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

12	In the Matter of THE CALIFORNIA	)	OAH Case No.: 2011030530
13	CORPORATIONS COMMISSIONER,	)	
14	Complainant,	)	AMENDED STATEMENT IN SUPPORT OF:
15	vs.	)	1) CITATIONS
16	GARLIC JIM'S FRANCHISE	)	2) DESIST AND REFRAIN ORDER
17	INTERNATIONAL, INC. and DWAYNE	)	3) CLAIMS FOR ANCILLARY RELIEF
18	NORTHROP,	)	
19	Respondents.	)	
20		)	

21  
22 I  
23 INTRODUCTION

24 The California Department of Corporations (“Department”) is responsible for administering  
25 and enforcing provisions of the California Franchise Investment Law (“FIL”), which is found at  
26 Corporations Code sections 31000 et seq. The Department is authorized to pursue administrative  
27 actions and remedies against franchisors that violate the FIL in California.

28 The California Corporations Commissioner (“Commissioner”) finds that Respondents Garlic

1 Jim's Franchise International, Inc., formerly Garlic Jim's Franchise Corp., both Washington  
2 corporations (collectively "Garlic Jim's"), and Dwayne Northrop ("Northrop"), in his capacity as  
3 president of Garlic Jim's, have violated multiple provisions of the FIL.

## 4 II

### 5 FACTS

6 Garlic Jim's is a Washington corporation engaged in business activities relating to the  
7 franchising of restaurants under the trade name "Garlic Jim's Famous Gourmet Pizza." Garlic Jim's  
8 offers and sells franchises in California as well as other states. Garlic Jim's principal business  
9 address is 802 134<sup>th</sup> St. SW, Suite 130, Everett, Washington 98204. Northrop was president of Garlic  
10 Jim's at all relevant times.

11 Beginning on August 22, 2005, the Commissioner approved the first of Garlic Jim's franchise  
12 registration applications, permitting Garlic Jim's to offer and sell franchises in California. Franchise  
13 registrations must be renewed or re-registered annually in order for the franchisor to continue to offer  
14 and sell franchises in California. The annual filings allow the Commissioner to review the financial  
15 condition and other aspects of the franchisor and franchise offering. Garlic Jim's obtained two  
16 subsequent franchise registrations, on May 22, 2006 and on April 24, 2007. This last registration  
17 expired on April 20, 2008. The Commissioner approved each of Garlic Jim's three registrations with  
18 a condition to the effectiveness of the registration ("Deferral Fee Condition"). Each registration was  
19 only effective if this condition was met.

20 The Commissioner imposed the Deferral Fee Condition on Garlic Jim's to protect potential  
21 California franchisees. The Deferral Fee Condition required Garlic Jim's to complete all of its initial  
22 obligations related to each franchise prior to receiving the initial franchise fee for that franchise.  
23 These obligations included completing initial training, conducting site inspection, and paying for  
24 professional fees and certain costs associated with opening each Garlic Jim's restaurant. Dwayne  
25 Northrop, President of Garlic Jim's, declared in a written and signed affidavit submitted to the  
26 Department that he read and understood the Deferral Fee Condition.

27 Beginning in February 2006 and continuing until at least April 2008, Garlic Jim's sold at least  
28 twenty-five (25) franchises to California investors. During this period, Garlic Jim's accepted the

1 initial franchise fees prior to completing all of its initial obligations, such as training and site  
2 inspection, under each franchise agreement. In doing so, Garlic Jim's and Dwayne Northrop violated  
3 the Deferral Fee Condition.

### 4 III

#### 5 VIOLATIONS OF CALIFORNIA FRANCHISE INVESTMENT LAW

6 The Commissioner finds that Respondents Garlic Jim's and Dwayne Northrop have  
7 committed multiple violations of the California Franchise Investment Law, including, but not limited  
8 to, the following:

9 A. MATERIAL MISSTATEMENTS OR OMISSIONS IN A FRANCHISE REGISTRATION  
10 APPLICATION FILED WITH THE COMMISSIONER IN VIOLATION OF SECTION  
11 31200

12 Corporations Code section 31200 provides:

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

17 At various times from August 22, 2005 through April 20, 2008, the Commissioner issued three  
18 franchise registrations to Garlic Jim's under section 31110 of the Franchise Investment Law, authorizing  
19 Garlic Jim's to offer and sell franchises in California. The Commissioner approved each of Garlic Jim's  
20 three registrations only on the condition that all initial obligations to its franchisees were completed prior  
21 to Garlic Jim's collecting the initial franchise fees associated with the sale of each franchise location.  
22 Garlic Jim's agreed to comply with this condition to the effectiveness of registration under the FIL.  
23 Garlic Jim's willfully made this untrue statement to the Department repeatedly. Even after  
24 acknowledging the condition and declaring that it would comply with it, Garlic Jim's accepted initial  
25 franchise fees for at least twenty-five (25) franchise locations without completing its initial  
26 obligations for each franchise.

27 As such, Garlic Jim's and Dwayne Northrop violated the Deferral Fee Condition to its  
28 registration to offer and sell franchises in California. Further, the Deferral Fee Condition was a  
material condition to the effectiveness of all three registrations. Accordingly, Respondents violated

1 section 31200 three times by making the untrue statement that they would comply with the Deferral  
2 Fee Condition in each of their three applications for registration.

3 B. MATERIAL MISSTATEMENTS OR OMISSIONS OF MATERIAL FACT IN THE OFFER  
4 OR SALE OF FRANCHISES IN VIOLATION OF SECTION 31201

5 Corporations Code section 31201 provides:

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

9 As stated above, Garlic Jim's obtained at least twenty-five (25) signed franchise agreements  
10 from California residents throughout 2006, 2007, and 2008, and accepted the initial franchise fees for  
11 each one prior to fulfilling its obligations. Consequently, Garlic Jim's and Dwayne Northrop either  
12 omitted the material fact of the Commissioner's Deferral Fee Condition when offering and selling to  
13 these prospective franchisees or made the untrue statement of a material fact that the Commissioner's  
14 Deferral Fee Condition was no longer in effect. As such, Respondents committed at least twenty-five  
15 (25) violations of section 31201.

16 C. VIOLATION OF COMMISSIONER'S CONDITION OF REGISTRATION PURSUANT  
17 TO SECTION 31203

18 Corporations Code section 31203 provides:

19 It is unlawful for any person to violate any order of the commissioner or condition to the  
20 effectiveness of the registration of the offer or sale of franchises.

21 As stated above, the Commissioner approved three of Garlic Jim's registrations to sell franchises at  
22 various times between August 22, 2005 and April 20, 2008. The Commissioner required Garlic Jim's  
23 and Dwayne Northrop to comply with the Deferral Fee Condition as a condition to the effectiveness  
24 of those registrations. The Deferral Fee Condition required Garlic Jim's to provide initial training,  
25 site inspection, and professional fees and its costs associated with opening each Garlic Jim's  
26 restaurant prior to collecting the initial fee for each franchise. Garlic Jim's accepted the initial  
27 franchise fees for at least twenty-five (25) franchises prior to completing all of its obligations at each  
28 franchise location. As such, Garlic Jim's and Dwayne Northrop violated section 31203 at least

1 twenty-five (25) times between August 2005 and April 2008.

2 D. MISREPRESENTATION WITH INTENT TO INFLUENCE THE COMMISSIONER'S  
3 ADMINSTRATION OF THE FRANCHISE INVSTMENT LAW IN VIOLATION OF  
4 SECTION 31204

5 Corporations Code section 31204, subsection (b) provides:

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

9 As stated above, Garlic Jim's and Dwayne Northrop violated the Deferral Fee Condition by  
10 accepting initial franchise fees for at least twenty-five (25) franchises prior to completing all of their  
11 obligations for each location. In addition to the Deferral Fee Condition, the Commissioner required  
12 Garlic Jim's President, Dwayne Northrop, to sign an affidavit stating that he had read and understood  
13 the Deferral Fee Condition. Respondents acknowledged the Deferral Fee Condition and signed the  
14 affidavit in order to secure each of the above-mentioned franchise registrations, with knowledge of  
15 their practice of regularly accepting initial franchise fees in violation of the condition, and with intent  
16 to influence the Commissioner's decision with respect to all three registrations. As such,  
17 Respondents violated section 31204(b) three times between August 2005 and April 2008.

18 IV

19 CITATIONS

20 Corporations Code section 31406 provides:

21 (a) If, upon inspection or investigation, based upon a complaint or otherwise, the  
22 commissioner has cause to believe that a person is violating any provision of this division or  
23 any rule or order promulgated pursuant to this division, the commissioner may issue a citation  
24 to that person in writing describing with particularity the basis of the citation. Each citation  
25 may contain an order to desist and refrain and an assessment of an administrative penalty not  
26 to exceed two thousand five hundred dollars (\$2,500.00) per violation and shall contain  
27 reference to this section, including the provisions of subdivision (c). All penalties collected  
28 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.

1 (d) Any hearing under this section shall be conducted in accordance with Chapter 5  
2 (commencing with Section 11500) of Part I of Division 3 of Title 2 of the Government Code.  
3 (e) After the exhaustion of the review procedures provided for in this section, the  
4 commissioner may apply to the appropriate superior court for a judgment in the amount of the  
5 administrative penalty and order compelling the cited person to comply with the order of the  
6 commissioner. The application shall include a certified copy of the final order of the  
7 commissioner and shall constitute a sufficient showing to warrant the issuance of the  
8 judgment and order.

9 The foregoing facts establish that Garlic Jim's and Dwayne Northrop have committed  
10 multiple violations of the Franchise Investment Law in the course of conducting business with no less  
11 than twenty-five (25) California franchises since the initial franchise registration in August 2005.

12 Pursuant to section 31406, Garlic Jim's and Dwayne Northrop are hereby assessed and  
13 ordered to pay the Commissioner citations of \$2,500 for each of three (3) violations of section 31200,  
14 twenty-five (25) violations of section 31201, twenty-five (25) violations of section 31203, and three  
15 (3) violations of 31204. The total citation amount for the fifty-six (56) violations is one hundred and  
16 forty thousand dollars (\$140,000), with all payments being due and payable to the Department within  
17 ninety (90) days after this order becomes final.

18 V

19 DESIST AND REFRAIN ORDER

20 The Commissioner finds that beginning as early as February 2006, Garlic Jim's and Dwayne  
21 Northrop violated multiple provisions of the Franchise Investment Law, including but not limited to  
22 Corporations Code sections 31200, 31201, 31203, and 31204 as set forth in greater detail herein.

23 Pursuant to section 31406 of the Corporations Code, Garlic Jim's and Dwayne Northrop are  
24 hereby ordered to desist and refrain from:

25 (a) Making material misstatements or omissions in a franchise registration application filed  
26 with the Commissioner in violation of section 31200;

27 (b) Making material misstatements or omissions by any oral or written communication in the  
28 course of offering or selling franchises in violation of section 31201;

(c) Violating any order of the commissioner or condition to the effectiveness of the  
registration of the offer or sale of franchises in violation of section 31203; and

1 (d) Knowingly making untrue statements to the commissioner during the course of licensing,  
2 investigation, or examination, with the intent to influence the administration or enforcement of the  
3 Franchise Investment Law in violation of section 31204.

4 VI

5 CLAIMS FOR ANCILLARY RELIEF

6 Corporations Code section 31408(a) provides:

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

14 CLAIM FOR RESCISSION

15 The Commissioner has found that Garlic Jim’s and Dwayne Northrop have committed  
16 multiple violations of the Franchise Investment Law. As a result, Garlic Jim’s and Dwayne Northrop  
17 shall afford all franchisees who were located in California at the time Garlic Jim’s offered or sold  
18 franchise(s) to them, and franchisees who purchased the right to open franchised locations in  
19 California, (collectively, “California Franchisees”) the right to rescind or terminate without penalty  
20 any franchise agreement or related contractual obligation with Garlic Jim’s.

21 CLAIM FOR RESTITUTION AND DAMAGES

22 In light of the nature and length of Garlic Jim’s and Dwayne Northrop’s violations of the FIL,  
23 Garlic Jim’s and Dwayne Northrop shall:

24 (a) Pay restitution to every California Franchisee in the amount of the full franchise fee  
25 collected from each California Franchisee within ninety (90) days after this order becomes final; and

26 (b) Pay twenty thousand dollars (\$20,000) in damages, or according to proof, to each  
27 California Franchisee, whether or not such franchisee opened a franchise and whether or not such  
28 franchise is still open.

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OTHER RELIEF

Perform all obligations promised to franchisees at each currently open franchised location in California.

CLAIM FOR COMPLAINANT’S COSTS

Corporations Code section 31408(b) provides:

In an administrative action brought under this part the commissioner is entitled to recover costs, which in the discretion of the administrative law judge may include any amount representing reasonable attorney’s fees and investigative expenses for the services rendered, for deposit into the State Corporations Fund for the use of the Department of Corporations.

Garlic Jim’s and Dwayne Northrop shall pay reasonable attorney’s fees and investigative expenses incurred by the Department of Corporations in investigating and enforcing the FIL in this matter, in the discretion of the administrative law judge or in the amount of twenty-five thousand dollars (\$25,000).

VII

CONCLUSION

Based upon the foregoing findings, the California Corporations Commissioner has found that Garlic Jim’s and Dwayne Northrop violated multiple provisions of the California Franchise Investment Law and has issued this Desist and Refrain Order, Citations, and Claims for Ancillary Relief.

WHEREFORE, the California Corporations Commissioner finds the foregoing orders and claims necessary, in the public interest, for the protection of investors, and consistent with the purposes, policies, and provisions of the California Franchise Investment Law.

Dated: December 6, 2011  
Los Angeles, California

PRESTON DuFAUCHARD  
California Corporations Commissioner

By \_\_\_\_\_  
ALAN S. WEINGER  
Deputy Commissioner



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14	Complainant,	)	STATEMENT IN SUPPORT OF:
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25 and enforcing provisions of the California Franchise Investment Law (“FIL”), which is found at  
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28 The California Corporations Commissioner (“Commissioner”) finds that Respondents Garlic

1 Jim's Franchise International, Inc., formerly Garlic Jim's Franchise Corp., both Washington  
2 corporations (collectively "Garlic Jim's"), and Dwayne Northrop ("Northrop"), in his capacity as  
3 president of Garlic Jim's, have violated multiple provisions of the FIL.

## 4 II

### 5 FACTS

6 Garlic Jim's is a Washington corporation engaged in business activities relating to the  
7 franchising of restaurants under the trade name "Garlic Jim's Famous Gourmet Pizza." Garlic Jim's  
8 offers and sells franchises in California as well as other states. Garlic Jim's principal business  
9 address is 802 134<sup>th</sup> St. SW, Suite 130, Everett, Washington 98204. Northrop was president of Garlic  
10 Jim's at all relevant times.

11 Beginning on August 22, 2005, the Commissioner approved the first of Garlic Jim's franchise  
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13 registrations must be renewed or re-registered annually in order for the franchisor to continue to offer  
14 and sell franchises in California. The annual filings allow the Commissioner to review the financial  
15 condition and other aspects of the franchisor and franchise offering. Garlic Jim's obtained two  
16 subsequent franchise registrations, on May 22, 2006 and on April 24, 2007. This last registration  
17 expired on April 20, 2008. The Commissioner approved each of Garlic Jim's three registrations with  
18 a condition to the effectiveness of the registration ("Deferral Fee Condition"). Each registration was  
19 only effective if this condition was met.

20 The Commissioner imposed the Deferral Fee Condition on Garlic Jim's to protect potential  
21 franchisees in California. The Deferral Fee Condition required Garlic Jim's to complete all of its  
22 initial obligations related to each franchise prior to receiving the initial franchise fee for that  
23 franchise. These obligations included completing initial training, conducting site inspection, and  
24 paying for professional fees and certain costs associated with opening each Garlic Jim's restaurant.  
25 Dwayne Northrop, President of Garlic Jim's, declared in a written and signed affidavit submitted to  
26 the Department that he read and understood the Deferral Fee Condition.

27 Beginning in February 2006 and continuing until at least April 2008, Garlic Jim's sold  
28 twenty-five (25) franchises to California investors. During this period, Garlic Jim's accepted the

1 initial franchise fees prior to completing all of its initial obligations, such as training and site  
2 inspection, under each franchise agreement. In doing so, Garlic Jim's and Dwayne Northrop violated  
3 the Deferral Fee Condition.

### 4 III

#### 5 VIOLATIONS OF CALIFORNIA FRANCHISE INVESTMENT LAW

6 The Commissioner finds that Respondents Garlic Jim's and Dwayne Northrop have  
7 committed multiple violations of the California Franchise Investment Law, including, but not limited  
8 to, the following:

9 A. MATERIAL MISSTATEMENTS OR OMISSIONS IN A FRANCHISE REGISTRATION  
10 APPLICATION FILED WITH THE COMMISSIONER IN VIOLATION OF SECTION  
11 31200

12 Corporations Code section 31200 provides:

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

17 At various times from August 22, 2005 through April 20, 2008, the Commissioner issued three  
18 franchise registrations to Garlic Jim's under section 31110 of the Franchise Investment Law, authorizing  
19 Garlic Jim's to offer and sell franchises in California. The Commissioner approved each of Garlic Jim's  
20 three registrations only on the condition that all initial obligations to its franchisees were completed prior  
21 to Garlic Jim's collecting the initial franchise fees associated with the sale of each franchise location.

22 Garlic Jim's agreed to comply with this condition to the effectiveness of registration under the FIL.  
23 Garlic Jim's willfully made this untrue statement to the Department repeatedly. Even after  
24 acknowledging the condition and declaring that it would comply with it, Garlic Jim's accepted initial  
25 franchise fees for at least twenty-five (25) franchise locations without completing its initial  
26 obligations for each franchise.

27 As such, Garlic Jim's and Dwayne Northrop violated the Deferral Fee Condition to its  
28 registration to offer and sell franchises in California. Further, the Deferral Fee Condition was a  
material condition to the effectiveness of all three registrations. Accordingly, Respondents violated

1 section 31200 three times by making the untrue statement that they would comply with the Deferral  
2 Fee Condition in each of their three applications for registration.

3 B. MATERIAL MISSTATEMENTS OR OMISSIONS OF MATERIAL FACT IN THE OFFER  
4 OR SALE OF FRANCHISES IN VIOLATION OF SECTION 31201

5 Corporations Code section 31201 provides:

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

9 As stated above, Garlic Jim's obtained twenty-five (25) signed franchise agreements from  
10 California residents throughout 2006, 2007, and 2008, and accepted the initial franchise fees for each  
11 one prior to fulfilling its obligations. Consequently, Garlic Jim's and Dwayne Northrop either  
12 omitted the material fact of the Commissioner's Deferral Fee Condition when offering and selling to  
13 these prospective franchisees or made the untrue statement of a material fact that the Commissioner's  
14 Deferral Fee Condition was no longer in effect. As such, Respondents committed twenty-five (25)  
15 violations of section 31201.

16 C. VIOLATION OF COMMISSIONER'S CONDITION OF REGISTRATION PURSUANT  
17 TO SECTION 31203

18 Corporations Code section 31203 provides:

19 It is unlawful for any person to violate any order of the commissioner or condition to the  
20 effectiveness of the registration of the offer or sale of franchises.

21 As stated above, the Commissioner approved three of Garlic Jim's registrations to sell franchises at  
22 various times between August 22, 2005 and April 20, 2008. The Commissioner required Garlic Jim's  
23 and Dwayne Northrop to comply with the Deferral Fee Condition as a condition to the effectiveness  
24 of those registrations. The Deferral Fee Condition required Garlic Jim's to provide initial training,  
25 site inspection, and professional fees and its costs associated with opening each Garlic Jim's  
26 restaurant prior to collecting the initial fee for each franchise. Garlic Jim's accepted the initial  
27 franchise fees for twenty-five (25) franchises prior to completing all of its obligations at each  
28 franchise location. As such, Garlic Jim's and Dwayne Northrop violated section 31203 twenty-five

1 (25) times between August 2005 and April 2008.

2 D. MISREPRESENTATION WITH INTENT TO INFLUENCE THE COMMISSIONER'S  
3 ADMINSTRATION OF THE FRANCHISE INVSTMENT LAW IN VIOLATION OF  
4 SECTION 31204

5 Corporations Code section 31204, subsection (b) provides:

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

9 As stated above, Garlic Jim's and Dwayne Northrop violated the Deferral Fee Condition by  
10 accepting initial franchise fees for twenty-five (25) franchises prior to completing all of their  
11 obligations for each location. In addition to the Deferral Fee Condition, the Commissioner required  
12 Garlic Jim's President, Dwayne Northrop, to sign an affidavit stating that he had read and understood  
13 the Deferral Fee Condition. Respondents acknowledged the Deferral Fee Condition and signed the  
14 affidavit in order to secure each of the above-mentioned franchise registrations, with knowledge of  
15 their practice of regularly accepting initial franchise fees in violation of the condition, and with intent  
16 to influence the Commissioner's decision with respect to all three registrations. As such,  
17 Respondents violated section 31204(b) three times between August 2005 and April 2008.

18 IV  
19 CITATIONS

20 Corporations Code section 31406 provides:

21 (a) If, upon inspection or investigation, based upon a complaint or otherwise, the  
22 commissioner has cause to believe that a person is violating any provision of this division or  
23 any rule or order promulgated pursuant to this division, the commissioner may issue a citation  
24 to that person in writing describing with particularity the basis of the citation. Each citation  
25 may contain an order to desist and refrain and an assessment of an administrative penalty not  
26 to exceed two thousand five hundred dollars (\$2,500.00) per violation and shall contain  
27 reference to this section, including the provisions of subdivision (c). All penalties collected  
28 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.

///

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

4 (d) Any hearing under this section shall be conducted in accordance with Chapter 5  
5 (commencing with Section 11500) of Part I of Division 3 of Title 2 of the Government Code.

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

12 The foregoing facts establish that Garlic Jim's and Dwayne Northrop have committed  
13 multiple violations of the Franchise Investment Law in the course of conducting business with no less  
14 than twenty-five (25) California franchises since the initial franchise registration in August 2005.

15 Pursuant to section 31406, Garlic Jim's and Dwayne Northrop are hereby assessed and  
16 ordered to pay the Commissioner citations of \$2,500 for each of three (3) violations of section 31200,  
17 twenty-five (25) violations of section 31201, twenty-five (25) violations of section 31203, and three  
18 (3) violations of 31204. The total citation amount for the fifty-six (56) violations is one hundred and  
19 forty thousand dollars (\$140,000), with all payments being due and payable to the Department within  
20 ninety (90) days after this order becomes final.

21 V

22 DESIST AND REFRAIN ORDER

23 The Commissioner finds that beginning as early as February 2006, Garlic Jim's and Dwayne  
24 Northrop violated multiple provisions of the Franchise Investment Law, including but not limited to  
25 Corporations Code sections 31200, 31201, 31203, and 31204 as set forth in greater detail herein.

26 Pursuant to section 31406 of the Corporations Code, Garlic Jim's and Dwayne Northrop are  
27 hereby ordered to desist and refrain from:

28 (a) Making material misstatements or omissions in a franchise registration application filed  
with the Commissioner in violation of section 31200;

(b) Making material misstatements or omissions by any oral or written communication in the  
course of offering or selling franchises in violation of section 31201;

1 (c) Violating any order of the commissioner or condition to the effectiveness of the  
2 registration of the offer or sale of franchises in violation of section 31203; and

3 (d) Knowingly making untrue statements to the commissioner during the course of licensing,  
4 investigation, or examination, with the intent to influence the administration or enforcement of the  
5 Franchise Investment Law in violation of section 31204.

6 VI

7 CLAIMS FOR ANCILLARY RELIEF

8 Corporations Code section 31408(a) provides:

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

14 CLAIM FOR RESCISSION

15 The Commissioner has found that Garlic Jim's and Dwayne Northrop have committed  
16 multiple violations of the Franchise Investment Law. As a result, Garlic Jim's and Dwayne Northrop  
17 shall afford all franchisees located in California the right to rescind or terminate without penalty any  
18 franchise agreement or related contractual obligation with Garlic Jim's.

19 CLAIM FOR RESTITUTION AND DAMAGES

20 In light of the nature and length of Garlic Jim's and Dwayne Northrop's violations of the FIL,  
21 Garlic Jim's and Dwayne Northrop shall:

22 (a) Pay restitution to every California franchisee in the amount of the full franchise fee  
23 collected from each franchisee within ninety (90) days after this order becomes final; and

24 (b) Pay twenty thousand dollars (\$20,000) in damages, or according to proof, to each  
25 franchisee owner of every franchise opened in California, whether or not still open.

26 OTHER RELIEF

27 Perform all obligations promised to franchisees at each currently open franchised location  
28 in California.

1 CLAIM FOR COMPLAINANT'S COSTS

2 Corporations Code section 31408(b) provides:

3 In an administrative action brought under this part the commissioner is entitled to recover  
4 costs, which in the discretion of the administrative law judge may include any amount  
5 representing reasonable attorney's fees and investigative expenses for the services rendered,  
6 for deposit into the State Corporations Fund for the use of the Department of Corporations.

7 Garlic Jim's and Dwayne Northrop shall pay reasonable attorney's fees and investigative  
8 expenses incurred by the Department of Corporations in investigating and enforcing the FIL in this  
9 matter, in the discretion of the administrative law judge or in the amount of twenty-five thousand  
10 dollars (\$25,000).

11 VII

12 CONCLUSION

13 Based upon the foregoing findings, the California Corporations Commissioner has found that  
14 Garlic Jim's and Dwayne Northrop violated multiple provisions of the California Franchise  
15 Investment Law and has issued this Desist and Refrain Order, Citations, and Claims for Ancillary  
16 Relief.

17 WHEREFORE, the California Corporations Commissioner finds the foregoing orders and  
18 claims necessary, in the public interest, for the protection of investors, and consistent with the  
19 purposes, policies, and provisions of the California Franchise Investment Law.

20 Dated: December 30, 2010  
21 Los Angeles, California

22 PRESTON DuFAUCHARD  
23 California Corporations Commissioner

24 By \_\_\_\_\_  
25 ALAN S. WEINGER  
26 Deputy Commissioner  
27  
28