

ADMINISTRATIVE PROCEEDING  
BEFORE THE  
SECURITIES COMMISSIONER OF MARYLAND

IN THE MATTER OF:

**BK Lobster, Inc.,**

Respondent.

Case No. 2022-0088

\* \* \* \* \*

**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 BK Lobster, Inc. (“BK Lobster”) 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 BK Lobster violated the registration and disclosure provisions of the Maryland Franchise Law in relation to the offer and sale of franchises under the Maryland Franchise Law;

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

WHEREAS, BK Lobster 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. BK Lobster is a New York corporation formed in January 2019 with a principal business address of 535 Nostrand Boulevard, Brooklyn, New York 11216.

3. From January 2020 through December 2020 BK Lobster offered and sold franchises for casual dining seafood bars specializing in gourmet lobster roles, seafood and complementary food and beverages using the name “BK Lobster.”

4. In November 2020, BK Lobster formed an affiliate, BK Lobster Franchise Systems, Inc. (“BK Lobster Franchise”). BK Lobster licensed to BK Lobster Franchise the rights to use the BK Lobster system, trademarks and other intellectual property in the offer and sale of BK Lobster franchises throughout the United States.

5. BK Lobster Franchise is a New York Corporation with a principal business address of 11040 Pembroke Road Miramar, Florida 33025.

6. The chief executive officer of both BK Lobster and BK Lobster Franchise is Rodney Bonds (“Bonds”).

7. On May 25, 2022, BK Lobster Franchise filed an initial application to register its franchise offering under the Maryland Franchise Law. Along with that initial application, the

attorney for BK Lobster Franchise reported that BK Lobster may have violated the registration and disclosure requirements of the Maryland Franchise Law in the offer and sale of BK Lobster franchises in Maryland or to Maryland buyers. The attorney for BK Lobster included with the initial application to the Securities Division copies of two franchise agreements that BK Lobster signed with Maryland entities or individuals (collectively “Maryland Franchisees”).

8. The Franchise Agreements with the Maryland Franchisees are described below:

- A. On August 7, 2020, BK Lobster entered into a franchise agreement with Brooklyn Billies Real Estate Club, LLC, a Maryland limited liability company (“Brooklyn Billies”), in which that entity was granted the right to own and operate a BK Lobster Restaurant to be located at 2226 Eastern Avenue, Baltimore, Maryland 21231.
  
- B. On September 30, 2021, BK Lobster entered into a franchise agreement with three individuals, “VS,” “SG,” and “TC” (“SGC Group”), residents of Baltimore Maryland, in which SGC Group was granted the right to own and operate a BK Lobster franchise at a location within the Washington, D.C. area.

9. Under BK Lobster’s franchise agreements with the Maryland Franchisees, the Maryland Franchisees paid BK Lobster an initial franchise fee of \$10,000 and a training fee of \$5,000.

10. As of the date of this Consent Order, Brooklyn Billies has secured a location to open an outlet for a BK Lobster franchise restaurant. SGC Group never opened an outlet for a BK Lobster franchise restaurant and did not pursue finding a location for their BK Lobster franchise.

11. The Securities Division has determined that the franchise agreements that BK

Lobster entered into with the Maryland Franchisees are “franchises” under the Maryland Franchise Law.

12. Neither BK Lobster nor BK Lobster Franchise has ever registered with the Securities Division to offer and sell franchises under the Maryland Franchise Law.

13. Although BK Lobster gave the Maryland Franchisees copies of a Franchise Disclosure Document (“FDD”) before those Maryland Franchisees entered into franchise agreements with BK Lobster, those FDDs were incomplete, were not reviewed by the Securities Division, and did not include all of the disclosures required under the Maryland Franchise Law.

14. BK Lobster represents that, other than the franchise agreement with the Maryland Franchisee, BK Lobster did not offer or sell a franchise in Maryland or to any Maryland residents.

15. BK Lobster represents and agrees that, in the future, it will comply with all provisions under the Maryland Franchise Law.

### III. CONCLUSIONS OF LAW

16. By engaging in the above activities, the Securities Commissioner has concluded that BK Lobster violated §§14-214, 14-216, and 14-231 of the Maryland Franchise Law.

### IV. ORDER AND CONSENT

17. THE SECURITIES COMMISSIONER HEREBY ORDERS AND BK LOBSTER HEREBY CONSENTS AND REPRESENTS AS FOLLOWS:

- A. Within ten (10) days of its receipt of a fully executed Consent Order of the Securities Commissioner, BK Lobster shall send to SGC Group a cashier’s check for \$15,000 representing a full refund of the franchise fee and training fee those franchisees paid to BK Lobster, with no conditions or demands for a release of liability.
- B. Within ten (10) days of its receipt of a fully executed Consent Order of the Securities Commissioner, BK Lobster shall send to Brooklyn Billies 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 Brooklyn Billies that it is being offered an opportunity to immediately rescind its BK Lobster franchise agreement under the terms of this Consent Order;

- C. If Brooklyn Billies does not opt to rescind its BK Lobster franchise agreement in response to BK Lobster’s Notice of Rescission rights, BK Lobster shall promptly file and diligently pursue an application to register the BK Lobster 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;
- D. If BK Lobster is required to register its franchise offering under the preceding subparagraph of this Consent Order, upon notification by the Securities Division that BK Lobster’s franchise offering is effectively registered for use in Maryland, BK Lobster shall send to Brooklyn Billies the following: (i) a copy of Brooklyn Billies applicable, 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 Brooklyn Billies that it is being given a second opportunity to rescind their BK Lobster franchise agreement under the terms of this Consent Order;
- E. The Securities Commissioner had determined that BK Lobster’s offer of a franchise to Brooklyn Billies 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. BK Lobster 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

18. Jurisdiction shall be retained by the 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

19. If BK Lobster 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 BK Lobster 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

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

**SO ORDERED:**

**Commissioner's Signature on File  
w/Original Documents**

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MELANIE SENTER LUBIN  
SECURITIES COMMISSIONER

**DATE OF THIS ORDER:**

January 5, 2023

**BY CONSENT:**

BK Lobster, Inc.

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By: Rodney Bonds, CEO

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 Franchise 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 Franchise Agreement, we agree to cancel your Franchise Agreement, including all post-term and non-competition obligations you may have to us under that Franchise 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 and training fees you paid us under your Franchise Agreement, and we will make payments to you within thirty- one (31) days after we receive your Acceptance of Offer to Rescind.

If you do not rescind your franchise 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 franchise 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,

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[The Company]

cc: Consent Order

ACCEPTANCE OR REFUSAL OF OFFER TO RESCIND FRANCHISE AGREEMENT

1. I, the undersigned, acknowledge that I have read the preceding Notice of Rescission Rights for Franchise 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 Franchise 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.

\_\_\_\_\_ I do not accept your offer of rescission. I wish to remain a franchisee under my Franchise Agreement at this time. I understand that I will be given a second opportunity to rescind my franchise once the franchisor 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 Franchise Agreement**

Dear \_\_\_\_\_:

As you recall, [Insert Name of Company] ("we") agreed to offer rescission to you of your franchise agreement with us. You previously received a "Notice of Rescission Rights" from us offering to rescind your franchise agreement immediately. Now that we have completed the registration of our franchise offering, we are giving you this second opportunity to rescind your franchise. 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 Franchise Agreement, we agree to cancel your Franchise Agreement, including all post-term and non-competition obligations you may have to us under that Franchise 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 and training fees you paid us under your Franchise Agreement, and we will make payments to you within thirty- one (31) days after we receive your Acceptance of Offer to Rescind.

If you consider remaining a franchisee under your current franchise 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 FRANCHISE AGREEMENT

1. I, the undersigned, acknowledge that I have read the preceding Offer to Rescind Franchise 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 franchise 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.

\_\_\_\_\_ I do **not accept** your offer of rescission. I wish to remain a franchisee under my franchise agreement.

Date: \_\_\_\_\_

\_\_\_\_\_  
Franchisee