

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **SECURITIES DIVISION**

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

8 Bonchon Franchise, LLC,

9 Respondent.

Order No. S-19-2760-19-CO01

CONSENT ORDER

10 Pursuant to the Franchise Investment Protection Act of Washington, Chapter 19.100 RCW, the
11 Securities Division and Respondent Bonchon Franchise, LLC do hereby enter into this Consent Order in
12 settlement of the matters alleged herein. Respondent Bonchon Franchise, LLC neither admits nor denies the
13 Findings of Fact or Conclusions of Law as stated below.

14 **FINDINGS OF FACT**

15 **Respondent**

16 1. Bonchon Franchise, LLC (Bonchon) is a New York limited liability company that was formed
17 in June 2011. Its principal place of business is New York, New York. Bonchon is in the business of offering
18 and selling franchises in a Korean-styled fried chicken restaurant.

19 **Nature of the Conduct**

20 2. Between 2016 and 2018, Bonchon provided materially inaccurate financial statements to
21 prospective franchisees. During this time period, Bonchon provided at least one Washington resident with the
22 inaccurate financial statements. The Washington resident subsequently purchased a Bonchon franchise.

23 *Bonchon's Franchise Disclosure Document*

3. In June 2012, Bonchon became registered to offer and sell its franchises in Washington State.
In order to sell its franchises in the state, Bonchon must provide prospective franchisees with a franchise

CONSENT ORDER

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

1 disclosure document (FDD) at least fourteen days before the sale of the franchise. The FDD discloses
2 information about the franchise business, including financial statements of the franchisor. The financial
3 statements must be audited by a properly licensed, independent certified public accountant (CPA).

4 4. Between about March 2016 and April 2019, Bonchon's FDD contained financial statements
5 that were audited by a CPA who was not properly licensed to issue audited financials. In addition, the financial
6 statements falsely represented that Bonchon had a positive net worth, when Bonchon actually had a negative
7 net worth. Bonchon provided the FDD with these inaccurate financial statements to at least one Washington
8 resident.

9 5. In March 2019, Bonchon learned that the CPA who audited its financial statements was not
10 properly licensed to do so. As a result, Bonchon temporarily halted the sale of franchises and hired a new
11 CPA to re-audit Bonchon's financial statements for the years 2016 to 2018. The CPA also audited the financial
12 statements for the first half of 2019. In August 2019, Bonchon updated its FDD with the newly audited
13 financial statements.

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

15 **CONCLUSIONS OF LAW**

16 1. The offer or sale of a franchise as described above constitutes the offer or sale of a franchise
17 as defined in RCW 19.100.010(6), RCW 19.100.010(12), and RCW 19.100.010(17).

18 2. The sale of said franchise was in violation of RCW 19.100.170(2) because, as described above,
19 Bonchon used an FDD with materially inaccurate financial statements to sell the franchise.
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1 **CONSENT ORDER**

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

3 IT IS AGREED AND ORDERED that Respondent Bonchon Franchise, LLC, its agents and
4 employees, shall each cease and desist from offering or selling franchises in violation of RCW 19.100.170,
5 the violations section of the Franchise Investment Protection Act of the state of Washington.

6 IT IS FURTHER AGREED AND ORDERED that Respondent Bonchon Franchise, LLC shall be liable
7 for and shall pay investigative costs of \$250 prior to the entry of this Consent Order.

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

9 IT IS FURTHER AGREED that Respondent Bonchon Franchise, LLC enters into this Consent Order
10 freely and voluntarily and with a full understanding of its terms and significance.

11 IT IS FURTHER AGREED that, in consideration of the foregoing, Respondent Bonchon Franchise,
12 LLC waives its right to a hearing and to judicial review of this matter.

13 Signed this 20th day of December, 2019.

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16
17 Signed by:
18 Bonchon Franchise, LLC

Approved as to form by:

19
20 /s/
Name: Flynn K. Dekker
21 Title: CEO

/s/
David Kaufmann, Attorney for Respondent
Bar No.
Kaufmann Gildin & Robbins LLP
New York, N.Y.

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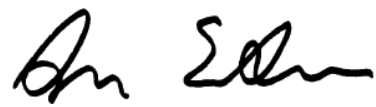
SIGNED and ENTERED this 6th day of January, 2020.



William M. Beatty
Securities Administrator

Approved by:

Presented by:



Suzanne Sarason
Chief of Enforcement

Holly Mack-Kretzler
Financial Legal Examiner

Reviewed by:



Brian Guerard
Financial Legal Examiner Supervisor