

1
2
3
4
5
6
7

**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:

Pelicana F&B Management, Inc. d.b.a. Pelicana
Chicken USA;

Respondent

Order No. S-21-3160-21-CO01

CONSENT ORDER

8
9
10
11
12

Pursuant to the Franchise Investment Protection Act of Washington, RCW 19.100, the Securities Division and Respondent Pelicana F&B Management, Inc. d.b.a. Pelicana Chicken USA do hereby enter into this Consent Order in settlement of the matters alleged herein. Respondent Pelicana F&B Management, Inc. neither admits nor denies the Findings of Fact or Conclusions of Law as stated below.

13
14

FINDINGS OF FACT

15
16
17

Respondents

1. Pelicana F&B Management, Inc. (“Pelicana”) is a California corporation entity formed on March 11, 2019 with its principal place of business in Buena Park, CA. Pelicana is a master franchisee of Pelicana Co., Ltd, a South Korea corporation and is in the business of selling franchises for a Korean style fried chicken restaurant operating under the name of “PELICANA.”

18
19

Franchise Offer

2. In or about 2020, Pelicana was contacted by a Washington resident (“the Resident”) who was interested in opening a Pelicana franchise store in the state. A Pelicana representative initially advised the Resident that it could not sell him a franchise and could not provide him with a franchise disclosure document

20
21
22
23

CONSENT ORDER

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

1 because it did not have state approval to do so. Nonetheless, the Resident and his business partners committed
2 to leasing a location to open the proposed store and advised Pelicana by telephone and email of this fact.

3 3. From 2020 through 2021, with the understanding that it should not close a sale of a franchise
4 to the Resident and his business partners, Pelicana entered into an unwritten arrangement in which it assisted
5 the Resident with the build out of the store location without requiring him to sign an agreement or pay any
6 money until it was registered with the state. In 2020, Pelicana emailed the Resident a proposed Business Plan
7 for the development of a Pelicana store.

8 4. Pelicana provided the Resident, “for informational purposes only,” with a copy of its Franchise
9 Disclosure Document (“FDD”) that was filed in California. In the FDD provided to the Resident, Pelicana
10 represented that the initial franchise fee for a store was \$30,000; that a royalty fee of 3% of gross sales was
11 required; that it grants a franchisee the use of its trademarks, service marks, trade names and commercial
12 symbols; and would provide a franchisee with a variety of services and assistance such as training, pre and
13 post-store opening guidance and advice and advertising and marketing assistance.

14 5. Pelicana requested that the Resident, in order to proceed with his application to become a
15 franchisee, submit a personal financial statement, proof of funds, and a personal resume. Pelicana approved
16 the proposed location for the Resident’s proposed store. Pelicana assisted the Resident in his efforts to get the
17 store ready for opening by providing him with the specifications for the Pelicana signage. Pelicana also
18 assisted the Resident with the store’s development by providing information regarding floor plans and
19 furniture for the proposed restaurant.

20 **Registration Status**

21 6. Respondent Pelicana is not currently registered to sell its franchises in the state of Washington
22 and has not previously been so registered. On April 1, 2021, Pelicana filed a franchise registration application,
23 File No. 70017237, with the state of Washington.

1
2 **Violations**

3 7. In its Franchise Disclosure Documents filed with the Securities Division in 2021 and the
4 California Department of Financial Protection and Innovation in 2020, Pelicana made the following statement
5 in Item 19 of the FDDs: “We do not make any representations about a franchisee's future financial
6 performance or the past financial performance of company-owned, affiliate-owned or franchised Pelicana
7 Restaurants. We do not authorize our employees or representatives to make any such representations either
8 orally or in writing.”

9 8. In or about October 2020, Pelicana provided the Resident with a document titled “Pelicana
10 Chicken Projected Yearly Sales & Costs” that contained the following the following projections:

- 11 • Gross sales (\$200,000/monthly, 2.5million/YEAR)_Full services restaurant/Ave.
12 2,000-3,000sq)
- 13 • Rent Expense (\$15,000-20,000/monthly)
- 14 • Employee salaries (\$50,000-60,000/monthly)
- 15 • Foods & Beverage Costs(\$60,000-80,000/monthly)
- 16 • Utility & Maintenances, Insurance (\$10,000-15,000/monthly)
- 17 • Packaging & Supplies (\$8000-10,000/monthly)
- 18 • GROSS PROFIT (20%-30%)

19 9. In or about November 2020, Pelicana provided the Resident with an FDD that falsely stated
20 that it did not make any representations about a franchisee's future financial performance or the past financial
21 performance of company-owned, affiliate-owned or franchised stores.

22 Based upon the above Findings of Fact, the following Conclusions of Law are made:
23

1 **CONCLUSIONS OF LAW**

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

4 2. The offer or sale of said franchise was in violation of RCW 19.100.020 because no approved
5 registration for such offer or sale was in effect with the Washington Securities Administrator.

6 3. Pelicana misrepresented in its FDDs, filed with its Washington franchise registration
7 application and provided to the Resident, that it did not make any representations about a franchisee's future
8 financial performance or the past financial performance of company-owned, affiliate-owned or franchised
9 Pelicana Restaurants, as described in paragraphs seven through nine above in violation of RCW 19.100.170.

10 **CONSENT ORDER**

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

12 IT IS AGREED AND ORDERED that Respondent Pelicana, and its agents and employees shall each
13 cease and desist from offering or selling franchises in violation of RCW 19.100.020, the registration section
14 of the Franchise Investment Protection Act of the state of Washington.

15 IT IS FURTHER AGREED AND ORDERED that Respondent Pelicana, and its agents and employees
16 shall each cease and desist from any violation of RCW 19.100.170, the "Violations" section of the Franchise
17 Investment Protection Act of the state of Washington.

18 IT IS FURTHER AGREED AND ORDERED that Respondent Pelicana, shall be liable for and shall
19 pay investigative costs of \$2,200 prior to the entry of this Consent Order.

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

21 IT IS FURTHER AGREED that Respondent Pelicana, enters into this Consent Order freely and
22 voluntarily and with a full understanding of its terms and significance.
23

