

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) Order No. S-16-1973-16-SC01
7 Washington by:)
8) STATEMENT OF CHARGES AND NOTICE OF INTENT
9 Rent-A-Ruminant, LLC, Rent-A-Ruminant) TO ENTER ORDER TO CEASE AND DESIST
10 Franchise, LLC, and Tammy Dunakin,)
11)
12 Respondents.)

13 **THE STATE OF WASHINGTON TO: Rent-A-Ruminant, LLC, Rent-A-Ruminant**
14 **Franchise, LLC, and Tammy Dunakin**

15 **STATEMENT OF CHARGES**

16 Please take notice that the Securities Administrator for the state of Washington has reason to believe that
17 Respondents, Rent-A-Ruminant, LLC, Rent-A-Ruminant Franchise, LLC, and Tammy Dunakin, (“the Respondents”)
18 have each violated the Franchise Investment Protection Act of Washington, RCW 19.100, and that their violations
19 justify the entry of an order of the Securities Administrator under RCW 19.100.248 against each to cease and desist
20 from such violations. The Securities Administrator finds as follows:

21 **TENTATIVE FINDINGS OF FACT**

22 **I.**

23 Parties

24 1. Rent-A-Ruminant, LLC (“RAR”) is a Washington limited liability company formed in 2004 and
25 whose principal place of business is on Vashon Island, Washington. RAR is in the business of renting out goats for
the primary purpose of weed control.

2. Rent-A-Ruminant Franchise, LLC, (“RARF”) is a Washington limited liability company formed in
2015 and whose principal place of business is on Vashon Island, Washington. RARF is in the business of offering
goat rental franchises.

3. Tammy Dunakin (“Dunakin”), a Washington resident, is the owner and managing member of Rent-
A-Ruminant, LLC and Rent-A-Ruminant Franchise, LLC.

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II.

Nature of the Offering

4. From approximately 2010 to 2015, Respondents RAR and Dunakin caused to be published online advertisements for offer of RAR “affiliate licenses” for its “affiliate/license program” The RAR affiliate/license program offered purchasers the opportunity to start a goat rental business in which they would be granted the right to use the RAR name, receive training and mentoring, receive a copyrighted training manual, portable fencing, an exclusive territory and business referrals from RAR. Tammy Dunakin described the RAR licenses to prospective purchasers as one that “gives you an established business with **brand name recognition nationwide.**” Dunakin represented to prospective purchasers that she could train and mentor prospects so that they “have the opportunity to be successful and profitable from the onset.” Respondents RAR and Dunakin maintained a website at <http://www.rentaruminant.com/>. Respondents RAR and Dunakin also promoted the availability of affiliate licenses on their Facebook and Twitter pages. Respondents RAR and Dunakin offered RAR affiliate licenses by email, phone and in-person communications.

5. In 2010, Respondents RAR and Dunakin were contacted by a prospective purchaser and Washington resident (“Licensee A”), who found them through one of their online advertisements. In October, 2010, RAR, the licensor, entered into a license agreement with Licensee A, a Washington limited liability company. RAR granted Licensee A a license to use its federally licensed trademark “Rent-A-Ruminant.” RAR also granted Licensee A “the valuable know how associated with that Mark, as well as trade secrets, community business connections, and all other intellectual property..” In the license agreement, RAR collectively described its “know how,” business connections, and intellectual property as “the Goods.” RAR required Licensee A to call itself “an affiliate of Rent-A-Ruminant” in its use of its “Goods.” RAR required Licensee A to include the phrase “an affiliate of Rent-A-Ruminant” in its business marketing materials, including its web page. Licensee A has used the “RAR Affiliate” designation on its truck magnet signs, business cards, signage, and in its voicemail. RAR agreed to provide Licensee A with sixteen hours of training and up to ten hours of “consulting” in the first twelve months of the agreement. Thereafter, RAR charges Licensee A \$30 an hour for additional “consulting.” RAR provided Licensee A with a “trade manual” and other copyrighted materials. RAR granted Licensee A the right to use its “Goods” for a period of two years. In exchange for the use of the “Goods,” RAR charged Licensee A an initial license fee of \$4,000 for the first year and thereafter an annual fee of 10% of annual gross revenue. In addition RAR charged Licensee A a \$25 referral fee for each client and job that it referred to the licensee. RAR did not provide Licensee A with a Franchise Disclosure Document (“FDD”) in connection with the offer and sale of the license.

6. In 2012 and in 2016, RAR renewed its license agreement with Licensee A and did not provide Licensee A with a Franchise Disclosure Document (“FDD”) in connection with the renewal of the license.

1 7. In August, 2012, RAR entered into a license agreement with a second Washington limited liability
2 company, (“Licensee B”), in which RAR granted Licensee B the right to use its federally licensed trademark “Rent A
3 Ruminant.” RAR granted Licensee B its “valuable business know how, trade secrets and methodology and other
4 intellectual property including but not limited to copyright materials, including trade manuals and web materials and
5 trade names;...” RAR granted Licensee B the right to use its “Goods” for a period of four years. RAR required
6 Licensee B to include the phrase “an affiliate of Rent-A-Ruminant” in its business marketing materials, including its
7 web page. Licensee B has used the the “RAR Affiliate” designation on its truck and introduces itself to all referrals as
8 an RAR affiliate. RAR agreed to provide Licensee B with sixteen hours of training and up to ten hours of
9 “consulting” in the first twelve months of the agreement. Thereafter, RAR charges Licensee B \$30 an hour for
10 additional “consulting.” In exchange for the use of the “Goods,” RAR charged Licensee B an initial license fee of
11 \$8,000 for the first year and thereafter an annual fee of the greater of 10% of annual gross revenue or a minimum of
12 \$500. In addition RAR charged Licensee B a \$25 referral fee for each client and job that it referred to the licensee.
13 RAR did not provide Licensee B with a Franchise Disclosure Document in connection with the offer and sale of the
14 license.

15 8. In June, 2015, RAR entered into a license agreement with a third Washington limited liability
16 company, (“Licensee C”), in which RAR granted Licensee C the right to use its federally licensed trademark “Rent A
17 Ruminant.” RAR granted Licensee C its “valuable business know how, trade secrets and methodology and other
18 intellectual property including but not limited to copyright materials, including trade manuals and web materials and
19 trade names;...” RAR granted Licensee C the right to use its “Goods” for a period of four years. RAR required
20 Licensee C to include the phrase “an affiliate of Rent-A-Ruminant” in its business marketing materials, including its
21 web page. RAR agreed to provide Licensee C with an “Affiliate manual,” sixteen hours of training and up to ten hours
22 of “consulting” in the first twelve months of the agreement. Thereafter, RAR charges Licensee C \$30 an hour for
23 additional “consulting.” In exchange for the use of the “Goods,” RAR charged Licensee C an initial license fee of
24 \$4,000 for the first year and thereafter an annual fee of the greater of 10% of annual gross revenue totaling less than
25 \$50,001 or \$500. For amounts in excess of \$50,000, RAR charges Licensee C, on a sliding scale, 9% of annual
revenue ranging between \$50,000 and \$75,000 and up to 1% of annual revenue that exceeded \$2,000,000. In addition
RAR charged Licensee C a \$25 referral fee for each client and job that it referred to the licensee. RAR did not provide
Licensee C with a Franchise Disclosure Document in connection with the offer and sale of the license.

9. From approximately 2015 through 2016, Respondents RARF and Dunakin offered franchise
opportunities for sale on the RAR website at <http://www.rentaruminant.com/>, and by email, phone and in-person
communications. In or about February 2016, Respondents RARF and Dunakin provided a Franchise Disclosure
Document to its Washington licensees and offered them the opportunity to convert from a “license” to a RARF
franchise.

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III.

Registration and Franchise Application Status

10. Rent-A-Ruminant, LLC and Rent-A-Ruminant Franchise, LLC are not currently registered to offer or sell franchises in the state of Washington and have not previously been so registered. On April 7, 2016, Rent-A-Ruminant Franchise, LLC filed a franchise registration application, file number 70015994, with the Securities Division and the application is in pending status.

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

CONCLUSIONS OF LAW

I.

Despite the characterization of the RAR agreements as “license agreements,” the offer or sale of the RAR license agreements and franchises described above constitute the offer and/or sale of a franchise as defined in RCW 19.100.010(6), RCW 19.100.010(12), and RCW 19.100.010(17).

II.

The Respondents offered and sold said franchises in violation of RCW 19.100.020 because no registration for such offer and sale by was on file with the Securities Administrator for certain time periods when offers or sales occurred.

III.

Respondents RAR and Dunakin violated RCW 19.100.080, the “disclosure document” section of the Franchise Investment Protection Act, because they failed to provide prospective license purchasers a franchise disclosure document with material information about the investment opportunity.

NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST

Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that, their agents and employees each shall cease and desist from violations of RCW 19.100.020 and RCW 19.100.080.

AUTHORITY AND PROCEDURE

This Order is entered pursuant to the provisions of RCW 19.100.248 and is subject to the provisions of Chapter 34.05 RCW. Rent-A-Ruminant, LLC, Rent-A-Ruminant Franchise, LLC and Tammy Dunakin may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order. If a respondent does not request a hearing within the

1 allowed time, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of
2 Law as final and enter an order to cease and desist permanent as to that respondent.

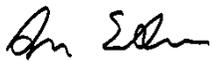
3 Signed and Entered this 2nd day of August, 2016.

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5 William M. Beatty
6 Securities Administrator

7 Approved by:

8 Presented by:

9 

10 Suzanne Sarason
11 Chief of Enforcement

12 

13 Martin Cordell
14 Financial Legal Examiner

15 Reviewed by:

16 

17 Jack McClellan
18 Financial Legal Examiner Supervisor