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**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 by:

Order No. S-24-3761-24-CO01

CONSENT ORDER

Azteca Restaurant Enterprises, Inc.,

Respondent.

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INTRODUCTION

9 Pursuant to the Franchise Investment Protection Act, RCW 19.100, the Securities Division and Azteca
10 Restaurant Enterprises, Inc. do hereby enter into this Consent Order in settlement of the matters alleged herein.
11 Azteca Restaurant Enterprises, Inc. neither admits nor denies the Findings of Fact and Conclusions of Law as
12 stated below.

13

FINDINGS OF FACT

14

Respondent

15 1. Azteca Restaurant Enterprises, Inc. (“ARE”) is a Washington entity formed on September 4,
16 1985, with its principal place of business in Burien. From 1985 through March of 2023, ARE was engaged in
17 the business of offering and selling franchises involving operation of a restaurant serving Mexican food under
18 the name “Azteca Mexican Restaurants.”

19

Nature of the Conduct

20

Overview

21 2. From September of 1985 through March of 2023, ARE offered and sold thirty-one unregistered
22 franchises. Twenty-eight franchises were located in Washington State and sold to Washington residents. Three
23 franchises were located in Oregon.

CONSENT ORDER

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 41200
Olympia, WA 98504-1200
360-902-8760

1 *Background*

2 3. Respondent entered into franchise agreements, referred to as “license agreements,” with all
3 franchisees for the operation of Azteca Mexican Restaurants using a system prescribed by Respondent.

4 *Franchise and Advertising Fees*

5 4. The license agreements for all thirty-one locations contain substantially similar terms. The
6 agreements state that that ARE owns the trade names “Azteca” and “Azteca Mexican Restaurants” and the
7 copyrights to menus and marketing materials, as well as other trademarks, service marks, copyrights, domain
8 names, trade secrets and other protectable rights relating to and arising from the development and operation of the
9 Azteca Mexican Restaurants. All of the restaurants advertise on a joint website, utilize the same trademarks, and
10 maintain similar appearance and décor.

11 5. The agreements dictate that licensees pay ARE a licensing fee ranging from 2 to 4% of the monthly
12 sales of the restaurant.

13 6. The agreements provide that licensees have the right to participate in any volume purchasing or
14 other supplier arrangements that may be negotiated by ARE.

15 7. The agreements further provide licensees with the right to participate in any marketing program
16 undertaken by ARE. The agreements require licensees to “operate the Restaurant in a manner consistent with other
17 good-quality family restaurants in the area where the Restaurant is located.” Licensees who do not conform to the
18 prescribed manner may face termination.

19 *ARE did not provide Franchisees with a Franchise Disclosure Document*

20 8. Respondent did not provide franchisees with a Franchise Disclosure Document (“FDD.”) A
21 FDD is a document required under state and federal law to be given to prospective franchisees. It contains
22 material information about the franchise for use by the prospective franchisee to weigh the risks and benefits
23 of purchasing the franchise.

1 **Registration Status**

2 9. On August 30, 2023, ARE’s operating affiliate Azteca Franchise Innovation, LLC (“AFI”)
3 applied to the Washington State Securities Division of the Department of Financial Institutions for the Initial
4 Registration of an Offer and Sale of Franchises.

5 10. AFI acknowledged the existence of the fifteen Azteca Mexican Restaurants currently in
6 operation in its application materials, including its FDD. The remaining sixteen franchises have closed.

7 11. ARE is not currently registered to sell its franchises in the state of Washington and has not
8 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 and sale of the described above licensing agreements constitutes the offer and/or sale
12 of a franchise as defined in RCW 19.100.010(6), RCW 19.100.010(12), and RCW 19.100.010(17).

13 2. Azteca Restaurant Enterprises, Inc. violated RCW 19.100.020, the franchise registration
14 section of the Franchise Investment Protection Act, by offering and/or selling franchises for which no
15 registration is on file with the Securities Administrator.

16 3. Azteca Restaurant Enterprises, Inc. violated 19.100.080, the disclosure document requirement
17 section of the Franchise Investment Protection Act, by selling franchises without providing prospective
18 purchasers with a current disclosure document that contained all material information about the franchise.

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

20 **CONSENT ORDER**

21 IT IS AGREED AND ORDERED that Respondent Azteca Restaurant Enterprises, Inc., and their
22 agents and employees, shall each cease and desist from violating RCW 19.100.020, the franchise registration
23 section of the Franchise Investment Protection Act.

1 IT IS AGREED AND ORDERED that Respondent Azteca Restaurant Enterprises, Inc., and their
2 agents and employees, shall each cease and desist from violating RCW 19.100.080, the disclosure document
3 requirement section of the Franchise Investment Protection Act.

4 IT IS AGREED that Respondent Azteca Restaurant Enterprises, Inc. shall be liable for and pay costs
5 in the amount of \$968.75.

6 IT IS AGREED that Respondent Azteca Restaurant Enterprises, Inc. enters into this Consent Order
7 freely and voluntarily and with a full understanding of its terms and significance.

8 IT IS AGREED that the Securities Division has jurisdiction to enter this order.

9 IT IS AGREED that in consideration of the foregoing, the Respondent waives their right to a hearing
10 and to judicial review of this matter pursuant to RCW 19.100.260 and Chapter 34.05 RCW.

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

12
13 Signed this 18th day of July 2024.

14 Signed by:
15 Azteca Restaurant Enterprises, Inc.
16 /s/
17 _____
Victor Ramos, Treasurer

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19 Approved as to form by:
20 /s/
21 _____
Ryan Smith, Attorney for Azteca Restaurant Enterprises, Inc.

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23

SIGNED and ENTERED this 13th day of August, 2024.



/s/
William M. Beatty
Securities Administrator

Approved by:

Presented by:

/s/

Brian J. Guerard
Chief of Enforcement

/s/

Denise Griffith
Financial Legal Examiner

Reviewed by:

/s/

Holly Mack-Kretzler
Financial Legal Examiner Supervisor