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

11 In the Matter of:)	FIL ORG ID: 324721
)	
12 THE COMMISSIONER OF BUSINESS)	STATEMENT IN SUPPORT OF STOP
13 OVERSIGHT,)	ORDER DENYING EFFECTIVENESS OF
)	FRANCHISE REGISTRATION
)	APPLICATION
14 Complainant,)	
)	(Corp. Code §§ 31115)
15 v.)	
)	
16 FORTUNE JOURNEY LLC dba)	
17 YI FANG TAIWAN FRUIT TEA,)	
)	
18 Respondent.)	
)	

23 The Complainant, the Commissioner of Business Oversight (Commissioner), of the
24 Department of Business Oversight (Department) is informed and believes, and based upon such
25 information and belief, alleges as follows:

26 1. At all relevant times, Fortune Journey LLC dba Yi Fang Taiwan Fruit Tea (Fortune
27 Journey) was organized on or around January 2, 2018 as a California limited liability company with
28 a principal place of business located at 2516 Bancroft Way, Berkeley, California 94704.

1 2. At all relevant times, Roy Lam (Lam) is the founder, Chief Executive Officer, and
2 Managing Member of Fortune Journey with a principal place of business located at 2516 Bancroft
3 Way, Berkeley, California 94704.

4 3. The Commissioner, as head of the Department, is responsible for administering and
5 enforcing the Franchise Investment Law (Corporations Code § 31000, *et seq.*) (FIL).

6 4. Pursuant to Corporations Code sections 31111, 31112, and 31114 of the FIL, an
7 application for registration of an offer of a franchise, whether by a franchisor or sub-franchisor,
8 shall be accompanied by a Uniform Franchise Disclosure Document (FDD) that contains the
9 material information set forth in the application for registration and shall be filed with the
10 Commissioner.

11 5. As stated in Corporations Code section 31101, it is the intent of the FIL to provide
12 each prospective franchisee with the information necessary to make an intelligent decision
13 regarding the franchise being offered.

14 6. On or around October 28, 2011, the Commissioner issued a Desist and Refrain Order
15 to Yoogo Corporation (Yoogo) and Lam, the president of Yoogo, for the unregistered offer or sale
16 of “Tuttimelon” franchises in violation of Corporations Code section 31110 (2011 Desist and
17 Refrain Order).

18 7. The 2011 Desist and Refrain Order stated, in relevant part:
19 Pursuant to section 31402 of the Corporations Code, Roy Lam and Yoogo
20 Corporation are hereby ordered to desist and refrain from the further offer
21 or sale of Tuttimelon franchises, or any other franchises, unless and until
22 the offers have been duly registered under the Franchise Investment Law,
23 or exempted thereunder

24 8. On or around November 6, 2011, Lam and Yoogo were served with the 2011 Desist
25 and Refrain Order, which currently remains in effect.

26 9. On or around April 24, 2019, Fortune Journey filed with the Commissioner an initial
27 franchise registration application and FDD for the offer or sale of Yi Fang Taiwan Fruit Tea
28 franchises pursuant to Corporations Code section 31111 and 31112 (2019 Application).

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1 10. “Item 2: Business Experience” of the 2019 Application disclosed that Lam is the
2 founder, Chief Executive Officer, and Managing Member of Fortune Journey since its inception on
3 January 2, 2018.

4 11. “Item 3: Litigation” of the 2019 Application stated, “No litigation is required to be
5 disclosed in this Item.” The 2019 Application failed to disclose the 2011 Desist and Refrain Order
6 issued to Lam that is currently in effect.

7 12. The “Form E – sales Agent Disclosure Form” of the 2019 Application (Form E)
8 disclosed that Lam will offer or sell franchises in this state. Form E required Fortune Journey to
9 disclose whether Lam “had during the ten year-period immediately before the Disclosure Document
10 date . . . 2. Entered into or been named in a[n] . . . order . . . under federal or state franchise,
11 securities, anti-trust, monopoly, trade practice or trade regulation law.” Fortune Journey answered,
12 “NO.”

13 13. The 2019 Application contained a certification by Lam as president and Chief
14 Executive Officer of Fortune Journey, stating, “I certify under penalty of law that I have read and
15 know the contents of this application and the documents attached as exhibits and incorporated by
16 reference and that the statements in all these documents are true and correct.”

17 14. While the 2019 Application was under review, on or around May 28, 2019, Fortune
18 Journey admitted in writing that Lam, Fortune Journey’s founder, Chief Executive Officer, and
19 Managing Member, is the subject of the 2011 Desist and Refrain Order. Yet, on May 28, 2019,
20 Fortune Journey filed an amended FDD, which stated in “Item 3: Litigation” that “[n]o litigation is
21 required to be disclosed in this Item.” Fortune Journey did not amend Form E to state that Lam
22 had, during the ten year-period immediately before the 2019 Application, been named in an order
23 under state franchise regulation law, namely the 2011 Desist and Refrain Order. Fortune Journey
24 omitted and made an untrue statement in its 2019 Application regarding the 2011 Desist and
25 Refrain Order that named Lam.

26 15. As of October 1, 2019, the offer or sale of Yi Fang Taiwan Fruit Tea franchises by
27 Fortune Journey is not yet registered and the 2019 Application is pending before the Commissioner.

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16. California Code of Regulations, title 10, section 310.111 states, in relevant part:

(a) All applications for registration under this Law shall be filed upon the Uniform Franchise Registration Application as defined in subsection (b).

(b) Until June 30, 2008, the term “Uniform Franchise Registration Application” means information required from the applicant in accordance with either (1) the Uniform Franchise Offering Circular (“UFOC”) Guidelines, as amended by the North American Securities Administrators Association, Inc. on April 25, 1993; or (2) the Uniform Franchise Disclosure Document (“UFDD”) Guidelines, as adopted by the North American Securities Administrators Association, Inc. on June 22, 2007 and effective July 1, 2007. On or after July 1, 2008, the term “Uniform Franchise Registration Application” means information required from the applicant in accordance with the Uniform Franchise Disclosure Document (“UFDD”) Guidelines, as adopted by the North American Securities Administrators Association, Inc. on June 22, 2007 and effective July 1, 2007

17. The North American Securities Administrators Association, Inc. 2008 Franchise Registration and Disclosure Guidelines states, in relevant part:

Item 2: Business Experience. Disclose by name and position the franchisor’s directors, trustees, general partners, principal officers, and any other individuals who will have management responsibility relating to the sale or operation of franchises offered by this document . . . **Item 3: Litigation.** . . . Disclose whether the franchisor . . . and any person identified in Item 2 . . . is subject to a currently effective injunctive or restrictive order or decree resulting from a pending or concluded action brought by a public agency and relating to the franchise or to a Federal, State, or Canadian franchise (Emphasis in original.)¹

18. Corporations Code section 31200 states:

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. (Emphasis applied.)

19. Corporations Code section 31115 states, in relevant part:

¹ The North American Securities Administrators Association, Inc. 2008 Franchise Registration and Disclosure Guidelines can be viewed at <https://www.nasaa.org/industry-resources/uniform-forms/franchise-registration-and-disclosure-guidelines/>; and <https://www.nasaa.org/wp-content/uploads/2011/07/2-2008UFOC.pdf>.

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22. For these reasons, the Commissioner has determined that an order should be issued pursuant to Corporations Code section 31115, subdivisions (a) and (d) denying the effectiveness of the franchise registration application filed on or around April 24, 2019 by Fortune Journey LLC dba Yi Fang Taiwan Fruit Tea.

Dated: October 11, 2019
Los Angeles, California

MANUEL P. ALVAREZ
Commissioner of Business Oversight

By _____
SOPHIA C. KIM
Senior Counsel
Enforcement Division