

A yellow triangle graphic pointing downwards, located to the left of the 'BLOGS' header.

## BLOGS

### Federal Enforcement

# United States Department of Justice and United States Securities and Exchange Commission Jointly Target FAT Brands, Its Founder, and Two Former CFOs

On May 10, 2024, the DOJ announced criminal indictments and the SEC filed a civil lawsuit for alleged securities fraud against FAT Brands and related persons.

On May 10, 2024, the DOJ announced criminal indictments and the SEC filed a civil lawsuit for alleged securities fraud against FAT Brands and related persons. FAT Brands owns several restaurant franchises including Twin Peaks, Johnny Rockets, and Fatburger. In a wide-ranging 58-page complaint filed in the Central District of California, the SEC accuses FAT Brands founder and chairman Andy Wiederhorn of living a lavish lifestyle supported by his use of approximately \$27 million of FAT Brands' cash for personal expenses including private jets, luxury vacations, rent and mortgage payments, shopping and jewelry. The two former CFOs also sued by the SEC are alleged to have helped facilitate the diversion of funds for Wiederhorn's personal use by failing to report the expenditures as related party transactions and then compounding the nondisclosure by filing false and misleading statements with the SEC on behalf of FAT Brands.

On the same day the SEC complaint dropped, the DOJ indicted Wiederhorn and his tax consultant for "allegedly [engaging] in a long-running scheme to defraud investors and the United States Treasury to the tune of millions of dollars." The DOJ referred to Wiederhorn as "a serial tax cheat" who disguised \$47 million in distributions to himself in the form of shareholder loans. Also indicted in connection with the alleged scheme were one of the former CFOs (also named in the SEC action) and the company itself. In a separate, second indictment against Wiederhorn only, the DOJ accused him of illegally possessing a firearm and ammunition after being convicted of a felony (he served time in 2005-2006 for tax fraud).

The parallel DOJ and SEC enforcement actions are a stark reminder that adoption of and compliance with strong internal controls is an absolute necessity at any company, be it public or private, that raises funds from outside investors. Indeed, the SEC has long referred to chief financial or accounting officers as "gatekeepers" that it holds to a higher standard of conduct with respect to safeguarding investor funds, making full and accurate disclosures, and providing and enforcing guardrails to control the actions of other senior executives, including founders of a company. Moreover, with the increasing emphasis on and use of Whistleblower incentive programs by the DOJ and the SEC, it has never been more important to build a strong internal compliance program, and to ensure that the proper tone is set from the leaders of the company on down.

---

## Related Services

[Franchise & Distribution](#)