

1 CLOTHILDE V. HEWLETT
Commissioner
2 COLLEEN MONAHAN
3 Deputy Commissioner-Legal Division
SHOHREH ARAM (State Bar No. 192870)
4 Senior Counsel
Department of Financial Protection and Innovation
5 320 W. 4th Street, Suite 750
Los Angeles, California 90013
6 Telephone: (213) 576-7584

7 Attorneys for Complainant

8 BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION
9 OF THE STATE OF CALIFORNIA
10

11 In the Matter of:)
12)
13 THE COMMISSIONER OF FINANCIAL)
PROTECTION AND INNOVATION,)
14) CONSENT ORDER
Complainant,)
15 v.)
16)
17 OCTOCLEAN FRANCHISING SYSTEMS,)
INC., doing business as OCTOCLEAN,)
18)
Respondent.)
19)

20 This Consent Order is entered into between the Commissioner of Financial Protection and
21 Innovation (Commissioner) and OctoClean Franchising Systems, Inc., doing business as OctoClean
22 (Respondent) and is made with respect to the following facts:

23 **I.**

24 **RECITALS**

25 A. The Commissioner is the head of the Department of Financial Protection and
26 Innovation (Department) and is responsible for administering and enforcing the Franchise
27 Investment Law (FIL) (Corp. Code, § 31000 et seq.),¹ and registering the offer and sale of franchises
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¹ All further statutory references are to the Corporations Code unless otherwise indicated.

1 in California. To register a franchise, a franchisor must file an application that includes a Franchise
2 Disclosure Document (FDD) with the Department for review, in accordance with sections 31111 and
3 31114.

4 B. At all relevant times, OctoClean Franchising Systems, Inc., doing business as
5 OctoClean is a California Corporation with a principal place of business located at 1695 Spruce
6 Street, Suite 100, Riverside, California 92507.

7 C. Charles W. Stowe is the president of OctoClean Franchising Systems, Inc. and is
8 authorized to enter into this Consent Order on behalf of OctoClean Franchising Systems, Inc.

9 D. At all relevant times, Respondent sold franchises involving the operation of a
10 business operating a local commercial cleaning, maintenance, and janitorial business using the
11 Respondent’s franchise system.

12 E. Pursuant to section 31110, it is unlawful for any person to offer or sell a franchise in
13 California, unless the offer is registered with the Commissioner or is exempt from registration.

14 F. From at least May 4, 2020, to December 30, 2021, Respondent entered into at least
15 twelve (12) franchise agreements (Agreements) with various California franchisees for the operation
16 of stores, using a system prescribed by Respondent. During the relevant time, Respondent were not
17 registered to offer and sell franchises by the Commissioner, nor were Respondent exempt from
18 registration, in violation of Corporations Code section 31110.

19 G. It is unlawful to sell any franchise without first providing a prospective franchisee
20 with the FDD at least fourteen (14) days prior to the execution of a franchise agreement or receipt of
21 consideration. Cal. Corp. Code § 31119.

22 H. From at least May 4, 2020, to December 30, 2021, Respondent failed to provide an
23 FDD to the twelve (12) franchisees at least fourteen (14) days prior to the execution of the
24 Agreements or receipt of consideration, in violation of Corporations Code section 31119.

25 I. The Commissioner finds that from at least January 31, 2020, to December 30, 2021,
26 Respondent offered and sold non-exempt, unregistered franchises, to twelve (12) franchisees in
27 California, in violation of Corporations Code section 31110.
28

1 J. The Commissioner also finds that Respondent failed to provide an FDD to twelve
2 (12) franchisees at least fourteen (14) days prior to the execution of the Agreements or receipt of
3 consideration, in violation of Corporations Code section 31119.

4 K. NOW, THEREFORE, in consideration of the foregoing, and the terms and conditions
5 set forth herein, the Parties agree as follows.

6 **II.**

7 **TERMS AND CONDITIONS**

8 1. Purpose. This Consent Order resolves the issues before the Commissioner,
9 described in the Recitals above, in a manner that avoids the expense of a hearing and other possible
10 court proceedings, protects consumers, is in the public interest, and is consistent with the purposes
11 and provisions of the applicable law.

12 2. Desist and Refrain Order. Pursuant to Corporations Code sections 31402 and 31406,
13 OctoClean Franchising Systems, Inc., doing business as OctoClean are hereby ordered to desist and
14 refrain from the violations set forth herein, in violation of Corporations Code sections 31110 and
15 31119. This desist and refrain order is final and effective from the effective date of this Consent
16 Order, as defined in Paragraph 22 (Effective Date). The issuance of this desist and refrain order is
17 necessary, in the public interest, for the protection of investors and is consistent with the purposes,
18 policies, and provisions of the Franchise Investment Law.

19 3. Penalties. OctoClean Franchising Systems, Inc., doing business as OctoClean shall
20 pay penalties of **\$35,000** for the violations discussed herein. OctoClean Franchising Systems, Inc.,
21 doing business as OctoClean shall pay the penalties to the Commissioner within ten (10) calendar
22 days of the Effective Date of this Consent Order in Paragraph 22 via cashier's check or Automated
23 Clearing House deposit to the Department of Financial Protection and Innovation, **Accounting -**
24 **Legal**, 2101 Arena Blvd., Sacramento, California 95834. Notice of the payment must be
25 concurrently sent via email to Shohreh Aram, Senior Counsel at Shohreh.Aram@dfpi.ca.gov. Failure
26 to timely pay the Penalties constitutes a breach of this Consent Order.

27 4. Cancellation of Franchise Agreements and Refund of Initial Franchise Fees for All
28 Affected California Franchises. Respondent agrees to inform and allow the California franchisees

1 listed in **Exhibit A**, to choose to cancel their franchise agreement and obtain a full refund all
2 franchise fees paid. Respondent shall do so within one (1) week from the Effective Date of this
3 Consent Order in Paragraph 22. No credits or benefits paid to, or received by, a franchisee shall
4 offset the Refund Payment. A form Cancellation Notice and Refund of the Initial Franchise Fees are
5 attached as **Exhibit B** (“Cancellation Notice”). Franchisees will have thirty (30) calendar days from
6 the receipt of the of the Cancellation Notice, sent by certified mail to all California franchisees, to
7 notify the Respondent whether they would like to cancel their franchise agreement. This provision
8 shall apply to all California franchisees who purchased an OctoClean franchise regardless of whether
9 they were terminated on or before the Effective Date of this Consent Order in Paragraph 22,
10 including any that are eligible but may have been omitted from **Exhibit A**, according to proof.

11 5. Waiver of Hearing Rights. Respondent acknowledges that the Commissioner is
12 ready, willing, and able to proceed with the filing of an administrative enforcement action on the
13 charges contained in this Consent Order. Respondent hereby waive the right to any hearings, and to
14 any reconsideration, appeal, or other right to review which may be afforded pursuant to the FIL, the
15 Administrative Procedure Act (APA), the Code of Civil Procedure (CCP), or any other provision of
16 law. Respondent further expressly waive any requirement for the filing of an accusation pursuant to
17 Government Code section 11415.60, subdivision (b). By waiving such rights, Respondent
18 effectively consent to this Consent Order becoming final.

19 6. Failure to Comply with Consent Order. Respondent agrees that if it fails to comply
20 with the terms of this Consent Order, the Commissioner may, in addition to all other available
21 remedies it may invoke under the FIL, summarily suspend, or revoke Respondent’ franchise
22 registration (if applicable) or deny Respondent’ FIL applications (if applicable), until Respondent is
23 in compliance. Respondent waives any notice and hearing rights to contest such summary actions by
24 the Commissioner, which may be afforded under the FIL, APA, CCP, or any other provision of law.

25 7. Willfully Withheld or Misrepresented. This Consent Order may be revoked, and the
26 Commissioner may pursue any and all remedies available under law against Respondent, if the
27 Commissioner discovers that Respondent knowingly or willfully withheld or misrepresented
28 information used for and relied upon in this Consent Order.

1 8. Future Actions by Commissioner. If Respondent fail to comply with any terms of the
2 Consent Order, the Commissioner may institute proceedings for any and all violations otherwise
3 resolved by this Consent Order. The Commissioner reserves the right to bring any future actions
4 against Respondent, or any of its partners, owners, officers, shareholders, directors, employees, or
5 successors for any and all unknown violations of the FIL or any other law under the Commissioner’s
6 jurisdiction.

7 9. Assisting Other Agencies. Nothing in this Consent Order limits the Commissioner’s
8 ability to assist any other government agency (whether city, county, state, or federal) with any
9 administrative, civil, or criminal action brought by that agency against Respondent, or any other
10 person based upon any of the activities alleged in this matter or otherwise.

11 10. Headings. The headings to the paragraphs of this Consent Order are inserted for
12 convenience only and will not be deemed a part hereof or affect the construction or interpretation of
13 the provisions hereof.

14 11. Binding. This Consent Order is binding on all heirs, assigns, and/or successors in
15 interest.

16 12. Reliance. Each of the Parties represents, warrants, and agrees that in executing this
17 Consent Order, it has relied solely on the statements set forth herein and the advice of its own
18 counsel. Each of the Parties further represents, warrants, and agrees that in executing this Consent
19 Order, it has placed no reliance on any statement, representation, or promise of any other party, or
20 any other person or entity not expressly set forth herein, or upon the failure of any party or any
21 other person or entity to make any statement, representation, or disclosure of anything whatsoever.
22 The Parties have included this clause: (1) to preclude any claim that any party was in any way
23 fraudulently induced to execute this Consent Order; and (2) to preclude the introduction of parol
24 evidence to vary, interpret, supplement, or contradict the terms of this Consent Order.

25 13. Waiver, Amendments, and Modifications. No waiver, amendment, or modification
26 of this Consent Order will be valid or binding unless it is in writing and signed by each of the
27 Parties. The waiver of any provision of this Consent Order will not be deemed a waiver of any
28 other provision. No waiver by either Party of any breach of, or of compliance with, any condition

1 or provision of this Consent Order by the other Party will be considered a waiver of any other
2 condition or provision or of the same condition or provision at another time.

3 14. Full Integration. This Consent Order is the final written expression and the complete
4 and exclusive statement of all the agreements, conditions, promises, representations, and covenant
5 between the Parties with respect to the subject matter hereof, and supersedes all prior or
6 contemporaneous agreements, negotiations, representations, understandings, and discussions
7 between and among the Parties, their respective representatives, and any other person or entity with
8 respect to the subject matter covered hereby.

9 15. Governing Law. This Consent Order will be governed by and construed in
10 accordance with California law. Each of the Parties hereto consents to the jurisdiction of such
11 court, and hereby irrevocably waives, to the fullest extent permitted by law, the defense of an
12 inconvenient forum to the maintenance of such action or proceeding in such court.

13 16. Counterparts. This Consent Order may be executed in one or more separate
14 counterparts, each of which when so executed, shall be deemed an original. Such counterparts shall
15 together constitute a single document.

16 17. Effect Upon Future Proceedings. If Respondent apply for any license, registration,
17 permit, or qualification under the Commissioner’s current or future jurisdiction, or is the subject of
18 any future action by the Commissioner to enforce this Consent Order, then the subject matter hereof
19 shall be admitted for the purpose of such application(s) or enforcement proceeding(s).

20 18. Voluntary Order. Respondent enters this Consent Order voluntarily and without
21 coercion and acknowledges that no promises, threats, or assurances have been made by the
22 Commissioner or any officer, or agent thereof, about this Consent Order. The Parties each
23 represent and acknowledge that he, she, or it is executing this Consent Order completely voluntarily
24 and without any duress or undue influence of any kind from any source.

25 19. Notice. Any notice required under this Consent Order shall be provided to each
26 party at the following addresses:
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To Respondent: Thomas M. O’Connell
Buchalter, A Professional Corporation
1000 Wilshire Boulevard, Suite 1500
Los Angeles, CA 90017
toconnell@buchalter.com

To the Commissioner: Shohreh Aram
Senior Counsel
Department of Financial Protection and Innovation
320 W. 4th Street, Suite 750
Los Angeles, CA 90013
Shohreh.Aram@dfpi.ca.gov

20. Signatures. A fax, scanned, or electronic signature shall be deemed the same as an original signature.

21. Public Record. Respondent hereby acknowledge that this Consent Order is and will be a matter of public record.

22. Effective Date. This Consent Order shall become final and effective when signed by all Parties and delivered by the Commissioner’s agent via e-mail to Respondent’ agent Thomas W. Oconnell, at toconnell@buchalter.com.

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23. Authority to Sign. Each signatory hereto covenants that he/she possesses all necessary capacity and authority to sign and enter into this Consent Order and undertake the obligations set forth herein.

Dated: September 5, 2023

CLOTHILDE V. HEWLETT
Commissioner of Department of Financial Protection
and Innovation

By: _____
COLLEEN MONAHAN
Deputy Commissioner-Legal Division

Dated: _____

OCTOCLEAN FRANCHISING SYSTEMS, INC
doing business as OCTOCLEAN

By: _____
CHARLES W. STOWE
President of OctoClean Franchising Systems, Inc.

Exhibit A
List of CA Franchisees

Name and Address		Date of Sale
1.	Ricardo Pimentel 7467 Eddy Ave Riverside, CA 92509	05/04/2020
2.	Jennifer Chavez 15173 Black Shadow Dr. Moreno Valley, CA 92551	05/16/2020
3.	Carol Swain 941 E. Monrode Ave, Lot 9 Buckeye, AZ 85326	08/30/2021
4.	Willie Gamble, Jr. 2107 Lavendar Lane Colton, CA 92324	08/19/2021
5.	Lydia Garcia 786 E. Mission Avenue, #D Escondido, CA 92025	07/14/2021
6.	Jose Velasquez 2915 E 56th Way Long Beach, CA 90805	04/14/2021
7.	Jessica Martin 1640 East Olive Ave. Gilbert, AZ 85234	05/07/2021
8.	Don Martin 9217 S. 5th Street Inglewood, CA 90305	06/05/2021
9.	Margarita Flores 14025 Farmington Street Oak Hills, CA 92345	12/30/2021
10.	Juan Alvarado 256 N. Fillmore Avenue Rialto, CA 92376	05/28/2021
11.	Erick Sosa 3537 Maguire Road San Diego, CA 92173	09/27/2021
12.	Robert Phillips 34447 Yucaipa Blvd. #14 Yucaipa, CA 92399	08/27/2021

Exhibit B

Cancellation Notice and Refund of Initial Franchise Fees

Re: Offer of Cancellation of the Franchise Agreement and Refund of Initial Franchise Fees

Dear Franchisee,

From May 4, 2020, to December 30, 2021, OctoClean Franchising Systems, Inc. (“Respondent”) offered and sold twelve (12) OctoClean franchises in the State of California without registration. that should have offered and sold the franchises.

On September 5, 2023, the California Department of Financial Protection and Innovation issued a Consent Order against Respondent, in which Respondent agreed to offer you the opportunity to cancel your franchise agreement and obtain a full refund of the initial franchise fee paid for the purchase of your franchise. See attached Consent Order. If you would like to cancel your agreement and obtain a refund, we will immediately refund you the total initial franchise fees that you paid to us. This means that your Franchise Agreement will be cancelled, and you would have no further obligations or rights to operate your franchise under the OctoClean brand and system.

Please let us know within thirty (30) calendar days from receipt of this notice whether you want to cancel your Franchise Agreement and obtain a refund. You may respond via email, or by signing below and mailing the form to us.

If you have any questions about what this means, please do not hesitate to let us know by calling Charles W. Stowe at 951-300-1155 or via e-mail at mstowe@octoclean.com.

Sincerely,

Name: Charles W. Stowe
OctoClean Franchising Systems, Inc.

Please check one:

Yes, I would like to cancel my Franchise Agreement and obtain a full refund of the initial fee paid.

No, I do not want to cancel my Franchise Agreement.

(Name)

(Signature)