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STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: Ru Hua Song, President
Soyodo Group Holdings, Inc.
1390 Monterey Pass Road
Monterey Park, California 91754

310 N La France Avenue, Apt. C
Alhambra, California 91801

DESIST AND REFRAIN ORDER

(For violations of section 31110 of the Corporations Code)

The California Corporations Commissioner finds that:

1. Ru Hua Song (“Song”) is the President of Soyodo Group Holdings, Inc. (“Soyodo”), a Delaware corporation, doing business in California with an address of 1390 Monterey Pass Road, Monterey Park, California 91754.

2. On or about June 19, 2006, Song and Soyodo began offering and selling in California a “Soyodo Franchise Agreement” for the sale and operation of a Soyodo shop. The Soyodo Franchise Agreement provides that Soyodo has developed and owns a “Franchisor’s System” comprised of a shop selling books, products, audio and video, magazines, stationary, gifts, and services to the public under various trade names, service marks, trademarks, and logos, including the name Soyodo.

3. Under the Soyodo Franchise Agreement, franchisees are granted the right to operate a shop selling specified goods and services under the Soyodo name, at a designated location within a protected area, for a series of franchise fees, including an initial, non-refundable fee, a monthly maintenance fee with an additional two percent monthly fee on balances due, fees for specified interest rates on any balances due, and a one-year renewal franchise fee.

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1 4. Franchisees are told the distinguishing characteristics of the Franchisor's System includes
2 an operating procedure of the business, training and assistance of methods and techniques for
3 inventory and cost controls, record keeping and reporting, purchasing, customer services, sales
4 promotion, and advertising, all of which may continue to be further developed by the Soyodo.

5 5. Franchisees are also told that Soyodo has spent large sums of money and effort over
6 many years to promote its marks which are well known and publicly associated with the Franchisor's
7 System and the products and services of its shops. Song and Soyodo tell franchisees that they will
8 derive benefit from Soyodo's information, experience, advice, guidance, know-how, and customer
9 goodwill. Franchisees are also promised to receive counseling and assistance on a continuing basis
10 with respect to the management and operation of their shops.

11 6. As part of the Soyodo Franchise Agreement, franchisees are required to purchase
12 specified amounts of product and perform designated services under the Soyodo name or its Chinese
13 equivalent, and follow instructions regarding the appearance of the interior and exterior of the shop.
14 Franchisees must also agree to comply with the policies, regulations, and procedures prescribed by
15 Soyodo, including "standards, techniques, and procedures in installation or serving products or
16 rendering of other services, selection, supervision, and training of personnel, sales, advertising, and
17 promotional techniques, programs, and procedures, maintenance and appearance of shop and shop
18 premises, policies and procedures relating to warranties or guaranties, payment, credit, accounting
19 and financial reporting policies and procedures."

20 7. Franchisees are responsible for advertising costs and must have approval from Soyodo
21 before actually advertising. Franchisees are also required to share the costs for any advertising that
22 Soyodo purchases.

23 8. Franchisees also must agree to pay invoices by Soyodo for products purchased according
24 to payment terms with balances due bearing an interest rate as specified by Soyodo.

25 9. Soyodo maintains the right to visit franchisee shops for the purpose of inspecting
26 merchandise, equipment, and services performed, and to examine and audit books and records, and to
27 observe the manner of operating the shop.

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