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

11 In the Matter of)
12)
13 THE CALIFORNIA CORPORATIONS)
COMMISSIONER,)
14 Complainant,)
15 v.)
16 STEVE’S PLACE, INC., STEVE’S PIZZA)
FRANCHISE CORPORATION, d.b.a.)
17 STEVE’S PIZZA, PASSPORT)
RESTAURANTS, INC, dba PACIFIC)
18 RESTAURANT HOLDINGS, INC., STEVE)
WILKINSON, JOHN CREED,)
19 www.stevespizza.com, BRAND EQUITY)
20 DEVELOPMENT, L.L.C., and WILLIAM S.)
GLENNIE)
21)
22 Respondents.)

CITATION INCLUDING:

- (1) DESIST AND REFRAIN ORDER PURSUANT TO CORPORATIONS CODE SECTION 31406;
- (2) ASSESSMENT OF ADMINISTRATIVE PENALTIES PURSUANT TO CORPORATIONS CODE SECTION 31406; and
- (3) CLAIM FOR ANCILLARY RELIEF AND COSTS PURSUANT TO CORPORATIONS CODE SECTION 31408.

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

25 This Citation including Desist and Refrain Order, Assessment of Administrative Penalties and
26 Claim for Ancillary Relief and Costs, is issued to Respondents STEVE’S PLACE, INC., STEVE’S
27 PIZZA FRANCHISE CORPORATION, d.b.a. STEVE’S PIZZA, PASSPORT RESTAURANTS,
28 INC., dba PACIFIC RESTAURANT HOLDINGS, INC., STEVE WILKINSON, JOHN CREED,

1 www.stevespizza.com, BRAND EQUITY DEVELOPMENT, L.L.C., and WILLIAM S. GLENNIE
2 (collectively, “Respondents”) pursuant to California Corporations Code sections 31406 and 31408 for
3 violations of the California Franchise Investment Law codified in California Corporations Code
4 §31000 *et seq.* (“CFIL”). The Commissioner has continuous authority to exercise the powers
5 pursuant to the CFIL and make regulations, specific rulings, demands, and findings to enforce those
6 laws.

7
8 **I.**
STATEMENT OF FACTS

9 **A. Background**

10 **1. Steve’s Place, Inc. (“PLACE”) and Steve Wilkinson (“WILKINSON”)**

11 1. At all relevant times, STEVE WILKINSON (“WILKINSON”) is an individual doing business
12 in Sacramento County, California and residing in the city of Davis, located in the County of Yolo, in
13 California. In or about June 16, 1987, WILKINSON established STEVE’S PLACE, INC.,
14 (“PLACE”), a California corporation, assigned corporation number A334652, purportedly doing
15 business in California since the 80’s, specifically in or around Sacramento County, California.

16 2. PLACE did or does operate at least seven (7) locations in Northern California. PLACE is or
17 was in the business of operating commercial food and restaurant enterprises specifically serving the
18 food commonly known as “pizza”. WILKINSON owned and operated PLACE.

19 **2. Passport Restaurants, Inc. (“PASSPORT”) and Steve’s Pizza Franchise**
20 **Corporation, d.b.a. Steve’s Pizza (“CORP”)**

21 3. At all relevant times, Respondent PASSPORT RESTAURANTS, INC. (“PASSPORT”) is or
22 was a Texas corporation, assigned Texas corporation number 159856800, doing business in
23 California specifically in the commercial food and restaurant industry, with a California business
24 address of 804 Pier Way, #208, Oceanside, California, 92054. PASSPORT also has purportedly been
25 known to operate with the “dba” of “Pacific Restaurant Holdings, Inc.” or “Pacific Restaurants
26 Holdings, Inc.”.

1 4. In or about February, 2005, Respondent PLACE, by way of WILKINSON, formed
2 Respondent STEVE'S PIZZA FRANCHISE CORPORATION, d.b.a. Steve's Pizza ("CORP") with
3 Respondent PASSPORT RESTAURANTS, INC. At all relevant times beginning on February 25,
4 2005, CORP is or was a California corporation, assigned California corporation number C2722778,
5 doing business in Sacramento County California. CORP is or was in the business of selling or
6 operating commercial food and restaurant enterprises or franchises specifically serving the food
7 commonly known as "pizza".

8 5. In or about September, 2005, WILKINSON and PLACE sold all shares and interests in CORP
9 to Respondent PASSPORT RESTAURANTS, INC. Thus, as of September, 2005, Respondent CORP
10 was wholly owned by Respondent PASSPORT RESTAURANTS, INC.

11 6. On or about March 27, 2009, PASSPORT filed for bankruptcy in the United States
12 Bankruptcy Court for the Southern District of California, Case No. 09-03839-LT7, pursuant to
13 Chapter Seven (7) of the Federal Bankruptcy Code. CORP¹ was named as an asset of PASSPORT in
14 this action. A sale of PASSPORT's assets, including CORP, was conducted on or about January 23,
15 2009. On or about January 23, 2009, PASSPORT's entire asset base, including CORP, was
16 purchased by Respondent BRAND EQUITY DEVELOPMENT, L.L.C. ("BRAND EQUITY").
17 BRAND EQUITY currently still owns this asset base which includes CORP.

18 3. CORP's California State Franchise Tax Board Suspension.

19 7. On or about August 1, 2008, the California Franchise Tax Board ("FTB") suspended CORP,
20 by way of the California Secretary of State ("SOS"), for failure to pay California State corporate or
21 franchise taxes.² CORP was suspended until October 1, 2010. On or about October 1, 2010, CORP
22 was then revived by the FTB, by way of the SOS, and thus considered once again a viable operating
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26 ¹ CORP was in its suspended and ineffective state at the time of PASSPORT's bankruptcy. Refer to Section 2a, herein, regarding FTB
suspension of CORP from August 1, 2008 to October 1, 2010.

27 ² Corporations taxable by the State of California must pay either the corporate franchise or corporate income tax. *Cal Rev & Tax*
28 *Code §23301*. Generally, a corporation is subject to the franchise tax if it is doing business in California. *Cal Rev & Tax Code § 23101*.
See Cal Rev & Tax Code § 23151.

1 entity.³ On or about November 1, 2011, CORP was once again suspended by the FTB, by way of the
 2 SOS. To date, CORP has yet to be revived and remains suspended.

3 **4. CORP's Initial California State Franchise Registration**

4 8. The Commissioner is responsible for administering and enforcing the CFIL, and registering
 5 the offer and sale of franchises in California. To register a franchise, a franchisor must file a Uniform
 6 Franchise Disclosure Document ("UFD") with the Department for review and approval, in
 7 accordance with Corporations Code sections 31111 and 31114, and Title 10, California Code of
 8 Regulations, sections 310.111 and 310.114.1.

9 9. On or about March 11, 2005, CORP, by way of WILKINSON, with a check drawn on the
 10 bank account of WILKINSON, filed an initial franchise registration ("First Registration") with the
 11 Department pursuant to California Corporations Code section 31111. The franchise agent was listed
 12 as WILKINSON located in Davis, California, within the registration documents. Financial reports
 13 attesting to the sound financial condition of CORP, a UFD and all other documents required in the
 14 application process were submitted to the Commissioner. On April 5, 2005, the Department issued
 15 an Order Accelerating Effectiveness of Registration Effective March 11, 2005 to April 20, 2006,
 16 thereby approving the application for First Registration.

17 **5. Respondent John Creed ("CREED") and CORP's Subsequent California** 18 **Franchise Registrations**

19 10. Respondent JOHN CREED ("CREED"), an individual doing business in Northern California,
 20 was director and president of CORP from at least 2006 to 2008. On or about February 7, 2006, by
 21 way of CREED, CORP submitted their renewal application for the First Registration. Financial
 22 reports attesting to the sound financial condition of CORP, a UFD and all other documents required
 23 in the application process were submitted to the Commissioner. On February 20, 2006, the
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 26 ³A business entity in the form of a corporation becomes suspended and thus inoperative when that entity does not pay State of
 27 California franchise taxes. *Cal Rev & Tax Code § 23301*. For all intents and purposes, the entity is ineffective and essentially defunct
 28 until it is revived by the California Secretary of State with approval from the California Franchise Tax Board upon proof of payment of
 all taxes owed. *Cal Rev & Tax Code § 23305a; Cal Corp Code § 2106*. All entity rights, privileges and powers are forfeited. The entity
 may not enter into legally binding agreements or prosecute, defend, or appeal legal actions *Reed v. Norman*, (1957) 48 Cal 2d 338;
Schwartz v. Magyar House, Inc. (1959) 168 Cal App 2d 182.

1 Department issued an Order Accelerating Effectiveness of Registration Effective February 7, 2006 to
2 April 20, 2007, thereby approving the renewal application for registration (“Second Registration”).

3 11. On or about March 13, 2007, CORP submitted their renewal application for the Second
4 Registration. Financial reports attesting to the sound financial condition of CORP, a UFD and all
5 other documents required in the application process were submitted to the Commissioner. On March
6 20, 2007, the Department issued an Order Accelerating Effectiveness of Registration Effective March
7 13, 2007 to April 21, 2008, thereby approving the renewal application for registration (“Third
8 Registration”).

9 12. Finally, on or about March 18, 2008, CORP submitted their renewal application for the Third
10 Registration. Financial reports attesting to the sound financial condition of CORP, a UFD and all
11 other documents required in the application process were submitted to the Commissioner. On July 31,
12 2008, the Department issued an Order Accelerating Effectiveness of Registration Effective March 18,
13 2008 to April 20, 2009, thereby approving the renewal application for registration (“Fourth
14 Registration”).

15 13. The Fourth Registration was the last and final registration applied for and granted to CORP by
16 the Department. CORP has not been registered with the Department pursuant to the CFIL from April
17 21, 2009 to present.

18 **6. CORP Website and Internet Advertisement Exemption Filings**

19 14. At all relevant times beginning in at least 2005 to the present, CORP maintained and does
20 maintain a website located at www.stevespizza.com. CORP, BRAND EQUITY, and GLENNIE, by
21 way of this website, did offer and do still offer CORP franchises to the public. CORP, BRAND
22 EQUITY and GLENNIE state on the website that “Steve’s Pizza Franchise Corporation is offering
23 franchise opportunities in the State of California.” Further, Respondents post and state on the website
24 to “Please contact Mr. Will Glennie at Brand Equity Development” on how to get started with a
25 franchise by Respondents. This website permits anyone who wishes to enter their own contact
26 information for Respondents to contact them and offer them a CORP franchise. To date, this website
27 and posting is in operation for all to access freely on the internet.

1 15. On or about March 23, 2005, CORP submitted its first Internet Advertisement Exemption⁴.
2 This filing listed www.stevespizza.com as the URL address of CORP. In this filing, CORP and
3 WILKINSON, under penalty of perjury, declared that CORP agrees to comply with the CFIL when
4 posting any Internet advertisement on its website. CORP, CREED, and Respondents filed subsequent
5 Internet Advertisement Exemptions with the Department in February 22, 2006, March 15, 2007, and
6 March 18, 2008. The final March 18, 2008 Internet Advertisement Exemption was valid until April
7 20, 2009.

8 16. To date, CORP has not filed any other Internet Advertisement Exemptions with the
9 Department since March 18, 2008 (valid until April 20, 2009), despite continuously posting internet
10 advertisements offering franchises by way of www.stevespizza.com.

11 **7. William S. Glennie (“GLENNIE”) and Brand Equity Development, L.L.C.**
12 **(“BRAND EQUITY”)**

13 17. At all relevant times, Respondent WILLIAM S. GLENNIE (“GLENNIE”) is an individual
14 doing business in the State of Colorado and in the State of California, residing in the city of
15 Roseville, in California or in the State of Colorado. In or about 2007, GLENNIE formed BRAND
16 EQUITY. GLENNIE operates BRAND EQUITY, and purports to be the chief executive officer and
17 president of BRAND EQUITY.

18 18. At all relevant times, Respondent BRAND EQUITY, is a State of Colorado limited liability
19 company with a business address of Post Office Box 61413, Denver, Colorado, 80206 and 280
20 Detroit Street, Denver, Colorado, 80206. As previously stated, on or about January 23, 2009,
21 PASSPORT’s entire asset base, including CORP, was purchased by BRAND EQUITY. Therefore,
22 by this transaction in or about January 23, 2009 to date, GLENNIE effectively owned and does own
23 both BRAND EQUITY and CORP. BRAND EQUITY, to date, still operates CORP and does
24 business as CORP in California and by way of the internet.

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27 ⁴ California Corporations Code section 31156 requires franchisors to file any advertisement offering a franchise in California with the
28 Department. However, Franchises may file a document known as an “Internet Advertisement Exemption” as permitted by Title 10,
California Code of Regulations, section 310.100.3, in lieu of filing an advertisement if all legal requirements listed are met.

1 **B. Business Operations and Franchise Sales**

2 19. From approximately March 11, 2005 to September 2005, CORP engaged in franchise sales
3 and operated the following eight (8) franchise restaurants in the following California locations: (1)
4 Carmichael, Sacramento County; (2) Davis, Yolo County; (3) El Dorado Hills, El Dorado County; (4)
5 Elk Grove, Sacramento County; (5) Fair Oaks, Sacramento County; (6) Natomas, Sacramento
6 County; (7) Howe Avenue, Sacramento County; and (8) Woodland, Yolo County.

7 20. In addition to the aforementioned restaurants, in or about July 2006, CORP engaged in the
8 franchise sale and operation of another restaurant located in Roseville, Placer County, California.

9 21. From approximately January 31, 2009 to April 20, 2009, CORP, BRAND EQUITY, and
10 GLENNIE engaged in the franchise resale and operation of the Howe Avenue, Sacramento County
11 restaurant location.

12 22. From at least April 21, 2009 to present, CORP, BRAND EQUITY, and GLENNIE offered or
13 sold CORP franchises by way of the internet at www.stevespizza.com. At all relevant times, CORP,
14 BRAND EQUITY, GLENNIE operates a website located on the internet at www.stevespizza.com.
15 CORP, BRAND EQUITY, and GLENNIE, by way of this website, did offer CORP franchises to the
16 public and specifically states that “Steve’s Pizza Franchise Corporation is offering franchise
17 opportunities in the State of California.” Respondents state on the website to “Please contact Mr. Will
18 Glennie at Brand Equity Development” on how to get started with a franchise by Respondents. This
19 website permits anyone who views the site to enter their own contact information for Respondents to
20 contact them and offer them a CORP franchise.

21 23. To date, CORP, BRAND EQUITY, GLENNIE, and www.stevespizza.com operate and
22 maintain the website www.stevespizza.com and postings for all to access freely on the internet
23 without limitation.

24 24. In or about June, 2009 to December, 2009, CORP, BRAND EQUITY, STEVE WILKINSON,
25 PLACE and GLENNIE engaged in the franchise resale and operation of the Natomas, Sacramento
26 County location.

1 25. In at least August 2009 to December 2009, CORP, BRAND EQUITY and GLENNIE
2 engaged in the franchise sale and operation of another restaurant located in Folsom, Placer County,
3 California.

4 26. In or about December, 2009, CORP, BRAND EQUITY, WILKINSON, PLACE and
5 GLENNIE, engaged in the franchise resale and operation of the Davis, Yolo County, or El Dorado
6 Hills location(s).

7 27. In or about August, 2010, CORP, BRAND EQUITY, and GLENNIE engaged in the franchise
8 resale and operation of the Roseville, Placer County location.

9 **II.**
10 **UNLAWFUL OFFER OR SALE OF FRANCHISE**
11 **VIOLATIONS OF CALIFORNIA CORPORATIONS CODE SECTION 31110**
12 **(AS TO RESPONDENTS CORP, BRAND EQUITY, GLENNIE,**
13 **WWW.STEVESPIZZA.COM, STEVE WILKINSON, AND PLACE)**

14 28. Pursuant to California Corporations Code section 31110, it is unlawful for any person to offer
15 or sell any franchise in California unless the offer of the franchise has been registered with the
16 Department of Corporations or is exempt.

17 29. First, from at least January 24, 2009, to April 20, 2009, CORP, BRAND EQUITY, and
18 GLENNIE, offered or sold at least one CORP franchise to California residents. Specifically, CORP,
19 BRAND EQUITY and GLENNIE marketed and offered CORP franchises to California consumers
20 by way of personal contact, or otherwise, in Northern California. CORP, BRAND EQUITY and
21 GLENNIE also engaged in the franchise resale and operation of the Howe Avenue, Sacramento
22 County restaurant location.

23 30. Second, from at least April 21, 2009 to present, CORP, BRAND EQUITY, and GLENNIE
24 offered or sold CORP franchises by way of the internet at www.stevespizza.com. At all relevant
25 times, CORP, BRAND EQUITY, GLENNIE operates a website located on the internet at
26 www.stevespizza.com. CORP, BRAND EQUITY, and GLENNIE, by way of this website, does offer
27 CORP franchises to the public and specifically states that "Steve's Pizza Franchise Corporation is
28 offering franchise opportunities in the State of California." Respondents state on the website to

1 “Please contact Mr. Will Glennie at Brand Equity Development” on how to get started with a
2 franchise by Respondents. This website permits anyone who views the site to enter their own contact
3 information for Respondents to contact them and offer them a CORP franchise.

4 To date, CORP, BRAND EQUITY, GLENNIE, and www.stevespizza.com operate and maintain the
5 website www.stevespizza.com and postings for all to access freely on the internet without limitation.

6 31. Third, in or about June, 2009 to December, 2009, CORP, BRAND EQUITY, WILKINSON,
7 PLACE and GLENNIE engaged in the franchise resale and operation of the Natomas, Sacramento
8 County location.

9 32. Fourth, in at least August 2009 to December 2009, CORP, BRAND EQUITY and GLENNIE
10 engaged in the franchise sale and operation of another restaurant located in Folsom, Placer County,
11 California.

12 33. Fifth, in or about December, 2009, CORP, BRAND EQUITY, WILKINSON, PLACE and
13 GLENNIE, engaged in the franchise resale and operation of the Davis, Yolo County, or El Dorado
14 Hills location(s).

15 34. Finally, sixth, in or about August, 2010, CORP, BRAND EQUITY, and GLENNIE engaged
16 in the franchise resale and operation of the Roseville, Placer County location.

17 35. From at least January 24, 2009 to April 20, 2009 and subsequently, April 21, 2009 to present,
18 CORP is not registered with the Department as required pursuant to the CFIL and was not exempted
19 from such registration. Therefore, Respondents CORP, BRAND EQUITY, GLENNIE,
20 www.stevespizza.com, WILKINSON, and PLACE have violated California Corporations Code
21 section 31110.

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III.
WILLFUL OMISSION AND FAILURE TO NOTIFY COMMISSIONER
VIOLATIONS OF CALIFORNIA CORPORATIONS
CODE SECTIONS 31200 AND 31123
(ALL RESPONDENTS)

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5 36. Pursuant to California Corporations Code section 31200, it is unlawful for any person
6 willfully to make any untrue statement of a material fact in any application, notice or report filed with
7 the commissioner under this law, or willfully to omit to state in any such application, notice, or report
8 any material fact which is required to be stated therein, or fail to notify the Commissioner of any
9 material change as required by California Corporations Code section 31123.

10 37. California Corporations Code section 31123 requires that a franchisor must promptly notify
11 the Commissioner in writing, by way of an application to amend the registration, of any material
12 change in the information contained in the application as originally submitted, amended or renewed.
13 This filing is known as a "Post-Effective Amendment". Finally, pursuant to California Corporations
14 Code section 31123, it is within the Commissioner's purview, to determine what is considered a
15 material change with regard to franchise information.

16 38. First, PASSPORT, CORP, and CREED failed to file a Post-Effective Amendment notifying
17 the Commissioner of PASSPORT's declining material change in financial condition and
18 PASSPORT's bankruptcy.

19 39. The financial fitness and condition of the franchise applicant, as well as the applicant's major
20 shareholders and parent companies, if any, is of material importance to the Commissioner and critical
21 to the review of a registration or renewal application. Thus, financial reports attesting to the sound
22 financial condition of CORP, along with all other documents in the application process, are required
23 to be submitted to the Commissioner at the time of any registration or renewal application of
24 registration.

25 40. On or about March 18, 2008, CORP, by way of PASSPORT and CREED, submitted their
26 renewal application for the Third Registration. Financial documents attesting to the financial fitness
27 and positive state were submitted by CREED for full consideration and review. On July 31, 2008, the
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1 Department issued an Order Accelerating Effectiveness of Registration Effective March 18, 2008 to
2 April 20, 2009, CORP's Fourth Registration. The Department approved the renewal application
3 based upon CORP and PASSPORTs' representations of the financial fitness of CORP.

4 41. However, from at least March 18, 2008 to March 26, 2009, PASSPORT's financial condition
5 was clearly declining into a poor financial state. This was a material change from what was asserted
6 in the financial documents filed at that time with the Department which established PASSPORT as
7 being of sound financial condition and granting the registration. This declining financial state
8 eventually led to PASSPORT's bankruptcy and demise. On or about March 27, 2009, PASSPORT
9 filed for bankruptcy in the United States Bankruptcy Court for the Southern District of California,
10 Case No. 09-03839-LT7, pursuant to Chapter Seven (7) of the Federal Bankruptcy Code.

11 42. Respondents failed to file a Post-Effective Amendment with Commissioner notifying the
12 Commissioner of PASSPORT's poor financial condition or bankruptcy, as required pursuant to the
13 CFIL resulted in a willful omission of material fact. Therefore, Respondents PASSPORT, CREED
14 and CORP violated California Corporations Code sections 31200 and 31123.

15 43. Second, PASSPORT, CORP, CREED, GLENNIE, and BRAND EQUITY failed to file a
16 Post-Effective Amendment notifying the Commissioner of PASSPORT's asset purchase (which
17 included CORP) by Respondent BRAND EQUITY and GLENNIE on or about January 23, 2009.

18 44. On July 31, 2008, the Department issued the Fourth Registration to CORP. CORP identified
19 PASSPORT as predecessor and thus owner at the time of the Fourth Registration. The Fourth
20 Registration also noted that PASSPORT acquired all of their stock and intellectual property rights
21 from WILKINSON in or about 2005.

22 45. However, BRAND EQUITY and GLENNIE purchased PASSPORT's assets in January 23,
23 2009. CORP was part of that purchase. Therefore, BRAND EQUITY and GLENNIE became the
24 new owners of CORP in January 23, 2009. This was not disclosed to the Commissioner.

25 46. A change in the ownership of a franchise applicant, as well as changes in the ownership in the
26 applicants major shareholders and parent companies, if any, is of material importance to the
27 Commissioner and critical to the review of a registration or renewal application. Due to the failure to
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1 disclose ownership changes to the Commissioner, the Department did not have requisite information
2 upon which to determine whether further disclosure to prospective franchisees was necessary and
3 appropriate.

4 47. Respondents failed to file a Post-Effective Amendment to the Commissioner notifying the
5 Commissioner of BRAND EQUITY and GLENNIE's purchase and ownership of CORP, as required
6 pursuant to the CFIL which resulted in a willful omission of material fact. Therefore, PASSPORT,
7 CORP, CREED, GLENNIE, and BRAND EQUITY violated California Corporations Code sections
8 31200 and 31123.

9 48. Finally, third, Respondents BRAND EQUITY, GLENNIE, CORP, CREED, PLACE,
10 WILKINSON, www.stevespizza.com, and PASSPORT failed to file a Post-Effective Amendment
11 notifying the Commissioner that CORP was suspended for failure to pay California corporate or
12 income taxes from August 1, 2008 to October 1, 2010 and November 1, 2011 to present.

13 49. A franchisor or franchise applicant's failure to pay California corporate income or franchise
14 taxes is of material importance to the Commissioner and critical to the review of a registration or
15 renewal application. Thus, the Commissioner must be notified of the suspension of any franchise
16 entity in the interest of protecting potential franchisees and consumers.

17 50. On or about August 1, 2008, the FTB and the SOS suspended CORP for failure to pay
18 California State corporate or income taxes. CORP was suspended until October 1, 2010. On or about
19 October 1, 2010, CORP was then revived by the FTB and SOS, and thus considered once again a
20 viable operating entity. On or about November 1, 2011, CORP was once again suspended by the FTB
21 and SOS for failure to pay California corporate or income taxes. To date, CORP has yet to be
22 revived and remains suspended.

23 51. Respondents failed to file a Post-Effective Amendment with the Commissioner notifying the
24 Commissioner of CORP's suspension, as required pursuant to the CFIL which resulted in a willful
25 omission of material fact. Therefore, Respondents BRAND EQUITY, GLENNIE, CORP, CREED,
26 PLACE, WILKINSON, www.stevespizza.com, and PASSPORT violated California Corporations
27 Code sections 31200 and 31123.

1 IV.
2 **FAILURE TO FILE ADVERTISEMENT**
3 **VIOLATIONS OF CALIFORNIA CORPORATIONS CODE SECTION 31156**
4 **(AS TO RESPONDENTS CORP, BRAND EQUITY,**
5 **GLENNIE, AND WWW.STEVESPIZZA.COM)**

6 52. Pursuant to California Corporations Code section 31156, no person shall publish in California
7 any advertisement offering a franchise unless a true copy of the advertisement has been filed with the
8 Commissioner at least three (3) business days prior to the first publication or unless such
9 advertisement has been exempted.

10 53. From in or about March, 2005 to present, CORP maintained and does actively maintain a
11 website located at www.stevespizza.com on the internet for all to access. CORP, BRAND EQUITY,
12 www.stevespizza.com and GLENNIE, by this website, offered and continued to offer CORP
13 franchises to the public. From March 2005 to April 20, 2009, CORP, by CORP's filing request, was
14 granted an Internet Advertisement Exemption by the Commissioner pursuant to Title 10, California
15 Code of Regulations section 310.100.3. Therefore, CORP was not required to file an advertisement
16 with the Department from March, 2005 to April 20, 2009.

17 54. However, from April 21, 2009 to present, CORP, BRAND EQUITY, GLENNIE, and
18 www.stevespizza.com have actively maintained the website advertisement and website postings
19 located at www.stevespizza.com on the internet for all to access. CORP has not been granted an
20 Internet Advertisement Exemption from the Commissioner from April 21, 2009 to present.

21 55. The website is an advertisement subject to the filing requirements of California Corporations
22 Code section 31156. Therefore, Respondents CORP, BRAND EQUITY, www.stevespizza.com and
23 GLENNIE have violated California Corporations Code section 31156.

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V.
STATUTORY AUTHORITY

California Corporations Code section 31110 provides in pertinent part:

.... 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...

California Corporations Code section 31123 provides:

A franchisor shall promptly notify the commissioner in writing, by an application to amend the registration, of any material change in the information contained in the application as originally submitted, amended or renewed. The commissioner may by rule further define what shall be considered a material change for such purposes, and the circumstances under which a revised offering prospectus must accompany such application.

California Corporations Code section 31156 provides:

No person shall publish in this state any advertisement offering a franchise subject to the registration requirements of this law unless a true copy of the advertisement has been filed in the office of the commissioner at least three business days prior to the first publication or such shorter period as the commissioner by rule or order may allow, or unless such advertisement has been exempted by rule of the commissioner.

California Corporations Code section 31200 provides:

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

California 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

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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 Corporation Fund.

- (b) The sanctions authorized by this code section shall be separate and apart from, and in addition to, all other administrative, civil, and 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 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.

California Corporations Code section 31408 provides in pertinent part:

- (a) If the commissioner determines it is in the public interest, the commissioner may include in any administrative action brought under this division, including a stop order, a claim for ancillary relief, including, but not limited to, a claim for rescission, restitution, or disgorgement or damages on behalf of the person injured by the act or practice constituting the subject matter of the action, and the administrative law judge shall have jurisdiction to award additional relief.
- (b) 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,..."

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VI.
DESIST AND REFRAIN ORDER
(AGAINST ALL RESPONDENTS)

Based upon the foregoing findings, the California Corporations Commissioner has cause to believe the following:

a. STEVE'S PLACE, INC., STEVE'S PIZZA FRANCHISE CORPORATION, d.b.a. STEVE'S PIZZA, www.stevespizza.com, BRAND EQUITY DEVELOPMENT, L.L.C., and WILLIAM S. GLENNIE sold Steve's Pizza franchises in California that were subject to registration under the CFIL without first being registered, in violation of Corporations Code section 31110;

b. STEVE'S PLACE, INC., STEVE'S PIZZA FRANCHISE CORPORATION, d.b.a. STEVE'S PIZZA, PASSPORT RESTAURANTS, INC., dba PACIFIC RESTAURANT HOLDINGS, INC., and JOHN CREED failed to file a Post-Effective Amendment notifying the Commissioner of PASSPORT RESTAURANTS, INC., dba PACIFIC RESTAURANT HOLDINGS, INC.'s declining material change in financial condition and PASSPORT RESTAURANTS, INC., dba PACIFIC RESTAURANT HOLDINGS, INC's bankruptcy which resulted in the willful omission of material fact in violation of California Corporations Code sections 31200 and 31123;

c. STEVE'S PLACE, INC., STEVE'S PIZZA FRANCHISE CORPORATION, d.b.a. STEVE'S PIZZA, PASSPORT RESTAURANTS, INC., dba PACIFIC RESTAURANT HOLDINGS, INC., JOHN CREED, BRAND EQUITY DEVELOPMENT, L.L.C., and WILLIAM S. GLENNIE failed to file a Post-Effective Amendment notifying the Commissioner of PASSPORT RESTAURANTS, INC., dba PACIFIC RESTAURANT HOLDINGS, INC.'s asset purchase by BRAND EQUITY DEVELOPMENT, L.L.C., and WILLIAM S. GLENNIE on or about January 23, 2009 which resulted in the willful omission of material fact in violation of California Corporations Code sections 31200 and 31123;

d. BRAND EQUITY DEVELOPMENT, L.L.C, WILLIAM S. GLENNIE, STEVE'S PLACE, INC., STEVE'S PIZZA FRANCHISE CORPORATION, d.b.a. STEVE'S PIZZA, JOHN CREED, STEVE WILKINSON, and www.stevespizza.com, failed to file a Post-Effective Amendment

1 notifying the Commissioner of the suspension of STEVE'S PIZZA FRANCHISE CORPORATION,
2 d.b.a. STEVE'S PIZZA by the FTB from August 1, 2008 to October 1, 2010 and November 1, 2011
3 to present which resulted in the willful omission of material fact in violation of California
4 Corporations Code sections 31200 and 31123; and

5 e. STEVE'S PIZZA FRANCHISE CORPORATION, d.b.a. STEVE'S PIZZA, BRAND
6 EQUITY DEVELOPMENT, L.L.C, WILLIAM S. GLENNIE, and www.stevespizza.com failed to
7 file a copy of the website advertisement located at www.stevespizza.com on the internet or file an
8 Internet Advertisement Exemption Notice with the Commissioner in violation of California
9 Corporations Code section 31156.

10 Pursuant to California Corporations Code section 31406:

11 f. STEVE'S PLACE, INC., STEVE'S PIZZA FRANCHISE CORPORATION, d.b.a. STEVE'S
12 PIZZA, www.stevespizza.com, BRAND EQUITY DEVELOPMENT, L.L.C., and WILLIAM S.
13 GLENNIE are hereby ordered to desist and refrain from the further offer or sale of Steve's Pizza
14 franchises unless and until the offers have been duly registered under the Franchise Investment Law
15 or exempt;

16 g. PASSPORT RESTAURANTS, INC., dba PACIFIC RESTAURANT HOLDINGS, INC.'s ,
17 STEVE'S PIZZA FRANCHISE CORPORATION, d.b.a. STEVE'S PIZZA, JOHN CREED,
18 BRAND EQUITY DEVELOPMENT, L.L.C., WILLIAM S. GLENNIE, STEVE'S PLACE, INC.,
19 and STEVE WILKINSON are hereby ordered to desist and refrain from filing registration and
20 renewal applications that result in willful omissions of material fact, and from failing to provide
21 prompt notification of material changes in these applications, in accordance with California
22 Corporations Code sections 31200 and 31123; and

23 h. STEVE'S PIZZA FRANCHISE CORPORATION, d.b.a. STEVE'S PIZZA, BRAND
24 EQUITY DEVELOPMENT, L.L.C., WILLIAM S. GLENNIE, and www.stevespizza.com are hereby
25 ordered to desist and refrain from failing to file copies of any advertisements or Internet
26 Advertisement Exemption Notice with the Commissioner, including, but not limited to, website
27 advertisements in accordance with California Corporations Code section 31156.

1 This Order is necessary, in the public interest, for the protection of investors and consistent with the
2 purposes, policies and provisions of the CFIL.

3 **VII.**
4 **ADMINISTRATIVE PENALTIES**
5 **(AGAINST RESPONDENTS STEVE’S PIZZA FRANCHISE CORPORATION,**
6 **d.b.a. STEVE’S PIZZA, BRAND EQUITY DEVELOPMENT, L.L.C.,**
7 **STEVE WILKINSON, AND WILLIAM S. GLENNIE)**

8 Pursuant to Corporations Code Section 31406:

9 a. STEVE’S PIZZA FRANCHISE CORPORATION, d.b.a. STEVE’S PIZZA is hereby
10 assessed and ordered to pay administrative penalties in the amount of twenty-five thousand dollars
11 (\$25,000.00) for a total of ten (10) violations of the CFIL comprised of six (6) violations of
12 California Corporations Code section 31110, three (3) violations of California Corporations Code
13 sections 31200 and 31123, and one (1) violation of California Corporations Code section 31156;

14 b. BRAND EQUITY DEVELOPMENT, L.L.C., is hereby assessed and ordered to pay
15 administrative penalties in the amount of twenty-two thousand five hundred dollars (\$22,500.00) for
16 a total of nine (9) violations of the CFIL comprised of six (6) violations of California Corporations
17 Code section 31110, two (2) violations of California Corporations Code sections 31200 and 31123;

18 c. STEVE WILKINSON is hereby assessed and ordered to pay administrative penalties in
19 the amount of seven thousand five hundred dollars (\$7,500.00) for a total of three (3) violations of
20 the CFIL comprised of two (2) violations of California Corporations Code section 31110, and one (1)
21 violation of California Corporations Code sections 31200 and 31123; and

22 d. WILLIAM S. GLENNIE is hereby assessed and ordered to pay administrative penalties
23 in the amount of twenty thousand dollars (\$20,000.00) for a total of eight (8) violations of the CFIL
24 comprised of five (5) violations of California Corporations Code section 31110, two (2) violations of
25 California Corporations Code sections 31200 and 31123, and one (1) violations of California
26 Corporations Code section 31156.

27 The administrative penalty in the amount totaling fifty-five thousand dollars (\$55,000.00) in
28 the above stated portions shall be made payable to the Department of Corporations and remitted to

1 the Department of Corporations, attention Marisa I. Urteaga-Watkins, Counsel, 1515 K Street, Suite
2 200, Sacramento, CA 95814 no later than sixty (60) days from the date of a final order in this matter.

3 **VIII.**
4 **ATTORNEY'S FEES**
5 **(AGAINST ALL RESPONDENTS)**

6 Pursuant to Corporations Code Section 31408, STEVE'S PLACE, INC., STEVE'S PIZZA
7 FRANCHISE CORPORATION, d.b.a. STEVE'S PIZZA, PASSPORT RESTAURANTS, INC., dba
8 PACIFIC RESTAURANT HOLDINGS, INC., STEVE WILKINSON, JOHN CREED,
9 www.stevespizza.com, BRAND EQUITY DEVELOPMENT, L.L.C., and WILLIAM S. GLENNIE
10 shall jointly and severally pay attorney's fees to the Department of Corporations in an amount of
11 \$10,000, or according to proof. The amount awarded for attorney's fees shall be made payable to the
12 Department of Corporations and remitted to the Department of Corporations, attention Marisa I.
13 Urteaga-Watkins, Corporations Counsel, 1515 K Street, Suite 200, Sacramento, CA 95828 no later
14 than sixty (60) days from the date of a final order in this matter

15 Dated: April 10, 2013
16 Sacramento, CA

JAN LYNN OWEN
California Corporations Commissioner

19 By _____
20 MARY ANN SMITH
21 Deputy Commissioner
22 Enforcement Division