Salty franchise location in the form of an “ice cream truck” on or about March 14, 2023. Salty failed to provide the Franchisees with an FDD at least fourteen (14) days prior to the execution of a franchise agreement or receipt of consideration.

6. Pursuant to California Corporations Code section 31200, it is unlawful for any person willfully to omit to state in any such application, notice, or report any material fact which is required to be stated therein or fail to notify the Commissioner of any material change as required by section 31123.

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<sup>1</sup> All further statutory references are to the California Corporations Code unless otherwise indicated.

7. The 2022 Application did not contain an “Ice Cream Truck Addendum”<sup>2</sup> to the Salty franchise agreement. Salty did not file a Post-Effective Amendment to the 2022 Application that contained an “Ice Cream Truck Addendum.” Despite this, Salty allowed the Franchisees to execute an “Ice Cream Truck Addendum” in March of 2023. Salty failed to disclose by Post -Effective Amendment the material fact to the Commissioner, that there was an Ice Cream Addendum that would be used in transactions with California franchisee investors.

8. In the 2022 Application, Salty, in FDD Item 5, set forth that Salty allows franchisees to enter into a franchise agreement for additional franchised Salty brick and mortar Salty outlets. However, the 2022 Application FDD did not state that a Salty franchise outlet is or may be a mobile “ice cream truck.” Salty did not file a Post-Effective Amendment to the 2022 Application disclosing the fact that a Salty franchise outlet may optionally include a mobile “ice cream truck.” Therefore, Salty failed to disclose to the Commissioner the material fact that there was an “ice cream truck” Salty franchise outlet format by filing a Post-Effective Amendment to the 2022 Application.

9. Salty failed to include any and all information regarding the “ice cream truck” format including, but not limited to, expenses relating to the “ice cream truck” franchise outlet, insurance, cost of truck, lease of truck, gas, repairs, registration, permits and the like by Post-Effective Amendment to the 2022 Application. There was no information available to the Commissioner regarding the “ice cream truck” outlet. Salty failed to disclose to the Commissioner the material facts associated with the ice cream truck mobile franchise outlet format by failing to file a Post-Effective Amendment to the 2022 Application. Also, Salty made an untrue statement of material fact to the Commissioner by asserting that the only form of franchise was the one listed in the 2022 Application, when there was an “ice cream truck” format in addition to the traditional brick and mortar Salty outlets. Salty was required by the FIL to file a Post-Effective Amendment to the 2022 Application with this information to fulfill Salty’s requirement to disclose to the Commissioner but it did not.

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<sup>2</sup> The information regarding the Salty ice cream truck franchise outlet model option was not available in the 2022 Application because the ice cream truck franchise outlet model option did not come to fruition until after the 2022 Application was filed with the Department (March 2023). Therefore, Salty was required to file a Post-Effective Amendment to the 2022 Application to notify the Commissioner of this material change/addition to the 2022 Application, pursuant to sections 31200 and 31123.

1           10. Pursuant to California Corporations Code section 31123, a franchisor shall promptly  
2 notify the Commissioner in writing, by an application to amend the registration, of any material  
3 change in the information contained in the application as originally submitted, amended or renewed.

4           11. Salty failed to amend the 2022 Application to include the following material  
5 information in violation of section 31123: (a) The addition of an “Ice Cream Truck Addendum to the  
6 Franchise Agreement;” (b) The existence of an “ice cream truck” Salty franchise outlet format; and  
7 (c) Any and all expenses relating to the “ice cream truck” Salty franchise outlet format. Salty failed  
8 to file Post-Effective Amendment filings with the Department to amend the 2022 Application to  
9 include the above information.

10           12. The Commissioner finds that, while Salty provided an FDD to the Franchisees at least  
11 fourteen (14) days prior to the execution of the franchise agreements, Salty violated section 31119  
12 by not providing the Franchisees with an FDD containing disclosures about the ice cream truck  
13 franchise format at least fourteen (14) days prior to the execution of the Ice Cream Truck Addendum  
14 and acceptance of consideration thereunder.

15           13. The Commissioner also finds that Salty made untrue statements of material fact or  
16 willfully omitted to state a material fact required to be stated therein to the Commissioner, on  
17 multiple occasions, in violation of section 31200.

18           14. The Commissioner finally finds that Salty failed to promptly notify the Commissioner  
19 in writing, by an application to amend the registration, or any material change in the information  
20 contained in the 2022 Application as originally submitted, amended or renewed, in violation of  
21 section 31123.

22           15. On or around August 6, 2024, the Commissioner and Salty entered into a Consent  
23 Order, which is incorporated herein by this reference, wherein Salty was ordered, pursuant to  
24 California Corporations Code section 31406, to desist and refrain from violations of sections 31119,  
25 31200, and 31123, and from any violations of the FIL (Consent Order).

26           16. The Consent Order stated that Salty shall pay an administrative penalty of ten  
27 thousand dollars (\$10,000.00) for at least fourteen (14) violations of the FIL (Penalties), no later than  
28 fifteen (15) days after the Effective Date of this Consent Order. However, the Department declared

1 that any payment of Penalties shall be offset by payment to the Franchisees. Failure to pay Penalties  
2 in a timely manner shall be deemed to be a material breach of this Consent Order.

3 17. As of April 15, 2025, Salty did not pay the Penalties or make any payment to the  
4 Franchisees to offset the payment of Penalties. Hence, Salty materially breached the Consent Order.

5 18. The Consent Order stated that Salty shall rescind all contracts relating to or made  
6 with the Franchisees. The Consent Order further stated that Salty shall restore Franchisees to their  
7 former position (i.e. prior to any transactions with Salty) by disgorging and returning all received  
8 funds, including, but not limited to franchise initial fees, payments, marketing and advertisement  
9 fees, royalties, and any deposits according to proof (Funds) from the Franchisees. Salty was hereby  
10 ordered, and Salty hereby agreed, to disgorge any benefit received by the Franchisees and refund all  
11 Funds from the Franchisees, thereby making the Franchisees whole again.

12 19. As of April 14, 2025, Salty did not rescind the contracts relating to or made with the  
13 Franchisees. Salty also did not restore Franchisees to their former position by disgorging or  
14 returning all received funds, including, but not limited to, franchise initial fees, payments, marketing  
15 and advertisement fees, royalties, and any deposits according to proof (Funds) from the Franchisees.  
16 Despite being ordered, and agreeing, to disgorge any benefit received by the Franchisees and refund  
17 all Funds from the Franchisees, thereby making the Franchisees whole again, Salty failed to make  
18 any payments to the Franchisees.

19 20. The Consent Order stated that Salty agrees that if it fails to comply with the Desist  
20 and Refrain Order in this Consent Order or fails to timely cure any breach to the satisfaction of the  
21 Commissioner, the Commissioner may, in addition to all other available remedies he may invoke  
22 under the FIL, summarily suspend, revoke, or deny its FIL registration (if applicable).

23 21. As of April 14, 2025, Salty failed to timely cure at least three breaches of the Consent  
24 Order.

## 25 II.

### 26 Citations and Desist and Refrain Orders

27 22. California Corporations Code section 31119(a) states:

28 (a) It is unlawful to sell any franchise in this state that is subject to  
registration under this law without first providing to the prospective

franchisee, at least 14 days prior to the execution by the prospective franchisee of any binding franchise or other agreement, or at least 14 days prior to the receipt of any consideration, whichever occurs first, a copy of the franchise disclosure document, together with a copy of all proposed agreements relating to the sale of the franchise.

23. California Corporations Code section 31200 states:

It is unlawful for any person willfully to make any untrue statement of a material fact in any application, notice or report filed with the commissioner under this law, or willfully to omit to state in any such application, notice, or report any material fact which is required to be stated therein, or fail to notify the commissioner of any material change as required by Section 31123.

24. California Corporations Code section 31123 states:

A franchisor shall promptly notify the commissioner in writing, by an application to amend the registration, of any material change in the information contained in the application as originally submitted, amended or renewed. The commissioner may by rule further define what shall be considered a material change for such purposes, and the circumstances under which a revised offering prospectus must accompany such application.

25. California Corporations Code section 31406 states:

(a) If, upon inspection or investigation, based upon a complaint or otherwise, the commissioner has cause to believe that a person is violating any provision of this division or any rule or order promulgated pursuant to this division, the commissioner may issue a citation to that person in writing describing with particularity the basis of the citation. Each citation may contain an order to desist and refrain and an assessment of an administrative penalty not to exceed two thousand five hundred dollars (\$2,500) per violation and shall contain reference to this section, including the provisions of subdivision (c). All penalties collected under this section shall be deposited in the State Corporations Fund.

(b) The sanctions authorized under this section shall be separate from, and in addition to, all other administrative, civil, or criminal remedies.

(c) If within 60 days from the receipt of the citation, the person cited fails to notify the commissioner that the person intends to request a hearing as described in subdivision (d), the citation shall be deemed final.

(d) Any hearing under this section shall be conducted in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of

1 Title 2 of the Government Code.

2 (e) After the exhaustion of the review procedures provided for in this  
3 section, the commissioner may apply to the appropriate superior court for a  
4 judgment in the amount of the administrative penalty and order compelling  
5 the cited person to comply with the order of the commissioner. The  
6 application shall include a certified copy of the final order of the  
7 commissioner and shall constitute a sufficient showing to warrant the  
8 issuance of the judgment and order.

7 26. California Corporations Code section 31408 states:

8 (a) If the commissioner determines it is in the public interest, the  
9 commissioner may include in any administrative action brought under this  
10 division, including a stop order, a claim for ancillary relief, including, but  
11 not limited to, a claim for rescission, restitution or disgorgement or  
12 damages on behalf of the persons injured by the act or practice  
13 constituting the subject matter of the action, and the administrative law  
14 judge shall have jurisdiction to award additional relief. The person  
15 affected may be required to attend remedial education, as directed by the  
16 commissioner.

17 (b) In an administrative action brought under this part the commissioner is  
18 entitled to recover costs, which in the discretion of the administrative law  
19 judge may include any amount representing reasonable attorney's fees and  
20 investigative expenses for the services rendered, for deposit into the State  
21 Corporations Fund for the use of the Department of Financial Protection  
22 and Innovation.

23 27. Based on the foregoing findings, the Commissioner is of the opinion that Salty sold  
24 franchises in this state that were subject to registration under this law without first providing to the  
25 prospective franchisee, at least 14 days prior to the execution by the prospective franchisee of any  
26 binding franchise or other agreement, or at least 14 days prior to the receipt of any consideration,  
27 whichever occurs first, a copy of the franchise disclosure document, together with a copy of all  
28 proposed agreements relating to the sale of the franchise, in violation of Corporations Code section  
31119(a), in at least one instance, as follows:

a. Salty failed to provide the Franchisees with an FDD for a second franchise  
location, specifically an "ice cream truck," at least fourteen (14) days prior to the execution for a  
franchise agreement or receipt of consideration.

1           28. Pursuant to California Corporations Code section 31406, Salty is hereby cited and  
2 ordered to desist and refrain from the further sale of franchises in this state that are subject to  
3 registration under this law without first providing to the prospective franchisee, at least 14 days  
4 prior to the execution by the prospective franchisee of any binding franchise or other agreement, or  
5 at least 14 days prior to the receipt of any consideration, whichever occurs first, a copy of the  
6 franchise disclosure document, together with a copy of all proposed agreements relating to the sale  
7 of the franchise.

8           29. Furthermore, based on the foregoing findings, the Commissioner is of the opinion  
9 that Salty willfully made at least eight untrue statements of a material fact in any application, notice  
10 or report filed with the Commissioner under this law, or willfully omitted to state in any such  
11 application, notice, or report any material fact which is required to be stated therein, or failed to  
12 notify the Commissioner of any material change as required by Section 31123, in violation of  
13 California Corporations Code section 31200, as follows:

14           a. Salty made an untrue statement of material fact by asserting that Exhibit F  
15 would be used but failing to use Exhibit F in the transaction with California franchisees;

16           b. Salty failed to disclose the material fact to the Commissioner that there was  
17 an “Ice Cream Truck Addendum to the Franchise Agreement” that would be used in transactions  
18 with California franchisees;

19           c. Salty failed to disclose to the Commissioner the material fact that there was  
20 an “ice cream truck” franchise outlet format, which was created as an alternative option when a  
21 territory was not available for the Franchisees;

22           d. Salty made an untrue statement of material fact to the Commissioner by  
23 asserting that the only form of franchise was the one listed in the FDD, when in fact there was also  
24 an “ice cream truck” format;

25           e. Salty made an untrue statement of material fact to the Commissioner that it  
26 would provide a franchise operation manual to California franchisees when it did not; and

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28 ///



1                   f.       Salty made untrue material statements to the Commissioner in at least three  
2 instances that it would provide (a) training, (b) training materials, and (c) assistance to California  
3 franchisees when it did not.

4           30.       Pursuant to California Corporations Code section 31406, Salty is hereby cited and  
5 ordered to desist and refrain from making any untrue statement of a material fact in any application,  
6 notice or report filed with the Commissioner under this law, or willfully omitting to state in any  
7 such application, notice, or reporting any material fact which is required to be stated therein, or  
8 failing to notify the Commissioner of any material change as required by Section 31123.

9           31.       Moreover, based on the foregoing findings, the Commissioner is of the opinion that  
10 Salty failed to promptly notify the Commissioner in writing, by an application to amend the  
11 registration, of any material change in the information contained in the application as originally  
12 submitted, amended or renewed, in violation of California Corporations Code section 31123, in at  
13 least five instances, as follows:

14                   a.       Failure to include the addition of an “Ice Cream Truck Addendum to the  
15 Franchise Agreement;”

16                   b.       Failure to disclose the existence of an “ice cream truck” franchise outlet  
17 format;

18                   c.       Failure to disclose any and all expenses relating to the “ice cream truck”  
19 franchise outlet format;

20                   d.       Failure to provide California franchisees with franchise operation manual;  
21 and

22                   e.       Failure to disclose that Salty would not provide training or assistance to  
23 California franchisees.

24           32.       Pursuant to California Corporations Code section 31406, Salty is hereby cited and  
25 ordered to desist and refrain from failing to promptly notify the Commissioner in writing, by an  
26 application to amend the registration, of any material change in the information contained in the  
27 application as originally submitted, amended or renewed.

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## **Administrative Penalties**

35. Pursuant to California Corporations Code section 31406, Salty is hereby assessed and ordered to pay an administrative penalty of \$2,500.00 per violation of California Corporations Code sections 31119, 31200, 31123, and the Consent Order, for each of 17 violations under the Franchise Investment Law as stated in paragraphs 27 through 34 above, totaling \$42,500.00.

36. Pursuant to California Corporations Code section 31406, the total administrative penalty of \$42,500.00 shall be due within 60 days of receipt of the Citations contained in paragraphs 27 through 34 above shall be made payable to the Commissioner in the form of a cashier's check or Automated Clearing House deposit to the Department of Financial Protection and Innovation and transmitted to the attention of Accounting – Litigation, at the Department of Financial Protection and Innovation, 651 Bannan Street, Suite 300, Sacramento, California 95811, with notice of each concurrently sent to Sophia C. Kim via e-mail at: [Sophia.Kim@dfpi.ca.gov](mailto:Sophia.Kim@dfpi.ca.gov).

## CITATION

**IV.****Order for Ancillary Relief**

37. Within 30 days of the date of this order, pursuant to California Corporations Code section 31408(a), Salty is hereby ordered to submit to the Commissioner documentation evidencing payment of \$46,129.29 to the Franchisees, representing funds paid by the Franchisees to Salty, including but not limited to franchise fees, advertisement and marketing fees, and royalties. Notice of the payment shall be concurrently sent to Sophia C. Kim via e-mail at: Sophia.Kim@dfpi.ca.gov.

This order is necessary, in the public interest, for the protection of investors and franchisees and consistent with the purposes, policies and provisions of the Franchise Investment Law.

Dated: April 16, 2025\_  
Sacramento, California

KHALIL MOHSENI  
Commissioner of Financial Protection and Innovation

By \_\_\_\_\_  
MARY ANN SMITH  
Deputy Commissioner  
Enforcement Division

