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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:

Magnuson Company, L.L.C.;
d/b/a Magnuson Hotels;
d/b/a Magnuson Worldwide;

Respondent

Order No. S-20-2917-20-CO01

CONSENT ORDER

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

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FINDINGS OF FACT

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Respondent

17 1. Magnuson Company, L.L.C. d/b/a Magnuson Hotels, d/b/a Magnuson Worldwide (Magnuson)
18 is a Washington limited liability company formed on December 11, 2002. Magnuson is headquartered in
19 Spokane, Washington. Magnuson describes itself as the world's largest independent hotel group. The CEO
20 and co-founder of Magnuson Hotels is Thomas Magnuson.

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Nature of the Conduct

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Overview

2. Between at least 2014 and 2020, Magnuson entered into agreements constituting franchises
with numerous hotels throughout the country. Magnuson entered into agreements with more than 200 hotels

CONSENT ORDER

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

1 in approximately 40 states, including so-called “branded” and “soft-branded” hotels. Magnuson did not
2 provide hotel owners with a franchise disclosure document (FDD) prior to executing these agreements.

3 *Branded Hotels*

4 3. Between at least 2014 and 2020, Magnuson executed Brand Service Agreements with
5 numerous hotels in multiple states. Attached to the Brand Service Agreement was a document entitled
6 Magnuson Hotels Branding and Services Terms and Conditions. Through these documents, Magnuson
7 granted a trademark license and the right to use the Magnuson brand in the operation of a hotel business.
8 Magnuson utilized multiple brand names, including Magnuson Grand (for premium hotels), Magnuson Hotel
9 (for mid-priced hotels), and M Star Hotel (for economy hotels). The agreements had a term of up to ten years,
10 and were subject to early termination fees.

11 4. Hotel owners were required to operate under specified standards, policies, and criteria that
12 were referred to as Brand Standards. Hotels were subject to inspection of their properties to ensure compliance
13 with the Brand Standards. Hotels were required to use brand signage that was approved by Magnuson.
14 Magnuson used a “Brand Bible” that included information concerning color palettes and fonts that were
15 acceptable to use on hotel signage, billboards, and websites. Hotels were required to use Magnuson’s property
16 management system. Magnuson provided its hotels with revenue management, including a personal revenue
17 manager who provided customized pricing. Under the Brand Service Agreement, hotels agreed to comply
18 with the pricing strategies set by Magnuson.

19 5. Branded hotels paid a variety of fees to Magnuson. Some hotels paid an initial set-up or
20 application fee of up to \$10,000. Hotel owners also paid a Brand Fee, which was calculated as either a
21 percentage of online bookings or a percentage of gross room revenue (GRR). At various times, Magnuson
22 also charged a variety of other fees, including a Marketing Support Fee. Branded hotels had access to a
23 cooperative marketing program that included advertising through billboards, print ads, and digital campaigns.

1 *Soft Brand / Independent Collection*

2 6. Since at least 2018, Magnuson entered into “Soft Brand” agreements with hotels throughout
3 the United States. Under these agreements, hotels were able to continue to use their previous hotel name.
4 “By Magnuson Worldwide” was added to the hotel’s name on multiple websites. Magnuson represented on
5 its website that by joining this program, hotels could “reap expanded benefits from association with the
6 Magnuson Brand.” Beginning around January 2020, Magnuson modified its soft brand program and began
7 executing new agreements titled “Magnuson Independent Collection Service Activation” agreements for its
8 “by Magnuson Worldwide” hotels (“Independent Collection” hotels). Magnuson provides Soft Brand and
9 Independent Collection hotels with a reservation booking platform, and requires hotels to use its property
10 management system. Hotels in these programs are also required to comply with Magnuson’s revenue
11 management and pricing strategies. Soft Brand hotels paid a fee to Magnuson that was based on percentage
12 of bookings that were made through Magnuson platform, while Independent Collection hotels paid a fee that
13 was based on a specified percentage of their gross room revenue.

14 *Website*

15 7. Magnuson offered information concerning its franchises on its website,
16 magnusonhotelsworldwide.com, which was available to the general public. Magnuson Hotels described itself
17 as the “#1 Performance Brand” and included a webpage that was entitled “Why become a Magnuson?” The
18 Magnuson website stated that by joining Magnuson, hotels owners could “Benefit from a strong brand” and
19 “dominate” their market. The website stated that hotel owners would receive “global brand support at a
20 fraction of the cost of traditional franchise chains.” The website included testimonials from hotel owners and
21 links that were labelled “Join Now” and “Join Us Now.” By clicking on the links, interested persons could
22 receive additional information from Magnuson concerning its franchises.
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1 **Registration Status**

2 8. Magnuson Company, L.L.C. is not currently registered to sell its franchises in the state of
3 Washington and has not previously been so registered. There is no notification of exemption on file with the
4 state of Washington.

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

6 **CONCLUSIONS OF LAW**

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

10 2. The offer or sale of said franchises was in violation of RCW 19.100.020 because no
11 registration for such offer or sale is on file with the Washington Securities Administrator.

12 3. The offer or sale of said franchises was in violation of RCW 19.100.080 because Magnuson
13 Company, L.L.C. failed to provide the franchisees with a franchise disclosure document prior to the sale of
14 the franchise.

15 **CONSENT ORDER**

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

17 IT IS AGREED AND ORDERED that Respondent Magnuson Company, L.L.C. and its agents and
18 employees shall each cease and desist from offering or selling franchises in violation of RCW 19.100.020,
19 the registration section of the Franchise Investment Protection Act of the state of Washington.

20 IT IS FURTHER AGREED AND ORDERED that Respondent Magnuson Company, L.L.C. and its
21 agents and employees shall each cease and desist from any violation of RCW 19.100.080, the franchise
22 disclosure document section of the Franchise Investment Protection Act of the state of Washington.

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IT IS FURTHER AGREED AND ORDERED that Respondent Magnuson Company, L.L.C. shall be liable for and shall pay investigative costs of \$2,500 prior to the entry of this Consent Order.

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

IT IS FURTHER AGREED that Respondent Magnuson Company, L.L.C. enters into this Consent Order freely and voluntarily and with a full understanding of its terms and significance.

IT IS FURTHER AGREED that in consideration of the foregoing, Respondent Magnuson Company, L.L.C. waives its right to a hearing and to judicial review of this matter.

Signed this 2 day of November, 2020

Signed by:
Magnuson Company, L.L.C.

By /s/
Thomas Magnuson
CEO

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SIGNED and ENTERED this 10th day of November, 2020



William M. Beatty
Securities Administrator

Approved by:

Presented by:



Suzanne Sarason
Chief of Enforcement



Robert Kondrat
Financial Legal Examiner