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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:

Chatime USA, LLC;

Respondent

Order No.: S-19-2701-19-CO01

CONSENT ORDER

Pursuant to the Franchise Investment Protection Act of Washington, RCW 19.100, the Securities Division and Respondent Chatime USA, LLC do hereby enter into this Consent Order in settlement of the matters alleged herein. Respondent Chatime USA, LLC neither admits nor denies the Findings of Fact or Conclusions of Law as stated below.

FINDINGS OF FACT

Respondents

1. Chatime USA, LLC (“Chatime USA”) is a Delaware limited liability company formed on or about January 2, 2014. Chatime USA has a principal place of business in Zhubei City, Taiwan. The President and Chief Executive Officer (CEO) of Chatime USA is Henry Wang. Chatime USA offers franchises that sell gourmet coffees and tea, bubble tea, and other food products and beverages in retail outlets. Chatime USA is a wholly owned subsidiary of its parent corporation, La Kaffa International Co., Ltd., which was formed under the laws of Taiwan in March 2004.

Other Regulatory Action

2. On November 7, 2017, the California Department of Business Oversight entered into a Consent Order with La Kaffa International Co., Ltd., d.b.a. Chatime USA, LLC, in connection with the unregistered, non-exempt offers and sales of franchises between 2013 and 2016. La Kaffa International Co. Ltd. paid

CONSENT ORDER

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Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760

1 \$20,000 in administrative penalties as part of the Consent Order.

2 **Nature of the Conduct**

3 3. On or about December 12, 2018, Chatime USA filed an initial application to register a master
4 franchise offering in Washington (Franchise Registration Application File No. 70016653) pursuant to
5 Washington's Franchise Investment Protection Act. A master franchisee has the right to operate multiple
6 outlets in a specific area and the right to grant third parties the right to own and operate outlets in that territory.
7 On or about December 17, 2018, Chatime USA filed an initial application to register an offering of individual
8 franchise units in Washington (Franchise Registration Application File No. 70016657). As part of the review
9 of these franchise registration applications, the Securities Division determined that prior to the date of its
10 registration applications, Chatime USA caused the sale of a franchise in the state of Washington.

11 4. On August 4, 2016, Chatime USA entered into a five-year Master Franchise Agreement with
12 a business named 1476257 Alberta Ltd. that was based in Edmonton, Alberta (hereinafter, the "master
13 franchisee"). As part of the Master Franchise Agreement, the master franchisee paid a total of \$200,000 as
14 an area development fee for Washington state. Under the Master Franchise Agreement, the master franchisee
15 was also required to pay a \$12,000 license fee for each new store, a royalty fee of 3.5% of gross monthly
16 sales, and 2% of gross monthly sales for a marketing fund, which was not yet established at the time of the
17 agreement. Chatime USA failed to register this offer and sale of a Chatime franchise, which was to be located
18 or operated, wholly or partly, in the state of Washington.

19 5. In April 2018, Chatime USA terminated the Master Franchise Agreement with the master
20 franchisee.

21 **Registration Status**

22 6. Respondent Chatime USA, LLC is not currently registered to sell franchises in the state of
23 Washington and has not previously been so registered. There is no notification of exemption on file with the

1 state of Washington. As described above, on December 12, 2018 and December 17, 2018, Chatime USA,
2 LLC filed franchise registration applications with the Washington Securities Division. To date, those
3 franchise registration applications have not yet been approved.

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

5 **CONCLUSIONS OF LAW**

6
7 1. The offer or sale of the franchise as described above constitutes the offer or sale of a
8 franchise as defined in RCW 19.100.010(6), RCW 19.100.010(12), and RCW 19.100.010(17).

9 2. The offer or sale of said franchise was in violation of RCW 19.100.020 because no
10 registration for such offer or sale is on file with the Securities Administrator.

11 3. The offer or sale of said franchise was in violation of RCW 19.100.080 because the
12 Respondent Chatime USA, LLC failed to provide the franchisee with a franchise disclosure document prior
13 to the sale of the master franchise.

14 **CONSENT ORDER**

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

16 IT IS AGREED AND ORDERED that Respondent Chatime USA, LLC and their agents and
17 employees shall each cease and desist from offering or selling franchises in violation of RCW 19.100.020,
18 the registration section of the Franchise Investment Protection Act of the state of Washington.

19 IT IS FURTHER AGREED AND ORDERED that Respondent Chatime USA, LLC and their agents
20 and employees shall each cease and desist from any violation of RCW 19.100.080, the franchise disclosure
21 document section of the Franchise Investment Protection Act of the state of Washington.

22 IT IS FURTHER AGREED AND ORDERED that Respondent Chatime USA, LLC shall be liable for
23 and shall pay investigative costs of \$2,500 prior to the entry of this Consent Order.

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Securities Division
PO Box 9033
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1 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

2 IT IS FURTHER AGREED that Respondent Chatime USA, LLC enters into this Consent Order freely
3 and voluntarily and with a full understanding of its terms and significance.

4 IT IS FURTHER AGREED that in consideration of the foregoing, Respondent Chatime USA, LLC
5 waives its right to a hearing and to judicial review of this matter.

6 Signed this _____ day of _____, 2019


7
8 Signed by:
9 Chatime USA, LLC

10
11 By /s/ _____
12 Henry Wang
13 President and CEO

14 SIGNED and ENTERED this 16th day of September 2019.

15 

16 _____
17 William M. Beatty
18 Securities Administrator

19 Approved by:
20 

21 _____
22 Suzanne Sarason
23 Chief of Enforcement

Presented by:

20 

21 _____
22 Robert Kondrat
23 Financial Legal Examiner