

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **SECURITIES DIVISION**

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

8 Friendship Holding LLC,

9 Respondent.

Order No. S-22-3483-23-SC01

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

10 THE STATE OF WASHINGTON TO: Friendship Holding LLC

11 **STATEMENT OF CHARGES**

12 Please take notice that the Securities Administrator of the State of Washington has reason to believe
13 that Friendship Holding LLC violated the Franchise Investment Protection Act of Washington. The Securities
14 Administrator believes these violations justify the entry of an order against Friendship Holding LLC to cease
15 and desist from such violations pursuant to RCW 19.100.248. The Securities Administrator finds as follows:

16 **TENTATIVE FINDINGS OF FACT**

17 **Respondent**

18 1. Friendship Holding LLC (“Friendship Holding”) is a New York limited liability company
19 formed on or around October 22, 2018, that maintains its principal place of business in Flushing, New York.
20 Friendship Holding is in the business of selling restaurant franchises that operate under the Friendship Foods
21 trademark. These franchised restaurants specialize in Chinese-style barbecue (“BBQ”) meat and seafood.

22 **Nature of the Conduct**

23 *Overview*

24 2. On or around April 30, 2019, Friendship Holding sold an unregistered franchise to a
25 Washington corporation (the “Franchisee”). The Franchisee was granted the right to operate a Chinese-style

1 BBQ restaurant under the Friendship Foods trademark. Friendship Holding failed to provide the Franchisee
2 with a Franchise Disclosure Document (“FDD”).

3 *Friendship Holding Grants the Franchisee the Right to Use Its Trademark*

4 3. On or around April 30, 2019, Friendship Holding and the Franchisee entered into a Trademark
5 License Agreement (the “Agreement”).

6 4. As part of the Agreement, Friendship Holding granted the Franchisee the non-exclusive license
7 to use the Friendship Foods trademark (the “Trademark”). Friendship Holding registered the Trademark with
8 the United States Patent and Trademark Office on June 5, 2018.

9 5. The Agreement grants the Franchisee the right to use Trademark in a specific geographic area:
10 Seattle, Washington.

11 *Friendship Holding Provides a Marketing Plan to the Franchisee*

12 6. The Agreement also grants the Franchisee the right to sell food while using the Trademark.
13 This right to sell food, however, is subject to a number of conditions.

14 7. According to the Agreement, the Franchisee must use the menu provided to it by Friendship
15 Holding. The Franchisee is strictly limited to selling items on the menu. In preparing the items on the menu,
16 the Franchisee must only use food materials recommended by Friendship Holding. Additionally, the
17 Franchisee must use the sauce provided to it by Friendship Holding. If the Franchisee wishes to make any
18 changes to the menu, it must first obtain written approval from Friendship Holding.

19 8. According to the Agreement, Friendship Holding must also approve any signs, sales materials,
20 or advertising materials used by the Franchisee that bear the Trademark. Prior to using any of these materials,
21 the Franchisee is obligated to send to Friendship Holding a photograph or copy of the materials.

1 9. In addition to granting the Franchisee the right to sell food, Friendship Holding agrees to
2 provide certain services to the Franchisee as part of the Agreement. These services include skill training,
3 instruction, and technical consultation.

4 10. In or around 2019, Friendship Holding provided the Franchisee with training on how to prepare
5 menu items. Friendship Holding also trained the Franchisee on “front-of-the-house” procedures, including
6 how to interact with customers and take orders.

7 *Friendship Holding Requires the Franchisee to Pay a Fee*

8 11. In the Agreement, the Franchisee agrees to pay Friendship Holding a “licensing fee” of 3% of
9 monthly gross sales, plus a “management fee” of \$60,000, which is due at the time of the signing of the
10 contract.

11 *Friendship Holding Failed to Provide the Franchisee with a Franchise Disclosure Document*

12 12. Friendship Holding failed to provide the Franchisee with a Franchise Disclosure Document
13 (“FDD”) at least fourteen days before the execution of the Agreement.

14 13. By failing to provide an FDD to the Franchisee, Friendship Holding failed to provide the
15 Franchisee with material information about its business, including information related to the financial
16 condition of the company.

17 **Registration Status**

18 14. Friendship Holding is not currently registered to sell franchises in the state of Washington and
19 has not previously been so registered.

20 15. Friendship Holding has not filed notice of exemption from registration with the Securities
21 Administrator.

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

1 **CONCLUSIONS OF LAW**

2 1. The licensing agreement between Friendship Holding LLC and the Franchisee described above
3 constitutes the offer and/or sale of a franchise as defined in RCW 19.100.010(6), RCW 19.100.010(12), and
4 RCW 19.100.010(17).

5 2. Friendship Holding LLC violated RCW 19.100.020, the franchise registration section of the
6 Franchise Investment Protection Act, by offering and/or selling a franchise for which no registration or
7 exemption is on file with the Securities Administrator.

8 3. Friendship Holding LLC violated RCW 19.100.080, the disclosure document requirement
9 section of the Franchise Investment Protection Act, by selling a franchise without providing the prospective
10 franchisee with a current disclosure document at least fourteen calendar days prior to the sale of the franchise.

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

12 Pursuant to RCW 19.100.248, and based upon the above Tentative Findings of Fact and Conclusions
13 of Law, the Securities Administrator intends to order that Friendship Holding LLC, and its agents and
14 employees, permanently cease and desist from violations of RCW 19.100.020 and RCW 19.100.080.

15 **AUTHORITY AND PROCEDURE**

16 This Statement of Charges is entered pursuant to the provisions of Chapter 19.100 RCW and is subject
17 to the provisions of Chapter 34.05 RCW. Friendship Holding LLC may make a written request for a hearing
18 as set forth in the Notice of Opportunity for Hearing accompanying this order. If the respondent does not
19 request a hearing within the allowed time, the Securities Administrator intends to adopt the above Tentative
20 Findings of Fact and Conclusions of Law as final and enter a permanent order to cease and desist as to that
21 respondent.

22 SIGNED and ENTERED this 15th day of May, 2023.
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Approved by:

_____/s/
Brian Guerard
Chief of Enforcement

Reviewed by:

_____/s/
Holly Mack-Kretzler
Financial Legal Examiner Supervisor

_____/s/
William M. Beatty
Securities Administrator

Presented by:

_____/s/
Brett Werenski
Financial Legal Examiner