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

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

1476257 Alberta Ltd.;  
Tao Yang;

Respondents

Order No.: S-19-2701-19-FO01

ENTRY OF FINDINGS OF FACT AND  
CONCLUSIONS OF LAW AND FINAL ORDER TO  
CEASE AND DESIST

8 THE STATE OF WASHINGTON TO:

1476257 Alberta Ltd.  
Tao Yang (a/k/a Yang Tao)

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**INTRODUCTION**

On September 25, 2019, the Securities Administrator of the state of Washington issued Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, S-19-2701-19-SC01 (“Statement of Charges”), against Respondents 1476257 Alberta Ltd. and Tao Yang. The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing (“Notice of Opportunity for Hearing”), and an Application for Adjudicative Hearing (“Application for Hearing”), was served on the Respondents on September 27, 2019.

The Notice of Opportunity for Hearing advised the Respondents that a written application for an administrative hearing on the Statement of Charges must be received within twenty days from the date of receipt of the notice. Respondents 1476257 Alberta Ltd. and Tao Yang failed to request an administrative hearing within twenty days of receipt of the Statement of Charges and Notice of Opportunity for Hearing, either on the Application for Hearing provided, or otherwise.

**FINAL ORDER**

**DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760**

1 The Securities Administrator therefore will adopt as final the following Findings of Fact and  
2 Conclusions of Law as set forth in the Statement of Charges and enter a final order against the Respondents  
3 to cease and desist from violations of the Franchise Investment Protection Act.

4 The Securities Administrator makes the following Findings of Fact and Conclusions of Law:

5 **FINDINGS OF FACT**

6 **Respondents**

7 1. 1476257 Alberta Ltd. is a numbered Alberta corporation incorporated on or about June 23,  
8 2009. 1476257 Alberta Ltd. used a business address in Edmonton, Alberta.

9 2. Tao Yang (a/k/a Yang Tao) is the owner of 1476257 Alberta Ltd. and used a business address  
10 in Edmonton, Alberta.

11 **Other Relevant Party**

12 3. Chatime USA, LLC (“Chatime USA”) is a Delaware limited liability company formed on or  
13 about January 2, 2014. Chatime USA has a principal place of business in Zhubei City, Taiwan. Chatime  
14 USA offers franchises that sell gourmet coffees and tea, bubble tea, and other food products and beverages in  
15 retail outlets. On September 16, 2019, the Securities Division entered into a Consent Order with Chatime  
16 USA. Chatime USA agreed to cease and desist from violating the registration and disclosure document  
17 portions of the Franchise Investment Protection Act and paid investigative costs of \$2,500.

18 **Nature of the Conduct**

19 4. On August 4, 2016, Chatime USA entered into a five-year Regional Master Franchise  
20 Agreement with Respondents 1476257 Alberta Ltd. and Tao Yang. A master franchise is a franchising  
21 contract in which the master franchisor (the owner of the brand) turns over the control of the franchising  
22 activities in a specified territory to a master franchisee, who is sometimes referred to as a subfranchisor. The  
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1 master franchisee has the right to develop, manage, operate, and sub-franchise restaurants in a specified  
2 territory.

3 5. As part of the Regional Master Franchise Agreement, the Respondents paid a \$200,000 fee to  
4 Chatime for the territory of Washington state. Under the Regional Master Franchise Agreement, the  
5 Respondents were also required to pay a \$12,000 license fee for each new restaurant, a royalty fee of 3.5% of  
6 gross monthly sales, and 2% of gross monthly sales for a marketing fund, which was not yet established at  
7 the time of the agreement.

8 6. Between 2016 and 2017, the Respondents received more than \$120,000 from the sale of three  
9 Chatime franchises to Washington residents. The Respondents paid a \$12,000 license fee to Chatime USA  
10 for one of the franchises that it sold. The Respondents did not provide a Franchise Disclosure Document  
11 (FDD) to at least two of the Washington franchisees.

12 7. Beginning around September 2016, Tao Yang exchanged emails with a Seattle resident who  
13 had earlier contacted Chatime regarding franchise opportunities. Tao Yang stated that he was responsible for  
14 Chatime business in Washington, and he later emailed a franchise agreement to the Seattle resident. In  
15 October 2016, the Seattle resident met Tao Yang at a bank in Seattle and paid him \$62,000 as a franchise fee  
16 for a Chatime franchise that later opened in Seattle.

17 8. In October 2016, Tao Yang sold a second Chatime franchise for \$62,000 to a resident of  
18 Kirkland, Washington. The Kirkland resident later opened a Chatime business in the University District of  
19 Seattle.

20 9. On July 24, 2017, Tao Yang sold a third Chatime franchise to a Bellevue resident, who later  
21 opened a Chatime business in Bellevue, Washington. Under the franchise agreement, the Bellevue resident  
22 paid a \$28,000 development fee and a \$12,000 licensing fee.

1           10.    In April 2018, Chatime USA terminated its Master Franchise Agreement with 1476257 Alberta  
2 Ltd. and Tao Yang.

3           11.    In July 2019, the Securities Division sent a letter to 1476257 Alberta Ltd. and Tao Yang and  
4 directed them to provide the Securities Division with certain documents and information relating to the sale  
5 of franchise in the state of Washington. The Respondents failed to provide to respond or provide any  
6 documents or information to the Securities Division.

7   **Registration Status**

8           12.    1476257 Alberta Ltd. and Tao Yang are not currently registered to sell franchises in the state  
9 of Washington and have not previously been so registered. There is no notification of exemption on file with  
10 the state of Washington.

11          13.    On or about December 12, 2018, Chatime USA filed an initial application to register a master  
12 franchise offering in Washington (Franchise Registration Application File No. 70016653) pursuant to  
13 Washington’s Franchise Investment Protection Act. A master franchisee has the right to operate multiple  
14 outlets in a specific area and the right to grant third parties the right to own and operate outlets in that territory.  
15 On or about December 17, 2018, Chatime USA filed an initial application to register an offering of individual  
16 franchise units in Washington (Franchise Registration Application File No. 70016657). To date, those  
17 franchise registration applications have not yet been approved.

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

19   **CONCLUSIONS OF LAW**

20           1.    The offer or sale of franchises as described above constitutes the offer or sale of a franchise  
21 as defined in RCW 19.100.010(6), RCW 19.100.010(12), and RCW 19.100.010(17).  
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1 2. The offer or sale of said franchises was in violation of RCW 19.100.020 because no  
2 registration for such offer or sale is on file with the Securities Administrator.

3 3. The offer or sale of said franchises was in violation of RCW 19.100.080 because the  
4 Respondents failed to provide the franchisees with a franchise disclosure document prior to the sale of the  
5 franchises.

6 **FINAL ORDER**

7 Based on the foregoing and finding it in the public interest:

8 IT IS HEREBY ORDERED that Respondents 1476257 Alberta Ltd. and Tao Yang, and their agents  
9 and employees, shall each cease from violating RCW 19.100.020, the registration section of the Franchise  
10 Investment Protection Act of the state of Washington.

11 IT IS HEREBY ORDERED that Respondents 1476257 Alberta Ltd. and Tao Yang, and their agents  
12 and employees, shall each cease and desist from violating RCW 19.100.080, the franchise disclosure  
13 document section of the Franchise Investment Protection Act of the state of Washington.

14 **AUTHORITY AND PROCEDURE**

15 This Order is entered pursuant to the provisions of RCW 19.100.248 and is subject to the provisions  
16 of Chapter 34.05 RCW. The Respondents have the right to petition the superior court for judicial review of  
17 this agency action under the provisions of RCW 34.05. For the requirements for filing a Petition for Judicial  
18 Review, see RCW 34.05.510 and sections following.

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20 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

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1 SIGNED and ENTERED this 24th day of October 2019.

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4 \_\_\_\_\_  
5 William M. Beatty  
6 Securities Administrator

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8 Approved by:

9 Presented by:

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12 Suzanne Sarason  
13 Chief of Enforcement

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15 Robert Kondrat  
16 Financial Legal Examiner

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**FINAL ORDER**

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Securities Division  
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Olympia, WA 98507-9033  
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