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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

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IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Franchise Investment Protection Act by:

Order No. S-23-3599-23-CO01

CONSENT ORDER

Boba Tea Sdn Bhd d.b.a. Daboba;

Respondent.

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INTRODUCTION

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Pursuant to the Franchise Investment Protection Act, RCW 19.100, the Securities Division and Boba Tea Sdn Bhd do hereby enter into this Consent Order in settlement of the matters alleged herein. Boba Tea Sdn Bhd neither admits nor denies the Findings of Fact and Conclusions of Law as stated below.

FINDINGS OF FACT

Parties

Respondent Boba Tea Sdn Bhd d.b.a. Daboba (“Boba Tea”) is a Malaysian private limited company formed on October 16, 2018, with its principal place of business in Shah Alam, Selangor, Malaysia.

Nature of the Conduct

1. In early 2021, Boba Tea offered a Washington resident (“Resident A”) the opportunity to open a Boba Tea shop and purchase the right to sublicense (franchise) the right to others to operate Boba Tea shops.

2. On or about March 9, 2021, a Boba Tea employee sent Resident A an email stating “Our COGS is average 30% depending on the drinks’ series.” In addition, Boba Tea also provided Resident A a document titled “Sales Revenue Projection” that represented that an initial investment of \$395,000

CONSENT ORDER

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
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Tumwater, WA 98501
360-902-8760

1 investment in a Boba Tea licensing arrangement could reach “breakeven” after eleven months based on
2 monthly revenues of \$50,000. Boba Tea failed to provide Resident A with all material facts relating to its
3 financial performance claim including all of its bases and assumptions.

4 3. In its offer and sale of a license and sublicense arrangement to Resident A, Boba Tea failed to
5 provide Resident A with material information about the investment, including failing to provide information
6 about the Washington franchise registration requirements for subfranchisors.

7 4. On or about July 15, 2021, Boba Tea signed a license agreement (“Agreement”) with Resident
8 A, d.b.a. Daboba, LLC (“Daboba LLC”), a Washington limited liability company. Boba Tea granted Resident
9 A the right to sublicense to third parties the right to use the Boba Tea trade name, trademarks, intellectual
10 property and to sell Boba Tea Products and Boba Tea services. Boba Tea required that Resident A pay it a
11 non-refundable license fee, a non-refundable sublicense fee and other fees as a condition for the grant of the
12 license, including a three per cent royalty of gross monthly sales. Boba Tea agreed to provide Resident A
13 with training; operational advice and assistance; and access to its marketing program.

14 5. During the period 2021 through 2022 and prior to the formation of Daboba USA, Boba Tea
15 offered franchises to Washington offerees and sold to Washington residents (“Residents”) a license to operate
16 tea shops using the Daboba name and marks. Boba Tea charged the Residents initial Licensing Fees ranging
17 from \$20,000 to \$44,000. Boba Tea charged the Residents agreement fees, design fees, point of sale fees,
18 and a royalty of 6% on monthly gross sales. Boba Tea charged the Residents a fee for equipment and the
19 initial stock needed to open the shops. Boba Tea also charged the Residents with training and marketing fees
20 for assistance in starting up and operating the Daboba tea shops.

21 6. Boba Tea failed to disclose material information to the Residents in the offer and sale of
22 licenses such as failing to disclose that Daboba LLC has the exclusive rights to sell franchises in Washington
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1 and that they would be required to interact with Daboba LLC in the operation of their business rather than
2 directly with Boba Tea.

3 7. Prior to the offer and sale of the licenses to Washington residents, Boba Tea did not provide
4 the residents with a franchise disclosure document (“FDD”). An FDD is a document required under state and
5 federal law to be given to prospective franchise purchasers and contains material information for use by
6 investors to weigh the risks and benefits of the investment.

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

13 2. Boba Tea Sdn Bhd violated RCW 19.100.170, the antifraud/violations section of the Franchise
14 Investment Protection Act, by making untrue statements of material fact or omitting to state material facts
15 necessary to make the statements made, in light of the circumstances in which they were made, not
16 misleading.

17 3. The offer or sale of said franchise was in violation of RCW 19.100.080 because Boba Tea Sdn
18 Bhd failed to provide licensees with a copy of a current franchise disclosure document at least fourteen days
19 prior to the execution of a franchise agreement.

20 4. Boba Tea Sdn Bhd violated RCW 19.100.020, the franchise registration section of the
21 Franchise Investment Protection Act, by offering and selling a franchise for which no registration is on file
22 with the Securities Administrator.

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

1 **CONSENT ORDER**

2 IT IS AGREED AND ORDERED that Respondent Boba Tea Sdn Bhd, and their agents and
3 employees, shall each cease and desist from violating RCW 19.100.170, the violations section of the
4 Franchise Investment Protection Act.

5 IT IS AGREED AND ORDERED that Respondent Boba Tea Sdn Bhd, and its agents and employees
6 shall each cease and desist from offering or selling franchises in violation of RCW 19.100.080, the franchise
7 disclosure document section of the Franchise Investment Protection Act.

8 IT IS AGREED AND ORDERED that Respondent Boba Tea Sdn Bhd, and its agents and employees
9 shall each cease and desist from offering or selling franchises in violation of RCW19.100.020, the franchise
10 registration section of the Franchise Investment Protection Act.

11 IT IS AGREED that Respondent Boba Tea Sdn Bhd. shall be liable for and pay investigative costs in
12 the amount of \$5,200.

13 IT IS AGREED that Respondent Boba Tea Sdn Bhd enters into this Consent Order freely and
14 voluntarily and with a full understanding of its terms and significance.

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

16 IT IS AGREED that in consideration of the foregoing, the Respondent Boba Tea Sdn Bhd waives its
17 right to a hearing and to judicial review of this matter pursuant to RCW 19.100.260 and Chapter 34.05 RCW.

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

19 Signed this 9th day of May 2024.

20 _____
/s/
Boba Tea Sdn Bhd, Signed by:

Choong Jun Meng
Director

21 Approved as to form by:
22 _____
/s/
23 Beata Krakus, UB Greensfelder, LLP

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2 SIGNED and ENTERED this 11th day of June, 2024.



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8 _____ /s/

9 William M. Beatty
Securities Administrator

10 Approved by:

Presented by:

11 _____ /s/

_____ /s/

12 Brian Guerard
Chief of Enforcement

Martin Cordell
Financial Legal Examiner

13 Reviewed by:

14 _____ /s/

15 Huong Lam
16 Financial Legal Examiner Supervisor