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**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

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IN THE MATTER OF DETERMINING ) Order No.: S-16-1849-16-CO01  
whether there has been a violation of the )  
Franchise Investment Protection Act of ) CONSENT ORDER  
Washington by: )  
 )  
Korean Red Ginseng Corp., Inc., )  
 )  
Respondent. )

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7 Pursuant to the Franchise Investment Protection Act of Washington, RCW 19.100, the Securities Division  
8 and Respondent Korean Red Ginseng Corp., Inc. enter into this consent order to settle the matters alleged below.  
9 Respondent Korean Red Ginseng Corp., Inc. neither admits nor denies the following Findings of Fact or Conclusions  
10 of Law:

11 **FINDINGS OF FACT**

12 Respondents

13 1. Korean Red Ginseng Corp., Inc., formed in 2009, is a California corporation, which franchises health  
14 supplement retail stores.

15 Related Parties

16 2. Korea Ginseng Corp., a Korean corporation, acts as Korean Red Ginseng Corp.'s parent company.

17 Nature of the Offering

18 3. Beginning in approximately 2002, Korea Ginseng Corp. entered into distribution agreements to supply  
19 American companies to sell Korea Ginseng Corp. brand health supplement products.

20 4. Korean Red Ginseng Corp., in approximately 2009, assumed Korea Ginseng Corp.'s role as a supplier of  
21 Korea Ginseng Corp. brand products to American distributors.

22 5. To better support its American distributors and to better market Korea Ginseng Corp. brand products, around  
23 2012, Korean Red Ginseng Corp. developed a franchise system to have Korean Ginseng Corp. brand products sold  
24 through retail outlets. This plan included converting existing distributorships into franchises.

25 6. Korean Red Ginseng Corp. retained attorneys to draft Korean Red Ginseng Corp.'s franchise disclosure  
document and franchise agreement, as well as register Korean Red Ginseng Corp.'s franchise offering in relevant  
states. Due to miscommunication with its previous attorneys, Korean Red Ginseng Corp. mistakenly thought that it  
was registered to offer and sell franchises in the state of Washington, when it converted a Washington distributor into a  
franchise in 2013 and another in 2014.

1 7. In the franchise agreement that these Washington outlets signed, Korean Red Ginseng Corp. required payment  
2 of an initial franchise fee of \$9,000 and a recurring royalty and marketing fee. In exchange, Korean Red Ginseng Corp.  
3 would, among other services, provide them with initial and continuous training, develop national and local advertising  
4 programs, supply them with a company operating manual, and allow them the right to sell Korean Ginseng Corp.  
5 brand products. Korean Red Ginseng Corp. also granted these Washington outlets a license to use Korean Red Ginseng  
6 Corp. trademarks.

7 8. The franchise agreement further requires the Washington outlets to purchase goods from suppliers approved  
8 by Korean Red Ginseng Corp.

9 9. Prior to signing these franchise agreements, the principals of each Washington outlet were provided with a  
10 franchise disclosure document. The document, however, had not been approved by the Securities Division.

11 10. These two Korean Red Ginseng Corp. outlets are currently in operation.

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

### 13 CONCLUSIONS OF LAW

14 1. The conversion of the Korean Red Ginseng Corp. distributorships in Washington as described above  
15 constitutes the offer and sale of a franchise as defined in RCW 19.100.010(6), RCW 19.100.010(12), and RCW  
16 19.100.010(17).

17 2. The offer and sale of each franchise was in violation of RCW 19.100.020 because no registration for the offer  
18 and sale was on file with the Securities Administrator of the state of Washington at the time of Korean Red Ginseng  
19 Corp.'s offer and sale to each Washington franchisee.

### 20 CONSENT ORDER

21 Based upon the foregoing and finding it in the public interest:

22 IT IS AGREED AND ORDERED THAT Respondent Korean Red Ginseng Corp. and its agents and  
23 employees, shall each cease and desist from offering or selling franchises in violation of RCW 19.100.020, the  
24 registration section of the Franchise Investment Protection Act of the state of Washington.

25 IT IS FURTHER AGREED that prior to the entry of this Consent Order, Respondent Korean Red Ginseng  
Corp. shall be liable for and shall pay the Securities Division the costs and expenses incurred in the investigation of  
this matter in the amount of \$1,250.

IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

IT IS FURTHER AGREED that Respondent Korean Red Ginseng Corp. enters into this Consent Order  
freely and voluntarily and with full understanding of its terms and significance.

1 IT IS FURTHER AGREED that in consideration of the foregoing, Korean Red Ginseng Corp. waives its  
2 right to a hearing and to judicial review of this matter.

3  
4 Signed this \_\_\_16th\_\_\_ day of \_\_\_\_\_February\_\_\_\_\_ 2016.

5  
6 Signed by:

7 Korean Red Ginseng Corp.

8 By \_\_\_\_\_/s/\_\_\_\_\_  
9 Jihan Park  
10 President of Korean Red Ginseng Corp.

11  
12 Approved as to form by:

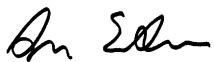
13 \_\_\_\_\_/s/\_\_\_\_\_  
14 Andrew Kim, Attorney for Respondent  
15 California State Bar Number 143091

16 SIGNED and ENTERED this \_\_\_23rd\_\_\_ day of \_\_\_\_\_February\_\_\_\_\_ 2016.

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21 William M. Beatty  
22 Securities Administrator

23 Approved by:

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25 \_\_\_\_\_  
Suzanne Sarason  
Chief of Enforcement

Presented by:



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Eric Palosaari  
Financial Legal Examiner

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Reviewed by:



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Jack McClellan  
Financial Legal Examiner Supervisor