

ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND

IN THE MATTER OF:

Shah’s Halal Food Partners, Inc,

Respondent.

Case No. 2024-0343

* * * * *

CONSENT ORDER

WHEREAS, the Securities Division of the Office of the Attorney General of Maryland (the “Securities Division”) initiated an investigation into the franchise-related activities of Shah’s Halal Food Partners, Inc (“Shah’s Halal”) under the authority granted under the Maryland Franchise Registration and Disclosure Law, MD. CODE ANN. BUS. REG. §§14-201 et seq. (2015 Repl. Vol.) (the “Maryland Franchise Law”); and

WHEREAS, based on information presented by the Securities Division, the Maryland Securities Commissioner (the “Securities Commissioner”) has concluded that grounds exist to allege that Shah’s Halal violated the registration and disclosure provisions of the Maryland Franchise Law in relation to offers of a franchise and the sale of a franchise under the Maryland Franchise Law; and

WHEREAS, before the holding of a hearing in this matter, without trial or final adjudication of any issue of fact or law, and without Shah’s Halal admitting or denying any violation of law, the Securities Commissioner and Shah’s Halal have reached an agreement to enter into this Consent Order; and

WHEREAS, Shah's Halal waives its right to a hearing and any rights to seek judicial review or otherwise challenge or contest the terms and conditions of this Consent Order; and

WHEREAS, the Securities Commissioner has determined that it is in the public interest to issue this Consent Order;

NOW, THEREFORE, it is hereby agreed, and the Securities Commissioner hereby orders:

I. JURISDICTION

1. The Securities Commissioner has jurisdiction in this proceeding pursuant to Section 14-210 (a) of the Maryland Franchise Law.

II. FINDINGS OF FACT

2. Shah's Halal is a New York corporation with a principal business address located at 12 Hattie Court, Hicksville, NY 11801.

3. Shah's Halal offered and sold license agreement for the development and operation of fast casual style restaurants, specializing in providing halal style cuisine with a focus on meats and vegetables.

4. Shah's Halal is the parent of Shah's Halal Franchising Inc. (Shah's Halal Franchising)

5. Shah's Halal Franchising is a New York corporation with a principal business address located 6500 New Horizons Blvd., Amityville, NY 11701.

6. Shah's Halal Franchising is a wholly owned subsidiary of Shah's Halal. Shah's Halal Franchising's purpose is to franchise the Shah's Halal's restaurant concept.

7. Neither Shah's Halal nor Shah's Halal Franchising has ever registered with the

Securities Division to offer and sell franchises under the Maryland Franchise Law.

8. On May 14, 2024, Shah's Halal Franchising filed an initial application with the Securities Division to register the Shah's Halal franchise offering under the Maryland Franchise Law.

9. On June 22, 2024, the Securities Division reviewed Shah's Halal Franchising's initial application and issued comments to that application that the franchisor needed to address before the Securities Division would register Shah's Halal Franchising's franchise offering under the Maryland Franchise Law. Among the comments the Securities Division made was a request that the franchisor submit an undertaking stating that the franchisor had not offered or sold any franchises in Maryland during the time the franchisor was not effectively registered under the Maryland Franchise Law and to provide an explanation of the existence of the Maryland outlets disclosed in Item 20 of the franchise disclosure document (FDD) submitted by Shah's Halal Franchising since the franchisor had never been registered in Maryland .

10. Shah's Halal Franchising did not respond to the Divisions June 22, 2024 comment letter. On August 27, 2024, the Securities Division emailed counsel on record for Shah's Halal Franchising requesting the undertaking and the explanation requested in the June 22, 2024 comment letter.

11. Shah's Halal and Shah's Halal Franchising are represented by the same counsel ("Counsel")

12. On August 27, 2024, in responding to the Securities Division email, Counsel explained that the Maryland locations are licensees and not actual franchisees.

13. On August 28, 2024, Counsel emailed the Securities Division documents relating to the Maryland outlets disclosed in the FDD and included are three (3) Limited Intellectual

Property License Agreements (“License Agreements”).

14. In a phone call on September 4, 2024, Counsel acknowledged to the Securities Division that Shah’s Halal entered into four (4) License Agreements with Maryland entities (“collectively, “Maryland Licensees”).

15. On September 5, 2024, Counsel emailed the Securities Division the fourth License Agreement with a Maryland entity.

16. The details of each Maryland License Agreement are described below:

- A. On July 14, 2021, Shah’s Halal entered into a license agreement with REDOAK88, LLC, a Maryland limited liability company (“REDOAK88”), in which that entity was granted the right to own and operate a Shah’s Halal food restaurant in Salisbury, Maryland.
- B. On April 4, 2022, Shah’s Halal entered into a license agreement with EDGEWOOD, Inc, a Maryland entity (“EDGEWOOD”), in which that entity was granted the right to own and operate a Shah’s Halal food restaurant in Cockeysville, Maryland.
- C. On September 15, 2023, Shah’s Halal entered into a license agreement with SHFL 14605, LLC, a Maryland limited liability company (“SHFL”), in which that entity was granted the right to own and operate a Shah’s Halal food restaurant in Laurel, Maryland.
- D. On September 16, 2023, Shah’s Halal entered into a license agreement with WHITEOAK88, LLC, a Maryland limited liability company (“WHITEOAK88”), in which that entity was granted the right to own and operate a Shah’s Halal food restaurant in Easton, Maryland.

17. Under the License Agreements with the Maryland Licensees, the Maryland Licensees paid Shah's Halal an initial license fee between \$15,000 and \$25,000.

18. Under the License Agreements with the Maryland Licensees, the Maryland Licensees agreed to pay Shah's Halal monthly license fee of not less than \$960.

19. The License Agreements grant the Maryland Licensees limited use of the "Shah's Halal Food" Mark.

20. Under the License Agreements, the Maryland Licensees agreed to strictly adhere to the standards, policies and procedures set by Shah's Halal. The Maryland Licensees agreed to purchase, install and display signs approved by Shah's Halal; to purchase products, supplies, equipment, goods and inventory approved by or supplied by Shah's Halal; to strictly follow Shah's Halal written recipes; and purchase insurance coverage in the amounts and types established by Shah's Halal.

21. Under three of the four License Agreements, Shah Halal agreed to provide training to the licensee. Under the license agreement with REDOAK88, SHFL, and WHITEOAK88, Shah's Halal agreed to provide training to the licensees.

22. The Securities Division has determined that the License Agreements with the Maryland Licensees constitute a "franchise" under the Maryland Franchise Registration and Disclosure Law, MD. BUS. REG. CODE ANN. §14-201 et seq. (2015 Repl. Vol. and Supp. 2016) (the "Maryland Franchise Law").

23. In a letter dated September 6, 2024 ("September 6, 2024 letter"), Counsel stated that Shah's Halal reasonably believed that the License Agreements entered with the Maryland Licensees were not a franchise as it is fundamentally different from the franchise relationship

and business system it has developed and now seeks to register for offer and sell in Maryland.

24. Counsel further stated that Shah's Halal accepts the Securities Division's position that it views the license arrangement as a franchise and Shah Halal is willing to cooperate with the Securities Division to remedy any alleged violations of Maryland Law.

25. All of the Shah's Halal stores that Shah's Halal sold to Maryland Licensees are open as of the date of this Consent Order.

26. Shah's Halal did not give a copy of a franchise disclosure document required under the Maryland Franchise Law prior to the offers and the sale of franchises to the Maryland Licensees

27. Shah's Halal represents that, other than the sale of License Agreements to the Maryland Licensees, Shah's Halal did not offer or sell a franchise in Maryland or to any Maryland residents.

28. Shah's Halal represents and agrees that, in the future, it will comply with all provisions under the Maryland Franchise Law.

III. CONCLUSIONS OF LAW

29. By engaging in the above activities, the Securities Commissioner has concluded that Shah's Halal violated sections 14-214, 14-216, and 14-231 of the Maryland Franchise Law.

IV. ORDER AND CONSENT

30. THE SECURITIES COMMISSIONER HEREBY ORDERS AND SHAH'S HALAL HEREBY CONSENTS AND REPRESENTS AS FOLLOWS:

- A. Within ten (10) days of its receipt of a fully executed Consent Order of the Securities Commissioner, Shah's Hala shall send by Federal Express to each of the Maryland Licensees the following: (i) a copy of this Consent Order; and (ii) a letter, in substantially the form attached to this letter as Exhibit 1, captioned "Notice of Rescission Rights," notifying the Maryland Licensees that they are being offered an opportunity to immediately rescind their Shah's Halal license agreements under the terms of this Consent Order and, if they opt to rescind, receive a refund of the

initial fees they paid Shah's Halal, and if applicable, the amount they paid Shah's Halal for products and equipment they purchased from Shah's Halal and its affiliates as of the date of acceptance of the rescission offer if they return, at the franchisor's expense, the product or equipment they received as part of their franchise purchase;

- B. If any Maryland Licensee does not opt to rescind its Shah's Halal license agreement in response to Shah's Halal's Notice of Rescission rights, Shah's Halal shall diligently pursue Shah's Halal Franchising pending application to register the Shah's Halal's franchise offering under the Maryland Franchise Law. For purposes of this Consent Order, "diligently pursue" means that an applicant submits a substantive response to each Securities Division comment letter regarding a registration application no later than 30 days after the applicant's receipt of that comment letter;
- C. If any Maryland Licensee does not opt to rescind that licensee's Shah's Halal license agreement in response to the Notice of Rescission Rights, and Shah's Halal fails to register its franchise offering or Shah's Halal Franchising franchise offering with the Securities Division as required under this Agreement as of six (6) months from the date of this Agreement ("Due Date"), Shah's Halal shall be assessed an additional civil monetary penalty in the amount of One Thousand Dollars (\$1,000.00) due and payable within fifteen (15) days after the Due Date, which civil penalty amount shall continue to increase by \$250.00 ("Additional Penalty") for every additional month after the Due Date so long as Shah's Halal has not obtained a registration of its franchise offering with the Securities Division. If Shah's Halal is not registered as required under this Agreement after seven months, an Additional Penalty shall be due and payable by the fifteenth (15) day of the eighth month after the date of this Agreement, and on the 15th day of each succeeding month so long as Shah's Halal is not registered as required under this Agreement. If Shah's Halal fails to make timely payments to the Office of the Attorney General as required under this Agreement, and payments are delinquent for more than sixty (60) days, the Office of the Attorney General may refer collection of the monies due under this Consent Order to the Central Collections Unit ("CCU") of the State of Maryland. If a referral is made, any fee assessed by CCU shall be in addition to, and not offset, the balance of the civil monetary penalty owed to the Securities Division;
- D. If Shah's Halal is required to register its franchise offering under Paragraph 32 (B) of this Consent Order, within ten (10) days of notification by the Securities Division that Shah's Halal's franchise offering is effectively registered for use in Maryland, Shah's Halal shall send by Federal Express to any Maryland Licensees who has not previously opted to rescind its Shah's Halal franchise agreement the following: (i) a copy of an effectively registered Maryland FDD; and (ii) a letter, in substantially the form attached to this letter as Exhibit 2 captioned "Offer to Rescind Franchise," notifying that Maryland Franchisees that it is being given a second opportunity to rescind its Shah's Halal license agreement under the terms of this Consent Order

- E. The Securities Commissioner had determined that Shah's Halal's offer of a franchise to the Maryland Licensees in the form of the Notice of Rescission Rights described in this Consent Order is exempt from the registration provisions of the Maryland Franchise Law;
- F. Shah's Halal shall pay to the Office of the Attorney General the sum of Two Thousand Five Hundred (\$2,500.00) as a civil monetary penalty
- G. Shah's Halal acknowledges that this Consent Order is a disclosable order as described under the Maryland Franchise Law and Item 3 of the NASAA Franchise Registration and Disclosure Guidelines and Amended FTC Franchise Rule.

V. JURISDICTION RETAINED

31. Jurisdiction shall be retained by the Securities Commissioner for such further orders and directions as may be necessary or appropriate for the construction or enforcement of the Consent Order.

VI. CONSEQUENCES OF VIOLATING THIS CONSENT ORDER

32. If Shah's Halal fails to comply with any term of this Consent Order, the Securities Division may bring administrative or judicial proceedings against them to enforce this Consent Order or to sanction them for violating an order of the Securities Commissioner and may take any other action authorized under the Maryland Franchise Law or any other applicable law. In any such proceeding in which, after an opportunity for a hearing, the Securities Commissioner or a court finds that Shah's Halal violated this Consent Order, the Statement of Facts and the violations of the Maryland Franchise Law alleged in the Consent Order shall be deemed admitted and may be introduced into evidence against it.

VII. MODIFICATION OF CONSENT ORDER

33. The terms of this Consent Order may be modified only by a subsequent order issued by the Securities Commissioner.

DATE OF THIS ORDER;

October 31, 2024

SO ORDERED:

Commissioner's Signature on File
w/Original Documents

MELANIE SENTER LUBIN
SECURITIES COMMISSIONER

BY CONSENT:

Shah's Halal Food Partners, Inc.

By: Khalid Mashriqi – Chief Executive Officer

FORM
(On Company Letterhead)

BY FEDERAL EXPRESS

Re: **[Company] Notice of Rescission Rights**

Dear _____:

In accordance with discussions our attorneys have had with the Securities Division of the Office of the Attorney General of Maryland, [Insert Name of Company] ("we") have agreed under the attached Consent Order to offer rescission to any Maryland residents who entered into License Agreement(s) with us in violation of the registration and disclosure provisions of the Maryland Franchise Law. We are making this offer in settlement of the administrative proceeding that the Division may bring for the alleged sale of a franchise in violation of the Maryland Franchise Law, and this offer does not affect any civil liability for which we may be responsible.

If you elect to rescind and terminate your License Agreement, we agree to cancel your License Agreement, including all post-term and non-competition obligations you may have to us under that License Agreement. You also will give up any rights to use our trademarks and system and be obligated to refrain from using and disclosing any of our trade secrets and any of our confidential and proprietary information

In the event you rescind, we will return to you the initial fees you paid us under your License Agreement and if applicable, give you a full refund of the cost you paid us for any equipment package or product you purchased from us, if you return the equipment/product to us, at our expense. We will refund the initial fee you paid to us within 31 days after we receive your Acceptance of Offer to Rescind, and we will refund the price of the equipment/product within 31 days of receiving the equipment.

If you do not rescind your License Agreement now, you will be given a second opportunity to rescind your franchise agreement, after we have completed the franchise registration process. When that registration is complete, we will send you a copy of a Maryland registered Franchise Disclosure Document and a new letter offering to rescind your License Agreement under the same terms outlined in this letter.

This offer will remain open for thirty (30) days from the date you receive this letter. Please check the appropriate place below and return a signed copy of this letter to me within the time period. If you have any questions, please contact Tade Osikomaiya, Assistant Attorney General, at the Division (410-576-7039).

Sincerely,

[The Company]

cc: Consent Order

ACCEPTANCE OR REFUSAL OF OFFER TO RESCIND LICENSE AGREEMENT

1. I, the undersigned, acknowledge that I have read the preceding Notice of Rescission Rights for License Agreement and understand its contents.
2. I understand that I have not waived my rights under the Maryland Franchise and Disclosure Law by signing this document.
3. I hereby make the following choice to accept or refuse your offer to rescind my License Agreement:

CHECK ONE

_____ I hereby **accept** your offer of rescission and agree to not use your trademarks and system and to not use or disclose to anyone the trade secrets and confidential and proprietary information that we obtained from you. Please contact me to arrange for the return to you of the equipment from my Equipment Package.

_____ I do not accept your offer of rescission. I wish to remain a licensee under my License Agreement at this time. I understand that I will be given a second opportunity to rescind my License Agreement once the Licensor has registered the franchise offering with the Securities Division under the Maryland Franchise Law.

Date

Franchisee

FORM
(On Company Letterhead)

BY FEDERAL EXPRESS

Re: **[Company] Offer to Rescind License Agreement**

Dear _____:

As you recall, [Insert Name of Company] ("we") agreed to offer rescission to you of your License Agreement with us. You previously received a "Notice of Rescission Rights" from us offering to rescind your License Agreement immediately. Now that we have completed the registration of our franchise offering, we are giving you this second opportunity to rescind your Agreement. This offer of rescission is made in settlement of the administrative proceeding that the Securities Division may bring for the sale of a franchise in violation of the Maryland Franchise Law and does not affect any civil liability for which we may be responsible.

If you elect to rescind and terminate your License Agreement, we agree to cancel your License Agreement, including all post-term and non-competition obligations you may have to us under that License Agreement. You also will give up any rights to use our trademarks and system and be obligated to refrain from using and disclosing any of our trade secrets and any of our confidential and proprietary information

In the event you rescind, we will return to you the initial fees you paid us under your License Agreement and if applicable, give you a full refund of the cost you paid us for any equipment package/product you purchased from us, if you return the equipment/product to us, at our expense. We will refund the initial fee you paid to us within 31 days after we receive your Acceptance of Offer to Rescind, and we will refund the price of the equipment package/product within 31 days of receiving the equipment.

If you consider remaining a licensee under your current License Agreement, we are including a franchise disclosure document regarding that franchise offering that you should review before making that decision.

This offer will remain open for thirty (30) days from the date you receive this letter. Please check the appropriate place below and return a signed copy of this letter to me within the time period. If you have any questions, please contact Tade Osikomaiya, Assistant Attorney General, at the Division (410-576-7039).

Sincerely,

[The Company]

cc: Franchise Disclosure Document

ACCEPTANCE OR REFUSAL OF OFFER TO RESCIND LICENSE AGREEMENT

1. I, the undersigned, acknowledge that I have read the preceding Offer to Rescind License Agreement and understand its contents.
2. I understand that I have not waived my rights under the Maryland Franchise and Disclosure Law by signing this document.
3. I hereby make the following choice to accept or refuse your offer to rescind my License Agreement:

CHECK ONE

_____ I hereby **accept** your offer of rescission and agree to not use your trademarks, patents, and system and to not use or disclose to anyone the trade secrets, and confidential and proprietary information that we obtained from you. Please contact me to arrange for the return to you of the equipment/product

_____ I do **not accept** your offer of rescission. I wish to remain a licensee under my License Agreement.

Date: _____

Franchisee