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8
9 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
10 OF THE STATE OF CALIFORNIA

11 In the Matter of:) FIL ORG ID: 190909
12)
13 THE COMMISSIONER OF BUSINESS) CITATIONS PURSUANT TO
OVERSIGHT,) CORPORATIONS CODE SECTIONS: 31406;
14) 31110; 31201 AND 31204:
Complainant,)
15) DESIST AND REFRAIN ORDERS
v.) PURSUANT TO CORPORATIONS CODE
16) SECTIONS 31110, 31201 AND 31204
INTERNATIONAL FRANCHISE)
17 SOLUTIONS, LLC, FRANCHISE GROWTH)
18 SYSTEMS, INC., a.k.a. FG360, and DAN)
OLSEN,)
19)
20 Respondents.)
21)

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23 Jan Lynn Owen, the California Commissioner (“Commissioner”) of the Department of
24 Business Oversight (“Department”), finds the following:

25 I
26 **BACKGROUND**

27 1. International Franchise Solutions, LLC, (“IFS”) was an Arizona limited liability
28 company with its last known address at 705 N. Lindsay Road, Mesa, Arizona 85213.

1 2. Franchise Growth Systems, Inc., a.k.a. FG360 (“FG360”) was an Arizona
2 corporation with its last known address at 705 N. Lindsay Road, Mesa, Arizona 85213.

3 3. IFS maintained a website at www.intlfranchisesolutions.com, which is no longer
4 active. Information about franchise offerings by FG360 and IFS can be found at
5 www.franchisegrowth.com.

6 4. Dan Olsen (“Olsen”) was the Manager of IFS, and Chief Executive Officer and
7 Director of FG360.

8 5. The Commissioner is the head of the Department of Business Oversight and is
9 responsible for administering and enforcing the California Franchise Investment Law (“FIL”)
10 (Corporations Code § 31000, et seq.), and registering the offer and sale of franchises in California.

11 II

12 **VIOLATIONS OF THE FIL**

13 **A. Offer and Sale of Unregistered Franchise**

14 6. Pursuant to section 31110, it shall be unlawful for any person to offer or sell any
15 franchises in California unless the offer of the franchise has been registered under Chapter 2 or
16 exempted under Chapter 1 (commencing with section 31100) of Part 2 of the FIL.

17 7. Beginning in or about early 2010, IFS, FG360 and Olsen offered several franchise
18 opportunities to at least one California resident. One of the franchise opportunities was an IFS
19 franchise, a business concept that provides business and franchise development services, including
20 assistance with document preparations, marketing, sales, administrative services, and franchise
21 sales and related opportunities to small and medium size businesses.

22 8. From June 2010 through July 2010, Olsen and a California resident had numerous
23 conversations regarding the IFS franchise, including, but not limited to, conversations discussing
24 fees, marketing plans, developmental territories, and state registration requirements. Olsen
25 represented that the IFS franchise would be structured to consist of territories in California.

26 9. On or about July 19, 2010, Olsen sent the California resident copies of three IFS
27 franchise agreements, two of which were for territories in California. However, the franchise fees
28 were allocated to a Nevada territory. Olsen indicated that structuring the franchise agreements in

1 such way was necessary because of Nevada’s lack of registration requirements, and in order to sign
2 the California agreements since franchise registration in California was pending.

3 10. On or about July 21, 2010, IFS and the California resident executed three agreements
4 for the purchase of IFS franchises, two of which were for territories in California.

5 11. The IFS franchises offered or sold by IFS, FG360 and Olsen constituted franchises
6 within the meaning of section 31005.

7 12. IFS, FG360 and Olsen were not registered to offer or sell franchises with the
8 California Department of Business Oversight, in violation of section 31110.

9 B. Untrue Statement of Material Fact to Franchisee

10 13. Pursuant to section 31201, it is unlawful for any person to offer or sell a franchise in
11 California by means of any written or oral communication not enumerated in section 31200 which
12 includes an untrue statement of a material fact or omits to state a material fact necessary in order
13 to make the statements made, in light of the circumstances under which they were made, not
14 misleading.

15 14. In connection with the offer or sale of the IFS franchises, IFS, FG360, and Olsen
16 made an untrue statement of a material fact to a California resident, in violation of section 31201,
17 by stating that IFS franchise registration in California was pending, when in fact neither IFS,
18 FG360, nor Olsen had filed any application for registration with the California Department of
19 Business Oversight.

20 C. Untrue Statements to the Commissioner with Intent to Impede, Obstruct or Influence

21 15. Pursuant to section 31204, subdivision (b), it is unlawful for any person to
22 knowingly make an untrue statement to the commissioner during the course of licensing,
23 investigation, or examination, with the intent to impede, obstruct, or influence the administration or
24 enforcement of any provision of this division.

25 16. On or about June 29, 2015, during the course of investigation and in response to the
26 Commissioner’s request for applicable franchise registration, IFS, FG360, and Olsen knowingly
27 made untrue statements to the Commissioner, in violation of section 31204, subdivision (b), by
28 misrepresenting that:

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- a. IFS was no longer offering or selling franchises, when in fact IFS franchises were still being offered to the public at ww.franchisegrowth.com; and
- b. “To our knowledge, the only franchise that may have been sold to someone that may reside in California was to someone that lived in another state and then moved to California at a later date,” when in fact IFS franchises were offered and sold to a California resident and consisted of several California territories.

III

CITATIONS

17. Corporations Code section 31406 authorizes the Commissioner to issue a citation not exceeding \$2,500.00 for each violation of any provision of the FIL or any rule or under thereunder.

18. Corporations Code section 31406 provides:

(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 Title 2 of the Government Code.

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

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19. Corporations Code section 31110 provides:

On and after April 15, 1971, it shall be unlawful for any person to offer or sell any franchise in this state unless the offer of the franchise has been registered under this part or exempted under Chapter 1 (commencing with Section 31100) of this part.

20. **CITATION A.** During the period of June 2010 to July 2010, International Franchise Solutions, LLC, Franchise Growth Systems, Inc., a.k.a. FG360 and Dan Olsen offered or sold franchises in California that were subject to registration under the FIL without the offer and/or sale first being registered, in violation of section 31110.

21. Corporations Code section 31201 provides:

It is unlawful for any person to offer or sell a franchise in this state by means of any written or oral communication not enumerated in Section 31200 which includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

22. **CITATION B.** During the period of June 2010 through July 2010, International Franchise Solutions, LLC, Franchise Growth Systems, Inc., a.k.a. FG360 and Dan Olsen offered or sold franchises in this state by means of a written or oral communication which included an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in violation of section 31201, by stating that IFS registration in California was pending, when in fact no application for registration of IFS franchise was filed with the California Department of Business Oversight.

23. Corporations Code section 31204 provides, in pertinent part:

(b) It is unlawful for any person to knowingly make an untrue statement to the commissioner during the course of licensing, investigation, or examination, with the intent to impede, obstruct, or influence the administration or enforcement of any provision of this division.

24. **CITATION C.** On or about June 29, 2015, during the course of investigation and in response to the Commissioner’s request for applicable franchise registration, International Franchise Solutions, LLC, Franchise Growth Systems, Inc., a.k.a. FG360 and Dan Olsen knowingly

1 made untrue statements to the Commissioner, with the intent to impede, obstruct, or influence the
2 administration or enforcement of any provision of this division, in violation of section 31204, by
3 misrepresenting that (a) IFS was no longer offering or selling franchises, when in fact IFS
4 franchises were still being offered to the public at ww.franchisegrowth.com; and (b) “To our
5 knowledge, the only franchise that may have been sold to someone that may reside in California
6 was to someone that lived in another state and then moved to California at a later date,” when in
7 fact the IFS franchises were offered and sold to a California resident, and consisted of several
8 California territories.

9 25. Pursuant to section 31406, International Franchise Solutions, LLC, Franchise
10 Growth Systems, Inc., a.k.a. FG360 and Dan Olsen, jointly and severally, are hereby ordered to pay
11 an administrative penalty of \$2,500.00 for each of the three foregoing violations for the total
12 amount of \$7,500.00, within 30 days of the finality of this order. If within 60 days from the receipt
13 of these citations, International Franchise Solutions, LLC, Franchise Growth Systems, Inc., a.k.a.
14 FG360 and Dan Olsen fail to notify the Commissioner that they intend to request a hearing as
15 described in section 31406, subdivision (d), then this citation shall be deemed final.

16 26. The administrative penalties in the amounts stated above shall be made in the form
17 of a cashier’s check payable to the “Department of Business Oversight” and submitted to the
18 attention of Counsel Afsaneh Eghbaldari, 1350 Front Street, Room 2034, San Diego, California
19 92101, no later than 60 days from the date of these orders.

20 IV

21 **DESIST AND REFRAIN ORDER**

22 27. Corporations Code section 31402 authorizes the Commissioner to order any person
23 to desist and refrain from violating any provide of the FIL or any rule or order thereunder.

24 28. Corporations Code section 31402 provides:

25 If, in the opinion of the commissioner, the offer of any franchise is subject to
26 registration under this law and it is being, or it has been, offered for sale
27 without the offer first being registered, the commissioner may order the
28 franchisor or offeror of that franchise to desist and refrain from the further
offer or sale of that franchise unless and until the offer has been duly
registered under this law. If, after that order has been made, a request for a
hearing is filed in writing within 60 days from the date of service of the order

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by the person to whom the order was directed, a hearing shall be held in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, and the commissioner shall have all of the powers granted under that chapter. Unless that hearing is commenced within 15 business days after the request is made (or the person affected consents to a later date), the order shall be deemed rescinded.

If that person fails to file a written request for a hearing within 60 days from the date of service of the order, the order shall be deemed a final order of the commissioner and shall not be subject to review by any court or agency, notwithstanding Section 31501.

The foregoing facts establish violations of the FIL by: (1) International Franchise Solutions, LLC, Franchise Growth Systems, Inc., a.k.a. FG360 and Dan Olsen offering or selling franchises in California that were subject to registration under the FIL without the offer and/or sale first being registered, in violation of section 31110; (2) International Franchise Solutions, LLC, Franchise Growth Systems, Inc., a.k.a. FG360 and Dan Olsen offering or selling franchises in this state by means of a written or oral communication which included an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, in violation of section 31201, by making a material misrepresentation to a California resident regarding IFS' registration in California; and (3) International Franchise Solutions, LLC, Franchise Growth Systems, Inc., a.k.a. FG360 and Dan Olsen knowingly making untrue statements to the Commissioner, with the intent to impede, obstruct, or influence the administration or enforcement of any provision of this division, regarding IFS' franchise offerings in California.

Pursuant to section 31406, International Franchise Solutions, LLC, Franchise Growth Systems, Inc., a.k.a. FG360 and Dan Olsen are hereby ordered to desist and refrain from further violations of sections 31110, 31201, and 31204.

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These orders are necessary, in the public interest, for the protection of franchisees and consistent with the purposes, policies and provisions of the FIL.

Dated: December 7, 2015
Sacramento, California

JANN LYNN OWEN
Commissioner of Business Oversight

By _____
MARY ANN SMITH
Deputy Commissioner
Enforcement Division