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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: 337007; 348451; and 332593
)	
12 THE COMMISSIONER OF BUSINESS)	CITATION INCLUDING:
13 OVERSIGHT,)	(1) DESIST AND REFRAIN ORDER;
)	
14 Complainant,)	(2) ASSESSMENT OF
)	ADMINISTRATIVE PENALTIES.
15 v.)	(3) CLAIM FOR ANCILLARY RELIEF
)	
16 OYO HOTELS LLC; OYO HOTELS INC.; and)	(Corp. Code §§ 31402, 31406, 31408)
17 OYO ROOMS AND TECHNOLOGY LLC,)	
)	
18 Respondents.)	
)	

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22 The Complainant, the Commissioner of Business Oversight (Commissioner), of the
23 Department of Business Oversight (Department) finds the following:

24 **I.**
25 **Introduction**

26 1. At all relevant times herein, OYO Hotels LLC (OYO Rooms) is a Delaware limited
27 liability company formed on or around November 29, 2018 with a principal place of business
28 located at 1920 McKinney Avenue, Dallas, Texas 75201.

1 California (San Diego Convention) as an exhibitor and sponsor. Approximately 19 representatives
2 of OYO Hotels and OYO Technology, including but not limited to Agarwal, met with attendees and
3 distributed advertising and promotional materials amidst signs that stated, “World’s 6th Largest,
4 Fastest Growing Hotel Chain Now in the USA. Join Us Today!”

5 10. On or around August 7, 2019, OYO Hotels held an event entitled, “OYO West Coast
6 – SF Tour” at 735 Emerson Street, Palo Alto, California 94301 (OYO SF Tour).

7 11. At the OYO SF Tour, Agarwal stated the following, without limitation:

8 a. Agarwal founded OYO approximately five years ago;

9 b. OYO is one of the fastest growing companies in history, having exceeded
10 over three billion dollars since its inception;

11 c. OYO can jump revenue prices for a hotel to 60% as soon as it is rebranded as
12 an OYO hotel, as it had done for the OYO hotel in Banning, California; and

13 d. OYO provides a manager trained by OYO to correctly service the hotel.

14 12. At the OYO SF Tour, Agarwal distributed OYO advertising and promotional
15 materials including, but not limited to red OYO sunglasses and square OYO brochures that
16 advertised, “We give the opportunity to be part of an international brand,” and described OYO as
17 “Transformation Experts,” featuring numerous photos of hotels bearing OYO signage.

18 13. At the OYO SF Tour, Agarwal offered at least one California resident an “OYO
19 Marketing, Consulting and Revenue Management Agreement, Exclusive and Limited Time Only –
20 Promotional and **Investment Guarantee Offer**” (OYO Offering). (Emphasis applied.)

21 14. The OYO Offering required a California hotel owner, or “Facility Owner,” to do the
22 following, without limitation:

23 a. “[T]ransform the Building’s interiors and exterior to bring the Building up to
24 hospitality industry standards”

25 b. The “Capital Improvement Investment final amounts” that OYO Hotels
26 would provide to the Facility Owner were to be determined by OYO after the Facility Owner
27 completed the transformation work and OYO performed a “transformation audit.” The
28 transformation work to be performed by the Facility Owner included, but was not limited to “OYO

1 Hotel Branding & Signage,” such as “(a) Exterior Pole Sign / Exterior Monument Sign; (b) Lobby
2 Sign; (c) Door Room Signs;”¹

3 c. The Facility Owner is responsible for all transformation work completed by
4 non-OYO empaneled contractors “as per OYO pre-approved scope” within 45 days of the effective
5 date. If the transformation work is not completed within that timeframe, “OYO may deem the
6 Facility Owner to be in breach of this Agreement . . . and require that all amounts paid by OYO as
7 Capital Improvement Investment and Signing Bonus will be due and payable to OYO
8 immediately;”

9 d. Upon completion of the hotel’s transformation into an OYO branded-hotel
10 “as per OYO pre-approved scope,” OYO Hotels controls Facility Owner’s future revenues as a
11 hotel, including but not limited to setting the prices charged to consumers for rooms, for a
12 percentage of the Facility Owner’s gross receipts as follows:

13 **[A]ll revenue management of the hotel will be run as OYO Hotels . . .**
14 **OYO will be solely responsible for setting prices and rates for**
15 **guestrooms in the Building** because of the world class revenue
16 management dynamic pricing system of OYO hotels. The Facility Owner
17 must honor all rates and may not charge a guest a rate checking-in to the
18 Building that is different either more or less than the rate determined by
19 OYO at any time during the Term including but not limited to promotional
20 schemes run by OYO hotels from time to time . . .

21 OYO will be solely responsible for determining any deposit requirements
22 for guestroom reservations and accommodations. The Facility Owner
23 must honor all deposit requirements and may not charge a guest a deposit
24 that is different either more or less than the deposit set by OYO revenue
25 management teams ensuring the best return . . .

26 In consideration of the revenue management services provided by OYO . .
27 . the Facility Owner **shall be obligated to book all sales revenue in**
28 **connection with the Building on the OYO OS** on a gross accounting
basis. The Facility Owner will provide OYO with accurate and timely
records of its overall sales revenue for the purpose of **calculating the fee**
due to OYO as described below (Emphasis applied.);

¹ The transformation work required by OYO Hotels varied across OYO Offerings. For at least one California resident, the required minimum transformation standards included a minimum 32-inch flat screen T.V. in each room, registration desk in the lobby to be refinished in a darker color countertop and front face, lobby walls to be repainted in “OYO Gray color,” and installation of “LVT (Shaw – pattern – Style: Composed 098UV, Color – landscape 00760) in the lobby / reception.”

1 e. Revenue Management Fees and the Incremental Percentage Fee “charged by
2 OYO to the Facility Owner **for providing services under this Agreement** shall be exclusive of all
3 taxes applicable on such transaction as per extant laws” (Emphasis applied.);

4 f. “50% of Capital Improvement Investment allocated, will be made available
5 to the Facility Owner within 7 days of the Go-Live Date, 25% of the Capital Improvement
6 Investment will be made available after completion of each of the first 7 transformation clauses in
7 Exhibit A and remaining shall be paid within 7 days of completion of all transformation work
8 required as per Exhibit A;²”

9 g. Upon termination of the OYO Offering for whatever reason, “the Facility
10 Owner shall immediately remove all OYO branding materials from the Building and dispose of
11 those materials as directed by OYO,”

12 h. Whereas the Facility Owner is prohibited from assigning rights and
13 responsibilities under the Agreement without OYO’s prior written consent, OYO “reserves its right
14 to assign the whole or any part of the rights and obligations under this Agreement to any of its
15 group/affiliated companies,” which includes, but is not limited to, OYO Franchising; and

16 i. In consideration of the services provided by OYO under the OYO Offering,
17 “the Facility Owner undertakes that during the Term of this Agreement, OYO shall be the exclusive
18 provider of the services included in this Agreement. The Facility Owner **shall not enter into any
19 other Agreement with a third party relating to its branding, marketing, sales or other services
20 included in this Agreement.**” (Emphasis applied.)

21 15. On or around August 13, 2019, or approximately one week after the OYO SF Tour
22 and OYO Offering made by Agarwal, OYO Franchising filed an initial franchise registration
23 application and FDD with the Commissioner pursuant to Corporations Code section 31111 (2019
24 Initial FDD).³

25
26 ² At least one California individual entered into an OYO Offering that provided, “As part of this exclusive deal OYO
27 will provide the Facility Owner a signing bonus. The signing bonus will be added to the Capital Improvement
28 Investment and the signing bonus will be paid to the Facility Owner when the Building goes live . . . The sign on bonus
will be an amount of **US \$ 0 per room.**” (Emphasis applied.)

³ On or around August 2, 2019 OYO Franchising filed an application for an initial franchise registration. On August 6,
2019, OYO Franchising withdrew its application and then re-filed on August 13, 2019. The re-filing on August 13, 2019
is referenced herein as the 2019 Initial FDD.

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16. The 2019 Initial FDD stated, without limitation:

We offer and **grant franchises to own and operate hotel facilities (each a “Hotel”) under the name OYO and other trademarks, service marks, logos, and commercial symbols** we periodically authorize . . . Hotels operate using distinctive and proprietary system of methods, procedures, designs, standards . . . **We call the Hotel that you will operate “your Hotel.” You must comply with all of our mandatory specifications, standards, operating procedures and rules . . .**

You must sign a franchise agreement with us to acquire the right to develop, own and operate a Hotel using the Marks and the System (the ‘Franchise Agreement’) . . .

Currently, we only grant franchises to qualified persons that already own and operate a hotel property, and that wish to convert that property to a Hotel (the ‘Property’). Under your Franchise Agreement, you will agree to convert the Property to a Hotel in accordance with the property improvement plan attached to your Franchise Agreement (‘PIP’), our System Standards, and all applicable federal, state, or local law, code, or regulations (Emphasis applied.)

17. The 2019 Initial FDD named OYO Technology and OYO Hotels Inc. as affiliates conducting the following activities:

OYO Technology owns and licenses to us and our franchisees certain technology software and services, including a license to use (i) our **proprietary operating system and hotel management software (together, the ‘OYO Operating System’), and (ii) our proprietary central reservation platform . . .**

OYO Hotels Inc . . . currently: (1) offers certain third-party hotel owners hotel management services under a hotel management agreement, under which OYO US has the right to manage certain guest rooms at that third-party hotel on the OYO Platform under the OYO name . . . and (2) enters into certain hotel access rights agreements with third-party hotel owners, under which OYO has the right to list guest rooms at that third-party hotel for rental on the OYO Platform under the OYO name (Emphasis applied.)

18. As of March 5, 2020, the 2019 Initial FDD filed with the Commissioner is pending and not a registered franchise.

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1 B. Unregistered Sales of Franchises in California

2 19. On or around September 6, 2019, the OYO Website advertised approximately six
3 hotels bearing the OYO sign and logo in the following cities in California: Corona (1), Pomona (1),
4 Los Angeles (2), San Bernardino (1), and San Francisco (1).

5 20. On or around January 10, 2020 OYO Hotels disclosed that from in or around May
6 2019 through in or around December 2019, it had offered the OYO Offering to at least 63
7 individuals or entities in California, executing at least 18 OYO Offerings. From in or around
8 September 2019 through December 2019, OYO Hotels terminated at least six of the 18 executed
9 OYO Offerings.

10 21. For at least nine of the California individuals or entities that received and executed
11 the OYO Offering, representatives of OYO Hotels offered the OYO Offering via emails and in-
12 person visits to the California individuals’ or entities’ hotel properties prior to executing the OYO
13 Offering.

14 22. At least four of the 18 executed OYO Offerings included an Addendum 1 entitled,
15 “OYO Hotels LLC Third Party Terms of Engagement,” (Addendum 1) that provided, without
16 limitation:

17 As part of our SMART Third-Party Management Protocol, we will create
18 a new listing or rename all existing third-party listings to reflect OYO’s
19 brand name . . . The new listing will appear in OYO’s group login, and
20 may no longer be visible to the owner with his/her third party credentials.
21 OYO may make necessary changes to rate plans, room inventory and
22 property images, as required to maximize occupancy and hotel earning.
23 This includes adding or removing room categories to ensure consistency
24 with OYO’s web and mobile applications

25 For mid-month activations, **OYO Hotels LLC** will accept responsibility
26 for current month third party payments and will remit such back to the
27 owner in the first invoice period. Example: if OYO go-live is May 15th,
28 2019, property owner must clear all liabilities through April, 2019 and
OYO will back-bill all of May 2019 to property owner in first invoice . . .
(Emphasis applied.)

29 23. At least four of the 18 executed OYO Offerings also included an Addendum 2
entitled, “No Objections Certificate,” (Addendum 2) that provided, without limitation:

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This is to certify that the undersigned is the Owner of the [hotel name] located at (hotel address), has disassociated itself from [prior brand name] effective [date] . . . Under the terms of the SMA [OYO Services and Marketing Agreement] and as provided for in this No-Objection Certificate, we have authorized OYO Hotels to perform all necessary activities to properly manage all third party distribution management, including but not limited to updating room rates and inventory, modification of existing third party distribution listings, or creation of new listings in various third party distribution portals Name of the company: OYO Hotels Inc. . . .

24. Notwithstanding the lack of an executed Addendum 1 or Addendum 2, OYO Hotels created a new listing and renamed existing third party listings to reflect the OYO brand name and make changes to rate plans, room inventory and property images for at least nine California individuals or entities that executed the OYO Offering in or around August and September 2019.⁴

25. In or around November 2019, OYO Hotels sent a “Recon summary” (OYO Reconciliation) to a California individual that defined “OYO Base Share” as “OYO’s share on Higher of Gross revenue or applicable OYO guarantee amount as per contractual agreement,” and “OYO Share on Incremental Revenue” as “OYO’s share on Revenue above Incremental Revenue Slab.”

26. The OYO Reconciliation also contained an OYO “Invoice” that billed to a California individual the “OYO Service Share” due to OYO Inc. and stated, “Please make the payment to the given bank details . . .,” providing banking information for OYO Hotels and an email address, us.recon@oyorooms.com (OYO Invoice).

27. In or around November 2019, OYO Hotels sent a “Reconciliation Summary for Weekly payment (Period 01 Nov 19 – 29 Nov 19)” that indicated the “Gross Revenue Amount for the period” to be \$28,225, and the “Amount to be paid you (D)” to be -\$433. “A negative amount indicate that you need to pay this amount to OYO.”

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⁴ On August 5, 2019, at least one California entity entered into a No Objections Certificate that stated, “This is to certify that our property . . . has now entered into a marketing agreement with OYO Hotels LLC. As part of this agreement, OYO Hotels LLC will manage 100% of the room inventory at . . . (hotel name) and will be responsible for complete revenue, pricing, inventory, and booking management of our property . . . Name of the company: OYO Hotels LLC; Name of the director: Ritesh Agarwal”

1 franchisee of any binding franchise or other agreement, or at least 14 days
2 prior to the receipt of any consideration, whichever occurs first, a copy of
3 the franchise disclosure document, together with a copy of all proposed
agreements relating to the sale of the franchise.

4 34. Corporations Code section 31402 states:

5 If, in the opinion of the commissioner, the offer of any franchise is subject
6 to registration under this law and it is being, or it has been, offered for sale
7 without the offer first being registered, the commissioner may order the
8 franchisor or offeror of that franchise to desist and refrain from the further
9 offer or sale of that franchise unless and until the offer has been duly
10 registered under this law. If, after that order has been made, a request for a
11 hearing is filed in writing within 60 days from the date of service of the
12 order by the person to whom the order was directed, a hearing shall be
13 held in accordance with Chapter 5 (commencing with Section 11500) of
Part 1 of Division 3 of Title 2 of the Government Code, and the
commissioner shall have all of the powers granted under that chapter.
Unless that hearing is commenced within 15 business days after the
request is made (or the person affected consents to a later date), the order
shall be deemed rescinded.

14 If that person fails to file a written request for a hearing within 60 days
15 from the date of service of the order, the order shall be deemed a final
16 order of the commissioner and shall not be subject to review by any court
or agency, notwithstanding Section 31501.

17 35. Corporations Code section 31406 states:

18 (a) If, upon inspection or investigation, based upon a complaint or
19 otherwise, the commissioner has cause to believe that a person is violating
20 any provision of this division or any rule or order promulgated pursuant to
21 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 and refrain and an assessment of an
22 administrative penalty not to exceed two thousand five hundred dollars
(\$2,500) per violation and shall contain reference to this section, including
23 the provisions of subdivision (c). All penalties collected under this section
shall be deposited in the State Corporations Fund.

24 (b) The sanctions authorized under this section shall be separate from, and
25 in addition to, all other administrative, civil, or criminal remedies.

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

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(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 for 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.

36. Based upon the foregoing findings, the Commissioner is of the opinion that OYO Hotels LLC, OYO Hotels Inc., and OYO Rooms and Technology LLC engaged in the offer or sale of franchises in this state that are subject to registration under the Franchise Investment Law without the offers first being registered or exempt, in violation of Corporations Code section 31110. Pursuant to Corporations Code sections 31402, OYO Hotels LLC, OYO Hotels Inc., and OYO Rooms and Technology LLC are hereby cited and ordered to desist and refrain from the further offer or sale of franchises unless and until the offers have been duly registered under the Franchise Investment Law or are otherwise exempt.

37. Furthermore, based upon the foregoing findings, the Commissioner is of the opinion that OYO Hotels LLC, OYO Hotels Inc., and OYO Rooms and Technology LLC sold franchises in this state that were subject to registration under this law without first providing to the prospective franchisee, at least 14 days prior to the execution by the prospective franchisee of any binding franchise or other agreement, or at least 14 days prior to the receipt of any consideration, whichever occurs first, a copy of the franchise disclosure document, together with a copy of all proposed agreements relating to the sale of the franchise, in violation of Corporations Code section 31119, subdivision (a). Pursuant to Corporations Code section 31406, OYO Hotels LLC, OYO Hotels Inc., and OYO Rooms and Technology LLC are hereby cited and ordered to desist and refrain from the further sale of franchises in this state that are subject to registration under this law without first providing to the prospective franchisee, at least 14 days prior to the execution by the prospective franchisee of any binding franchise or other agreement, or at least 14 days prior to the receipt of any

1 consideration, whichever occurs first, a copy of the franchise disclosure document, together with a
2 copy of all proposed agreements relating to the sale of the franchise.

3 38. These orders are necessary, in the public interest, for the protection of investors and
4 franchisees and consistent with the purposes, policies and provisions of the Franchise Investment
5 Law.

6 **III.** 7 **Administrative Penalties**

8 39. Pursuant to Corporations Code section 31406, OYO Hotels LLC, OYO Hotels Inc.,
9 and OYO Rooms and Technology LLC are hereby assessed and ordered jointly and severally to pay
10 an administrative penalty of \$2,500.00 per violation of Corporations Code section 31110, for each of
11 63 violations under the Franchise Investment Law, totaling \$157,500.00, as follows:

12 From in or around May 2019 through in or around December 2019, OYO Hotels
13 LLC, OYO Hotels Inc., and OYO Rooms and Technology LLC offered the OYO Offering to 63
14 individuals or entities in California listed below without exemption from the registration
15 requirement, in violation of Corporations Code section 31110 (Citations 1-63, inclusive):
16

17 Citation # 1-63	Individual/Entity Location	City, Zip Code	Date Offered
18 1.	Inn on Folsom	San Francisco, CA 94103	2/3/2020 ⁶
19 2.	Studio 6 Concord	Concord, CA 94520	5/28/2019
20 3.	Hacienda Inn	Banning, CA 92220	6/5/2019
21 4.	Days Inn by Wyndham Woodland	Woodland, CA 95776	6/18/2019
22 5.	Scottish Inn and Suites	Corona, CA 92882	6/28/2019
23 6.	Scottish Inns Whittier	Whittier, CA 90601	6/28/2019
24 7.	Pomona Lodge Motel	Pomona, CA 91767	6/28/2019
25 8.	Americas Best Value Inn & Suites Petaluma	Petaluma, CA 94954	7/9/2019
26 9.	Hollywood Guest Inn	Hollywood, CA 90028	7/9/2019
27 10.	Ocean Lodge	Santa Cruz, CA 95060	7/13/2019
28 11.	Surf City Inn & Suites	Santa Cruz, CA 95060	7/13/2019
	The Oaks Motel	Oakland, CA 94602	7/22/2019
	Arrowhead Tree Top Lodge	Lake Arrowhead, CA 92352	7/30/2019
	Civic Center Inn	San Francisco, CA 94109	8/8/2019
	Olympic Motor Lodge	Los Angeles, CA 90036	8/9/2019

⁶ The initial offer was made in 2019; this is the approximate date of the most recent contact regarding the offer.

1	16.	Tuscany Hills Retreat	Escondido, CA 92026	8/10/2019
2	17.	Days Inn & Suites by Wyndham Antioch	Antioch, CA 94509	8/12/2019
3	18.	Budget Inn	Rohnert Park, CA 94928	8/13/2019
4	19.	Econo Lodge	Fairfield, CA 94533	8/13/2019
5	20.	Elite Inn	San Francisco, CA 94102	8/13/2019
6	21.	Valley Inn & Conference Center	Mission Hills, CA 91345	8/15/2019
7	22.	Capri Motel	Santa Clara, CA 95051	8/15/2019
8	23.	Escondido Lodge	Escondido, CA 92025	8/22/2019
9	24.	Motel 6 Dunnigan	Dunnigan, CA 95937	8/28/2019
10	25.	Americas Best Value Inn Dunnigan	Dunnigan, CA 95937	8/28/2019
11	26.	Travel Inn & Suites	Ridgecrest, CA 93555	8/28/2019
12	27.	Hotel Europa	Ridgecrest, CA 93555	8/28/2019
13	28.	Sleepy Hollow Cabins and Hotel	Crestline, CA 92325	8/29/2019
14	29.	The Kern Lodge	Kernville, CA 93238	8/29/2019
15	30.	Hotel Paso Robles Wine Country	Paso Robles, CA 93446	9/3/2019
16	31.	Quality Inn Lomita	Lomita, CA 90717	9/10/2019
17	32.	Vagabond Inn San Pedro	San Pedro, CA 90731	9/10/2019
18	33.	Hotel Mira Vista	El Cerrito, CA 94530	9/12/2019
19	34.	Super 8 by Wyndham Cypress	Cypress, CA 90630	9/12/2019
20	35.	Orange Show Inn	San Bernardino, CA 92408	9/16/2019
21	36.	Bluestem Hotel Torrance-Los Angeles	Torrance, CA 90501	9/17/2019
22	37.	Allstar Inn	San Pedro, CA 90731	9/19/2019
23	38.	Palmdale Inn	Palmdale, CA 93550	9/23/2019
24	39.	Rodeway Inn	Encinitas CA 92024	9/23/2019
25	40.	Sunset Inn	Victorville, CA 92394	9/25/2019
26	41.	Townhouse Inn & Suites	Brawley, CA 92227	9/26/2019
27	42.	Stanlunds Inn & Suites	Borrego Springs, CA 92004	9/27/2019
28	43.	Glendale Manhattan Motel by Magnuson Worldwide	Glendale, CA 91205	10/1/2019
	44.	Ambassador Inn & Suites	Fresno, CA 93728	10/2/2019
	45.	Sun Star Inn	Los Banos, CA 93635	10/2/2019
	46.	Hyde Park Motel	Los Angeles, CA 90043	10/3/2019
	47.	Travelodge by Wyndham Barstow	Barstow, CA 92311	10/7/2019
	48.	QueenCity Inn	Signal Hill, CA 90755	10/16/2019
	49.	Travelodge By Wyndham, Barstow	Barstow, CA 92311	10/18/2019
	50.	Rosedale Inn	Bakersfield, CA 93308	10/18/2019
	51.	Pioneer Inn & Suites	Pioneer, CA 95666	10/23/2019
	52.	Rodeway Inn & Suites Chula Vista San Diego South	Chula Vista, CA 91901	10/28/2019
	53.	Clarendon Hotel	Huntington Park, CA 90255	10/29/2019
	54.	Motel 6 Anaheim	Anaheim, CA 92804	11/8/2019

55.	Mountain View Motel	Bishop, CA 93514	11/14/2019
56.	Frontier Motel	San Ysidro, CA 92173	11/14/2019
57.	Motel 6 Ridgecrest	Ridgecrest, CA 93555	11/18/2019
58.	Isabella Motel	Oakland, CA 94607	11/21/2019
59.	Westwind Lodge	Oakland, CA 94609	11/26/2019
60.	Travis Lodge Motel 16	Oakland, CA 94605	12/2/2019
61.	Travelodge Inn & Suites by Wyndham Gardena	Gardena, CA 90248	12/3/2019
62.	Calipatria Inn & Suites	Calipatria, CA 92233	12/10/2019
63.	Hotel Casa Grande Madera CA	Madera, CA 93637	12/12/2019

40. Furthermore, pursuant to Corporations Code section 31406, OYO Hotels LLC, OYO Hotels Inc., and OYO Rooms and Technology LLC are hereby assessed and ordered jointly and severally to pay an administrative penalty of \$2,500.00 per violation of Corporations Code section 31119, subdivision (a), for each of 18 violations under the Franchise Investment Law, totaling \$45,000.00, as follows:

From in or around June 2019 through December 2019, OYO Hotels LLC, OYO Hotels Inc., and OYO Rooms and Technology LLC sold at least 18 franchises that were subject to registration under the Franchise Investment Law without first providing to the prospective franchisee, at least 14 days prior to the execution by the prospective franchisee of any binding franchise or other agreement, or at least 14 days prior to the receipt of any consideration, whichever occurs first, a copy of the franchise disclosure document, together with a copy of all proposed agreements relating to the sale of the franchise, in violation of Corporations Code section 31119, subdivision (a) (Citations 64-81, inclusive):

Citation #	OYO Hotel Name	Address	Date Signed
64-81			
64.	OYO Hotel Banning I-10	1240 W Ramsey St, Banning, CA 92220	6/5/2019
65.	OYO Townhouse Lake Arrowhead CA	27992 Rainbow Dr. Arrowhead, CA 92352	7/31/2019
66.	OYO Hotel Whittier, CA I-605	11435 Whittier Blvd., Whittier, CA 91767	8/12/2019
67.	OYO Hotel Pomona CA - I-10 & Hwy 71	130 E Holt Ave. Pomona, CA 91767	8/12/2019
68.	OYO Hotel Corona CA - Hwy 91	210 S. Lincoln Ave., Corona, CA 92882	8/12/2019

69.	OYO Hotel Ridgecrest CA – W. Upjohn Ave.	131 W. Upjohn Ave., Ridgecrest, CA 93555	8/31/2019
70.	OYO Hotel Ridgecrest CA – South China Lake	416 S. China Lake Blvd., Ridgecrest, CA 93555	8/31/2019
71.	OYO Hotel Kernville CA East	67 Valley View Dr., Kernville, CA 93238	9/1/2019
72.	Hotel Victorville Mojave Dr.	15765 Mojave Dr., Victorville, CA 92394	9/26/2019
73.	Hotel Palmdale – Antelope Valley	217 E. Palmdale Blvd., Palmdale, CA 93550	9/29/2019
74.	OYO Hotel Fairfield CA – Suisun Valley	1349 W. Texas St., Fairfield, CA 94533	8/14/2019
75.	OYO Hotel San Francisco Elite	116 Turk Street, San Francisco, CA 94102	8/14/2019
76.	OYO Hotel North Bay at Petaluma	5135 Montero Way, Petaluma, CA 94954	8/16/2019
77.	OYO Hotel Dunnigan I-5 West	3930 County Road 89, Dunnigan, CA 95937	9/6/2019
78.	OYO Hotel Ridgecrest	535 S. China Lake Blvd., Ridgecrest, CA 93555	11/18/2019
79.	Hotel Casa Grande Madera	12390 Golden State Blvd., Madera, CA 93637	12/6/2019
80.	Hotel Paso Robles Wine Country	3548 Spring Street, Paso Robles, CA 93446	10/11/2019
81.	Hotel Crestline Sleepy Hollow	24033 Lake Drive, Crestline, CA 92325	9/13/2019

41. Pursuant to Corporations Code section 31406, the total administrative penalty of \$202,500.00 shall be due within 60 days of receipt of Citations 1-81 and shall be made payable to the Commissioner in the form of a cashier's check or Automated Clearing House deposit to the "Department of Business Oversight," and transmitted to the attention of: Accounting – Enforcement Division, California Department of Business Oversight, 1515 K Street, Suite 200, Sacramento, California 95814, contemporaneously with notice of transmittal to Sophia C. Kim at Sophia.Kim@dbo.ca.gov.

IV.
Order for Ancillary Relief

42. Corporations Code section 31408, subdivision (a) provides:

(a) If the commissioner determines it is in the public interest, the

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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 persons 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. The person affected may be required to attend remedial education, as directed by the commissioner.

43. From in or around June 2019 through December 2019, OYO Hotels LLC, OYO Hotels Inc., and OYO Rooms and Technology LLC made unregistered offers and sales to at least 18 California individuals or entities, as listed in Citations 64 through 81 (hereinafter, OYO Franchisee(s) shall refer to any and all California individuals or entities who bought an unregistered franchise, including but not limited to those listed in Citations 64 through 81).

44. Within 30 days of the date of this order, pursuant to Corporations Code section 31408, subdivision (a), OYO Hotels LLC, OYO Hotels Inc., and OYO Rooms and Technology LLC are hereby ordered to submit to the Commissioner for review and approval proposed offer(s) to rescind any and all unregistered offers or sales of franchises to each OYO Franchisee (Rescission Offer(s)). The Rescission Offer(s) may include, without limitation: offers to terminate without any further penalties or fees; a list of all capital expenditures made by OYO Hotels and/or the OYO Franchisee to meet OYO Hotels’ transformation requirements and dates thereof; a list of all percentages of gross revenues received or retained by OYO Hotels and dates thereof; and offers to make any appropriate refunds to the OYO Franchisee.

45. Within 30 days of the Commissioner’s approval of the Rescission Offer(s), OYO Hotels LLC, OYO Hotels Inc., and OYO Rooms and Technology LLC shall serve each OYO Franchisee with an approved Rescission Offer.

46. Within 45 days of the Commissioner’s approval of the Rescission Offer(s), OYO Hotels LLC, OYO Hotels Inc., and OYO Rooms and Technology LLC shall submit to the Commissioner proof(s) of service of the approved Rescission Offer(s) (Proof of Service). The Proof of Service shall be sent to the attention of: Sophia C. Kim, Senior Counsel, Enforcement Division, Department of Business Oversight, 320 West 4th Street, Suite 750, Los Angeles,

1 California 90013, Sophia.Kim@dbo.ca.gov.

2 47. Within 30 days of the date on the Proof of Service, OYO Hotels LLC, OYO Hotels
3 Inc., and OYO Rooms and Technology LLC shall submit to the Commissioner satisfactory
4 documentation evidencing each OYO Franchisee’s response to the Rescission Offer. The
5 documentation of each OYO Franchisee’s response shall be sent to the attention of: Sophia C. Kim,
6 Senior Counsel, Enforcement Division, Department of Business Oversight, 320 West 4th Street,
7 Suite 750, Los Angeles, California 90013, Sophia.Kim@dbo.ca.gov.

8 This order is necessary, in the public interest, for the protection of investors and franchisees
9 and consistent with the purposes, policies and provisions of the Franchise Investment Law.

10 Dated: March 5, 2020
11 Los Angeles, California

MANUEL P. ALVAREZ
Commissioner of Business Oversight

12
13
14 By _____
15 MARY ANN SMITH
16 Deputy Commissioner
17 Enforcement Division
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