

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING
Whether there has been a violation
of the Washington Franchise Investment
Protection Act by:

SDO - 41 - 99

CONSENT ORDER

Galardi Group, Inc., Galardi Group Franchise
Corp., Galardi Group Franchise Leasing, Inc.,
Frank Coyle, their employees and agents,

Case No. 99-01-0024

Respondents.

THE STATE OF WASHINGTON TO:

Galardi Group, Inc.
Galardi Group Franchise Corp.
Galardi Group Franchise Leasing, Inc.
Frank Coyle
4440 Von Karman Avenue, Suite 222
Newport Beach, CA 92660

INTRODUCTION

The Securities Division, Department of Financial Institutions, State of Washington, and Respondents do hereby agree to this Consent Order in settlement of the matters alleged herein. Respondents neither admit nor deny the Tentative Findings of Fact and Conclusions of Law as set forth below.

TENTATIVE FINDINGS OF FACT

I.

Galardi Group Franchise Corp. and Galardi Group Franchise Leasing, Inc. are subsidiaries of Galardi Group, Inc., and all are California corporations that have their principal places of business located at 4440 Von Karman Avenue, Suite 222, Newport Beach, California. Frank Coyle is the Franchise Sales Director of the Galardi Group, Inc.

II.

Galardi Group, Inc., Galardi Group Franchise Corp., and Galardi Group Franchise Leasing, Inc. offer and sell franchises to operate quick service restaurants, called Wienerschnitzel®, featuring hamburgers, hot dogs, french fries, drinks and a variety of related menu items. Purchasers of franchises from Respondents are

1 obligated to pay an initial franchise fee to, and to execute a franchise agreement with, Galardi Group, Inc.,
2 Galardi Group Franchise Corp., and Galardi Group Franchise Leasing, Inc. Franchisees are granted the right to
3 engage in the business of offering, selling, or distributing goods or services under a marketing plan prescribed or
4 suggested in substantial part by Respondents Galardi Group, Inc., Galardi Group Franchise Corp., and Galardi
5 Group Franchise Leasing, Inc., and the operation of the franchise businesses is substantially associated with a
6 trademark, service mark, trade name, advertising, or other commercial symbol designating, owned by, or licensed
7 by the Respondents.

8 III.

9 Galardi Group Franchise Corp. was registered with the Securities Division to offer and sell
10 Wienerschnitzel® fast food restaurant franchises in the State of Washington from June 23, 1989 to June 26,
11 1990 (Franchise Registration File No. F-01413) pursuant to Washington's Franchise Investment Protection Act,
12 Ch. 19.100 RCW. Galardi Group Franchise Corp. did not renew its franchise registration following its
13 expiration on June 26, 1990.

14 IV.

15 On at least January 9, 1999, Frank Coyle appeared as a sales representative of Respondents Galardi
16 Group, Inc., Galardi Group Franchise Corp., and/or Galardi Group Franchise Leasing, Inc. at the Entrepreneur
17 Magazine Small Business Expo (the Expo) held at the Seattle Center in Seattle, Washington. Promotional
18 materials distributed to attendees at the Expo by Mr. Coyle related to the offer of Wienerschnitzel® fast food
19 restaurants.

20 V.

21 Galardi Group, Inc., Galardi Group Franchise Corp., and Galardi Group Franchise Leasing, Inc. were not
22 registered with the Securities Division to offer or sell franchises in the State of Washington at the time Frank Coyle
23 appeared as a sales representative of Galardi Group, Inc., Galardi Group Franchise Corp., and/or Galardi
24

1 Group Franchise Leasing, Inc. at the Entrepreneur Magazine Small Business Expo (the Expo) held at the
2 Seattle Center in Seattle, Washington.

3 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

4 CONCLUSIONS OF LAW

5 I.

6 The offer and/or sale of the franchises of Wienerschnitzel® fast food restaurants as described in
7 Tentative Findings of Fact I through IV above constitutes the offer and/or sale of franchises as defined in RCW
8 19.100.010(4).

9 II.

10 The offer and/or sale of such franchises as described in Tentative Findings of Fact I through V above
11 was in violation of RCW 19.100.020 because no franchise registration was in effect with the Administrator of
12 Securities of the State of Washington nor permit issued to Respondents Galardi Group, Inc., Galardi Group
13 Franchise Corp., and Galardi Group Franchise Leasing, Inc. for the offer and/or sale of Wienerschnitzel® fast
14 food restaurants at the time Frank Coyle appeared as a sales representative of Galardi Group, Inc.,
15 Galardi Group Franchise Corp., and/or Galardi Group Franchise Leasing, Inc. at the Expo held at the
16 Seattle Center in Seattle, Washington.

17 ORDER AND CONSENT

18 Based on the premises of the foregoing:

19 IT IS THEREFORE AGREED AND ORDERED that Respondents Galardi Group, Inc., Galardi Group
20 Franchise Corp., Galardi Group Franchise Leasing, Inc., Frank Coyle, and their employees and agents shall each
21 cease and desist from the offer and sale of franchises in the State of Washington in violation of RCW19.100.020, the
22 registration requirement provision of the Franchise Investment Protection Act.
23

1 IT IS THEREFORE AGREED that Respondents Galardi Group, Inc., Galardi Group Franchise Corp., and
2 Galardi Group Franchise Leasing, Inc. shall disclose the existence and contents of this Order in any franchise
3 registration disclosure document approved for use in the state of Washington, such requirement commencing from
4 the date of entry of this Order.

5 IT IS THEREFORE AGREED that Respondents Galardi Group, Inc. and Galardi Group Franchise Corp.
6 shall inform their current Washington franchisee of the existence and contents of this Order.

7 IT IS THEREFORE AGREED that Respondents Galardi Group, Inc., Galardi Group Franchise Corp., and
8 Galardi Group Franchise Leasing, Inc. shall inform all of their employees and agents who offer franchises in this
9 State of the existence and contents of this Order for a period of three years from the date of entry of this Order.

10 IT IS THEREFORE AGREED that Respondent Galardi Group, Inc., Galardi Group Franchise Corp.,
11 and/or Galardi Group Franchise Leasing, Inc. shall reimburse the Securities Division \$300.00 for its costs incurred
12 in its investigation of this matter, payable prior to the date of entry of this Order with the Securities Division.

13 IT IS THEREFORE AGREED that Respondents Galardi Group, Inc., Galardi Group Franchise Corp.,
14 Galardi Group Franchise Leasing, Inc., and Frank Coyle each waive their rights to hearings in this matter.

15 IT IS THEREFORE AGREED that the Securities Division has jurisdiction to enter this Order.

16 Dated this _____ day of _____, 1999.

17 Galardi Group, Inc., by:

Frank Coyle, Franchise Sales Director

18 _____
19 (Signature)

(Signature)

20 _____
21 (Print Name and Title)

1 Galardi Group Franchise Corp., by:

2
3 _____
(Signature)

4
5 _____
(Print Name and Title)

6 Galardi Group Franchise Leasing, Inc., by:

7
8 _____
(Signature)

9
10 _____
(Print Name and Title)

11 This Order entered by the Securities Division this _____ day of _____, 1999.

12 By:
13
14 _____
Deborah R. Bortner
15 Securities Administrator

16 Approved by:
17 _____
18 Michael Stevenson
Chief of Compliance

Presented by:
19 _____
20 Brad Ferber
21 Securities Examiner