

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

**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:

Slim Chicken's Development Company, LLC;

Respondent

Order No. S-20-2961-20-CO01

CONSENT ORDER

Pursuant to the Franchise Investment Protection Act of Washington, RCW 19.100, the Securities Division and Respondent Slim Chicken's Development Company, LLC do hereby enter into this Consent Order in settlement of the matters alleged herein. Respondent Slim Chicken's Development Company, LLC neither admits nor denies the Findings of Fact or Conclusions of Law as stated below.

FINDINGS OF FACT

Respondents

1. Slim Chicken's Development Company, LLC is a Delaware limited liability company formed on or about June 15, 2011. Slim Chicken's Development Company, LLC offers franchises for the operation of fast casual restaurants that do business as "Slim Chickens." Slim Chicken's Development Company, LLC is headquartered in Fayetteville, Arkansas.

Nature of the Conduct

2. Between 2017 and 2019, Slim Chicken's Development Company, LLC offered and sold two franchises that will later operate in the state of Washington.

JBLM Franchise

3. In October 2017, Slim Chicken's Development Company, LLC executed a ten-year Franchise Agreement with the Army and Air Force Exchange Service (AEFES), a retailer that operates on U.S. Army

CONSENT ORDER

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

1 and Air Force installations worldwide, including installations in the state of Washington. Slim Chicken's
2 Development Company, LLC previously provided AAFES with a Franchise Disclosure Document (FDD) in
3 approximately June 2017. The FDD indicated that Slim Chicken's Development Company, LLC was
4 registered to sell franchises in seven states. Under the Franchise Agreement, AAFES was initially granted
5 the right to develop and operate a Slim Chickens franchise on Fort Hood in Texas. AAFES and Slim
6 Chicken's Development Company, LLC subsequently began negotiations regarding the development of
7 franchises in other locations.

8 4. In January 2018, Slim Chicken's Development Company, LLC executed a restaurant license
9 rider with AEFES as part of the Franchise Agreement that was previously entered in October 2017. Under
10 the rider, Slim Chicken's Development Company, LLC granted AAFES the right and license to operate a
11 Slim Chickens franchise on Joint Base Lewis-McChord (JBLM) in the state of Washington. Under the
12 agreement, AAFES was to pay an Initial Franchise Fee of \$15,000. This fee has not yet been paid and is not
13 expected to be paid until construction begins at a later date.

14 *Spokane County Franchise*

15 5. In April 2019, a resident of Texas was in contact with Slim Chickens regarding franchise
16 opportunities. A Slim Chickens franchising representative later sent an email to the Texas resident, which
17 attached a franchise application and included a link to the company's franchising website.

18 6. The April 2019 email also attached a Franchise Disclosure Document (FDD) that was dated
19 April 26, 2018. The FDD indicated that Slim Chickens was registered to sell franchises in eight states. The
20 2018 FDD included a table of projected new franchised outlets in each state. The table stated that as of
21 January 1, 2018, there were four projected new franchised outlets in Washington in the next fiscal year. A
22 few months later, on November 7, 2019, Slim Chickens sent the Texas resident an updated FDD that was
23 dated May 1, 2019. The FDD included an updated table, which stated that as of December 31, 2018, there

1 were no new projected outlets in Washington in the next fiscal year. The FDD did not include any disclosure
2 regarding the reduction in the number of projected new outlets. The FDD did not disclose that Slim Chicken’s
3 Development Company, LLC had executed a rider with the AAFES to develop another Slim Chickens
4 franchise in the state of Washington.

5 7. On or about November 19, 2019, Slim Chicken’s Development Company, LLC entered into a
6 Development Agreement with the Texas resident for the development of five Slim Chickens franchises in
7 Idaho and Washington. The Development Agreement specified that the development area was Kootenai
8 County, Idaho and Spokane County, Washington. In November 2019, the Texas resident also executed a one-
9 page amendment, which included a list of modifications to the Development Agreement based on provisions
10 in the Washington Franchise Investment Protection Act. Slim Chicken’s Development Company, LLC did
11 not disclose to the Texas resident that the company was not registered to offer or sell franchises in the state
12 of Washington. The Texas resident paid \$75,000 to Slim Chicken’s Development Company, LLC as a
13 Territory Fee, which was based on a fee of \$15,000 for each restaurant that would be developed.

14 **Registration Status**

15 8. Respondent Slim Chicken’s Development Company, LLC is not currently registered to sell its
16 franchises in the state of Washington and has not previously been so registered. On May 4, 2020, Slim
17 Chicken’s Development Company, LLC filed an initial franchise registration application with the Securities
18 Division (DFI File No. 70016999). To date, that franchise application has not yet been approved.

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

20 **CONCLUSIONS OF LAW**

21 1. The offer or sale of franchises as described above constitutes the offer or sale of a franchise
22 as defined in RCW 19.100.010(6), RCW 19.100.010(12), and RCW 19.100.010(17).
23

1 IT IS FURTHER AGREED that in consideration of the foregoing, Respondent Slim Chicken's
2 Development Company, LLC waives its right to a hearing and to judicial review of this matter.

3
4 Signed this 21st day of September, 2020

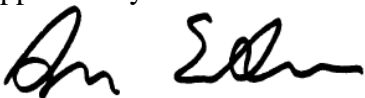
5
6 Signed by:
7 Slim Chicken's Development Company, LLC

8 By /s/
9 Sam Rothschild
10 Chief Operating Officer

11
12 SIGNED and ENTERED this 29th day of September, 2020

13 

14
15 _____
16 William M. Beatty
17 Securities Administrator

18 Approved by:
19 

20
21 _____
22 Suzanne Sarason
23 Chief of Enforcement

Presented by:

20 

21 _____
22 Robert Kondrat
23 Financial Legal Examiner

CONSENT ORDER

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