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

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

American Franchise Systems, Inc. d.b.a. CBD
American Shaman, and Raymond Howard
Miley Jr.,

Respondents.

Order No. S-19-2786-21-SC01

STATEMENT OF CHARGES AND
NOTICE OF INTENT TO
ENTER ORDER TO CEASE AND DESIST

THE STATE OF WASHINGTON TO:

American Shaman Franchise Systems, Inc. d.b.a. CBD
American Shaman, and Raymond Howard Miley Jr.

Please take notice that the Securities Administrator for the state of Washington has reason to believe that Respondents American Shaman Franchise Systems, Inc. d.b.a. CBD American Shaman and Raymond Howard Miley Jr. have violated the Franchise Investment Protection Act of Washington (“the Franchise Act”), RCW 19.100, and that their violations justify the entry of an order of the Securities Administrator under RCW 19.100.248 to cease and desist from such violations. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

1. American Franchise Systems, Inc. (“ASFS”) d.b.a. CBD American Shaman was incorporated in the State of Nevada on March 2, 2017. Its principal business address is in Kansas City, Missouri. ASFS is in the business of offering franchises that offer for retail sale “Industrial Hemp” and other plant-based products.

2. Raymond Howard Miley Jr. was the President of ASFS in 2019.

STATEMENT OF CHARGES AND
NOTICE OF INTENT TO ENTER
ORDER TO CEASE AND DESIST

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

1 **Wisconsin Franchise Investment Law Violation**

2 3. On May 5, 2021, the Administrator of the State of Wisconsin, Department of Financial
3 Institutions, Division of Securities (“Division”) entered into a Consent Order with American Shaman
4 Franchise System, LLC in connection with the company’s violations of the Wisconsin Franchise Investment
5 Law. In the Consent Order, the Division alleged that American Shaman Franchise System, LLC (“American
6 Shaman”) violated the Wisconsin Franchise Investment Law by selling an unregistered franchise and making
7 a false or misleading statement when it failed to disclose the bankruptcy of its Franchise Director Kathi
8 Miley. The Division ordered American Shaman to cease and desist from making or causing to be made to
9 any person or entity in Wisconsin any further offers or sales of franchises unless and until such franchises
10 are registered or are exempted from registration.

11 **Nature of Conduct**

12 *Unregistered Franchise Offer*

13 4. In or prior to 2018, CBD American Shaman approached a number of Washington residents,
14 who were working for the Kirby Company selling vacuum cleaners and related products, about the
15 opportunity to open CBD American Shaman stores in the state. Some of the residents opened stores and
16 purchased products from CBD American Shaman on a wholesale basis.

17 5. CBD American Shaman offered at least two of these residents (“Residents”) the opportunity
18 to enter into a “franchise agreement” for \$5,000 and subject to the company registering to offer franchises in
19 Washington. In connection with this offer, CBD American Shaman provided the Residents with a CBD
20 American Shaman franchise application, franchise store examples, a brochure entitled “Getting Your
21 American Shaman Franchise in 7 Easy Steps,” “In Store Training” instructions, CBD American Shaman
22 store signage information, a franchise store location application, and a “Build Out Materials List.”
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6. CBD American Shaman withdrew the “franchise agreement” offer to the Residents and advised at least one of the Residents that it was because ASFS was not “licensed” in Washington.

Failure to Disclose Bankruptcy in Franchise Registration Application

7. In 2019, ASFS filed a franchise registration application with the Washington Securities Division, file number 70016510. The application was signed by ASFS President Raymond Howard Miley Jr., who certified that the application’s and the attached exhibits’ contents were true and correct.

8. ASFS filed its Franchise Disclosure Document (“FDD”) as part of its Washington franchise registration applications in 2019. The FDD is required to be given to prospective Washington franchise purchasers and provide them with material information about the franchise investment opportunity. ASFS filed an FDD that stated in Item 4, regarding Bankruptcy, that “No bankruptcy information is required to be disclosed in this Item.”

9. ASFS disclosed in Item 2 of its 2019 FDD that Kathi Miley was its Director of Franchise Development, but failed to disclose in its FDD Item 4, that Kathi Miley, had filed for Chapter 13 Bankruptcy in 2012. Her bankruptcy filing was closed in 2016.

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

CONCLUSIONS OF LAW

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

2. The offer of a franchise to operate a CBD American Shaman store as described in Paragraph Five above constitutes the offer and/or sale of an unregistered franchise in violation of RCW 19.100.020.

1 3. The misrepresentation or omission of material facts regarding the CBD American Shaman
2 FDD bankruptcy disclosure made in the franchise registration application of ASFS as described in
3 paragraphs seven through nine above is a violation of RCW 19.100.170.

4 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

5 Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities
6 Administrator intends to order that Respondent ASFS and its agents and employees, each shall cease and
7 desist from violations of RCW 19.100.020 and that Respondents ASFS and Raymond Howard Miley Jr.,
8 each shall cease and desist from violations of RCW 19.100.170.

9 **AUTHORITY AND PROCEDURE**

10 This Order is entered pursuant to the provisions of RCW 19.100.248 and is subject to the provisions
11 of Chapter 34.05 RCW. Each Respondent may make a written request for a hearing as set forth in the
12 NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this
13 order. If a Respondent does not request a hearing within the allowed time, the Securities Administrator
14 intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and enter an order to
15 cease and desist permanent as to that Respondent.
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17 SIGNED and ENTERED this 15th day of June, 2021

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William M. Beatty
Securities Administrator
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Approved by:



Suzanne Sarason
Chief of Enforcement

Presented by:



Martin Cordell
Financial Legal Examiner

Reviewed by:



Jack McClellan
Financial Legal Examiner Supervisor