

1 CLOTHILDE V. HEWLETT
Commissioner of Financial Protection and Innovation
2 COLLEEN MONAHAN
Deputy Commissioner
3 THERESA LEETS
Assistant Chief Counsel
4 MARISA I. URTEAGA-WATKINS (State Bar No. 236398)
Senior Counsel
5 Department of Financial Protection and Innovation
6 2101 Arena Blvd.
7 Sacramento, California 95834

8 Attorneys for Complainant

9 BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION

10 OF THE STATE OF CALIFORNIA

11 In the Matter of:)
)
12 THE COMMISSIONER OF FINANCIAL)
PROTECTION AND INNOVATION,)
13) CONSENT ORDER
Complainant,)
14 v.)
)
15 FALAFEL CORNER FRANCHISING CORP.,)
16 also known as FALAFEL CORNER,)
)
17 Respondent.)
18)

19 This Consent Order is entered into between the Commissioner of Financial Protection and
20 Innovation (Commissioner) and Falafel Corner Franchising Corp., also known as Falafel Corner,
21 (Falafel) and together with Commissioner, (Parties) and is made with respect to the following facts:

22 **I.**

23 **RECITALS**

24 A. The Commissioner is the head of the Department of Financial Protection and
25 Innovation (Department) and is responsible for administering and enforcing the Franchise
26 Investment Law (FIL) (Corp. Code, § 31000 et seq.),¹ and registering the offer and sale of franchises
27 in California. To register a franchise, a franchisor must file an application that includes a Franchise
28

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

1 Disclosure Document (FDD) with the Department for review, in accordance with sections 31111 and
2 31114. The FIL requires franchisors to disclose certain material information that is intended to
3 provide prospective franchisees with facts upon which to make an informed decision to purchase a
4 franchise, as stated in section 31001.

5 B. At all relevant times, Falafel was and is a California corporation with a principal
6 place of business located at 3620 N. Freeway Boulevard, Suite 305, Sacramento, California 95834.
7 Falafel offers and sells fast casual Mediterranean restaurant franchises that provide falafel and
8 related foods to consumers. Falafel engaged in the offer and sale of Falafel franchises in California.

9 C. At all relevant times, Falafel was registered to offer and sell franchises in California
10 by the Department during the following times: February 2, 2021 to April 20, 2021; May 20, 2021 to
11 April 20, 2022; and June 15, 2022 to April 20, 2023. Falafel filed application number 27685 on
12 April 19, 2023 with the Department (2023 Application). The 2023 Application is pending approval
13 by the Department.

14 D. Pursuant to section 31203, it is unlawful for any person to violate any order of the
15 Commissioner or condition to the effectiveness of the registration of the offer or sale of franchises.

16 E. On April 11, 2022, Falafel filed FIL registration application number 23828 with the
17 Department (2022 Application). The 2022 Application was approved by the Department on the
18 condition that Falafel maintain a working capital balance of \$125,000 or more (Condition of
19 Registration). In addition, the Department required an affidavit executed by Falafel that Falafel
20 would maintain that amount of cash in its bank account throughout the registration period, along
21 with proof of deposit in the form of a confidential bank statement.

22 F. On April 19, 2023, Falafel filed the 2023 Application with the Department. During
23 the review of the 2023 Application, the Department discovered that Falafel failed to keep the
24 Condition of Registration in December 2022. On or about June 15, 2023, Falafel admitted that
25 Falafel failed to keep the Condition of Registration in 2022 to the Department.

26 K. The Commissioner finds that Falafel violated a condition to the effectiveness of the
27 registration of the offer or sale of franchises, pursuant to section 31203.

28 NOW, THEREFORE, in consideration of the foregoing, and the terms and conditions set

1 forth herein, the Parties agree as follows:

2 **II.**

3 **TERMS AND CONDITIONS**

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

8 2. **Desist and Refrain Order.** Pursuant to section 31406, Falafel is hereby ordered to
9 desist and refrain from the violations set forth herein, in violation of Corporations Code section
10 31203, and from any violations of the Franchise Investment Law. The issuance of this order is
11 necessary, in the public interest, for the protection of investors, and is consistent with the purposes,
12 policies, and provisions of the Franchise Investment Law.

13 3. **Penalties.** Falafel Corner Franchising Corp., also known as Falafel Corner shall pay
14 an administrative penalty of two thousand five hundred dollars (\$2,500.00) (Penalties) no later than
15 fifteen (15) days after the effective date of this Consent Order as defined in paragraph 21 (Effective
16 Date). The Penalties must be made payable in the form of a cashier's check or Automated Clearing
17 House deposit to the Department and transmitted to the attention of Accounting-Legal at the
18 Department of Financial Protection and Innovation, 2101 Arena Boulevard, Sacramento, California
19 95834. Notice of the payment must be concurrently sent via email to marisa.urteaga-
20 watkins@dfpi.ca.gov. Failure to pay Penalties in a timely manner shall be deemed to be a material
21 breach of this Consent Order.

22 4. **Waiver of Hearing Rights.** Falafel acknowledges that the Commissioner is ready,
23 willing, and able to proceed with the filing of an administrative enforcement action on the charges
24 contained in this Consent Order. Falafel hereby waives the right to any hearings, and to any
25 reconsideration, appeal, or other right to review which may be afforded pursuant to the FIL, the
26 Administrative Procedure Act, the Code of Civil Procedure, or any other provision of law. Falafel
27 further expressly waives any requirement for the filing of any accusation pursuant to Government
28 Code section 11415.60, subdivision (b). By waiving such rights, Falafel effectively consents to this

1 Consent Order and all of its terms becoming final.

2 5. Failure to Comply with Consent Order or Cure Breach. Falafel agrees that if it fails
3 to comply with the Desist and Refrain Order in this Consent Order, or fails to timely cure any
4 breach to the satisfaction of the Commissioner, the Commissioner may, in addition to all other
5 available remedies it may invoke under the FIL, summarily suspend, revoke, or deny its FIL
6 registration (if applicable). Falafel stipulates to the finality of any such FIL registration
7 suspensions, revocations, or denials that the Commissioner may order. Falafel waives any notice
8 and hearing rights to contest such summary suspensions, revocations, or denials which may be
9 afforded under the FIL, the California Administrative Procedure Act, the California Code of Civil
10 Procedure, or any other provision of law in connection therewith.

11 6. Information Willfully Withheld or Misrepresented. This Consent Order may be
12 revoked, and the Commissioner may pursue any and all remedies available under law against
13 Falafel, if the Commissioner discovers that Falafel knowingly or willfully withheld or
14 misrepresented information used for and relied upon in this Consent Order.

15 7. Future Actions by Commissioner. If Falafel fails to comply with any terms of the
16 Consent Order, the Commissioner may institute proceedings for any and all violations otherwise
17 resolved by this Consent Order. The Commissioner reserves the right to bring any future actions
18 against Falafel, or any of its partners, owners, officers, shareholders, directors, employees, or
19 successors for any and all unknown violations of the FIL or any other law under the Commissioner’s
20 jurisdiction.

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

25 9. Headings. The headings to the paragraphs of this Consent Order are inserted for
26 convenience only and will not be deemed a part hereof or affect the construction or interpretation of
27 the provisions hereof.
28

1 10. Binding. This Consent Order is binding on all heirs, assigns, and/or successors in
2 interest.

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

12 12. Waiver, Amendments, and Modifications. No waiver, amendment, or modification
13 of this Consent Order will be valid or binding unless it is in writing and signed by each of the
14 Parties. The waiver of any provision of this Consent Order will not be deemed a waiver of any
15 other provision. No waiver by either Party of any breach of, or of compliance with, any condition
16 or provision of this Consent Order by the other Party will be considered a waiver of any other
17 condition or provision or of the same condition or provision at another time.

18 13. Full Integration. This Consent Order is the final written expression and the complete
19 and exclusive statement of all the agreements, conditions, promises, representations, and covenant
20 between the Parties with respect to the subject matter hereof, and supersedes all prior or
21 contemporaneous agreements, negotiations, representations, understandings, and discussions
22 between and among the Parties, their respective representatives, and any other person or entity with
23 respect to the subject matter covered hereby.

24 14. Governing Law. This Consent Order will be governed by and construed in
25 accordance with California law. Each of the Parties hereto consents to the jurisdiction of such
26 court, and hereby irrevocably waives, to the fullest extent permitted by law, the defense of an
27 inconvenient forum to the maintenance of such action or proceeding in such court.
28

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

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

8 17. Voluntary Agreement. Falafel enters into this Consent Order voluntarily and without
9 coercion and acknowledges that no promises, threats, or assurances have been made by the
10 Commissioner or any officer, or agent thereof, about this Consent Order. The Parties each
11 represent and acknowledge that he, she, or it is executing this Consent Order completely voluntarily
12 and without any duress or undue influence of any kind from any source.

13 18. Notice. Any notice required under this Consent Order shall be provided to each
14 party at the following addresses:

15 To Falafel: Richard D. Sopp, Esq.
16 Wheatley, Sopp, & Madsen, LLP.
17 81 Blue Ravine Road, Suite 230
18 Folsom, California 95630
19 rds@wheatleysopp.com

20 To the Commissioner: Marisa I. Urteaga-Watkins, Esq.
21 Department of Financial Protection and Innovation
22 2101 Arena Blvd.
23 Sacramento, California 95834
24 marisa.urteaga-watkins@dfpi.ca.gov

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

27 20. Public Record. Falafel hereby acknowledges that this Consent Order is and will be a
28 matter of public record.

 21. 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 Falafel’s agent, Richard D.
Sopp, Esq., at rds@wheatleysopp.com.

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

4
5 Dated: 11/17/2023

CLOTHILDE V. HEWLETT
Commissioner of Financial Protection
and Innovation

6
7
8 By: _____
9 COLLEEN MONAHAN
10 Deputy Commissioner

11
12 Dated: _____

FALAFEL CORNER FRANCHISING CORP. also
known as FALAFEL CORNER

13
14
15 By: _____
16 SAJAD SHAKOOR
17 Chief Executive Officer