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BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION
OF THE STATE OF CALIFORNIA

In the Matter of:)	FIL ORG IDs.: 170427 and 237772
)	
THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION,)	CITATIONS INCLUDING:
)	(1) DESIST AND REFRAIN ORDER;
Complainant,)	
)	(2) ASSESSMENT OF ADMINISTRATIVE
v.)	PENALTIES; AND
)	
BURGERIM GROUP USA, INC. (a California Corporation); BURGERIM GROUP, INC. (a Delaware Corporation); FOOD CHAIN INVESTMENTS USA, LLC (a California limited liability company); and OREN LONI (an individual))	(3) ANCILLARY RELIEF
)	
Respondents.)	
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)	

Complainant, the Commissioner of Financial Protection and Innovation for the State of California (Commissioner) is informed and believes, and based on such information and belief, finds as follows:

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I.
Introduction

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2 1. Burgerim Group USA, Inc. (Burgerim) is a California Corporation formed by Oren
3 Loni (Loni) on October 15, 2014. Burgerim offered and sold casual, fast food burger restaurant
4 franchises nationwide from 2015 through 2019 from its principal business address at 16861 Ventura
5 Boulevard, Suite 303, Encino, California 91436.

6 2. Burgerim Group Inc. (Burgerim Group) is a Delaware corporation. Burgerim Group
7 was formed by Loni in or around June of 2019. Burgerim Group operates from its principal
8 business address at 23945 Calabasas Road, Calabasas, California 91302.

9 3. Burgerim Group is the alter ego of, and/or successor to, Burgerim. It was formed to
10 shield assets from Burgerim franchisees.

11 4. Food Chain Investments USA, LLC (Food Chain) is a California limited liability
12 company formed on March 3, 2016. Food Chain offered and sold casual, Mediterranean fast-food
13 restaurant franchises under the brand name Saffron Mediterranean Kitchen (Saffron), from 2017
14 through 2019 from its principal business address at 16861 Ventura Boulevard, Suite 303, Encino,
15 California 91436.

16 5. Oren Loni was at all relevant times Burgerim’s chief executive officer, secretary,
17 chief financial officer, and owner, Burgerim Group’s co-owner, and secretary, and Food Chain’s
18 president.

19 6. Michael Bohbot also known as Michel Bohbot, Michel Buchbut and Michael
20 Buchbut (Bohbot) at all relevant times was Burgerim’s chief restructuring officer, and Burgerim
21 Group’s chief executive officer.

22 7. Greg Becker became Burgerim and Burgerim Group’s president and chief operating
23 officer in January of 2021.

24 8. The Commissioner is the head of the Department of Financial Protection and
25 Innovation (Department) and is responsible for administering and enforcing the California
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1 Franchise Investment Law (FIL) (Corp. Code, § 31000 et seq.),¹ and registering the offer and sale
 2 of franchises in California.

3 9. Under section 31110, a franchisor must first register a franchise with the Department
 4 before it offers and sells franchises in California, unless it is otherwise exempt. To register a
 5 franchise, a franchisor must file a Uniform Franchise Disclosure Document (FDD) in accordance
 6 with sections 31111 and 31114, with the Department for review and await approval in the form of
 7 an Order Granting Effectiveness of Franchise Registration (Order). Section 31200 prohibits willful
 8 misrepresentations and omissions to the Commissioner and section 31201 prohibits willful
 9 misrepresentations and omissions to prospective franchisees. Section 31123 requires a franchisor to
 10 promptly amend its registration with the Commissioner to disclose material changes.

11 10. The disclosure requirements of the FIL are intended to avoid misrepresentations and
 12 to provide prospective franchisees with material facts upon which to make an informed decision to
 13 purchase a franchise, as stated in section 31001.

14 **II.**
 15 **Statement of Facts**

16 **A.**
 17 **Burgerim sold at least 1,550 franchises raising at least \$57.7 million in initial franchise fees from**
 18 **2015 through July of 2019**

19 11. From 2015 through 2019, Burgerim advertised the sale of franchises on social media
 20 and touted itself as the fastest growing burger franchise in press releases. Also, during this time,
 21 Burgerim’s officers and sales representatives informed inexperienced prospective franchisees:

- 22 a. that they could purchase a Burgerim franchise for a \$50,000.00 initial franchise fee, a
 23 portion of which could be financed or paid at a later date;
- 24 b. not to worry if they did not have the funds necessary to open a franchise because
 25 Burgerim would provide support every step of the way, would help the franchisee
 26 obtain financing, find a location, negotiate a lease and begin construction; and
- 27 c. the franchisee could cancel the franchise agreement for a refund.

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¹ All further statutory references are to the Corporations Code unless otherwise indicated.

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- ii. pay previously undisclosed broker fees (ranging from \$1,500.00 - \$10,500.00) – many franchisees did not obtain a loan even after paying these fees,
 - iii. take out a second mortgage on their home or a home equity line of credit, or
 - iv. take out numerous small personal loans which would destroy their credit.
- b. franchisees did not hear from the real estate department timely or were offered an unsuitable location. Some franchisees found their own prospective franchise location and submitted it to Burgerim for approval, only to find that Burgerim subsequently gave that location to another franchisee.
- c. franchisees were provided construction and build out estimates that were substantially higher than the \$200,000.00-\$400,000.00 range Burgerim sales representatives initially provided prospective franchisees.

16. Other franchisees opened their location but had to close due to struggling sales, high food costs, undisclosed back rent owed, little to no profit, and no corporate help with advertising.

C.

Burgerim and Loni concealed the number of cancellations and refunds, mismanaged franchisees initial franchise fees, bounced refund checks, and abandoned its franchise obligations

17. At all relevant times, Burgerim touted itself as the fastest growing franchise while concealing the staggering number of annual cancellations and refunds as follows:

Year	# of refunds issued	\$ refunds	Annual franchise fees Burgerim collected	Refunds as a percentage of annual franchise fees collected
2017	93	\$2,532,686.00	\$23,010,080.00	11.00%
2018	125	\$3,731,500.00	\$25,242,959.00	14.78%
2019	69	\$1,792,445.00	\$8,301,955.00	21.59%
Total	287	\$8,056,631.00		Average: 15.79%

1 18. Inundated with cancellation requests, Burgerim created a cancellation department, led
2 by Loni who approved cancellation requests, signed cancellation agreements, and promised
3 franchisees refunds within 90-120 business days.

4 19. From 2017 through 2019, at least 287 franchisees cancelled their franchise
5 agreement. Burgerim paid at least \$8 million in refunds during this time.

6 20. At all relevant times, Burgerim and Loni failed to keep franchisees’ initial franchise
7 fees safe (e.g. in an escrow or other separate account), in case a franchisee requested a refund.
8 Instead, Burgerim and Loni commingled initial franchise fees with Burgerim’s operating expenses
9 and spent initial franchise fees the same month they were received.

10 21. In some cases, Burgerim issued franchisees a post-dated refund check. Franchisees
11 were told to cash the check in 90-120 business days. In 2019, these checks started to frequently and
12 routinely bounce. Franchisees were either unable to get a hold of Burgerim or were given an excuse
13 as to why the company needed more time to provide refunds.

14 22. In or around May of 2019, Burgerim began commingling funds with its affiliate,
15 Food Chain’s bank account, to repay Burgerim franchisees. These checks often bounced, too.

16 23. In other cases, Burgerim made no attempt to refund franchisees their initial franchise
17 fee, notwithstanding Burgerim’s promise to repay the franchisee within 90-120 business days.

18 24. In June of 2019, Loni created Burgerim Group, Inc., a new corporate entity. In
19 August of 2019 Loni opened a new bank account for Burgerim Group, Inc. and was a signatory on
20 that account, as its CEO, co-owner, and secretary. Bohbot is a co-signatory on the account.

21 25. In October of 2019, Burgerim stopped paying its employees and in November of
22 2019, Loni abandoned the corporate office in Encino, California, left the franchise agreements and
23 documents behind, and fled the country. Franchisees were unable to get a hold of Burgerim or Loni.

24 26. Many franchisees drained their savings and retirement accounts to pay Burgerim’s
25 initial franchise fee. Some used their credit card to finance the fee, based on Burgerim’s promise of
26 quick profitability, and a no hassle refund. To date, many franchisees have not received the
27 promised refund and are struggling to make ends meet.

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1 10% of any master franchise fees in Europe, and first-class airfare and accommodations for any
2 authorized travel and reasonable expenses. In exchange, Cheban agreed to manage, lead, and
3 coordinate Burgerim’s marketing, advertising, branding and public relations activities, and consult
4 on the menu. Additionally, Cheban, as Burgerim’s brand ambassador agreed to attend at least 3
5 franchise openings per month, eat at the restaurant during these events, eat at a franchised Burgerim
6 accompanied by a publicly known television or movie celebrity or influencer at least once a month,
7 and post on social media promoting the company and its franchises at least daily. Burgerim acquired
8 the right to use Cheban’s likeness, name, and goodwill to promote the company and its franchises.

9 34. From September 2018 through April of 2019, Burgerim paid Cheban, through his
10 entity, at least \$305,000.00.

11 F.

12 Burgerim made material misrepresentations and failed to disclose material information in
13 applications filed with the Commissioner and in documents provided to franchisees

14 35. Burgerim filed applications for franchise registration and renewal with the
15 Commissioner from 2015-2019.

16 36. Franchisors are required to submit a certification, signed by an officer with authority,
17 that the application and exhibits are true and correct. Loni certified, from 2016-2019, under penalty
18 of law that he knew the contents of the application and exhibits, and that the statements were true
19 and correct.

20 37. Section 31200 prohibits willful misrepresentations and omissions in applications
21 filed with the Commissioner, section 31201 prohibits willful misrepresentations and omissions to
22 prospective franchisees, and section 31123 requires franchisors to promptly amend applications
23 filed with the Commissioner to disclose material changes. At all relevant times, Burgerim and Loni
24 willfully misrepresented and failed to disclose material information in applications filed with the
25 Commissioner and in communications provided to franchisees and failed to promptly amend its
26 applications to disclose material changes, in violation of sections 31123, 31200 and 31201.

27 38. **Item 1** — Franchisors are required to disclose, in Item 1 of the FDD, the name and
28 principal business address of any affiliates that offer franchises in any line of business. An affiliate

1 is defined as “an entity controlled by, controlling, or under common control with, another entity.”
2 Loni controlled Burgerim and Food Chain from 2017 through 2019. Burgerim failed to amend its
3 application in 2017 to disclose, and failed to disclose, Food Chain as an affiliate in Item 1 of FDDs
4 filed with the commissioner in 2018 and 2019.

5 39. **Item 2** — Franchisors are required to disclose in Item 2 of the FDD or on a sales
6 agent disclosure form, any individuals who will have management responsibility relating to the sale
7 or operation of franchises. Burgerim failed to disclose the following individuals who had
8 management responsibility relating to the sale or operation of franchises: Oded Talmor (CEO), Amit
9 Buchnik (Los Angeles senior sales representative), Mark Bastorous (also known as Mark Bass)
10 (Bastorous) (head of Florida operations), Carlos Calderon (senior franchise director), Janae Gilliam
11 (executive vice president), and O’Mead Kangarlou (finance coordinator) from 2016 through 2019.

12 40. Franchisors are required to disclose principal officers in Item 2 of the FDD.
13 Burgerim failed to amend its 2019 application to disclose Bohbot as its chief restructuring officer,
14 and CEO of Burgerim Group, Burgerim’s alter ego and/or successor.

15 41. **Item 4** — Franchisors are required to disclose in Item 4 of the FDD, whether any
16 individual who has management responsibility relating to the sale or operation of franchises has,
17 during the 10-year period immediately before the date of the disclosure document, filed as a debtor a
18 petition under the United States Bankruptcy Code. Burgerim failed to amend its FDD in December
19 of 2017 to disclose in Item 4 that Mark Bastorous, head of Florida operations, filed a petition for
20 chapter 7 bankruptcy on December 8, 2017. Burgerim additionally failed to disclose Bastorous’
21 bankruptcy in Item 4 of the FDDs filed in 2018 and 2019.

22 42. **Item 5** — Franchisors are required to disclose, in Item 5 of the FDD, initial fees
23 payable and any conditions under which these fees are refundable. In 2017, Burgerim’s FDD
24 disclosed a \$50,000.00 non-refundable initial franchise fee due and payable in two installments:
25 \$30,000.00 upon signing the franchise agreement, and \$20,000.00 when the lease was signed. In
26 2018 and 2019, Burgerim’s FDDs stated two options for franchisees to choose from:
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1 a. Option 1 - \$35,000.00 due upon signing the franchise agreement and \$35,000.00 due
 2 when the lease was signed. Franchisees could cancel if the lease was not signed
 3 within 6 months and receive a \$20,000.00 refund.

4 b. Option 2 - \$50,000.00 non-refundable initial franchise fee.

5 43. Most franchisees chose option 2, a \$50,000.00 non-refundable initial franchise fee.
 6 Contrary to the statements in the FDDs, Burgerim sales representatives routinely represented to
 7 potential franchisees during the initial sales meeting that the fee was refundable. Indeed, Burgerim
 8 had a pattern and practice of cancelling franchise agreements and providing refunds. Contrary to the
 9 statements made in its FDD, Burgerim allowed franchisees to pay a \$30,000.00 initial franchise fee
 10 in 2018 and 2019, with \$20,000.00 due and payable when the lease was signed and represented that
 11 franchisees could finance the remaining \$20,000.00 owed.

12 44. **Item 6** — Franchisors are required to disclose, in Item 6 of the FDD, all fees aside
 13 from the initial franchise fee that the franchisee must pay to the franchisor, including royalties.
 14 Franchisors must disclose whether royalties are imposed and collected by the franchisor. From
 15 2016- 2019, Burgerim disclosed that franchisees must pay a weekly royalty equaling 5% of gross
 16 sales. Contrary to these representations, Burgerim did not collect and did not have income from
 17 royalties from 2016 through May of 2019.

18 45. **Item 11** — Franchisors are required to disclose, in Item 11 of the FDD, the
 19 franchisor’s obligations to franchisees including assistance in locating a site and negotiating the
 20 purchase or lease of the site. Burgerim, by and through its representatives, assured prospective
 21 franchisees that it would help the franchisee every step of the way, including obtaining financing,
 22 finding and leasing a location, and construction. Burgerim failed to disclose these obligations in
 23 Item 11 of its FDDs filed with the commissioner and provided to prospective franchisees from 2016-
 24 2019.

25 46. **Item 18** —Franchisors are required to disclose, in Item 18 of the FDD, any
 26 compensation or other benefit given or promised to a public figure arising from the public figure’s
 27 endorsement or recommendation of the franchise to prospective franchisees. Franchisors are also
 28 required to disclose the public figure’s position and duties in the franchisor’s business structure. As

discussed above, in September of 2018, Burgerim hired Cheban as its brand ambassador, to endorse its products, attend franchise openings, and help expand franchise operations in Europe. In return, Burgerim paid Cheban at least \$305,000.00 from September 2018 through April of 2019. Burgerim failed to amend its 2018 franchise registration to disclose this relationship and the payments made to Cheban and failed to disclose this information in its 2019 FDD filed with the Commissioner and provided to franchisees.

47. **Item 19** — Franchisors are required to disclose, in Item 19 of the FDD, whether they provide financial performance representations to prospective franchisees. From 2015-2019, Burgerim represented to the Commissioner that it does not make financial performance representations. Contrary to these assertions, Burgerim and its sales representatives provided the following financial performance representations and projected earnings statements to franchisees during initial sales meetings:

- a. franchisees make between \$700,000.00 and \$1,000,000.00 in the first year;
- b. franchisees enjoyed a 30-40% profit margin;
- c. other locations were making between \$20,000.00-\$120,000.00 per month; and
- d. not to worry because business is booming and thriving.

48. **Item 20** — Franchisors are required to disclose the number of franchises sold in Item 20 of the FDD. Burgerim misrepresented the number of franchises it sold in FDDs filed with the Commissioner:

Year	Franchises opened	Franchises sold but unopened
2016	2	83
2017	21	312
2018	109	452

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49. Contrary to the figures provided in its FDDs, the company sold 4 franchises in 2015, 27 in 2016, 660 in 2017, 646 in 2018, and at least 213 in 2019.

Year	Number of franchises sold	Franchise fees Burgerim collected
2015	4	\$200,000.00
2016	27	\$952,250.00
2017	660	\$23,010,080.00
2018	646	\$25,242,959.00
2019	213	\$8,301,955.00
Total	1,550	\$57,707,244.00

50. Section 31119 requires a franchisor to provide prospective franchisees with an FDD at least 14 days before a franchisee signs the franchise agreement or pays the initial franchise fee, whichever occurs first. Burgerim failed to do this in at least one instance.

G.

Food Chain Investments Violations

51. Loni was the corporate officer and owner of Burgerim and Food Chain from at least 2017 through 2019.

52. Food Chain offered Mediterranean food franchises under the brand name Saffron. Similar to Burgerim, Saffron’s sales representatives promised prospective franchisees that “[f]rom the moment you join the family, we will help provide financing for your total investment. Our team will be with you every step of the way while helping you qualify for your new restaurant. . . . Our real estate department will be working with you to find the best location for your new restaurant. . . . Once we find the best location for you, we will also assist with negotiating the lease terms.”

53. Contrary to these statements, franchisees were required to pay additional fees to Food Chain’s financing partners, in some cases \$8,000.00, even though they were unable to obtain a loan.

1 Additionally, the real estate team failed to supply franchisees with leads, and Food Chain failed to
 2 approve suitable potential locations that franchisees submitted for review.

3 54. **Item 1** — Franchisors are required to disclose, in Item 1 of the FDD, the name and
 4 principal business address of any affiliates that offer franchises in any line of business. An affiliate
 5 is defined as “an entity controlled by, controlling, or under common control with, another entity.”
 6 Loni controlled Burgerim and Food Chain Investments from 2017 through 2019. Food Chain failed
 7 to disclose Burgerim as an affiliate in Item 1 of FDDs filed with the Commissioner and provided to
 8 prospective franchisees from 2017 through 2019.

9 55. **Item 2** — Franchisors are required to list all sales agents in Item 2 of the FDD, or on
 10 the accompanying sales agent disclosure form. Loni was listed as Food Chain’s sole sales agent from
 11 2017-2019. Food Chain failed to disclose the following sales agents from 2017-2019: Ido Peretz,
 12 Guy Meron, and Janae Gilliam.

13 56. **Item 11** — Franchisors are required to disclose, in Item 11 of the FDD, the
 14 franchisor’s obligations to franchisees including assistance in locating a site and negotiating the
 15 purchase or lease of the site. Food Chain, by and through its representatives, assured prospective
 16 franchisees that it would help the franchisee every step of the way, including obtaining financing,
 17 finding and leasing a location, and construction. Food Chain failed to disclose these obligations in
 18 Item 11 of its FDDs filed with the commissioner and provided to prospective franchisees from 2017-
 19 2019.

20 **III.**
 21 **Citations and Desist and Refrain Order**
 22 **Violations of Corporations Code Sections 31119, 31123, 31200, and 31201**

23 57. Corporations Code section 31119 provides, in relevant part:

24 (a) It is unlawful to sell any franchise in this state that is subject to
 25 registration under this law without first providing to the prospective
 26 franchisee, at least 14 days prior to the execution by the prospective
 27 franchisee of any binding franchise or other agreement, or at least 14 days
 28 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.

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58. 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.

59. 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.

60. Corporations Code section 31201 provides:

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

61. 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 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 Corporations Fund.

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

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

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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.

A.
Burgerim Group USA, Inc. and Oren Loni

62. **CITATION A (1 violation):** Based upon the foregoing findings, the Commissioner is of the opinion that Burgerim Group USA, Inc., in violation of section 31119, offered and sold at least one franchise without first providing the prospective franchisee a copy of the FDD at least 14 days before signing the franchise agreement or receipt of consideration.

63. **CITATIONS B through K:** Based upon the foregoing findings, the Commissioner is of the opinion that Burgerim Group USA and Oren Loni willfully made untrue statements of material fact in applications filed with the Commissioner, omitted to state material facts which were required to be stated in applications, and failed to promptly amend applications filed with the Commissioner as required under section 31123, in violation of section 31200, including the following:

- a. **CITATION B (3 violations): Item 1** – Burgerim and Loni failed to amend the application in 2017 to disclose, and failed to disclose in 2018 and 2019, Food Chain as an affiliate in Item 1 of FDDs filed with the Commissioner and provided to prospective franchisees.
- b. **CITATION C (5 violations): Item 2** – Burgerim and Loni failed to amend the application to disclose and failed to disclose the following officers and sales managers in Item 2 of FDDs (or on the sales agent disclosure form attached to FDDs) filed with the Commissioner and provided to franchisees: Amit Buchnik, Mark Bastorous, Carlos Calderon, Janae Gilliam, and O’Mead Kangarlou.

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- c. **CITATION D (3 violations): Item 4** – Burgerim and Loni failed to amend the application to disclose, and failed to disclose, Mark Bastorous’s December 8, 2017 petition for chapter 7 bankruptcy in Item 4 of FDDs filed with the Commissioner and provided to prospective franchisees and failed to disclose this bankruptcy in the FDDs filed with the Commissioner in 2018 and 2019.
- d. **CITATION E (3 violations): Item 5** – Burgerim and Loni misrepresented, in Item 5 of FDDs filed with the Commissioner and provided to franchisees from 2017-2019, that the initial franchise fee is non-refundable. Burgerim, Loni, and its sales representatives routinely and consistently promised franchisees they could obtain a refund.
- e. **CITATION F (2 violations): Item 5-** Burgerim and Loni failed to disclose in Item 5 of FDDs filed with the Commissioner and provided to prospective franchisees in 2018 and 2019, that the \$50,000.00 initial franchise fee could be paid in two installments: \$30,000.00 when the franchise agreement was signed, and \$20,000.00 when the franchisee signed the lease.
- f. **CITATION G (4 violations): Item 6-** Burgerim and Loni misrepresented, in Item 6 of FDDs filed with the Commissioner and provided to franchisees from 2016 through 2019 that franchisees must pay a weekly royalty equaling 5% of gross sales. Contrary to these representations, Burgerim and Loni did not collect royalties from 2016 through May of 2019.
- g. **CITATION H (4 violations): Item 11-** Burgerim and Loni failed to disclose, in Item 11 of FDDs filed with the Commissioner and provided to prospective franchisees from 2016 through 2019, Burgerim’s obligation to help the franchisee every step of the way, including obtaining financing, finding and leasing a location, negotiating a lease, and construction.
- h. **CITATION I (2 violations): Item 18** – Burgerim and Loni failed to amend its application to disclose, and failed to disclose, that it paid Cheban at least

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\$305,000.00 from September 2018 through April of 2019 to endorse or recommend the franchise.

- i. **CITATION J (4 violations): Item 19** – Burgerim and Loni misrepresented, in Item 19 of FDDs filed with the Commissioner and provided to prospective franchisees from 2016 to 2019 that Burgerim and its sales representatives did not make any representations about franchisee’s future financial performance or the past financial performance of company owned or franchised outlets. In reality, Burgerim routinely provided franchisees with projected and historical profits, profit margins, and revenue.
- j. **CITATION K (2 violations): Item 20** – Burgerim and Loni underreported and misrepresented, in Item 20 of FDDs filed with the Commissioner in 2018 and 2019, the number of franchises sold.

64. **CITATIONS L to X (1,550 violations):** Based on the foregoing findings, the Commissioner incorporates by reference **CITATIONS B through K** and is of the opinion that from 2015 through at least 2019, Burgerim Group USA, Inc. and Loni, in connection with the offer and sale of franchises, made untrue statements of material facts, and omitted material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, to prospective franchisees, in violation of section 31201, as stated in **CITATIONS B through K** and as follows:

- a. **CITATION V:** To boost sales, Burgerim and Loni promised prospective franchisees that they could cancel their franchise agreement and obtain a refund but failed to disclose that Burgerim and Loni commingled initial franchise fees with operating expenses, did not transfer initial franchise fees to a separate, safe account, and used incoming franchisees’ initial franchise fees to repay existing franchisees’ refunds.
- b. **CITATION W:** Burgerim and Loni failed to disclose that they commingled Burgerim funds with its affiliate, Food Chain Investments’ funds.

1 c. **CITATION X:** Burgerim failed to disclose the number of franchisees who requested
2 to cancel, the reason for the cancellation, and the dollar amount of refunds paid to
3 former franchisees.

4 B.

5 Food Chain Investments, LLC and Oren Loni

6 65. **CITATIONS Y- AA:** Based upon the foregoing findings, the Commissioner is of
7 the opinion that from 2017 through 2019, Food Chain Investments, LLC and Oren Loni willfully
8 made untrue statements of material fact in applications filed with the Commissioner, omitted to
9 state material facts which were required to be stated in an application, and failed to promptly amend
10 applications filed with the Commissioner as required under section 31123, in violation of section
11 31200, including the following:

- 12 a. **CITATION Y (3 violations): Item 1** – Food Chain and Loni failed to disclose
13 Burgerim Group USA, Inc. as an affiliate in Item 1 of FDDs filed with the
14 Commissioner and provided to prospective franchisees from 2017 through 2019.
- 15 b. **CITATION Z (3 violations): Item 2** – Food Chain and Loni failed to amend
16 applications filed with the Commissioner to disclose, and failed to disclose, officers
17 and sales managers in Item 2 of FDDs or on the sales agent disclosure form attached
18 to FDDs, filed with the Commissioner, and provided to franchisees including Ido
19 Peretz, Guy Meron, and Janae Gilliam.
- 20 c. **CITATION AA (3 violations): Item 11** – Food Chain and Loni failed to disclose,
21 in Item 11 of FDDs filed with the Commissioner and provided to prospective
22 franchisees from 2017 through 2019 that Food Chain would help the franchisee
23 every step of the way, including obtaining financing, finding and leasing a location,
24 and construction.

25 66. **CITATIONS BB-DD (3 violations):** Based on the foregoing findings, the
26 Commissioner incorporates by reference **CITATIONS Y through AA** and is of the opinion that
27 Food Chain Investments, LLC and Oren Loni made untrue statements of material facts to
28 prospective franchisees, and omitted material facts necessary in order to make the statements made,

1 in the light of the circumstances under which they were made, not misleading, to prospective
2 franchisees, in violation of section 31201, as stated in **CITATIONS Y through AA.**

3 Pursuant to section 31406, Burgerim Group USA, Inc., Food Chain Investments, LLC, and
4 Oren Loni are hereby cited and ordered to desist and refrain from further violations of the Franchise
5 Investment Law, including sections 31119, 31123, 31200, and 31201.

6 67. This order is necessary, in the public interest, for the protection of franchisees and
7 consistent with the purposes, policies and provisions of the FIL.

8 **IV.**
9 **Administrative Penalties**

10 68. Pursuant to section 31406, Burgerim Group USA, Inc., Burgerim Group, Inc. (as
11 Burgerim’s alter ego and successor), and Oren Loni are hereby assessed and ordered to pay, jointly
12 and severally, an administrative penalty of \$3,957,500.00, which consists of a penalty of \$2,500.00
13 for each of the 1,583 violations of the FIL recited above.

14 69. Pursuant to section 31406 Food Chain Investments, LLC and Oren Loni are hereby
15 assessed and ordered to pay, jointly and severally, an administrative penalty of \$30,000.00, which
16 consists of a penalty of \$2,500.00 for each of the 12 violations of the FIL recited above.

17 70. The administrative penalties in the amount stated above shall be made in the form of
18 a cashier’s check payable to the Department of Financial Protection and Innovation and submitted
19 to the attention of: Accounting-Enforcement Division, California Department of Financial
20 Protection and Innovation, 2101 Arena Boulevard, Sacramento, California 95834. Notice of the
21 payment shall be sent to Danielle A. Stoumbos, Senior Counsel at Danielle.Stoumbos@dfpi.ca.gov
22 when the payment is made.

23 71. The administrative penalty shall be paid to the Commissioner within 30 days of the
24 date of this order.

25 72. This order is necessary, in the public interest, for the protection of investors and
26 franchisees and consistent with the purposes, policies and provisions of the FIL.

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V.
Attorney’s Fees and Investigative Expenses

73. Corporations Code section 31408 provides:

(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 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.

(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, for deposit into the State Corporations Fund for the use of the Department of Corporations.

74. Pursuant to section 31408, Burgerim Group USA, Inc., Burgerim Group, Inc., Food Chain Investments, LLC, and Oren Loni shall pay, jointly and severally, attorney’s fees and investigative expenses to the Department of Financial Protection and Innovation in the amount of \$18,750.00 or according to proof. The amount awarded for attorney’s fees and expenses shall be made in the form of a cashier’s check payable to the Department of Financial Protection and Innovation and submitted to the attention of: Accounting-Enforcement Division, California Department of Financial Protection and Innovation, 2101 Arena Boulevard, Sacramento, California 95834. Notice of the payment shall be sent to Danielle A. Stoumbos, Senior Counsel at Danielle.Stoumbos@dfpi.ca.gov when the payment is made.

75. The attorney’s fees and investigative expenses shall be paid to the Commissioner within 30 days of the date of this order.

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VI.
Ancillary Relief

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3 76. **Disgorgement.** The Commissioner finds that Burgerim Group Inc. is the alter ego
4 and/or successor of Burgerim Group USA, Inc., which was formed for the purpose of perpetrating a
5 fraud on, and shielding assets from, Burgerim franchisees. The Commissioner orders Burgerim
6 Group USA, Inc., Burgerim Group, Inc., Food Chain Investments USA, Inc., Oren Loni, Michael
7 Bohbot, and all other persons who are in receipt of, and who may receive ill-gotten funds (including
8 but not limited to rebates), to disgorge these ill-gotten funds pro-rata, to current and former
9 franchisees who have not been made whole.

10 77. **Rescission Offer.** The Commissioner, pursuant to Corporations Code section
11 31408, subdivision (a), orders Burgerim Group USA, Inc., Burgerim Group, Inc., Food Chain
12 Investments, LLC, and Oren Loni, jointly and severally, within 30 days of the date of this order, to
13 submit to the Commissioner for review, comment, and approval proposed offers to rescind the
14 Burgerim and Saffron franchise agreements (Rescission Offers). The Rescission Offers must
15 include an offer to financially place the franchisees in the position they were in before they entered
16 into the franchise agreements.

17 78. **Service of Rescission Offer** – The Commissioner orders Burgerim Group USA,
18 Inc., Burgerim Group, Inc., Food Chain Investments, LLC, and Oren Loni, jointly and severally,
19 within 30 days of the Commissioner’s approval of the Rescission Offers, to serve each franchisee
20 that has not previously received rescission and a full refund (the Franchisee Class), via mail, return
21 receipt requested, and email, with a copy of the approved Rescission Offers, together with a copy of
22 this Citation. No other documents shall be included in the mailing absent the Commissioner’s
23 approval.

24 79. **Proof of Service** – The Commissioner orders Burgerim Group USA, Inc., Burgerim
25 Group, Inc., Food Chain Investments, LLC, and Oren Loni, jointly and severally, within 30 days of
26 the Commissioner’s approval of the Rescission Offers to submit to the Commissioner, in a form
27 acceptable to the Commissioner, proof that they have served the Rescission Offer and Citations on
28 all franchisees in the Franchisee Class, and a report that contains the name and contact information

1 (including address, telephone number, and email address) of each franchisee served with the
2 Rescission Offer and Citations.

3 80. **Franchisee Response Report** – The Commissioner orders Burgerim Group USA,
4 Inc., Burgerim Group, Inc., Food Chain Investments, LLC, and Oren Loni, jointly and severally,
5 within 75 days of the Commissioner’s approval of the Rescission Offers, to submit to the
6 Commissioner satisfactory documentation evidencing each Burgerim and Food Chain franchisees’
7 response to the Rescission Offers. The documentation of each response shall be sent to the
8 attention of Danielle A. Stoumbos, Senior Counsel at Danielle.Stoumbos@dfpi.ca.gov.

9 81. **Refunds** – The Commissioner orders Burgerim Group USA, Inc., Burgerim Group,
10 Inc., Food Chain Investments, LLC, and Oren Loni (jointly and severally) to provide rescission and
11 refunds to all franchisees who request it within 30 days of receiving the request.

12 82. **Refund Report** – The Commissioner orders Burgerim Group USA, Inc., Burgerim
13 Group, Inc., Food Chain Investments, LLC, and Oren Loni to submit to the Commissioner
14 satisfactory documentation evidencing proof of rescission and refund within 30 days of providing
15 such relief to each franchisee in the Franchisee Class. The refund report shall be sent to the
16 attention of Danielle A. Stoumbos, Senior Counsel at Danielle.Stoumbos@dfpi.ca.gov.

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

20 Dated: February 16, 2021
21 Los Angeles, California

22 MANUEL P. ALVAREZ
23 Commissioner of Financial Protection and Innovation



24 By _____
25 MARY ANN SMITH
26 Deputy Commissioner
27 Enforcement Division
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