



STATE OF CALIFORNIA  
BUSINESS, TRANSPORTATION AND HOUSING AGENCY  
**DEPARTMENT OF CORPORATIONS**  
California's Investment and Financing Authority  
**NEWS RELEASE**

**05-05**

**Arnold Schwarzenegger, Governor**

**Wayne Strumpfer, Acting Commissioner**

FOR IMMEDIATE RELEASE

Contact: Susie Wong  
(916) 324-9011

**CALIFORNIA DEPARTMENT OF CORPORATIONS TAKES ENFORCEMENT  
ACTION AGAINST TWO FRANCHISE BUSINESSES OPERATING IN  
CALIFORNIA**

*The department's action sends message to prospective franchisees on danger of  
purchasing franchises not approved by state*

**Sacramento, April 25, 2005** – Enforcement actions taken by the California Department of Corporations (Corporations) revoked the franchise registration of two franchise businesses operating in California. Slender Lady, Inc. and Q-Taste International, Inc. were also ordered to stop the offer and sale of unregistered franchises in the state.

“Our department took this action to protect purchasers of franchises from fraudulent sales practices,” said Acting Commissioner Wayne Strumpfer. “These franchises were not authorized and puts the purchasers involved at risk. Our department will continue to aggressively take action against franchising businesses who fail to follow our state laws.”

The nationally franchised Slender Lady is a nutrition, weight management and fitness center operating in 48 locations throughout the state, according to the company's Web site at [www.slenderlady.com](http://www.slenderlady.com). The order named CEO and founder of Slender Lady, Bruce Sharpe.

Slender Lady became a California registered franchise in 1997.

In March 2004, Slender Lady submitted an incomplete application for registration renewal. The franchisor's registration expired in April 2004. Slender Lady sold four franchises in north Salinas, Pacific Grove, El Dorado, and Wilton to California residents, who were not informed that they were purchasing unregistered franchises.

Corporations charged Slender Lady with making misrepresentations and omissions as to the level of training, assistance in marketing and advertising, Web site, and a commercial ad.

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Based on the violations of California law, Corporations revoked the franchise registration of Slender Lady, issued a Desist and Refrain Order to CEO and founder Bruce Sharpe and his company to stop the offer and sales of unregistered franchises, and denied its application for renewal of franchise registration dated April 12, 2005.

In the other action, Q-Taste International, Inc. of San Jose, and its affiliate, sold six unregistered restaurant franchises to members of the Chinese community. Q-Taste International is engaged in the franchising of Q-Taste and Q-Cup restaurants, which offer tea-based drinks and a variety of foods. Q-Taste President Lishen Yen, aka Li-Shen Yen, also serves as president of Y's Alliance, Inc., which has sold unregistered Q-Cup franchises.

Q-Taste International filed its initial franchise registration application with Corporations in July 2003. The application named four unregistered franchises that were sold. In December 2004, Corporations became aware of two additional franchises sold and never disclosed. Franchises sold by Q-Taste are located in Palo Alto and Berkeley, while the franchises sold by Y's Alliance are located in San Jose, Fremont, Milpitas, and San Mateo, though the San Jose and Fremont restaurants may be closed. Corporations alleges that misrepresentations and omissions were made as to the level of training and assistance in marketing and advertising. Q-Taste International and Y's Alliance failed to provide the franchisees with the offering circular as required by state law. The offering circular gives prospective buyers of franchises such information as the franchisor's litigation history, how much money a franchisee must pay, financial arrangements, and names and contact information of current franchisees.

Based on the violations of state law by Q-Taste International, Corporations revoked the franchise registration of Q-Taste International, Inc. In addition, Corporations issued a Desist and Refrain Order to the President of Q-Taste, Lishen Yen, aka Li-Shen Yen, and Q-Taste International, Inc. and Y's Alliance, Inc.

The Department of Corporations is California's investment and financing authority and is responsible for the regulation, enforcement, and licensing of securities, franchises, off-exchange commodities, investment and financial services, independent escrows, consumer and commercial finance lending, residential mortgage lending, and deferred deposit originators. For further information or to obtain a complaint form, please visit Corporations' Web site at [www.corp.ca.gov](http://www.corp.ca.gov) or call our consumer resource center toll-free at 1-866-ASK-CORP (1-866-275-2677).

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

**TO:** Bruce Sharpe  
Slender Lady Inc.  
45 NE Loop 410, Suite 501  
San Antonio, Texas 78216

File No. 995-3079

**DESIST AND REFRAIN ORDER**

**(For violations of section 31110 of the Corporations Code)**

The California Corporations Commissioner finds that:

1. Slender Lady Inc. is a Delaware corporation that was formed on September 4, 1996. Its principal place of business is 45 NE Loop 410, Suite 501, San Antonio, Texas 78216. The company maintains a website at [www.slenderlady.com](http://www.slenderlady.com). In 1997 Slender Lady Inc. began offering franchises for the operation of nutrition, weight management and fitness centers in California pursuant to registration approved by the Department of Corporations. On March 22, 2004 the company filed an application for franchise renewal pursuant to Corporations Code section 31121 for registration to sell franchises under the name Slender Lady Inc. in California.

2. The offer of franchises by Slender Lady Inc. in California was pending from March 22, 2004 through June 3, 2004 when it was approved by the Department of Corporations. During the time the renewal application was pending Slender Lady, Inc. was not registered under the Franchise Investment Law and was not exempted under Chapter 1, beginning with Corporations Code section 31100, of that law.



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

**TO:** Bruce Sharpe  
Slender Lady Inc.  
45 NE Loop 410, Suite 501  
San Antonio, Texas 78216

File No. 995-3079

**ORDER DENYING EFFECTIVENESS OF FRANCHISE REGISTRATION  
APPLICATION AND REVOKING CURRENT REGISTRATION**

**(Corporations Code section 31115)**

Based upon the findings presented in the Statement in Support of Order Denying Effectiveness of Franchise Registration Application and Revoking Current Registration dated April 12, 2005, the application for renewal of registration of the offer and sale of franchises filed by Slender Lady, Inc. on March 28, 2005 is hereby denied until further order of the California Corporations Commissioner and the registration of the offer and sale of franchises by Slender Lady, Inc. approved by the Department of Corporations on June 3, 2004 is hereby revoked until further order of the California Corporations Commissioner.

Dated: April 12, 2005  
Sacramento, California

WAYNE K. STRUMPFER  
Acting California Corporations Commissioner

By \_\_\_\_\_  
ALAN WEINGER  
Acting Deputy Commissioner  
Enforcement Division

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

**TO:** Bruce Sharpe  
Slender Lady, Inc.  
45 NE Loop 410, Suite 501  
San Antonio, Texas 78216

File No. 995-3079

**STATEMENT IN SUPPORT OF ORDER DENYING EFFECTIVENESS OF FRANCHISE  
REGISTRATION APPLICATION AND REVOKING CURRENT REGISTRATION  
(Corporations Code section 31117)**

The California Corporations Commissioner finds that:

1. Slender Lady, Inc. is a Delaware corporation that was formed on September 4, 1996. Its principal place of business is 45 NE Loop 410, Suite 501, San Antonio, Texas 78216. The company maintains a website at [www.slenderlady.com](http://www.slenderlady.com). In 1997 Slender Lady, Inc. began offering franchises for the operation of nutrition, weight management and fitness centers in California pursuant to registration approved by the Department of Corporations. On March 22, 2004 the company filed an application for franchise renewal pursuant to Corporations Code section 31121 for registration to sell franchises under the name Slender Lady, Inc. in California.

2. Bruce Sharpe was one of the founders of Slender Lady, Inc., and at all times from the date of its creation acted as one of its principal officers and directors in fact, exercising management responsibility and control with regard to all facets of its operations, including the franchises offered by the company.

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3. The application for renewal of registration to sell franchises by Slender Lady, Inc. was pending from March 22, 2004 through June 3, 2004 when it was approved by the Department of Corporations. During the time the renewal application was pending, Slender Lady, Inc. was not registered under the Franchise Investment Law and was not exempted under Chapter 1, beginning with Corporations Code section 31100, of that law.

4. During the period from March 22, 2004 through June 3, 2004, while the application for renewal of registration was pending, Slender Lady, Inc. sold four franchises to individual purchasers who are California residents in violation of Corporations Code section 31110.

5. Slender Lady, Inc. sold the four franchises to individual purchasers by means of written and oral communications which included untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading in violation of Corporations Code section 31200. The franchise purchasers were not told that the franchises offered and sold were not registered in accordance with California law, and that Slender Lady, Inc. sold them franchises with terms different than the terms contained in the pending application.

6. Slender Lady, Inc. failed to notify the California Corporations Commissioner in writing, by an application to amend the registration, that it had sold unregistered franchises and that it had sold franchise with terms different than those contained in the original application in violation of Corporations Code section 31123.

7. The following representations of Slender Lady, Inc. constituted violations of Corporations Code sections 31200 or 31201:

a) That it would provide a trainer, who would come to the franchise location near the onset of the business and assist in generating client membership, training employees, and general

1 assistance. Once the franchises were purchased, Slender Lady, Inc. either failed to send a trainer to  
2 assist the new owners, or the trainer did not assist the new owners in the manner promised.

3 b) That it would assist in finding a location for the franchise. Once the franchises  
4 were purchased Slender Lady, Inc. failed to assist new franchise owners in finding locations for their  
5 businesses.

6 c) That there was no or a reduced advertising or marketing fee required, despite the  
7 franchise agreement reflecting there could be such a charge. Potential purchasers were told to ignore  
8 the franchise agreement concerning marketing and advertising fees or in some cases were told to  
9 cross out that section of the franchise agreement. Others were told that the marketing or advertising  
10 fee would only be instituted once they had 1000 franchises, while some potential owners were told  
11 they only had to pay a reduced fee after they had been in business six months. After the franchises  
12 were purchased Slender Lady, Inc. began to withdraw \$200 a month for a marketing and advertising  
13 fund, from franchisees' accounts without their knowledge.

14 d) That potential purchasers would receive support from the corporate office and be  
15 placed on the national website. After the franchises were purchased, Slender Lady, Inc. removed the  
16 phone numbers and email listings for all franchise locations on its national website, and in some cases  
17 punished disgruntled franchisees by entirely removing their business location from the national  
18 website.

19 e) That franchise owners were required to individually pay three music licensing  
20 companies for permission to play music at their centers. When franchise owners asked Slender Lady,  
21 Inc. about this issue, franchise owners were told how to circumvent the requirement.

22 f) That the company was creating a commercial to be aired nationally, and at no cost  
23 to the franchisees. After purchasing the franchises, Slender Lady, Inc. informed franchise owners  
24 that a commercial was created but that the franchisees would have to purchase it from the corporate  
25 office and pay to have it aired in their area.

26  
27 Based upon the foregoing findings, the California Corporations Commissioner is of the  
28 opinion that Slender Lady, Inc. failed to comply with certain provisions of the Franchise Investment



1 Law within the meaning of Corporations Code section 31115(a) and that the sale of the franchise  
2 would constitute misrepresentation to, or deceit or fraud of the purchasers within the meaning of  
3 Corporations Code section 31115(b).

4

5 For these reasons, the California Corporations Commissioner has determined that an order  
6 should be issued pursuant to Corporations Code section 31115(a) and (b) to deny the effectiveness of  
7 the franchise registration renewal application, and revoke the current application of Slender Lady,  
8 Inc.

9

10 Dated: April 12, 2005  
11 Sacramento, California

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WAYNE K. STRUMPFER  
Acting California Corporations Commissioner

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By: \_\_\_\_\_  
Mary Ann Clark  
Corporations Counsel  
Enforcement Division

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

**TO:** Lishen Yen a/k/a Li-Shen Yen  
Q-Taste International, Inc.  
dba Q-Taste and Q-Cup  
1934 Junction Avenue  
San Jose, California 95131

Li-shen Yen a/k/a Lishen Yen  
Y's Alliance, Inc.  
Dba Q-Taste International and Q-Cup  
1261 Birchwood Drive  
Sunnyvale, California 94089

**DESIST AND REFRAIN ORDER**

**(For violations of section 31110 of the Corporations Code)**

The California Corporations Commissioner finds that:

1. At all relevant times, Lishen Yen, aka Li-Shen Yen, was president of Q-Taste International, Inc., a California corporation, located at 1934 Junction Avenue, San Jose, California, 95131. At all relevant times, Li-Shen Yen, aka Lishen Yen, was president of Y's Alliance, Inc., a California corporation, located at 1261 Birchwood Drive, Sunnyvale, 94089. Q-Taste International, Inc. and Y's Alliance, Inc. are engaged in business activities relating to the franchising of Q-Taste and Q-Cup restaurants, which are restaurants offering tea-based drinks and a variety of food.

2. Beginning in or about October 2001, Lishen Yen, Y's Alliance, Inc., and Q-Taste International, Inc. began selling franchises to California residents. Y's Alliance, Inc. has never been registered to offer or sell franchises under the Franchise Investment Law, and is not exempted under Chapter 1, beginning with Corporations Code section 31100. Q-Taste International, Inc. filed its

1 initial franchise application with the Department of Corporations on July 21, 2003. Prior to that date,  
2 the offer or sale of franchises by Q-Taste International, Inc. in California was not registered under the  
3 Franchise Investment Law and was not exempted under Chapter 1, beginning with Corporations  
4 Code section 31100.

5  
6 3. Prior to the July 21, 2003 franchise application for Q-Taste International, Inc., Lishen Yen,  
7 Y's Alliance, Inc., and Q-Taste International, Inc. sold six franchises to California residents in  
8 violation of Corporations Code section 31110.

9  
10 Based upon the foregoing findings, the California Corporations Commissioner is of the  
11 opinion that Lishen Yen, Y's Alliance, Inc., and Q-Taste International, Inc. sold franchises in  
12 California that were subject to registration under the Franchise Investment Law without first being  
13 registered, in violation of Corporations Code section 31110. Pursuant to section 31402 of the  
14 Corporations Code, Lishen Yen, Y's Alliance, Inc., and Q-Taste International, Inc. are hereby  
15 ordered to desist and refrain from the further offer or sale of Q-Taste or Q-Cup franchises unless and  
16 until the offers have been duly registered under the Franchise Investment Law.

17  
18 This Order is necessary, in the public interest, for the protection of investors and consistent  
19 with the purposes, policies and provisions of the Franchise Investment Law.

20  
21 Dated: April 18, 2005  
22 Sacramento, California

23 WAYNE STRUMPFER  
24 Acting California Corporations Commissioner

25  
26 By \_\_\_\_\_  
27 ALAN S. WEINGER  
28 Acting Deputy Commissioner  
Enforcement Division

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

**TO:** Q-Taste International, Inc.  
DbA Q-Taste and Q-Cup  
1934 Junction Avenue  
San Jose, California 95131

File No. 995-3425

**ORDER REVOKING EFFECTIVENESS**  
**OF FRANCHISE REGISTRATION**

**(Corporations Code section 31115)**

The registration of the offer and sale of franchises filed by Q-Taste International, Inc. on April 20, 2004 is hereby revoked until further order of the California Corporations Commissioner.

Dated: April 18, 2005  
Sacramento, California

WAYNE STRUMPFER  
Acting California Corporations Commissioner

By \_\_\_\_\_  
ALAN S. WEINGER  
Acting Deputy Commissioner  
Enforcement Division

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

**TO:** Q-Taste International, Inc. File No. 995-3425  
Db a Q-Taste and Q-Cup  
1934 Junction Avenue  
San Jose, California 95131

**STATEMENT IN SUPPORT OF ORDER REVOKING**  
**EFFECTIVENESS OF FRANCHISE REGISTRATION**

**(Corporations Code section 31117)**

The California Corporations Commissioner finds that:

1. Q-Taste International, Inc. is a California corporation that incorporated on April 23, 2003. Its principal business address is 1934 Junction Avenue, San Jose, California, 95131. Q-Taste International, Inc. is engaged in business activities relating to the franchising of Q-Taste and Q-Cup restaurants, which are restaurants offering tea-based drinks and a variety of food. Lishen Yen, aka Li-Shen Yen, is the president of Q-Taste International, Inc.

2. Y's Alliance, Inc. is a California corporation that incorporated on May 8, 2000. Its principal business address is 1261 Birchwood Drive, Sunnyvale, California, 94089. Y's Alliance,

1 Inc. is engaged in business activities relating to the franchising of Q-Cup restaurants. Li-Shen Yen,  
2 aka Lishen Yen, is the president of Y's Alliance, Inc.

3  
4 3. On July 21, 2003, Q-Taste International, Inc. filed its initial franchise registration  
5 application with the Department of Corporations. Prior to July 21, 2003, neither Q-Taste  
6 International, Inc. nor Y's Alliance, Inc. were registered to offer or sell franchises under the  
7 Franchise Investment Law, and neither corporation was exempt from registration. On April 20, 2004,  
8 Q-Taste International filed an application for renewal of franchise registration with the Department of  
9 Corporations.

10  
11 4. Prior to July 21, 2003, Q-Taste International, Inc. and its affiliated company, Y's Alliance,  
12 Inc., sold six franchises to individual purchasers who are California residents in violation of  
13 Corporations Code section 31110.

14  
15 5. Q-Taste International, Inc. and Y's Alliance, Inc. sold the six franchises to individual  
16 purchasers by means of written and oral communications which included untrue statements of  
17 material fact and omitted to state material facts necessary in order to make the statements made, in  
18 light of the circumstances they were made, not misleading under Corporations Code section 31201.  
19 The franchise purchasers were not told that the franchises offered and sold were not registered in  
20 accordance with California law.

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22 6. In addition, the following representations and omissions to the unregistered franchisees of  
23 Q-Taste International, Inc. constituted violations of Corporations Code section 31201:

24  
25 a) The representation that Q-Taste International, Inc. would provide training that  
26 would teach the franchisee the entire system of the franchise, including operational and management  
27 training in the area of human resources, tax and accounting, insurance, and inventory control. Once  
28

1 the franchises were purchased, Q-Taste International did not assist the new owners in the manner  
2 promised.

3  
4 b) The representation that Q-Taste International, Inc. would provide assistance with  
5 marketing and advertising for the franchisee. Once the franchises were purchased, Q-Taste  
6 International, Inc. did not provide adequate assistance to the new owners in the manner promised.

7  
8 c) The failure of Q-Taste International, Inc. and Y's Alliance, Inc. to provide the  
9 franchisees with the offering circular as required by Corporations Code section 31119.

10  
11 7. On July 21, 2003, Q-Taste International, Inc. filed a Notice of Violation pursuant to  
12 Corporations Code section 31303. The Notice of Violation stated that Q-Taste International, Inc.'s  
13 affiliated company, Y's Alliance, Inc., had sold four franchises for the operation of Q-Cup restaurants  
14 in violation of Corporations Code section 31110, and that the four franchisees did not receive the  
15 offering circular as required by Corporations Code section 31119. The Notice of Violation did not  
16 include two additional sales of unregistered franchises sold by Q-Taste International, Inc. to  
17 individual purchasers who are California residents in violation of Corporations Code section 31110.  
18 Q-Taste International, Inc. also failed to provide these two franchisees with the offering circular as  
19 required by Corporations Code section 31119.

20  
21 8. Q-Taste International, Inc. failed to notify the California Corporations Commissioner in  
22 writing, by an application to amend the registration, that it sold unregistered franchises in violation of  
23 Corporations Code sections 31123 and 31200.

24  
25 Based upon the foregoing findings, the California Corporations Commissioner is of the  
26 opinion that Q-Taste International, Inc. failed to comply with certain provisions of the Franchise  
27 Investment Law within the meaning of Corporations Code section 31115(a) and that the sale of the  
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1 franchise would constitute misrepresentation to, or deceit or fraud of the purchasers within the  
2 meaning of Corporations Code section 31115(b).

3

4 For this reason, the California Corporations Commissioner has determined that an order  
5 should be issued pursuant to Corporations Code section 31115(a) and (b) to revoke the effectiveness  
6 of the franchise registration of Q-Taste International, Inc.

7

8 Dated: April 18, 2005  
9 Sacramento, California

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WAYNE STRUMPFER  
Acting California Corporations Commissioner

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By \_\_\_\_\_  
KAREN DENVIR  
Corporations Counsel  
Enforcement Division

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