

1 WILLIAM P. WOOD
California Corporations Commissioner
2 WAYNE K. STRUMPFER (CA BAR NO. 160080)
Acting Deputy Commissioner
3 ALAN WEINGER (CA BAR NO. 86717)
Supervising Counsel
4 KAREN DENVIR (CA BAR NO. 197268)
Corporations Counsel
5 DEPARTMENT OF CORPORATIONS
1515 K Street, Suite 200
6 Sacramento, California 95814-4052
Telephone: (916) 324-5217

7 Attorneys for Complainant
8

9 BEFORE THE DEPARTMENT OF CORPORATIONS
10 OF THE STATE OF CALIFORNIA

11 In the Matter of the ORDER REVOKING)
EFFECTIVENESS OF FRANCHISE)
12 REGISTRATION and CONSENT ORDER)
13 Issued To Chaat Café, Inc.)
) CONSENT ORDER
14 Respondent.)
15 _____)

16
17
18 On January 11, 2005, the California Corporations Commissioner issued an order to Chaat
19 Café, Inc. (hereinafter "Respondent") finding that it had failed to disclose information required in
20 Item 3 of the Uniform Franchise Offering Circular, in violation of section 310.114.1 of Title 10 of the
21 California Code of Regulations, and ordering the revocation of the registration of the offer and sale of
22 franchises filed by Chaat Café, Inc. on October 30, 2003.

23 The California Corporations Commissioner and Respondent do hereby agree to
24 this Consent Order in settlement of this matter. This Consent Order is intended to resolve all factual
25 and legal issues raised by the Order Revoking Effectiveness of Franchise Registration issued on
26 January 11, 2005, without the necessity of holding an administrative hearing to determine the validity
27 of the Order.
28

1 Respondent neither admits nor denies the findings set forth in the Order dated January 11,
2 2005, which are hereby incorporated by reference into this Consent Order.

3
4 **CONSENT ORDER**

5 Based upon the foregoing,

6 IT IS AGREED AND ORDERED that Respondent will notify all of its franchisees regarding
7 the failure to disclose the litigation, and will offer each of the them the opportunity to rescind their
8 franchise agreement with Chaat Café. Prior to notifying the franchisees, Respondent will submit the
9 notice to the Department for approval. Upon approval, Respondent will provide the franchisees with
10 the notice, and will provide the Department with: (1) copies of the notices sent; (2) proof that the
11 notices were received; and (3) documentation as to whether the offer to rescind was rejected, or
12 accepted and paid. The Department will process the renewal of franchise registration that is pending,
13 however, the parties stipulate that if the documentation is not received by the Department within 120
14 days of this Consent Order, the franchise registration will be revoked pursuant to Corporations Code
15 section 31115, and Respondent hereby waives its right to a hearing under the Franchise Investment
16 Law or any other applicable law.

17 It is further agreed that Respondent will amend its Uniform Franchise Offering Circular to
18 disclose: (1) the litigation involving Kanar Enterprises; (2) the Desist and Refrain Order to Kanar
19 Enterprises issued on January 11, 2005; (3) the Order Revoking Effectiveness of Franchise
20 Registration to Chaat Café; (4) the Consent Order; and (5) the notices of violation/offers of
21 rescission.

22 It is further agreed that Respondent will provide the Department with a verification under
23 penalty of perjury from Chaat Café's President that the failure to disclose the litigation was
24 inadvertent rather than willful. This verification is to be provided to the Department within 30 days
25 of this Consent Order, or this Order will be rescinded.

26 It is further agreed that the Commissioner shall indicate on the California Department of
27 Corporation's web site that the Order Revoking Effectiveness of Franchise Registration issued on
28 January 11, 2005 has been rescinded. The rescinded Order, however, is a public document and will

1 remain on the web site with that notation. The Commissioner shall further post this Consent Order on
2 the web site.

3 It is further agreed that the Commissioner has jurisdiction to enter this Consent Order.
4 Respondent agrees that the jurisdiction extends to this proceeding only.

5 In consideration of this Consent Order, Respondent waives its right to a hearing on this
6 matter and to judicial review of this matter pursuant to California Code of Civil Procedure section
7 1094.5. The Commissioner hereby rescinds the Order Revoking Effectiveness of Franchise
8 Registration issued on January 11, 2005, except to the extent that the Order's findings have been
9 incorporated by reference into this Consent Order.
10

11 Dated: April _8, 2005

Chaata Café, Incorporated

12 By: _____
13 NARINDER MAHAL
14 President

15
16
17 Dated: April _14_, 2005
18 Sacramento, California

WILLIAM P. WOOD
California Corporations Commissioner

19 By: _____
20 WAYNE STRUMPFER
21 Acting Deputy Commissioner
22 Enforcement Division
23
24
25
26
27
28

1 WILLIAM P. WOOD
California Corporations Commissioner
2 WAYNE K. STRUMPFER (CA BAR NO. 160080)
Acting Deputy Commissioner
3 ALAN WEINGER (CA BAR NO. 86717)
Supervising Counsel
4 KAREN DENVIR (CA BAR NO. 197268)
Corporations Counsel
5 DEPARTMENT OF CORPORATIONS
1515 K Street, Suite 200
6 Sacramento, California 95814-4052
Telephone: (916) 324-5217

7 Attorneys for Complainant
8

9 BEFORE THE DEPARTMENT OF CORPORATIONS
10 OF THE STATE OF CALIFORNIA

11 In the Matter of the ORDER REVOKING)
EFFECTIVENESS OF FRANCHISE)
12 REGISTRATION and CONSENT ORDER)
13 Issued To Chaat Café, Inc.)
) CONSENT ORDER
14 Respondent.)
15 _____)

16
17
18 On January 11, 2005, the California Corporations Commissioner issued an order to Chaat
19 Café, Inc. (hereinafter “Respondent”) finding that it had failed to disclose information required in
20 Item 3 of the Uniform Franchise Offering Circular, in violation of section 310.114.1 of Title 10 of the
21 California Code of Regulations, and ordering the revocation of the registration of the offer and sale of
22 franchises filed by Chaat Café, Inc. on October 30, 2003.

23 The California Corporations Commissioner and Respondent do hereby agree to
24 this Consent Order in settlement of this matter. This Consent Order is intended to resolve all factual
25 and legal issues raised by the Order Revoking Effectiveness of Franchise Registration issued on
26 January 11, 2005, without the necessity of holding an administrative hearing to determine the validity
27 of the Order.
28

1 Respondent neither admits nor denies the findings set forth in the Order dated January 11,
2 2005, which are hereby incorporated by reference into this Consent Order.

3
4 **CONSENT ORDER**

5 Based upon the foregoing,

6 IT IS AGREED AND ORDERED that Respondent will notify all of its franchisees regarding
7 the failure to disclose the litigation, and will offer each of the them the opportunity to rescind their
8 franchise agreement with Chaat Café. Prior to notifying the franchisees, Respondent will submit the
9 notice to the Department for approval. Upon approval, Respondent will provide the franchisees with
10 the notice, and will provide the Department with: (1) copies of the notices sent; (2) proof that the
11 notices were received; and (3) documentation as to whether the offer to rescind was rejected, or
12 accepted and paid. The Department will process the renewal of franchise registration that is pending,
13 however, the parties stipulate that if the documentation is not received by the Department within 120
14 days of this Consent Order, the franchise registration will be revoked pursuant to Corporations Code
15 section 31115, and Respondent hereby waives its right to a hearing under the Franchise Investment
16 Law or any other applicable law.

17 It is further agreed that Respondent will amend its Uniform Franchise Offering Circular to
18 disclose: (1) the litigation involving Kanar Enterprises; (2) the Desist and Refrain Order to Kanar
19 Enterprises issued on January 11, 2005; (3) the Order Revoking Effectiveness of Franchise
20 Registration to Chaat Café; (4) the Consent Order; and (5) the notices of violation/offers of
21 rescission.

22 It is further agreed that Respondent will provide the Department with a verification under
23 penalty of perjury from Chaat Café's President that the failure to disclose the litigation was
24 inadvertent rather than willful. This verification is to be provided to the Department within 30 days
25 of this Consent Order, or this Order will be rescinded.

26 It is further agreed that the Commissioner shall indicate on the California Department of
27 Corporation's web site that the Order Revoking Effectiveness of Franchise Registration issued on
28 January 11, 2005 has been rescinded. The rescinded Order, however, is a public document and will

1 remain on the web site with that notation. The Commissioner shall further post this Consent Order on
2 the web site.

3 It is further agreed that the Commissioner has jurisdiction to enter this Consent Order.
4 Respondent agrees that the jurisdiction extends to this proceeding only.

5 In consideration of this Consent Order, Respondent waives its right to a hearing on this
6 matter and to judicial review of this matter pursuant to California Code of Civil Procedure section
7 1094.5. The Commissioner hereby rescinds the Order Revoking Effectiveness of Franchise
8 Registration issued on January 11, 2005, except to the extent that the Order's findings have been
9 incorporated by reference into this Consent Order.
10

11 Dated: April _8, 2005

Chaat Café, Incorporated

12 By: _____
13 NARINDER MAHAL
14 President

15
16
17 Dated: April _14_, 2005
18 Sacramento, California

WILLIAM P. WOOD
California Corporations Commissioner

19 By: _____
20 WAYNE STRUMPFER
21 Acting Deputy Commissioner
22 Enforcement Division
23
24
25
26
27
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

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

TO: Narinder and Kiran Mahal File No. 995-3460
Chaot Café, Inc.
41 Castledown Road
Pleasanton, California 94566

ORDER REVOKING EFFECTIVENESS
OF FRANCHISE REGISTRATION
(Corporations Code section 31115)

The registration of the offer and sale of franchises filed by Chaot Café, Inc. on October 30, 2003 is hereby revoked until further order of the California Corporations Commissioner.

Dated: January 11, 2005
Sacramento, California

WILLIAM P. WOOD
California Corporations Commissioner

By _____
WAYNE STRUMPFER
Deputy Commissioner
Enforcement and Legal Services Division

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

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

TO: Narinder and Kiran Mahal
Chaat Café, Inc.
41 Castledown Road
Pleasanton, California 94566

File No. 995-3460

STATEMENT IN SUPPORT OF ORDER REVOKING
EFFECTIVENESS OF FRANCHISE REGISTRATION

(Corporations Code section 31117)

The California Corporations Commissioner finds that:

1. Chaat Café, Inc. is a California corporation that incorporated on September 12, 2003. Its principal business address is 41 Castledown Road, Pleasanton, California, 94566. Chaat Café, Inc. is engaged in business activities relating to the franchising of Chaat Café restaurants, which are café-style restaurants offering a variety of food.

2. Kanar Enterprises, Inc. is a California corporation that incorporated on January 18, 2002. Its principal business address is 1902 University Avenue, Berkeley, California, 94704, which also happens to be one of the locations of a Chaat Café restaurant/franchise. Kanar Enterprises, Inc. is

1 affiliated with Chaat Café, Inc., and has been granted the right to do business as Chaat Café through a
2 licensing agreement.

3
4 3. Narinder and Kiran Mahal are the sole shareholders and directors of both Chaat Café, Inc.
5 and Kanar Enterprises, Inc.

6
7 4. On October 30, 2003, Chaat Café filed its initial franchise registration application with the
8 Department of Corporations. Pursuant to section 310.114.1 of Title 10 of the California Code of
9 Regulations, each offering circular must contain the information required by the Uniform Franchise
10 Registration Application, which is defined in section 310.111(b) as information required in
11 accordance with the Uniform Franchise Offering Circular Guidelines, as amended by the North
12 American Securities Administrators Association, Inc. on April 25, 1993.

13
14 5. The application was reviewed and comments provided to the applicant, including the need
15 to disclose affiliate Kanar Enterprises, Inc. in Item 1 of the Uniform Franchise Offering Circular.
16 Applicant amended Item 1 to include the disclosure that Kanar Enterprises, Inc. has served as the
17 model for the franchise offered, and that it also has the right to do business as Chaat Café. A
18 franchise registration order was then issued December 3, 2003, with an expiration date of January 18,
19 2005.

20
21 6. On September 10, 2003, Kanar Enterprises, Inc. filed an action against an individual
22 named Sajid Amin in Santa Clara County Superior Court, Case No. 1-03-CV-004782. In the action,
23 Kanar Enterprises, Inc., as Plaintiff, alleges as follows:

24
25 Plaintiff and defendant Amin entered into a written contract entitled "License Agreement."
26 The contract provided that plaintiff would license the use of plaintiff's registered trademark,
27 "Chaat Café," to defendant Sajid Amin for defendant's use in operating defendant's
28 restaurant, named "Chaat Café," located at 5134 Stevens Creek Blvd., in San Jose. In

1 consideration for the use of plaintiff's trademark, defendant agreed to pay plaintiff a license
2 fee equal to 7% (seven percent) of defendant's monthly gross sales from the restaurant (if
3 gross monthly sales exceeded \$30,000 per month) or 6% (six percent) of defendant's monthly
4 gross sales (if gross monthly sales were below \$30,000 per month). The contract required
5 defendant to provide a truthful and accurate report to plaintiff of each month's gross sales by
6 the 10th of the following month.

7
8 7. On October 10, 2003, Sajid Amin filed a cross-complaint against Kanar Enterprises, Inc.,
9 alleging violations of the California Franchise Investment Law, fraud, unfair business practices, and
10 other claims.

11
12 8. Item 3 of the Uniform Franchise Offering Circular requires, in relevant part, disclosure of
13 whether the franchisor or an affiliate offering franchises under the franchisor's principal trademark
14 has a material civil action pending against that person alleging a violation of a franchise, antitrust or
15 securities law, fraud, unfair or deceptive practices, or comparable allegations. In addition, disclosure
16 is required of any action, other than ordinary routine litigation incidental to the business, that is
17 significant in the context of the number of franchisees and the size, nature or financial condition of
18 the franchise system or its business operations. Action is defined to include complaints, cross claims,
19 counterclaims, and third party complaints in a judicial proceeding.

20
21 9. In the original application, as well as in the initial amendment, in response to Item 3 of the
22 Uniform Franchise Offering Circular, Chaat Café stated "No litigation is required to be disclosed in
23 this offering circular." No amendment has ever been filed to correct this information or to include
24 the above-referenced complaint filed in the Santa Clara County Superior Court.

1 Based upon the foregoing findings, the California Corporations Commissioner is of the
2 opinion that Chaat Cafe, Inc., failed to disclose the information required in Item 3 of the Uniform
3 Franchise Offering Circular, in violation of section 310.114.1 of Title 10 of the California Code of
4 Regulations.

5
6 For this reason, the California Corporations Commissioner has determined that an order
7 should be issued pursuant to Corporations Code section 31115(a) to revoke the effectiveness of the
8 franchise registration of Chaat Cafe, Inc. on the ground that there has been a failure to comply with
9 section 310.114.1 of Title 10 of the California Code of Regulations.

10
11 Dated: January 11, 2005
12 Sacramento, California

13 WILLIAM P. WOOD
14 California Corporations Commissioner

15
16 By _____
17 KAREN DENVIR
18 Corporations Counsel
19 Enforcement and Legal Services Division
20
21
22
23
24
25
26
27
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

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

TO: Narinder and Kiran Mahal
Chaat Café, Inc.
41 Castledown Road
Pleasanton, California 94566

File No. 995-3460

STATEMENT IN SUPPORT OF ORDER REVOKING
EFFECTIVENESS OF FRANCHISE REGISTRATION

(Corporations Code section 31117)

The California Corporations Commissioner finds that:

1. Chaat Café, Inc. is a California corporation that incorporated on September 12, 2003. Its principal business address is 41 Castledown Road, Pleasanton, California, 94566. Chaat Café, Inc. is engaged in business activities relating to the franchising of Chaat Café restaurants, which are café-style restaurants offering a variety of food.

2. Kanar Enterprises, Inc. is a California corporation that incorporated on January 18, 2002. Its principal business address is 1902 University Avenue, Berkeley, California, 94704, which also happens to be one of the locations of a Chaat Café restaurant/franchise. Kanar Enterprises, Inc. is

1 affiliated with Chaat Café, Inc., and has been granted the right to do business as Chaat Café through a
2 licensing agreement.

3
4 3. Narinder and Kiran Mahal are the sole shareholders and directors of both Chaat Café, Inc.
5 and Kanar Enterprises, Inc.

6
7 4. On October 30, 2003, Chaat Café filed its initial franchise registration application with the
8 Department of Corporations. Pursuant to section 310.114.1 of Title 10 of the California Code of
9 Regulations, each offering circular must contain the information required by the Uniform Franchise
10 Registration Application, which is defined in section 310.111(b) as information required in
11 accordance with the Uniform Franchise Offering Circular Guidelines, as amended by the North
12 American Securities Administrators Association, Inc. on April 25, 1993.

13
14 5. The application was reviewed and comments provided to the applicant, including the need
15 to disclose affiliate Kanar Enterprises, Inc. in Item 1 of the Uniform Franchise Offering Circular.
16 Applicant amended Item 1 to include the disclosure that Kanar Enterprises, Inc. has served as the
17 model for the franchise offered, and that it also has the right to do business as Chaat Café. A
18 franchise registration order was then issued December 3, 2003, with an expiration date of January 18,
19 2005.

20
21 6. On September 10, 2003, Kanar Enterprises, Inc. filed an action against an individual
22 named Sajid Amin in Santa Clara County Superior Court, Case No. 1-03-CV-004782. In the action,
23 Kanar Enterprises, Inc., as Plaintiff, alleges as follows:

24
25 Plaintiff and defendant Amin entered into a written contract entitled "License Agreement."
26 The contract provided that plaintiff would license the use of plaintiff's registered trademark,
27 "Chaat Café," to defendant Sajid Amin for defendant's use in operating defendant's
28 restaurant, named "Chaat Café," located at 5134 Stevens Creek Blvd., in San Jose. In

1 consideration for the use of plaintiff's trademark, defendant agreed to pay plaintiff a license
2 fee equal to 7% (seven percent) of defendant's monthly gross sales from the restaurant (if
3 gross monthly sales exceeded \$30,000 per month) or 6% (six percent) of defendant's monthly
4 gross sales (if gross monthly sales were below \$30,000 per month). The contract required
5 defendant to provide a truthful and accurate report to plaintiff of each month's gross sales by
6 the 10th of the following month.

7
8 7. On October 10, 2003, Sajid Amin filed a cross-complaint against Kanar Enterprises, Inc.,
9 alleging violations of the California Franchise Investment Law, fraud, unfair business practices, and
10 other claims.

11
12 8. Item 3 of the Uniform Franchise Offering Circular requires, in relevant part, disclosure of
13 whether the franchisor or an affiliate offering franchises under the franchisor's principal trademark
14 has a material civil action pending against that person alleging a violation of a franchise, antitrust or
15 securities law, fraud, unfair or deceptive practices, or comparable allegations. In addition, disclosure
16 is required of any action, other than ordinary routine litigation incidental to the business, that is
17 significant in the context of the number of franchisees and the size, nature or financial condition of
18 the franchise system or its business operations. Action is defined to include complaints, cross claims,
19 counterclaims, and third party complaints in a judicial proceeding.

20
21 9. In the original application, as well as in the initial amendment, in response to Item 3 of the
22 Uniform Franchise Offering Circular, Chaat Café stated "No litigation is required to be disclosed in
23 this offering circular." No amendment has ever been filed to correct this information or to include
24 the above-referenced complaint filed in the Santa Clara County Superior Court.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Based upon the foregoing findings, the California Corporations Commissioner is of the opinion that Chaat Cafe, Inc., failed to disclose the information required in Item 3 of the Uniform Franchise Offering Circular, in violation of section 310.114.1 of Title 10 of the California Code of Regulations.

For this reason, the California Corporations Commissioner has determined that an order should be issued pursuant to Corporations Code section 31115(a) to revoke the effectiveness of the franchise registration of Chaat Cafe, Inc. on the ground that there has been a failure to comply with section 310.114.1 of Title 10 of the California Code of Regulations.

Dated: January 11, 2005
Sacramento, California

WILLIAM P. WOOD
California Corporations Commissioner

By _____
KAREN DENVIR
Corporations Counsel
Enforcement and Legal Services Division