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10 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
11 OF THE STATE OF CALIFORNIA

12 In the Matter of:)
13 THE COMMISSIONER OF BUSINESS) FIL ORG ID: 84407
14 OVERSIGHT,)
15 Complainant,) CITATION AND DESIST AND REFRAIN
16 vs.) ORDER
17 STRATUS FRANCHISING, L.L.C., PETER)
18 FRESE, AND DENNIS JARRETT,)
19 Respondents.)

21 The Commissioner of Business Oversight (“Commissioner”) finds the following:

- 22 1. At all relevant times, Stratus Franchising, L.L.C. (“Stratus”) was a Missouri limited liability
23 company formed on October 19, 2006. Dennis Jarrett was the Chief Executive Officer of Stratus,
24 and Pete Frese was the President and Chief Operating Officer of Stratus.
- 25 2. Each year from 2007 through 2011, Stratus filed applications to register the offer and sale of
26 franchises in California with the Department of Corporations (now known and referred to as the
27 Department of Business Oversight or Department). Each year, these applications were approved by
28 the Department.

1 3. Each year from 2007 through 2011, Stratus submitted a Franchise Disclosure Document
2 with its application filed with the Department. In each one of these five disclosure documents,
3 under Item 2, Business Experience, the following representation was made regarding the experience
4 of Dennis Jarrett: “Dennis Jarrett served as President of Jan-Pro International from 2001 – 2004, a
5 national janitorial franchise company based in the Atlanta Georgia area.”

6 4. Similarly, in the Sales Agent Disclosure Form filed with the Department in 2009, and the
7 Franchise Seller Disclosure Forms filed with the Department in 2010 and 2011, these forms
8 describe Dennis Jarrett’s experience as “April, 2001 – November 2004: President of Jan-Pro
9 International.”

10 5. Each of the five applications filed with the Department from 2007 to 2011 were signed by
11 Pete Frese who certified under penalty of perjury that he read and knows the contents of each
12 application and the documents attached as exhibits and incorporated by reference, and that the
13 statements in all these documents are “true and correct.”

14 6. Contrary to the representations made by Stratus, Dennis Jarrett, and Pete Frese on these
15 applications and documents filed with the Department, Dennis Jarrett was not the President of Jan-
16 Pro International during the period of 2001 to 2004. In fact, the disclosure documents of Jan-Pro
17 Franchising International, Inc. during that time period disclose that Dennis Jarrett was a Vice
18 President, and not President.

19 By reason of the foregoing, Stratus, Dennis Jarrett, and Pete Frese willfully made untrue
20 statements of material fact in the franchise applications filed with the Department from 2007 to
21 2011 in violation of section 31200 of the Corporations Code.

22 Corporations Code section 31406 provides:

23 (a) If, upon inspection or investigation, based upon a complaint or
24 otherwise, the commissioner has cause to believe that a person is violating
25 any provision of this division or any rule or order promulgated pursuant to
26 this division, the commissioner may issue a citation to that person in
27 writing describing with particularity the basis of the citation. Each citation
28 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.

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(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.

(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.

Pursuant to Corporations Code section 31406, subdivision (a), Stratus Franchising, L.L.C., Dennis Jarrett, and Pete Frese are hereby ordered to desist and refrain from willfully making untrue statements of material fact in franchise applications filed with the Department of Business Oversight.

This order is necessary, in the public interest, for the protection of investors, and is consistent with the purposes, policies, and provisions of the California Franchise Investment Law.

Dated: September 29, 2015

JAN LYNN OWEN
Commissioner of Business Oversight

By _____
MARY ANN SMITH
Deputy Commissioner
Enforcement Division