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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 of
Washington by:

Chicago Doughnut Franchise Company, LLC
d.b.a. "The Dapper Doughnut,"
Brian Pappas, and
Jeff Pappas,

Respondents.

Order No. S-18-2406-20-FO01

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL
ORDER TO CEASE AND DESIST AS TO
CHICAGO DOUGHNUT FRANCHISE COMPANY,
LLC D.B.A. "THE DAPPER DOUGHNUT,"
BRIAN PAPPAS, AND JEFF PAPPAS

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THE STATE OF WASHINGTON TO:

**Chicago Doughnut Franchise Company, LLC and
Brian Pappas, and Jeff Pappas**

On April 6, 2020, the Securities Administrator of the state of Washington issued a Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, Order Number S-18-2406-20-SC01 ("Statement of Charges"). The Statement of Charges, together with a Notice of Opportunity for Hearing ("Notice") and an Application for Adjudicative Hearing ("Application"), were served on Respondents Chicago Doughnut Franchise Company, LLC d.b.a. "The Dapper Doughnut," Brian Pappas, and Jeff Pappas (the "Respondents") on April 9, 2020 by U.S Mail. The Notice advised the Respondents that the Application must be received within twenty days from the date of service. The Respondents failed to request an administrative hearing within twenty days of the date of service. Therefore, the Securities Administrator adopts as final the following Findings of Fact and Conclusions of Law as set forth in the Statement of Charges and enters a final order against the Respondents to cease and desist from violations of the Franchise Investment Protection Act.

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL
ORDER TO CEASE AND DESIST

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

1 **FINDINGS OF FACT**

2 **Respondents**

3 1. Chicago Doughnut Franchise Company, LLC (“CDFC”) d.b.a. “The Dapper Doughnut” is a
4 Florida limited liability company formed on November 9, 2015 with its principal place of business in Las
5 Vegas, Nevada. CDFC is in the business of offering The Dapper Doughnut franchises that sell mini doughnuts
6 in various retail locations.

7 2. Brian Pappas is one of the founders and a former Managing Director of CDFC.

8 3. Jeff Pappas is a former Managing Director of CDFC.

9 **Nature of Conduct**

10 4. On March 4, 2018, CFDC filed a franchise registration application with the Securities Division,
11 file number 70016450. The application was signed by then CFDC Managing Director Jeff Pappas, who
12 certified that the application’s and the attached exhibits’ contents were true and correct.

13 5. CFDC attached to its application an exhibit titled “Franchise Disclosure Document” (“FDD”)
14 that contained material disclosures regarding its proposed franchise offering.

15 **Affiliates Disclosures**

16 6. CFDC disclosed in Item 2 of its FDD that it had no predecessors and the following three
17 affiliates:

- 18 a. Diversified Franchise Group, Inc. ("DFG"), a Delaware corporation formed on January 13,
19 2016, that owned a majority interest in CFDC and is its parent;
- 20 b. Las Vegas Donut LLC, a Nevada limited liability company formed on March 9, 2016; and
- 21 c. TDD Supply Company LLC, a Florida limited liability company formed on May 7, 2016.

22 7. CFDC failed to disclose in Item 2 of its 2018 Washington FDD the following three additional
23 affiliates:

- a. TDD Fulton Center LLC, a Florida limited liability company formed on May 12, 2017;
- b. TDD Holding Company, LLC, a Florida limited liability company formed on May 17, 2016; and
- c. Vegas Donut Company, LLC, a Nevada limited liability company formed on May 4, 2016.

Litigation History

8. CFDC stated in its Washington FDD Item 3 disclosure that it had no litigation that was required to be disclosed. FDD Item 3 requires that a franchisor disclose the following for any individual who will have management responsibility relating to the sale or operation of its franchises: an administrative, criminal, or material civil action alleging a violation of a franchise, antitrust, or securities law, or alleging fraud, unfair or deceptive practices, or comparable allegations.

9. CFDC failed to disclose, in its Washington FDD Item 3, any litigation and administrative enforcement actions for Brian Pappas, CFDC's founder and former Managing Director. Brian Pappas was also a former DFG manager and director. Brian Pappas was still acting as a general manager for CFDC. Brian Pappas was a "consulting general manager" for DFG. Brian Pappas was a general manager of DFG Payroll Company LLC, a subsidiary of DFG. Brian Pappas was managing the CFDC franchise marketing web portal, was directing leads to its independent franchise brokers and otherwise involved in the marketing and operation of The Dapper Doughnut franchises.

10. Brian Pappas was named as a respondent in multiple civil lawsuits involving the sale of franchises in which fraud was alleged. He was connected with state franchise enforcement actions by Virginia and Washington in which restrictive orders were issued. These actions should have been disclosed in Item 3 of the CFDC Washington FDD.

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

1 **CONCLUSIONS OF LAW**

2 1. The misrepresentation or omission of material facts regarding the FDD affiliate and litigation
3 disclosures made in the franchise registration application of Chicago Doughnut Franchise Company, LLC is
4 a violation of RCW 19.100.170.

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

6 **FINAL ORDER**

7 IT IS HEREBY ORDERED that Respondents Chicago Doughnut Franchise Company, LLC d.b.a.
8 “The Dapper Doughnut,” Brian Pappas, and Jeff Pappas and their agents and employees, shall each cease
9 and desist from violations of RCW 19.100.170 the violations section of the Franchise Act of Washington.

10 **AUTHORITY AND PROCEDURE**

11 This Final Order is entered pursuant to RCW 19.100.248 and is subject to the provisions of RCW
12 19.100.260 and Chapter 34.05 RCW. Respondents have the right to petition the superior court for judicial
13 review of this agency action under the provisions of Chapter 34.05 RCW. For the requirements for judicial
14 review, see RCW 34.05.510 and sections following.

15
16 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.


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18 SIGNED and ENTERED this 6th_ day of May, 2020

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21 William M. Beatty
22 Securities Administrator

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Approved by:



Suzanne Sarason
Chief of Enforcement

Presented by:



Martin Cordell
Financial Legal Examiner

Reviewed by:



Jack McClellan
Financial Legal Examiner Supervisor