

1 Chicken Shack Enterprises, LLC sells franchises that enable franchisees to open a restaurant that sells chicken
2 items. In September 2023, Chicken Shack Enterprises, LLC filed an application for registration of its
3 franchise offering with the Securities Division. As of the date of this Statement of Charges, that application
4 is pending.

5 **Nature of the Conduct**

6 *The Franchise*

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

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

22 5. Chicken Shack also requires franchisees to operate their restaurants according to quality
23 standards. Franchisees agree that their restaurants must be managed and run in a manner that is of sufficiently

1 high quality to protect Chicken Shack’s marks and the “good will they symbolize.” Franchisees further agree
2 that doing so is of the essence in the Agreement. Chicken Shack makes itself available to franchisees if they
3 have questions or problems with the operation of their restaurants. Chicken Shack may notify a franchisee
4 that it is not meeting quality standards, and such a franchisee has thirty days to cure the deficiency. If the
5 deficiency remains after thirty days, the franchisee must cease restaurant operations and will be deemed to be
6 in breach of the Agreement.

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

10 *Sales to Washington Residents*

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

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

19 **Registration Status**

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

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

23 **CONCLUSIONS OF LAW**

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

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

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

10 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

11 Pursuant to RCW 19.100.248, and based upon the Tentative Findings of Fact and Conclusions of Law, the
12 Securities Administrator intends to order Chicken Shack, LLC, and its agents and employees, to each
13 permanently cease and desist from violating RCW 19.100.020 and 19.100.080.

14 **AUTHORITY AND PROCEDURE**

15 This Statement of Charges is entered pursuant to the provisions of Chapter 19.100 RCW and is subject
16 to the provisions of Chapter 34.05 RCW. Chicken Shack, LLC may make a written request for a hearing as
17 set forth in the Notice of Opportunity for Hearing accompanying this Order. If a respondent does not make a
18 hearing request in the time allowed, the Securities Administrator intends to adopt the above Tentative Findings
19 of Fact and Conclusions of Law as final and to enter a permanent order to cease and desist as to that
20 respondent.

