

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING) Order Number S-23-3500-23-CO01
Whether there has been a violation of the)
Franchise Investment Protection Act of) CONSENT ORDER
Washington by:)
Von's Chicken California,)
Chul Soo Han,)
Respondents.)

Pursuant to the Franchise Investment Protection Act of Washington (the "Act"), the Securities Division and Respondents Von's Chicken California and Chul Soo Han enter into this Consent Order in settlement of the matters alleged herein. Respondents Von's Chicken California and Chul Soo Han neither admit nor deny the following Findings of Fact and Conclusions of Law.

FINDINGS OF FACT

Respondents

1. Von's Chicken California ("Von's CA"), is a California corporation incorporated on October 17, 2014 and is an affiliate of Von's F&B. Von's CA is in the business of selling Korean style fried chicken franchises in the United States.

2. Chul Soo "Charles" Han ("Han") is a California resident. Han serves as the secretary for Von's F&B and the chief executive officer of Von's CA.

Related Parties

3. Von's Chicken F&B, Inc. ("Von's F&B") is a California corporation incorporated on July 1, 2020. Von's F&B maintains a principal place of business in Los Angeles, California. Von's

1 F&B is in the business of selling Korean style fried chicken franchises in the United States.
2 Von's F&B filed for franchise registration in the state of Washington on March 29, 2022.

3 4. B.A.G. Von's Co. Ltd. ("B.A.G. Von's") is a South Korean corporation and Master
4 Franchisor for the United States. B.A.G. Von's grants the right to operate and sub-license to
5 franchisees the Vons Chicken business format and system (the "System") relating to the
6 establishment and operation of Vons Chicken Restaurants.

8 **Nature of the Conduct**

9 *Background*

10 5. Between August 2019 and October 2020, Von's CA and Han offered and sold
11 unregistered franchises to two franchisees in the state of Washington through Han's personal
12 connections. These franchises are the Federal Way location and the Edmonds location. At least
13 one of these sales was not exempt from registration.

14 *Von's CA Requires its Franchisees to Pay Franchise Fees*

15 6. Franchisees of Von's CA paid a "licensing fee" and signed a document titled "License
16 Agreement" in order to begin the process of opening a Von's franchise location. For the Federal
17 Way location, this fee was \$25,000, and for the Edmonds location, this fee was \$35,000.¹ Von's
18 CA further required franchisees to pay a licensed material deposit of \$5,000.

19 *Von's CA Grants the Right to Use its Trademarks and Tradenames to its Franchisees*

20 7. The License Agreements signed by the franchisees state that B.A.G. Von's, as licensor
21 "owns its trade name "VNS," "Vons Chicken," and other related marks." Further, it states that
22
23

24
25 ¹ Von's F&B is now registering for the sale of franchises in Washington and is charging \$35,000 for an "initial franchise fee" at the time the parties execute the Franchise Agreement.

1 B.A.G. Von's "has developed and owns a proprietary system for the establishment and operation
2 of oven baked chicken restaurants under Proprietary Marks, which includes, a distinctive image
3 consisting of exterior and interior design, decor, color scheme, furnishings and logos; procedures
4 with respect to operations, inventory and management control; training and assistance;
5 advertising and promotional programs; and special recipes for oven baked chicken menu items."
6 As sublicensor, Von's CA grants license to these proprietary marks (including the trade name,
7 logos, basic design, advertising, and promotional designs) and system to franchisees for "the sale
8 of oven baked chicken and related menus" in one location designated by the Licensee.
9

10 *Von's CA Provides a Marketing Plan to its Franchisees*

11 8. In each License Agreement, Von's CA grants franchisees with operational support,
12 including: consultation regarding selection of a new store location; recipes of all the menus
13 items; one-week training (prior to grand opening) for overall operation of the business;
14 simulation feedback; business management tips; and promotion know-how.

15 9. Prior to opening, both the Edmonds and Federal Way locations were given one week of
16 onsite training. Han and another individual from one of B.A.G. Von's South Korean locations
17 came to train each franchise location. The franchisees were taught how to find chicken from
18 suppliers and how to use the Von's sauces. Both franchisees are required to pay a licensed
19 material deposit and purchase Von's proprietary sauces directly from Von's F&B. Additionally,
20 the Federal Way location receives its bags from Von's F&B and the Edmonds location receives
21 its menus from Von's F&B.
22

23 *Sales in Washington*

24 10. Von's CA and Han offered and sold two franchises in Washington. The License
25 Agreement for the Federal Way location was signed in August of 2019. The Federal Way

1 location opened in September 2019. The License Agreement for the Edmonds location was
2 signed on October 20, 2020. The Edmonds location opened in late 2020.

3 *Von's CA Did Not Provide Franchisees a Franchise Disclosure Document*

4 11. The only document Von's CA and Han provided franchisees to begin the process of
5 opening a Von's location was the License Agreement. Von's CA and Han did not provide the
6 Federal Way franchisee nor the Edmonds franchisee an FDD. An FDD is a document required
7 under state and federal law to be given to prospective franchisees, and it contains material
8 information about the franchise for use by the prospective franchisee to weigh the risks and
9 benefits of purchasing the franchise.
10

11 **Registration Status**

12 12. Von's CA and Han are not registered to sell franchises in the State of Washington, and
13 have not previously been so registered.

14 *Exemption from Registration*

15 13. The Federal Way franchisee provided supporting documents showing that their net worth
16 exceeded \$1 million, excluding the value of their primary residence, at the time that they signed
17 the License Agreement. The sale of the Federal Way franchise was therefore exempt pursuant to
18 RCW 19.100.030(5).
19

20 **CONCLUSIONS OF LAW**

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

22 1. The offer or sale of the License Agreements described above constitutes the offer or
23 sale of franchises as defined in RCW 19.100.010(6), RCW 19.100.010(12), and RCW
24 19.100.010(17).
25

1 2. Von's CA and Han violated RCW 19.100.020 by offering and selling the Edmonds
2 franchise without first registering with the Securities Administrator or relying on an
3 exemption from registration.

4 3. Von's CA and Han violated RCW 19.100.080 by failing to furnish the Edmonds
5 franchisee and the Federal Way franchisee a copy of the franchisor's current franchise
6 disclosure document.

7
8 **CONSENT ORDER**

9 IT IS AGREED AND ORDERED that Respondents Von's CA, Charles Han, and their
10 agents and employees, shall each cease and desist from offering or selling franchises in violation
11 of RCW 19.100.020, the Act's franchise registration section.

12 IT IS FURTHER AGREED that Respondents Von's CA, Charles Han, and their agents
13 and employees, shall each cease and desist from failing to furnish a copy of the franchisor's
14 current franchise disclosure document in violation of RCW 19.100.080.

15 IT IS FURTHER AGREED that Respondent Von's CA shall pay the Securities
16 Division's investigative costs in the amount of \$2,000.00 prior to entry of this Consent Order.

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

19 IT IS FURTHER AGREED that Respondent Von's CA and Charles Han enter into this
20 Consent Order freely and voluntarily and with a full understanding of its terms and significance.
21

22 IT IS FURTHER AGREED that, in consideration of the foregoing, Respondent Von's
23 CA and Charles Han waive their right to a hearing and to judicial review of this matter.
24

25 Signed this 4th day of April, 2023.

CONSENT ORDER

5

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

1 Signed by:

2 Von's Chicken California

3 /s/Chul Soo Han

4 President

6 Signed by:

7 /s/Chul Soo Han

8 Chul Soo Han, Individually

10 Approved as to form by:

12 /s/Helen Kim

13 Helena Kim, Attorney for Respondents

17 Dated and Entered this 26th day of April, 2023.

19 _____
/s/

20 William M. Beatty
21 Securities Administrator



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Approved by:

/s/ _____
Brian Guerard
Chief of Enforcement

Presented by:

/s/ _____
Keenan Osborne
Financial Legal Examiner

Reviewed by:

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