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MARY ANN SMITH
Deputy Commissioner
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Commissioner of Department of Business Oversight

BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
OF THE STATE OF CALIFORNIA

In the Matter of the) CASE NO. 11146
)
DESIST AND REFRAIN ORDER and)
CITATION FOR PENALTIES, and)
ANCILLARY RELIEF) **SETTLEMENT AGREEMENT**
Issued To:)
TODD R. SEVERN AND FUN FLICKS, LLC)
)
Respondents.)
_____)

This Settlement Agreement is entered into between TODD R. SEVERN, FUN FLICKS, LLC, and FUNFLICKS, INC. (referred to herein as the “Parties” and “FunFlicks”) and the California Commissioner of Business Oversight, formerly the Commissioner of the Department of Corporations (“Commissioner” and “Department”), and is made with respect to the following facts, terms and conditions:

TERMS AND CONDITIONS

A. Fun Flicks, LLC at all relevant times was a Maryland limited liability company with a principal place of business at 4932 Jenkins Lane, Baldwin, Maryland 21013. Todd R. Severn is or was a managing member and control person of Fun Flicks, LLC.

1 B. On December 31, 2012, Fun Flicks LLC sold the assets of its business to FunFlicks,
2 Inc., with a current business address of 9600 Great Hills Trail, Ste. 150W, Austin, Texas 78759.
3 Darrell Landers is the president of FunFlicks, Inc. FunFlicks maintains a website at
4 www.funflicks.com.

5 C. On July 23, 2012, the Commissioner issued to Respondents Todd R. Severn and Fun
6 Flicks, LLC a public Desist and Refrain Order and Citation for Penalties, and Ancillary Relief
7 (“Desist and Refrain Order”) finding, among other things, that Respondents had offered and sold
8 franchises in California for the right to market, sell and distribute a full service movie event program,
9 associated with the trademark “FunFlicks”, for fees, and in violation of Corporations Code section
10 31110 of the Franchise Investment Law, which provides that it is “unlawful for any person to offer or
11 sell any franchise in this state unless the offer of the franchise has been registered” or exempted.

12 D. Fun Flicks, LLC and Todd Severn were given an opportunity to request a hearing in
13 connection with these matters; they requested a hearing, but now withdraw the request, and the
14 Parties waive their right to a hearing, and to any reconsideration, appeal, or other rights which may be
15 afforded pursuant to the California Corporations Code, the California Administrative Procedure Act,
16 the California Code of Civil Procedure, or any other provision of law in connection with this matter
17 herein. The Desist and Refrain Order and its findings are now final and this Settlement Agreement is
18 intended only to supplement its terms.

19 E. It is the intention and desire of the Commissioner and the Parties to settle and resolve
20 these matters, for judicial economy and expedience, and to avoid the expense of a hearing and
21 possible further administrative and court proceedings. The Parties further acknowledge and agree
22 that nothing contained in this Settlement Agreement shall operate to limit the Commissioner's ability
23 to assist any other agency, (county, state or federal) with any prosecution, administrative, civil or
24 criminal, brought by any such agency against Respondents based upon any of the activities alleged in
25 this matter or otherwise.

26 F. In that the Parties have had the opportunity to draft, review and edit the language of
27 this Settlement Agreement, no presumption for or against any party arising out of drafting all or any
28 part of this Settlement Agreement will be applied in any action relating to, connected, to, or involving

1 this Settlement Agreement. Accordingly, the parties waive the benefit of California Civil Code
2 section 1654 and any successor or amended statute, providing that in cases of uncertainty, language
3 of a contract should be interpreted most strongly against the party who caused the uncertainty to
4 exist.

5 G. The Parties hereby acknowledge that the Desist and Refrain Order and findings are a
6 matter of public record and will remain a matter of public record, together with this Settlement
7 Agreement, and be admissible in any court of competent jurisdiction should the Department require
8 judicial action or review for enforcement purposes.

9 H. This Settlement Agreement shall not become effective until signed by all parties.

10 I. This Settlement Agreement may be executed in one or more counterparts, each of
11 which shall be an original but all of which, together, shall be deemed to constitute a single document.
12 This Settlement Agreement may be executed by facsimile or scanned signature, and any such
13 facsimile or scanned signature by any party hereto shall be deemed to be an original signature and
14 shall be binding on such party to the same extent as if such facsimile or scanned signature were an
15 original signature.

16 J. Each signator hereto covenants that he/she possesses all necessary capacity and
17 authority to sign and enter into this Settlement Agreement.

18 Now, therefore, in consideration of the foregoing, and the terms and conditions set forth
19 herein, without admitting or denying the findings stated in the Desist and Refrain Order, except as to
20 the Commissioner's jurisdiction over them and the subject matter of these proceedings, which are
21 admitted, the Parties agree as follows:

- 22 1. The Parties shall desist and refrain from the further offer or sale of FunFlicks' franchises
23 unless and until the offers have been duly registered under the Franchise Investment Law,
24 or are exempt.
- 25 2. The Parties have paid administrative penalties of seven thousand five hundred dollars
26 (\$7,500.00), by cashier's check made payable to the California Department of Business
27 Oversight, and Commissioner acknowledges receipt of the penalties payment.

28

1 3. The Parties have prepared and provided the Commissioner an attested schedule listing the
 2 names and addresses of all California residents who were sold unregistered franchises (six
 3 in total), the dates of franchise sale, and the amount of initial and yearly fees and royalties
 4 paid to the Parties by each California franchisee. The Parties sent by certified mail letters
 5 signed by Todd Severn, Managing Member of Fun Flicks, LLC, and Darrell Landers,
 6 President of FunFlicks, Inc. offering each of the six California franchisees (called
 7 “licensees” in their agreements) rescission of their franchise/license agreements, release of
 8 all contractual obligations, and refund of all fees and royalty payments paid at any time up
 9 through the execution of this agreement, on the condition that the franchisee cease
 10 operating under the FunFlicks brand and return all manuals and other proprietary
 11 information. The Parties gave the six California licensees 30 days to respond to rescission
 12 offer. The Parties provided the Commissioner with copies of the letters offering
 13 rescission and responses received, if any.

14 The penalties and ancillary relief obligations of the Desist and Refrain Order and Citation for
 15 Penalties and Ancillary Relief issued July 23, 2012 have been satisfied to the satisfaction of the
 16 Commissioner pursuant to the representations and documentation provided by the Parties. If any
 17 person, entity or event cause the representations made in this Settlement Agreement to be not truthful,
 18 it is understood that those matters would, at the Commissioner’s discretion, be considered a violation
 19 of the Desist and Refrain Order and/or this Settlement Agreement.

20 Dated: 9/22/14 JAN LYNN OWEN
 Commissioner of Department of Business Oversight
 21 By _____
 MARY ANN SMITH, Deputy Commissioner
 22 Dated: 9/11/14
 23 By _____
 Managing Member of Fun Flicks, LLC
 24 Dated: 9/11/14
 25 By _____
 Todd R. Severn, as an individual
 26 Dated: 9/12/14
 27 By _____
 Darrell Landers, President
 28 On behalf FunFlicks, Inc.