

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION  
AT RICHMOND, DECEMBER 8, 2017

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COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. SEC-2017-00043

SUGAR SHACK DONUTS, LLC  
and  
IAN KELLEY,  
Defendants

SETTLEMENT ORDER

The State Corporation Commission's ("Commission") Division of Securities and Retail Franchising ("Division") conducted an investigation of Sugar Shack Donuts, LLC ("Sugar Shack") and Ian Kelley ("Kelley," and collectively, "Defendants") pursuant to § 13.1-567 of the Virginia Retail Franchising Act ("Act"), § 13.1-557 *et seq.* of the Code of Virginia ("Code").

Defendant Sugar Shack is a Virginia limited liability company with a principal place of business in Richmond, Virginia. At all relevant times, Kelley was the managing member and principal of Sugar Shack. Sugar Shack operates retail doughnut stores in Virginia under the name "Sugar Shack Donuts." Sugar Shack never registered a franchise with the Division to be offered, sold, and operated in the Commonwealth of Virginia ("Virginia").

Despite this, the Division alleges that on or about April 2014 and September 2015, the Defendants offered and sold two unregistered franchises to be operated in Virginia by two Virginia franchisees ("Virginia Franchisees"). The franchise agreements enabled each Virginia Franchisee to open and operate two separate Sugar Shack retail locations.

The Division also alleges that the Defendants failed to provide the Virginia Franchisees a Franchise Disclosure Document ("FDD") cleared for use by the Division in connection with the

unregistered sale. A cleared FDD provides material information to prospective franchisees in order for them to make an informed decision regarding the purchase of a franchise. As no FDD was provided, the Division alleges that regulatory oversight was circumvented.

Based on the investigation, the Division alleges the Defendants violated § 13.1-560 of the Act by selling or offering to sell franchises in Virginia prior to registering under the provisions of the Act. The Division further alleges that the Defendants violated § 13.1-563 of the Act by failing to provide the Virginia Franchisees with properly cleared FDDs in conjunction with the offer and sale of the franchises.

If the provisions of the Act are violated, the Commission is authorized by § 13.1-562 of the Act to revoke a defendant's registration, by § 13.1-568 of the Act to issue temporary or permanent injunctions, by § 13.1-570 of the Act to impose certain monetary penalties and to request a defendant make rescission and restitution, and by § 12.1-15 of the Code to settle matters within its jurisdiction.

The Defendants, neither admit nor deny the allegations made herein, but admit to the Commission's jurisdiction and authority to enter this Settlement Order ("Order").

As a proposal to settle all matters arising from these allegations, the Defendants have made an offer of settlement to the Commission wherein the Defendants will abide by and comply with the following terms and undertakings:

(1) The Defendants will pay to the Treasurer of Virginia, contemporaneously with the entry of this Order, the amount of Two Thousand Dollars (\$2,000) to defray the costs of investigation.

(2) The Defendants will pay to the Treasurer of Virginia, contemporaneously with the entry of this Order, the amount of Six Thousand Dollars (\$6,000) in monetary penalties;

(3) The Defendants will not violate the Act in the future.

The Division has recommended that the Commission accept the offer of settlement of the Defendants.

NOW THE COMMISSION, having considered the record herein, the offer of settlement of the Defendants, and the recommendation of the Division, is of the opinion that the Defendants' offer should be accepted.

Accordingly, IT IS ORDERED THAT:

(1) The offer of the Defendants in settlement of the matter set forth herein is hereby accepted.

(2) The Defendants shall fully comply with the aforesaid terms and undertakings of this settlement.

(3) The Commission shall retain jurisdiction in this matter for all purposes, including the institution of a show cause proceeding, or taking such other action it deems appropriate, on account of the Defendants' failure to comply with the terms and undertakings of the settlement.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:  
Ian Kelley and Sugar Shack Donuts, LLC, 462 Southlake Boulevard, Richmond, Virginia 23236;  
and a copy shall be delivered to the Commission's Office of General Counsel and Division of Securities and Retail Franchising.

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

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STATE CORPORATION COMMISSION

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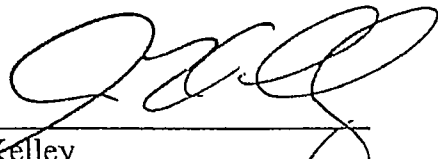
ADMISSION AND CONSENT

Sugar Shack Donuts, LLC and Ian Kelley (collectively, "Defendants"), admit to the jurisdiction of the State Corporation Commission ("Commission") as to the party and subject matter hereof and, without admitting the allegations made herein by the Division of Securities and Retail Franchising, hereby consent to the form, substance and entry of the foregoing Settlement Order ("Order").

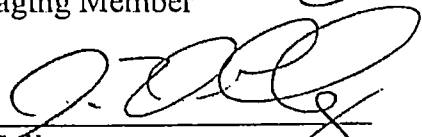
The Defendants further state that no offer, tender, threat or promise of any kind whatsoever has been made by the Commission or any member, subordinate, employee, agent or representative thereof in consideration of the foregoing Order.

Sugar Shack Donuts, LLC

Date: 12/5/17

By:   
\_\_\_\_\_  
Ian Kelley  
Managing Member

Date: 12/5/17

  
\_\_\_\_\_  
Ian Kelley