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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 and the Securities Act of
Washington by:

Order No. S-21-3133-21-CO01

CONSENT ORDER

Dank's Wonder Emporium, LLC;
DWE Franchise LLC;
DWE Franchise III, Inc.;

Respondents.

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Pursuant to the Franchise Investment Protection Act of Washington, RCW 19.100 and the Securities Act of Washington, RCW 21.20, the Securities Division and Respondents Dank's Wonder Emporium, LLC; DWE Franchise LLC; and DWE Franchise III, Inc. do hereby enter into this Consent Order in settlement of the matters alleged herein. Respondents Dank's Wonder Emporium, LLC; DWE Franchise LLC; and DWE Franchise III, Inc. neither admit nor deny the Findings of Fact or Conclusions of Law as stated below.

FINDINGS OF FACT

Respondent

1. Dank's Wonder Emporium, LLC (d/b/a Dank's) is an active Washington limited liability company formed on March 12, 2014. Dank's was previously licensed as a marijuana retailer and operated a retail store in Olympia, Washington. In November 2018, the Washington State Liquor and Cannabis Board (LCB) issued an Administrative Violation Notice against Dank's. In April 2020, the LCB issued an Amended Final Order of the Board and ordered Dank's license to be cancelled. In April 2021, Dank's announced that its Olympia store was going out of business. Random Vaughn is the founder and President of Dank's.

CONSENT ORDER

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

1 2. DWE Franchise LLC is an active Washington limited liability company formed on May 5,
2 2017. DWE Franchise III uses a business address in Lacey, Washington. The President of DWE Franchise
3 LLC is Random Vaughn.

4 3. DWE Franchise III, Inc. is an active Washington profit corporation formed on March 20, 2018.
5 DWE Franchise III uses a business address in Lacey, Washington. The President of DWE Franchise III is
6 Random Vaughn.

7 **Nature of the Conduct**

8 *Crowdfunding Offering*

9 4. Beginning in or around March 2018, DWE Franchise III offered securities to the public through
10 its website, www.dwefranchise.com/invest. The website indicated that the company was raising \$250,000 as
11 part of a “crowdfunding campaign.” The shares were offered for \$1 per share. The website indicated that the
12 offering was taking place as part of Regulation A and that it was a “financial vehicle which allows individual
13 just like you to be able to invest in Marijuana.” The website further stated: “With your investment, we can
14 start up Dank’s Wonder Emporium retail franchises in 18 states across the U.S.” DWE Franchise III did not
15 make any filings with the U.S. Securities and Exchange Commission (SEC) in connection with a Regulation
16 A offering or a Regulation Crowdfunding offering. DWE Franchise III represented it was a newly formed
17 entity with “no current or past revenue.” Investors were directed to purchase their shares online through the
18 website. There was no minimum investment amount.

19 5. On March 18, 2018, a Washington resident invested \$500. Dank’s was later contacted by its
20 online payment processor, which informed Dank’s that it could not use its services for the offering because it
21 was a cannabis business. According to Dank’s, no other shares were sold, but the crowdfunding website
22 continued to be available to general public through at least April 2021. In April 2021, Dank’s sent the
23 Washington investor a check for \$500.

CONSENT ORDER

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1 *Franchise Offering*

2 6. Between approximately 2017 and 2021, Dank’s also offered franchises on its website,
3 www.dwefranchise.com. The franchise website was available to the general public, including residents of
4 Washington. The website included “Frequently Asked Questions” with detailed information about purchasing
5 a Dank’s franchise. The franchise fee was \$30,000. Interested persons were instructed to complete an
6 “Application for Additional Information” and a “Submit Your Location” form.

7 7. The website indicated that Dank’s was “The First Recreational Franchise.” Similarly,
8 Vaughn’s personal Twitter account stated that Dank’s was “The first recreational & medical cannabis retail
9 franchise available in the US & Canada.” The website listed 27 states (including Washington) where
10 marijuana was “currently legal for retail.” The website indicated that franchisees would execute a franchise
11 agreement and that it would take between two and twelve months to open the business. The franchise website
12 also included a video featuring Vaughn, who encouraged interested persons to fill out the online form.

13 8. Between 2017 and 2021, numerous persons filled out the online form, which generated an
14 email that was sent to Vaughn or the company’s general email address. Approximately two dozen residents
15 of Washington filled out the online form and requested additional information about purchasing a franchise.
16 Until about 2020, Dank’s gathered detailed information from prospective franchisees, including their date of
17 birth, education, employment, and business experience.

18 9. Dank’s created a Franchise Disclosure Document (FDD) dated April 26, 2017. The FDD
19 indicated that the franchisor was DWE Franchise LLC and that the company began offering franchises in
20 2017. The FDD stated that franchisees would operate a recreational retail location that would sell “all medical
21 and recreational marijuana and paraphernalia allowed under Washington state law” under the service mark
22 for Dank’s Wonder Emporium. According to Dank’s, the FDD was never provided to any residents of
23 Washington and no franchises were ever sold to Washington residents.

1 10. Between 2019 and 2020, DWE Franchise, LLC entered into at least four franchise agreements
2 for Dank's medical cannabis retail franchises in the state of Oklahoma. In connection with these sales, Dank's
3 provided an FDD to the Oklahoma franchisees.

4 **Registration Status**

5 11. DWE Franchise, LLC is not currently registered to sell its franchises in the state of Washington
6 and has not previously been so registered.

7 12. DWE Franchise III, Inc. is not currently registered to sell its securities in the state of
8 Washington and has not previously been so registered.

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

10 **CONCLUSIONS OF LAW**

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

13 2. The offer or sale of said franchises by Dank's Wonder Emporium, LLC and DWE Franchise,
14 LLC was in violation of RCW 19.100.020 because no registration for such offer or sale is on file with the
15 Washington Securities Administrator.

16 3. The offer and/or sale of the shares described above constitutes the offer and/or sale of a
17 security as defined in RCW 21.20.005(14) and (17).

18 4. Dank's Wonder Emporium, LLC and DWE Franchise III, Inc. violated RCW 21.20.140, the
19 securities registration section of the Securities Act of Washington, by offering and/or selling securities for
20 which no registration is on file with the Securities Administrator.

21 Based upon the foregoing and finding it in the public interest:
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1 **CONSENT ORDER**

2 IT IS AGREED AND ORDERED that Respondent Dank’s Wonder Emporium, LLC and DWE
3 Franchise LLC and their agents and employees shall each cease and desist from offering or selling franchises
4 in violation of RCW 19.100.020, the registration section of the Franchise Investment Protection Act of the
5 state of Washington.

6 IT IS FURTHER AGREED AND ORDERED that Respondents Dank’s Wonder Emporium, LLC and
7 DWE Franchise III, Inc. and their agents, and employees each shall cease and desist from violating RCW
8 21.20.140, the securities registration section of the Securities Act of Washington.

9 IT IS FURTHER AGREED AND ORDERED that Dank’s Wonder Emporium, LLC; DWE Franchise
10 LLC; and DWE Franchise III, Inc. shall be jointly liable for and shall pay investigative costs of \$2,000 prior
11 to the entry of this Consent Order.

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

13 IT IS FURTHER AGREED that Respondents Dank’s Wonder Emporium, LLC; DWE Franchise LLC;
14 and DWE Franchise III, Inc. enter into this Consent Order freely and voluntarily and with a full understanding
15 of its terms and significance.
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17 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents Dank’s Wonder
18 Emporium, LLC; DWE Franchise LLC; and DWE Franchise III, Inc. each waives its right to a hearing and to
19 judicial review of this matter.

20 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

1 Signed this 29th day of September, 2021

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3 Signed by:

4 Dank's Wonder Emporium, LLC

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6 By /s/
Random Vaughn, President

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9 Signed by:

10 DWE Franchise LLC

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12 By /s/
Random Vaughn, President

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15 Signed by:

16 DWE Franchise III, Inc.

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18 By /s/
Random Vaughn, President

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SIGNED and ENTERED this 7th day of October, 2021



William M. Beatty
Securities Administrator

Approved by:

Presented by:



Suzanne Sarason
Chief of Enforcement



Robert Kondrat
Financial Legal Examiner