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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 by:

Chicken Shack, LLC

,

Respondent

Order No.: S-23-3630-24-CO01

CONSENT ORDER

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

FINDINGS OF FACT

Respondent

1. Chicken Shack, LLC (“Chicken Shack”) is a Nevada limited liability company that was organized on December 17, 2010. Chicken Shack maintains a principal place of business in Henderson, Nevada, and is in the business of selling franchises that enable franchisees to open a restaurant that sells chicken items.

Affiliated Company

2. Chicken Shack Enterprises, LLC is an affiliate of Chicken Shack. Chicken Shack Enterprises, LLC was organized on August 23, 2022, and maintains a principal place of business in Henderson, Nevada. Chicken Shack Enterprises, LLC sells franchises that enable franchisees to open a restaurant that sells chicken items. In September 2023, Chicken Shack Enterprises, LLC filed an application for registration of its

CONSENT ORDER

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 41200
Olympia, WA 98504-1200
360-902-8760

1 franchise offering with the Securities Division. As of the date of this Consent Order, that application is
2 pending.

3 **Nature of the Conduct**

4 *The Franchise*

5 3. Chicken Shack sells a franchise that enables franchisees to open and operate a quick casual
6 counter-service restaurant specializing in chicken fingers and wings. Pursuant to the Brand and Trade Name
7 License Agreement (“Agreement”) entered into by and between franchisees and Chicken Shack, Chicken
8 Shack grants franchisees the right to use the mark “Chicken Shack” inclusive of a certain font, with and
9 without the stylized image of a chicken, and with and without the tag line “Fingers, Wings, and Fries” in the
10 operation of the franchised business.

11 4. Chicken Shack controls how franchisees use Chicken Shack’s marks in their marketing.
12 Chicken Shack requires franchisees to receive Chicken Shack’s approval of the “style and manner” of any use
13 of the Chicken Shack marks prior to making that use. Further, any use of the Chicken Shack marks must be
14 consistent with the “Style Guidelines” provided by Chicken Shack which contain rules controlling the size,
15 color, and appearance of the Chicken Shack marks. Also, any marketing materials and promotional products,
16 and related packaging and labelling, that franchisees may wish to use are subject to Chicken Shack’s approval.
17 Moreover, any website that a franchisee wishes to use to market a Chicken Shack restaurant must be approved
18 before the franchisee may deploy it. Chicken Shack may terminate the Agreement if a franchisee fails to
19 provide copies of its marketing materials to Chicken Shack prior to their use.

20 5. Chicken Shack also requires franchisees to operate their restaurants according to quality
21 standards. Franchisees agree that their restaurants must be managed and run in a manner that is of sufficiently
22 high quality to protect Chicken Shack’s marks and the “good will they symbolize.” Franchisees further agree
23 that doing so is of the essence in the Agreement. Chicken Shack makes itself available to franchisees if they

1 have questions or problems with the operation of their restaurants. Chicken Shack may notify a franchisee
2 that it is not meeting quality standards, and such a franchisee has thirty days to cure the deficiency. If the
3 deficiency remains after thirty days, the franchisee must cease restaurant operations and will be deemed to be
4 in breach of the Agreement.

5 6. Franchisees pay a “Down Payment License Fee” upon executing the Agreement. Chicken
6 Shack collected these fees in amounts of \$15,000 and \$30,000. Chicken Shack also collects a monthly royalty
7 equal to five percent of the franchisee’s gross revenues.

8 *Sales to Washington Residents*

9 7. In October 2014, Chicken Shack entered into the Agreement with a Washington corporation
10 owned by a Washington resident which enabled him to open and operate a Chicken Shack restaurant in West
11 Richland, Washington. The parties later amended the Agreement to enable the franchisee to open a Chicken
12 Shack restaurant in Pasco, Washington as well. Chicken Shack did not provide a disclosure document to this
13 franchisee.

14 8. In March 2021, Chicken Shack entered into the Agreement with a Washington corporation
15 owned by two Washington residents which enabled them to open and operate a Chicken Shack restaurant in
16 Wenatchee, Washington. Chicken Shack did not provide a disclosure document to these franchisees.

17 **Registration Status**

18 9. Chicken Shack, LLC is not currently registered to sell its franchises in the State of Washington,
19 and has not previously been so registered.

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

2 **CONCLUSIONS OF LAW**

3 1. The offer and/or sale of the Brand and Trade Name License Agreement described above
4 constitutes the offer and/or sale of a franchise as defined in RCW 19.100.010(6), RCW 19.100.010(12), and
5 RCW 19.100.010(17).

6 2. Chicken Shack, LLC violated RCW 19.100.020, the franchise registration section of the
7 Franchise Investment Protection Act, by offering and/or selling franchises for which no registration is on file
8 with the Securities Administrator.

9 3. Chicken Shack, LLC violated RCW 19.100.080, the disclosure document requirement section
10 of the Franchise Investment Protection Act, by selling franchises without providing prospective purchasers
11 with a current disclosure document that contained all material information about the franchise.

12 **CONSENT ORDER**

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

14 IT IS AGREED AND ORDERED that Respondent Chicken Shack, LLC, and its agents and
15 employees, shall each cease and desist from offering or selling franchises in violation of RCW 19.100.020,
16 the registration section of the Franchise Investment Protection Act of the State of Washington.

17 IT IS FURTHER AGREED AND ORDERED that Respondent Chicken Shack, LLC, and its agents
18 and employees, shall each cease and desist from any violation of RCW 19.100.080, the franchise disclosure
19 document section of the Franchise Investment Protection Act of the State of Washington.

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

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

1 IT IS FURTHER AGREED that in consideration of the foregoing, Respondent Chicken Shack, LLC
2 waives its right to a hearing and to judicial review of this matter.

3

4 Signed this 20th day of November, 2024.

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6 Signed by Chicken Shack, LLC

7

8 By: s/

9 Name: Jonathan Vitt

10 Title: Manager

11

12 Approved as to form by:

13

14 s/
Attorney for Respondent

15

16 AZ no. 017407
Bar No.

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1 SIGNED and ENTERED this 12th day of December, 2024.

2
3 _____/s
4 William M. Beatty
Securities Administrator

5 Approved by:

Presented by:

6 _____/s
7 Brian J. Guerard
Chief of Enforcement

8 _____/s
9 Edward R. Thunen
Financial Legal Examiner

10 Reviewed by:

11 _____/s
12 Huong Lam
Financial Legal Examiner Supervisor

