# 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:

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CONSENT ORDER

Order No. S-21-3087-21-CO02

Yifangwa LLC d.b.a. Yi Fang Taiwan Fruit Tea and Xiao Song a.k.a. Elaine Song,

Respondents

Pursuant to the Franchise Investment Protection Act of Washington, RCW 19.100, the Securities Division and Respondents Yifangwa LLC d.b.a. Yi Fang Taiwan Fruit Tea and Xiao Song a.k.a. Elaine Song ("Respondents") do hereby enter into this Consent Order in settlement of the matters alleged herein. Respondents neither admit nor deny the Findings of Fact or Conclusions of Law as stated below.

## FINDINGS OF FACT

## Respondents

- 1. Yifangwa LLC ("Yifangwa") is a Washington limited liability company corporation entity formed on April 24, 2018 with its principal place of business in Bellevue WA. Yifangwa is in the business of operating and selling franchises operating under the name of "Yi Fang Taiwan Fruit Tea."
  - 2. Xiao Song ("Song") is a Washington resident, co-founder and managing member of Yifangwa.

## **Nature of the Offering**

3. In 2018, Song and two Chinese business partners formed Yifangwa for the purpose of operating and selling stores operating under the Yi Fang Taiwan Fruit Tea brand after entering into a master franchise agreement with Inkism International Co. Ltd. ("Inkism").

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- 4. From 2018 through 2021, Respondents offered and sold Yi Fang Taiwan Fruit Tea franchises to at least eight individuals to operate stores at eight or more locations in Washington and Oregon. Song met with the prospective franchises in person and communicated with them by phone and WeChat.
- 5. Song provided the offerees/franchisees with a "Brand License Agreement of YI FANG TAIWAN FRUIT TEA and granted them the right to use the YI FANG TAIWAN FRUIT TEA trademark and service mark, decoration and furnishing style, operation management system, and know-how system.
- 6. Respondents provided the franchisees with an operations manual and operational training with assistance from Inkism.
- 7. Respondents charged the franchisees with an initial licensing fee ranging from \$20,000 to \$40,000. Respondents also charged the franchisees a monthly royalty fee ranging from 5% to 7%.

## **Registration Status**

8. Respondent Yifangwa is not currently registered to sell its franchises in the state of Washington and has not previously been so registered.

#### **Violations**

- 9. From 2018 to 2021, Respondents offered and sold franchises without providing offerees a franchise disclosure document.
- 10. From 2018 to 2021, Respondents offered and sold franchises without providing offerees material information such as the financial condition of Yifangwa, including financial statements.

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

### **CONCLUSIONS OF LAW**

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

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- 2. The offer or sale of said franchises as described above were in violation of RCW 19.100.020 because no approved registration for such offer or sale was in effect with the Washington Securities Administrator.
- 3. Respondents failed to provide offerees with a Franchise Disclosure Document in violation of RCW 19.100.080.
  - 4. Respondents failed to disclose material facts to offerees in violation of RCW 19.100.170.

## CONSENT ORDER

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

IT IS AGREED AND ORDERED that Respondents, and their agents and employees shall each cease and desist from offering or selling franchises in violation of RCW 19.100.020, the "Registration" section of the Franchise Investment Protection Act of the state of Washington.

IT IS FURTHER AGREED AND ORDERED that Respondents, and their agents and employees shall each cease and desist from any violation of RCW 19.100.080, the "Unlawful Acts" section of the Franchise Investment Protection Act of the state of Washington.

IT IS FURTHER AGREED AND ORDERED that Respondents, and their agents and employees shall each cease and desist from any violation of RCW 19.100.170, the "Violations" section of the Franchise Investment Protection Act of the state of Washington.

IT IS FURTHER AGREED AND ORDERED that Respondents shall be liable for and shall pay investigative costs of \$7,500 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 Respondents enter into this Consent Order freely and voluntarily and with a full understanding of its terms and significance.

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1	IT IS FURTHER AGREED that in consi	deration of the foregoing, Respondents w	vaive their right to
2	hearing and to judicial review of this matter.		
3	Signed this _10 <sup>th</sup> _ day ofMarch_	, 2022	
4	Signed by Yifangwa LLC by:		
5	/ <u>s/</u>	/ <u>s/</u>	
6	Xiao Song, Managing Member	Xiao Song, an individual	
7			
8	SIGNED and ENTERED this <u>17th</u>	day of <u>March</u>	, 2022 by
9		Chill In	
10		Julian 14	Seas
11		William M. Beatty	
12		Securities Administrator	
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14	Approved by:	Presented by:	
15	Fin James	Martin Cordell	
16	Brian J. Guerard Chief of Enforcement	Martin Cordell Financial Legal Examiner	
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18	Reviewed by:		
19	Reviewed by:  Odom Yeoton		
20	Adam N. Yeaton Acting Financial Legal Supervisor		
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