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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)
13 PROTECTION AND INNOVATION,)
14 Complainant,) CONSENT ORDER
15 v.)
16 TEA O’LA, INC., also known as TEA O’ LA,)
17 Respondent.)

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19 This Consent Order is entered into between the Commissioner of Financial Protection and
20 Innovation (Commissioner), and TEA O’LA, Inc., doing business as TEA O’LA (TLA) collectively,
21 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 which includes a Uniform
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¹ All further statutory references are to the Corporations Code unless otherwise indicated.

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

5 B. At all relevant times, TLA was and is a California corporation with a principal place
6 of business located at 5055 Walnut Grove Ave. San Gabriel, California 91776. At all relevant times,
7 TLA offers and sells franchises that provides beverages, light meals, and related food items to
8 California consumers. At all relevant times, TLA engaged in the offer and sale of TLA franchises in
9 California. At all relevant times, TLA was registered to offer and sell franchises in California by the
10 Department from August 18, 2014, to April 20, 2023².

11 C. Pursuant to section 31201, it is unlawful for any person to offer or sell a franchise in
12 this state by means of any written or oral communication not enumerated in section 31200, which
13 includes an untrue statement of a material fact or omits to state a material fact necessary in order to
14 make the statements made, in the light of the circumstances under which they were made, not
15 misleading.

16 1. TLA filed an application with the Department for FIL registration in
17 2023 (2023 Application). In the 2023 Application, TLA disclosed the following in Item 1 of the
18 2023 Application FDD: *“We are also an affiliate of TLA Chat Station, Inc., a California corporation*
19 *(“TLA Chat Station”)* *and commonly owned by the President of Franchisor. TLA Chat Station was*
20 *established in 2014 in California and is an approved supplier.”* However, TLA failed to disclose this
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24 ² At all relevant times, TEA was registered to offer and sell franchises in California by the Department during
25 the following times: April 18, 2014 to April 20, 2015; May 4, 2016 to April 20, 2017; April 20, 2017 approving on June
26 1, 2017 to April 20, 2018; May 18, 2018 to April 22, 2019; May 21, 2019 to April 20, 2020; July 2, 2020 to April 20,
27 2021; June 8, 2021 to April 20, 2022; and October 14, 2022 to April 20, 2023. TEA filed application no. 27090 received
28 by the Department on March 29, 2023 which is still pending (2023 Application): 1. App-2608 received 6/9/2014 order
approving April 18, 2014 to April 20, 2015; 2. App-6196 received 4/27/2016 order approving May 4, 2016 to April 20,
2017; 3. App-8651 received 4/20/ 2017 order approving on June 1, 2017 to April 20, 2018; 4. App-11518 received
4/13/2018 order approving May 18, 2018 to April 22, 2019; 5.App-15426 received 5/14/2019 order approving May 21,
2019 to April 20, 2020; 6. App-17569 received 4/16/2020 order approving July 2, 2020 to April 20, 2021; 7. App-20130
received 3/16/2021 order approving June 8, 2021 to April 20, 2022; 8. App-23640 received 4/1/2022 order approving
October 14, 2022 to April 20, 2023; and 9.App-27090 received 3/29/2023 pending approval.

1 affiliate information in all of the prior eight (8) applications filed with the Department listed in
2 footnote 2.

3 2. Also in the 2023 Application, TLA disclosed the following in Item 8 of the 2023
4 Application FDD: *“In the year ended December 31, 2022, Our revenues from franchisees’*
5 *purchases or leases of required products/services from Us were \$0, or 0% of Our total revenues of*
6 *\$35,000.00. In the year ended December 31, 2022, TLA Chat Station’s revenues from franchisees’*
7 *purchases or leases of required products/services from TLA Chat Station were \$236,480.97, or 78%*
8 *of TLA Chat Station’s total revenues of \$302,782.07. In the year ended December 31, 2022, neither*
9 *Predecessor nor the Company derived any revenues from franchisees’ purchases or leases of*
10 *required products/services. We estimate that 80-90% of your expenditures for leases and purchases*
11 *in establishing your Outlet and on an ongoing basis will be for goods and services which are subject*
12 *to sourcing restrictions (that is, for which suppliers must be approved by Us, or which must meet our*
13 *standards or specifications).”* \$246,480.97 is a material and significant amount of revenue received
14 by an affiliate for purchases by franchisees. However, TLA disclosed this information only when
15 the Department issued a comment letter to TLA and specifically requested said information. TLA
16 did not disclose this material information upon submitting the 2023 Application. Revenue
17 information regarding the affiliate TLA Chat was not disclosed in all prior TLA applications.

18 TLA has been offering and selling franchises in California since 2014. However, it was only
19 in the 2023 Application that TLA disclosed that since 2014, TLA Chat Station was a TLA affiliate.
20 Information regarding the identity of affiliates is a material fact necessary in order to make the
21 statements in all filed TLA FDD’s, in light of the circumstances under which they were made not
22 misleading. TLA failed to disclose this affiliate information in all of the prior eight (8) applications
23 filed with the Department. Therefore, as affiliate information is material and must be disclosed, TLA
24 violated section 31201.

25 D. The Commissioner also finds that TLA offered or sell a franchise in this state by
26 means of any written or oral communication not enumerated in section 31200, which includes an
27 untrue statement of a material fact or omits to state a material fact necessary in order to make the
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1 statements made, in the light of the circumstances under which they were made, misleading, in
2 violation of section 31201.

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

5 **II.**

6 **TERMS AND CONDITIONS**

7 1. Purpose. This Consent Order resolves the issues before the Commissioner [findings
8 in paragraphs A through D above] in a manner that avoids the expense of a hearing and other
9 possible court proceedings, protects consumers, is in the public interest, and is consistent with the
10 purposes and provisions of the applicable law.

11 2. Desist and Refrain Order. Pursuant to Corporations Code section 31406, TEA
12 O’LA, Inc., also doing business as TEA O’LA, is hereby ordered to desist and refrain from the
13 violations of Corporations Code section 31201 set forth herein and from violating the Franchise
14 Investment Law. The issuance of this order is necessary, in the public interest, for the protection of
15 investors, and is consistent with the purposes, policies, and provisions of the Franchise Investment
16 Law.

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

25 4. Failure to Comply with Consent Order. TLA agrees that if it fails to comply with the
26 terms of this Consent Order, the Commissioner may, in addition to all other available remedies it
27 may invoke under the FIL, summarily suspend or revoke TLA’s franchise registration (if applicable)
28 or deny TLA’s FIL applications (if applicable), until TLA is in compliance. TLA waives any notice

1 and hearing rights to contest such summary actions by the Commissioner, which may be afforded
2 under the FIL, APA, CCP, or any other provision of law.

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

7 6. Future Actions by Commissioner. If TLA fails to comply with any terms of the
8 Consent Order, the Commissioner may institute proceedings for any and all violations otherwise
9 resolved by this Consent Order. The Commissioner reserves the right to bring any future actions
10 against TLA, or any of its partners, owners, officers, shareholders, directors, employees, or
11 successors for any and all unknown violations of the FIL or any other law under the Commissioner’s
12 jurisdiction.

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

17 8. Headings. The headings to the paragraphs of this Consent Order are inserted for
18 convenience only and will not be deemed a part hereof or affect the construction or interpretation of
19 the provisions hereof.

20 9. Binding. This Consent Order is binding on all heirs, assigns, and/or successors in
21 interest.

22 10. Reliance. Each of the Parties represents, warrants, and agrees that in executing this
23 Consent Order, it has relied solely on the statements set forth herein and the advice of its own
24 counsel. Each of the Parties further represents, warrants, and agrees that in executing this Consent
25 Order, it has placed no reliance on any statement, representation, or promise of any other party, or
26 any other person or entity not expressly set forth herein, or upon the failure of any party or any
27 other person or entity to make any statement, representation, or disclosure of anything whatsoever.
28 The Parties have included this clause: (1) to preclude any claim that any party was in any way

1 fraudulently induced to execute this Consent Order; and (2) to preclude the introduction of parol
2 evidence to vary, interpret, supplement, or contradict the terms of this Consent Order.

3 11. Waiver, Amendments, and Modifications. No waiver, amendment, or modification
4 of this Consent Order will be valid or binding unless it is in writing and signed by each of the
5 Parties. The waiver of any provision of this Consent Order will not be deemed a waiver of any
6 other provision. No waiver by either Party of any breach of, or of compliance with, any condition
7 or provision of this Consent Order by the other Party will be considered a waiver of any other
8 condition or provision or of the same condition or provision at another time.

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

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

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

22 15. Effect Upon Future Proceedings. If TLA applies for any license, registration, permit,
23 or qualification under the Commissioner’s current or future jurisdiction, or is the subject of any
24 future action by the Commissioner to enforce this Consent Order, then the subject matter hereof
25 shall be admitted for the purpose of such application(s) or enforcement proceeding(s).

26 16. Voluntary Order. TLA enters this Consent Order voluntarily and without coercion
27 and acknowledges that no promises, threats, or assurances have been made by the Commissioner or
28 any officer, or agent thereof, about this Consent Order. The Parties each represent and

1 acknowledge that he, she, or it is executing this Consent Order completely voluntarily and without
2 any duress or undue influence of any kind from any source.

3 17. Notice. Any notice required under this Consent Order shall be provided to each
4 party at the following addresses:

5 To TEA O’LA: Attn: YU-LIANG HUANG
6 Tea O’La, Inc.
7 5055 Walnut Grove Ave.
8 San Gabriel, California 91776
9 www.teastationusa.com

10 To the Commissioner: Marisa I. Urteaga-Watkins, Esq,
11 Department of Financial Protection and Innovation
12 2101 Arena Blvd.
13 Sacramento, California 95834
14 marisa.urteaga-watkins@dfpi.ca.gov

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

17 19. Public Record. TLA hereby acknowledges that this Consent Order is and will be a
18 matter of public record.

19 20. Effective Date. This Consent Order shall become final and effective when signed by
20 all Parties and delivered by the Commissioner’s agent via e-mail to TLA’s agent, Yu-Liang, at
21 www.teastationusa.com.

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