

1 IT IS HEREBY STIPULATED BY AND AGREED BETWEEN RESPONDENTS GARLIC
2 JIM'S FRANCHISE INTERNATIONAL, INC. ("GARLIC JIM'S") AND DWAYNE NORTHROP
3 ("NORTHROP"), AND COMPLAINANT JAN LYNN OWEN, COMMISSIONER OF
4 CORPORATIONS OF THE STATE OF CALIFORNIA ("COMMISSIONER"), AS FOLLOWS:

5 **RECITALS**

6 A. At all relevant times, Garlic Jim's was a Washington corporation engaged in business
7 activities relating to the franchising of Garlic Jim's pizza restaurants. Garlic Jim's principal business
8 address is 802 134th St. SW, Suite 130, Everett, Washington 98204.

9 B. Northrop was president of Garlic Jim's at all relevant times.

10 C. Beginning on August 22, 2005, the Commissioner approved the first of Garlic Jim's
11 franchise registration applications, permitting Garlic Jim's to offer and sell franchises in California.
12 Garlic Jim's obtained two subsequent franchise registrations, on May 22, 2006 and on April 24, 2007.
13 This last registration expired on April 20, 2008.

14 D. Garlic Jim's registrations to offer and sell franchises in California were registered by
15 the Commissioner pursuant to the Franchise Investment Law of the State of California (California
16 Corporations Code §§ 31100 *et seq.*). Each registration was approved by the Commissioner only
17 under a deferral fee condition, pursuant to which Garlic Jim's and Northrop agreed not to accept
18 initial franchise fees until their initial obligations to each franchisee had been met. These obligations
19 included but were not limited to all initial franchisee training, site inspections, and other costs
20 associated with opening each franchised location.

21 E. Beginning in February 2006 and continuing until at least April 2008, Garlic Jim's and
22 Northrop sold at least twenty-five (25) franchises to investors who either resided in California or
23 planned to open their Garlic Jim's restaurant in California. During this period, the Commissioner
24 alleges that Garlic Jim's and Northrop accepted the initial franchise fees prior to completing all of
25 their initial obligations.

26 F. On December 30, 2010, the Commissioner issued against Garlic Jim's and Northrop:
27 STATEMENT IN SUPPORT OF: 1) CITATIONS 2) DESIST AND REFRAIN ORDER 3)
28 CLAIMS FOR ANCILLARY RELIEF. An amended statement was filed on December 6, 2011.

1 True and correct copies of the above pleadings are attached as Exhibit A and hereby incorporated
2 (“Enforcement Action”);

3 G. Pursuant to the timely request of Garlic Jim’s and Northrop, a hearing concerning the
4 allegations set forth in the Commissioner’s Enforcement Action is presently set for February 27 and
5 28, 2012, at the Los Angeles Office of Administrative Hearings;

6 H. Without admitting or denying the charges alleged in the Commissioner’s Enforcement
7 Action, Garlic Jim’s and Northrop (the “Respondents”) seek to resolve the concerns of the
8 Commissioner and charges alleged in the Enforcement Action by entering into this Stipulation and
9 Agreement (“Agreement”);

10 NOW WHEREFORE, in consideration of the foregoing, and the terms and conditions set
11 forth herein, the Commissioner and the Respondents (“the Parties”) agree as follows:

12 **TERMS AND CONDITIONS**

13 1. Purpose. The purpose of this Agreement is to resolve the concerns of the Commissioner and the
14 charges alleged in the Enforcement Action in a manner that avoids the expense of a hearing and
15 possible further court proceedings, is in the public interest, protects investors, and is consistent with
16 the purposes, policies and provisions of the California Franchise Investment Law (“FIL”).

17 2. Waiver of Hearing Rights. Solely as set forth in the Enforcement Action, and as otherwise set
18 forth in this Agreement, Respondents hereby waive the right to a hearing, and to any reconsideration,
19 appeal, or other right to review which may be afforded pursuant to the FIL, the California
20 Administrative Procedure Act, the California Code of Civil Procedure, or any other provision of law,
21 and by waiving such rights, Respondents consent to the Agreement becoming final.

22 3. Withdrawal of Request for Administrative Hearing. Effective immediately, Respondents
23 withdraw their request for an administrative hearing on all pending actions referenced herein.

24 4. Stipulations Not Binding in Third Party Actions. Respondents stipulate to the provisions of this
25 Agreement solely for the limited purposes of resolving the Enforcement Action. This Agreement
26 shall have no binding effect in any other case or proceeding. This Agreement is entered into solely as
27 a matter of compromise of a disputed claim. Respondents do not admit or deny any of the findings or
28 conduct averred in the Enforcement Action. Nothing in this Agreement, including the waiver of

1 rights to appeal or seek reconsideration, shall be considered as an express or implied admission or
2 denial of any kind. This Agreement is to be construed and treated as a settlement and offer of
3 compromise pursuant to California Evidence Code section 1152.

4 5. Stipulation to Desist and Refrain Order. Respondents understand and agree that the Desist and
5 Refrain Order remains in full effect and that it cannot make any statement or representation that is
6 inconsistent with this Agreement or the Desist and Refrain Order. Specifically, Respondents stipulate
7 to desist and refrain from the following violations of the FIL:

8 a. Making material misstatements or omissions in a franchise registration application filed
9 with the Commissioner in violation of Corporations Code section 31200. Respondents agree
10 not to violate section 31200 by willfully making any untrue statement of a material fact in any
11 application, notice or report filed with the Commissioner under the FIL, or willfully omitting
12 to state in any such application, notice or report any material fact which is required to be
13 stated therein;

14 b. Making material misstatements or omissions of material fact in the offer or sale of
15 franchises in violation of Corporations Code section 31201. Respondents agree not to violate
16 section 31201 by offering or selling a franchise in this state by means of any written or oral
17 communication which includes any untrue statement of a material fact or omits to state a
18 material fact necessary in order to make the statements made, in light of the circumstances
19 under which they were made, not misleading;

20 c. Violating the Commissioner's condition of registration pursuant to section 31203.
21 Respondents agree not to violate section 31203 by violating any order of the Commissioner or
22 condition to the effectiveness of any registration of the offer or sale of franchises; and

23 d. Making any misrepresentation with the intent to influence the Commissioner's
24 administration of the franchise investment law in violation of section 31204. Respondents
25 agree not to violate section 31204 by knowingly making an untrue statement to the
26 Commissioner during the course of licensing, investigation, or examination, with the intent to
27 impede, obstruct, or influence the administration or enforcement of any provision of this
28 division.

1 6. Finality of Desist and Refrain Order. Respondents agree to the finality of the Desist and Refrain
2 Order and voluntarily waive all rights to reconsideration, appeal, or other rights which may be
3 afforded pursuant to Corporations Code section 31406, or any other provision of law in connection
4 with these matters, including but not limited to Government Code sections 11521 and 11523, and any
5 writ proceeding in accordance with the Code of Civil Procedure. Respondents further agree not to
6 represent that this Stipulation is a withdrawal of the Desist and Refrain Order, but may represent that
7 this Agreement is a settlement of, and resolves, the charges alleged by the Commissioner in the
8 Enforcement Action.

9 7. Commissioner's Attorneys' Fees and Expenses. Respondents hereby agree to pay to the
10 Commissioner TWELVE THOUSAND FIVE HUNDRED DOLLARS (\$12,500) ("Commissioner's
11 Costs Payment") in full satisfaction of the reasonable attorneys' fees and investigative expenses
12 incurred in the Department's investigation and litigation of the Enforcement Action. The
13 Commissioner's Costs Payment shall be paid in two installments. The first installment payment of
14 six thousand two hundred and fifty dollars (\$6,250) shall be due on or before June 22, 2012. The
15 second and final installment payment of six thousand two hundred and fifty dollars (\$6,250) is due on
16 or before July 22, 2012. The Commissioner's Costs Payment shall be paid by cashier's check to the
17 order of the "California Department of Corporations" and must be sent via overnight mail delivery to:
18 Joanne Ross, Corporations Counsel, Department of Corporations, Enforcement Division, 1515 K
19 Street, Suite 200, Sacramento, California 95814. Payments shall be deemed to be timely made if
20 received on or before the due date set forth in this paragraph.

21 8. Payment of Citations. Respondents hereby agree to pay to the Commissioner citations totaling
22 SEVENTY THOUSAND DOLLARS (\$70,000) ("Citation Payment") in full satisfaction of the
23 citations assessed in the Enforcement Action. The citations shall be paid by way of five installments.
24 The first installment payment of fourteen thousand dollars (\$14,000) shall be due on or before August
25 22, 2012. The second installment payment of fourteen thousand dollars (\$14,000) is due on or before
26 September 22, 2012. The third installment payment of fourteen thousand dollars (\$14,000) is due on
27 or before October 22, 2012. The fourth installment payment of fourteen thousand dollars (\$14,000)
28 is due on or before November 22, 2012. The fifth and final installment payment of fourteen thousand

1 dollars (\$14,000) is due on or before December 22, 2012. The Citation Payment shall be paid by
2 cashier's check to the order of the "California Department of Corporations" and must be sent via
3 overnight mail delivery to: Joanne Ross, Corporations Counsel, Department of Corporations,
4 Enforcement Division, 1515 K Street, Suite 200, Sacramento, California 95814. Payments shall be
5 deemed to be timely made if received on or before the due date set forth in this paragraph.

6 9. Failure to Timely Remit Citation or Commissioner's Costs Payments. Respondents acknowledge
7 that failure to timely issue any payment pursuant to Paragraph 7 or Paragraph 8 above shall be, unless
8 cured, a breach of this Agreement and, following written notice thereof from the Commissioner and
9 five (5) calendar days to cure any such breach, shall be cause for the Commissioner to immediately
10 revoke any registrations held by, and/or deny any pending application(s) of Respondents, their
11 successors and assigns, by whatever names they might be known, and/or any company owned or
12 controlled by Respondents. Respondents hereby waive any notice and hearing rights to contest such
13 revocations and/or denial(s) which may be afforded under the FIL, the California Administrative
14 Procedure Act, the California Code of Civil Procedure, or any other provision of law in connection
15 therewith. If Respondents fail to make full and timely payment in accordance with Paragraph 7, then
16 Commissioner's costs in the sum of twenty five thousand dollars (\$25,000), less all amounts
17 previously paid under Paragraph 7 of this Agreement, shall be immediately due and payable to the
18 Department pursuant to the Commissioner's Enforcement Action. If Respondents fail to make full
19 and timely payment in accordance with Paragraph 8, then citations in the sum of one hundred and
20 forty thousand dollars (\$140,000), less all amounts previously paid under Paragraph 8 of this
21 Agreement, shall be immediately due and payable to the Department pursuant to the Commissioner's
22 Enforcement Action. In the event of the failure to pay any installment payment pursuant to
23 Paragraph 7 or Paragraph 8 of this Agreement, Respondents acknowledge that the Commissioner
24 retains all rights which may be afforded under the FIL, the California Administrative Procedure Act,
25 the California Code of Civil Procedure, or any other provision of law in connection therewith, to
26 pursue collection of the full citation amount of one hundred and forty thousand dollars (\$140,000)
27 and the full attorneys' fees and costs amount of twenty five thousand dollars (\$25,000), pursuant to
28 the Enforcement Action, plus ten percent (10%) interest per annum.

1 10. Withdrawal of Pending Franchise Registration. Upon the effectiveness of this Agreement, this
2 Agreement will also operate as a voluntary withdrawal by Garlic Jim's of its pending application for
3 franchise registration filed on or about April 15, 2008. Respondents understand and agree that the
4 application fee paid with this application will not be refunded.

5 11. Future Franchise Applications. If Respondents file application(s) for franchise registration
6 under the FIL, they understand that such application must be made in accordance with the FIL,
7 including the disclosure document required under Corporations Code section 31114. Respondents
8 understand that all applications shall be considered for approval pursuant to the provisions of the FIL.
9 In the event that Respondents, or any affiliate disclosed in Item 1 or principal disclosed in Item 2 of
10 any franchise application previously filed by Respondents, wishes to apply for registration of any
11 franchise, or any other filing, with the California Department of Corporations, the Enforcement
12 Action, this Agreement, and Respondents' performance under this Agreement may be considered as a
13 factor in determining the approval of such registration or application in accordance with the
14 provisions of the FIL, or any other applicable law.

15 12. Effect of Breach on Paragraphs 7, 8, and 14 on Future Franchise Filings. The Commissioner
16 hereby consents to this Agreement provided that all the conditions stipulated or expressed herein are
17 met. Respondents agree that if they fail to meet the payment terms set forth in Paragraphs 7 and 8 or,
18 following notice and an opportunity to cure, if applicable, Paragraph 14, the Commissioner will not
19 allow registration of any future franchise and may revoke any currently registered franchise; and, any
20 rights to a hearing regarding such registration and to any reconsideration, appeal, or other rights
21 which may be afforded pursuant to the FIL, the California Administrative Procedure Act, the
22 California Code of Civil Procedure, or any other provision of law in connection therewith, are hereby
23 waived.

24 13. Future Actions by the Commissioner. No future enforcement action shall be brought by the
25 Commissioner for any act(s) or omission(s) which are based upon the allegations set forth in the
26 Enforcement Action or for other alleged violations of the FIL which are known to Commissioner as
27 of the Effective Date of this Agreement and which solely arise out of or relate to the California
28 Franchisees (as defined below).

1 14. Payments to California Franchisees. Respondents hereby agree to refund in full all initial
2 franchise fees paid by each franchisee who was a California resident when they were offered a Garlic
3 Jim's franchise and/or were offered or sold a franchise location in California, including but not
4 limited to those franchisees listed in Exhibit B, (collectively, the "California Franchisees").
5 Respondents understand and agree that all payments must be paid via check. In addition, no credits
6 or benefits paid to or received by a franchisee shall offset the initial franchise fee refund, except prior
7 payments via check or wire transfer that the Commissioner has determined to have refunded all or
8 part of the franchisee's initial franchise fee. Payments owed to franchisees pursuant to this provision
9 shall be paid in full to all California Franchisees on or before May 22, 2012. Payment owed to any
10 California Franchisee that cannot be reasonably located by Respondents by May 22, 2012 shall
11 escheat to the State of California, pursuant to the provisions of the California Code of Civil
12 Procedure.

13 15. Evidence of Payment or Attempted Payment. Respondents shall submit to the Commissioner
14 cleared checks evidencing payment of initial franchise fees to each California Franchisee. If the
15 cleared check cannot be reasonably obtained from Respondents' financial institution, Respondents
16 shall submit a copy of the check and the bank statement showing the check cleared. In the
17 alternative, Respondents may submit an affidavit from a California Franchisee, which states that the
18 franchisee was repaid the initial franchise fee (the "Affidavit"). The Affidavit shall be in the form
19 attached hereto as Exhibit C. Either the Affidavit, the cleared check, or the bank statement and copy
20 of the check, for each California Franchisee, shall together be referred to herein as the "Payment
21 Evidence." In the event that Respondents are unable to obtain Payment Evidence for any particular
22 franchisee, Respondents will be deemed to have complied with this section if the Commissioner
23 determines that the Respondents made the payments.

24 16. Failure to Timely Make Payments to California Franchisees. Respondents acknowledge that
25 failure to timely issue any payment pursuant to Paragraph 14 above shall be, unless cured, a breach of
26 this Agreement and, following written notice thereof from the Commissioner and fifteen (15)
27 calendar days to cure any such breach or provide the Payment Evidence, shall be cause for the
28 Commissioner to immediately revoke any registrations held by, and/or deny any pending

1 application(s) of Respondents, their successors and assigns, by whatever names they might be known,
2 and/or any company owned or controlled by Respondents. Respondents hereby waive any notice and
3 hearing rights to contest such revocations and/or denial(s) which may be afforded under the FIL, the
4 California Administrative Procedure Act, the California Code of Civil Procedure, or any other
5 provision of law in connection therewith. If Respondents fail to make complete and timely payment
6 in strict accord with the terms of Paragraph 14, then Respondents must immediately pay each
7 California Franchisee the entire amount of the twenty thousand dollars (\$20,000) in damages claimed
8 in the Enforcement Action in addition to refunding in full the initial franchise fees paid by each
9 California Franchisee.

10 17. Compliance Reports. Respondents agree to submit a monthly report to the Commissioner listing
11 the issuance dates and check numbers of all payments made to every California Franchisee in
12 compliance with Paragraph 14 and 15 (“Compliance Report”). The Payment Evidence described in
13 Paragraph 15 above must be included with each Compliance Report for each payment claimed. The
14 first Compliance Report must be filed with the Commissioner no later than March 22, 2012.

15 Thereafter, each monthly Compliance Report will be due on or before the twenty-second
16 (22nd) day of each month of 2012 until Payment Evidence for every California Franchisee has been
17 provided. Each Compliance Report after March 22, 2012 shall include a clean, unmarked copy, as
18 well as a copy showing additions or changes from the previous report. Compliance Reports must be
19 sent via electronic mail and overnight mail delivery to: Joanne Ross, Corporations Counsel,
20 Department of Corporations, Enforcement Division, 1515 K Street, Suite 200, Sacramento, California
21 95814; jross@corp.ca.gov. Compliance Reports shall be deemed to be timely delivered if received
22 via electronic mail and/or overnight delivery on or before the due dates set forth in this paragraph.

23 18. Service of Agreement to Franchisees. Respondents agree to make all reasonable efforts to serve
24 a complete copy of this Agreement, including all Exhibits attached hereto, to each California
25 Franchisee on or before March 22, 2012 (the “Franchisee Notice”). In connection with the
26 Compliance Report due on April 22, 2012, Respondents shall provide the Commissioner with a list
27 identifying the names and addresses of each California Franchisee that was served a copy of this
28 Agreement in compliance with this provision, and the date on which each was sent, and the status of

1 delivery. Service is considered satisfactory if sent via certified U.S. Mail, return receipt requested.
2 Any correspondence that is returned as undeliverable shall also be specified in the reports to the
3 Commissioner required under this Agreement.

4 19. Exhibits. The Exhibits attached hereto and incorporated herein are as follows:

5 **Exhibit A** is the Enforcement Action;

6 **Exhibit B** is the list of currently identified California Franchisees;

7 **Exhibit C** is the Affidavit of receipt of refund of the initial franchise fee;

8 **Exhibit D** is the form Cover Letter and Election Form Respondents agree to send to each
9 California Franchisee who owns a Franchise Agreement that has not been previously terminated and
10 who is currently operating a franchised Garlic Jim’s restaurant location (“Open Franchisees”);

11 **Exhibit E** is the form Cover Letter and Election Form Respondents agree to send to each
12 California Franchisee who owns a Franchise Agreement that has not been previously terminated and
13 who did not yet open the franchised Garlic Jim’s restaurant location (“Unopened Franchisees”) under
14 the franchise agreement;

15 **Exhibit F** is the form Termination Agreement [No Release of Claims] including Exhibit H-1,
16 which is the Obligations Which Survive Termination for California Franchisees who elect to
17 terminate *without* executing a release;

18 **Exhibit G** is the form Termination and Release Agreement including Exhibit H-2, which is
19 the Obligations Which Survive Termination for California Franchisees who elect to terminate and
20 execute a release of claims; and

21 **Exhibit H** is the complete description of the obligations which survive termination of the
22 Franchise Agreement for California Franchisees who choose to terminate their franchise agreement
23 *without* executing a release (**Exhibit H-1**) and the complete description of the obligations which
24 survive termination of the Franchise Agreement for California Franchisees who choose to terminate
25 their franchise agreement and execute a release of claims (**Exhibit H-2**).

26 20. Right of California Franchisees to Terminate Franchise Agreements; Notice.

27 A. Each Open Franchisee shall have the option to terminate its franchise agreement,
28 without cost under the franchise agreement, provided that franchisee agrees to comply with the

1 applicable “Obligations Which Survive Termination,” set forth in **Exhibit H** and which are attached
2 hereto and incorporated herein (the “Obligations Which Survive Termination”).

3 The Franchisee Notice to the Open Franchisees shall also include a Cover Letter and Election
4 Form in the form attached hereto as **Exhibit D** and the form termination agreements (**Exhibit F** –
5 Termination Agreement [No Release of Claims] and **Exhibit G** – Termination and Release
6 Agreement). The Franchisee Notice to the Open Franchisees shall be sent on or before March 22,
7 2012 in accordance with Paragraph 18.

8 B. Each Unopened Franchisee shall also have the option to terminate its franchise
9 agreement, without cost under the franchise agreement, provided that franchisee agrees to comply
10 with the applicable “Obligations Which Survive Termination,” set forth in **Exhibit H** and which are
11 attached hereto and incorporated herein.

12 The Franchisee Notice to the Unopened Franchisees shall also include a Cover Letter and
13 Election Form in the form attached hereto as **Exhibit E** and the form termination agreements
14 (**Exhibit F** – Termination Agreement [No Release of Claims] and **Exhibit G** – Termination and
15 Release Agreement). The Franchisee Notice to the Unopened Franchisees shall be sent on or before
16 March 22, 2012 in accordance with Paragraph 18.

17 21. Right of California Franchisees to Terminate Franchise Agreements; Obligations Which Survive
18 Termination. Respondents are hereby offering to each California Franchisee the option to terminate
19 its franchise agreement subject to the Obligations Which Survive Termination. The Obligations
20 Which Survive Termination are the complete and exclusive statement of all the agreements,
21 conditions, promises, representations, and covenants regarding obligations of the California
22 Franchisees who choose to terminate their franchise agreement with Garlic Jim’s. The Obligations
23 Which Survive Termination, the Termination Agreement, and the Termination and Release
24 Agreement, if applicable, signed by any California Franchisee, supersede all prior and
25 contemporaneous agreements, negotiations, representations, understandings, and discussions between
26 and among the Respondents and any terminating California Franchisee. Respondents understand and
27 agree that the right to terminate is separate and distinct from the mutual release; a franchisee may
28 elect to terminate without entering into a mutual release. However, a franchisee may, at their

1 discretion, choose to enter a mutual release without regard to Respondents' preference. Respondents
2 agree to execute such release. The California Franchisees who elect to terminate their franchise
3 agreement shall execute and mail to Garlic Jim's the completed election form and termination
4 agreement it elects to execute on or before May 8, 2012, and franchisee shall comply with the Post-
5 Termination Obligations set forth in Exhibit 1 to the termination agreement within fourteen (14) days
6 of the Effective Date of the applicable termination agreement executed by the franchisee.

7 22. Termination Agreements and Mutual Releases to Commissioner. On or before June 22, 2012,
8 Respondents shall provide to the Commissioner a copy of all termination agreements, mutual release
9 agreements, and election forms executed by California Franchisees, whether executed prior to or after
10 the Effective Date of this Agreement. In the event Respondents do not receive a termination
11 agreement or election form from a California Franchisee, Respondents shall provide to the
12 Commissioner a written explanation, with relevant documents (such as a copy of any assignment
13 agreement). Respondents agree to provide to the Commissioner termination agreements or election
14 forms or other relevant termination evidence for all of the California Franchisee locations
15 (collectively, the "Termination Evidence"). The Termination Evidence shall be sent via electronic
16 mail and overnight mail delivery to: Joanne Ross, Corporations Counsel, Department of
17 Corporations, Enforcement Division, 1515 K Street, Suite 200, Sacramento, California 95814;
18 jross@corp.ca.gov. The Termination Evidence shall be deemed to be timely delivered if received via
19 electronic mail and/or overnight delivery on or before the due date set forth in this paragraph.

20 23. Commissioner's Duties. Respondents acknowledge and agree that nothing contained in this
21 Agreement shall operate to limit the Commissioner's ability to assist any other agencies with any
22 administrative, civil or criminal prosecution brought by any such agency against Respondents based
23 upon any of the activities alleged in this matter or otherwise. Respondents further agree that this
24 Agreement shall not bind or otherwise prevent any other federal, state or county agency from the
25 performance of its duties.

26 24. Settlement Agreement Coverage. The Parties hereby acknowledge and agree that this
27 Agreement is intended to constitute a full, final and complete resolution of the Enforcement Action
28 referenced above.

1 25. Effective Date. This Agreement shall not become effective until the Agreement has been signed
2 and delivered by all Parties. Subject to the foregoing, the effective date of this Agreement shall be
3 February 22, 2012 (“Effective Date”). The Commissioner shall file this Agreement with the Office
4 of Administrative Hearings within five (5) days after execution by the Parties.

5 26. Full Integration. This Agreement, including the attached Exhibits, is the final written expression
6 and the complete and exclusive statement of all the agreements, conditions, promises,
7 representations, and covenants between the Parties with respect to the subject matter hereof, and
8 supersedes all prior or contemporaneous agreements, negotiations, representations, understandings,
9 and discussions between and among the Parties, their respective representatives, and any other person
10 or entity. Each of the Parties represents, warrants, and agrees that in executing this Agreement it has
11 relied solely on the statements set forth herein and has placed no reliance on any statement,
12 representation, or promise of any other party, or any other person or entity not expressly set forth
13 herein, or upon the failure of any party or any other person or entity to make any statement,
14 representation or disclosure of anything whatsoever. The Parties have included this clause: (1) to
15 preclude any claim that any party was in any way fraudulently induced to execute this Agreement;
16 and (2) to preclude the introduction of parol evidence to vary, interpret, supplement, or contradict the
17 terms of this Agreement.

18 27. No Presumption from Drafting. In that the Parties have had the opportunity to draft, review and
19 edit the language of this Agreement, no presumption for or against any party arising out of drafting
20 all or any part of this Agreement, or the request or denial of any particular proposed provision in
21 negotiations, will be applied in any action relating to, connected, to, or involving this Agreement.
22 Accordingly, the Parties waive the benefit of California Civil Code section 1654 and any successor or
23 amended statute, providing that in cases of uncertainty, language of a contract should be interpreted
24 most strongly against the party who caused the uncertainty to exist.

25 28. Counterparts. This Agreement may be executed in any number of counterparts by the Parties and
26 when each party has signed and delivered at least one such counterpart to the other party, each
27 counterpart shall be deemed an original and taken together shall constitute one and the same
28 Agreement.

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If to the Commissioner: Joanne Ross, Corporations Counsel
Department of Corporations
1515 K Street, Suite 200
Sacramento, California 95814
jross@corp.ca.gov

IN WITNESS WHEREOF, the Parties hereto have approved and executed this Agreement on the dates set forth opposite their respective signatures.

Dated: 2/21/12 JAN LYNN OWEN
California Corporations Commissioner

By: _____
ALAN S. WEINGER
Deputy Commissioner
Enforcement Division

GARLIC JIM'S FRANCHISE INTERNATIONAL, INC.

Dated: 2/21/12 By: _____
DWAYNE NORTHROP
President and Chief Executive Officer

Dated: 2/21/12 _____
DWAYNE NORTHROP, as an Individual

Dated: 2/21/12 Approved as to form by: _____
ANDREW P. BLEIMAN, ESQ.
MARKS & KLEIN
Attorneys for Respondents

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EXHIBIT A

**February 22, 2012 Stipulation and Agreement of Garlic Jim’s Franchise International, Inc.
and Dwayne Northrop**

*In the Matter of The California Corporations Commissioner vs. Garlic Jim’s Franchise
International, Inc. and Dwayne Northrop, OAH Case No. 2011030530*

1 PRESTON DuFAUCHARD
California Corporations Commissioner
2 ALAN S. WEINGER
Deputy Commissioner
3 JOANNE ROSS (BAR NO. 202338)
Corporations Counsel
4 Department of Corporations
5 1515 K Street, Ste. 200
Sacramento, California 95814
6 Telephone: (916) 324-9687
7 Facsimile: (916) 445-6985
8 Attorneys for Complainant

9
10 BEFORE THE DEPARTMENT OF CORPORATIONS
11 OF THE STATE OF CALIFORNIA

12 In the Matter of THE CALIFORNIA) Case No.:
CORPORATIONS COMMISSIONER,)
13) STATEMENT IN SUPPORT OF:
Complainant,)
14) 1) CITATIONS
vs.)
15) 2) DESIST AND REFRAIN ORDER
16 GARLIC JIM'S FRANCHISE)
INTERNATIONAL, INC. and DWAYNE) 3) CLAIMS FOR ANCILLARY RELIEF
17 NORTHROP,)
18)
Respondents.)
19)
20)

21
22 I
23 INTRODUCTION

24 The California Department of Corporations ("Department") is responsible for administering
25 and enforcing provisions of the California Franchise Investment Law ("FIL"), which is found at
26 Corporations Code sections 31000 et seq. The Department is authorized to pursue administrative
27 actions and remedies against franchisors that violate the FIL in California.

28 The California Corporations Commissioner ("Commissioner") finds that Respondents Garlic

1 Jim's Franchise International, Inc., formerly Garlic Jim's Franchise Corp., both Washington
2 corporations (collectively "Garlic Jim's"), and Dwayne Northrop ("Northrop"), in his capacity as
3 president of Garlic Jim's, have violated multiple provisions of the FIL.

4 II
5 FACTS

6 Garlic Jim's is a Washington corporation engaged in business activities relating to the
7 franchising of restaurants under the trade name "Garlic Jim's Famous Gourmet Pizza." Garlic Jim's
8 offers and sells franchises in California as well as other states. Garlic Jim's principal business
9 address is 802 134th St. SW, Suite 130, Everett, Washington 98204. Northrop was president of Garlic
10 Jim's at all relevant times.

11 Beginning on August 22, 2005, the Commissioner approved the first of Garlic Jim's franchise
12 registration applications, permitting Garlic Jim's to offer and sell franchises in California. Franchise
13 registrations must be renewed or re-registered annually in order for the franchisor to continue to offer
14 and sell franchises in California. The annual filings allow the Commissioner to review the financial
15 condition and other aspects of the franchisor and franchise offering. Garlic Jim's obtained two
16 subsequent franchise registrations, on May 22, 2006 and on April 24, 2007. This last registration
17 expired on April 20, 2008. The Commissioner approved each of Garlic Jim's three registrations with
18 a condition to the effectiveness of the registration ("Deferral Fee Condition"). Each registration was
19 only effective if this condition was met.

20 The Commissioner imposed the Deferral Fee Condition on Garlic Jim's to protect potential
21 franchisees in California. The Deferral Fee Condition required Garlic Jim's to complete all of its
22 initial obligations related to each franchise prior to receiving the initial franchise fee for that
23 franchise. These obligations included completing initial training, conducting site inspection, and
24 paying for professional fees and certain costs associated with opening each Garlic Jim's restaurant.
25 Dwayne Northrop, President of Garlic Jim's, declared in a written and signed affidavit submitted to
26 the Department that he read and understood the Deferral Fee Condition.

27 Beginning in February 2006 and continuing until at least April 2008, Garlic Jim's sold
28 twenty-five (25) franchises to California investors. During this period, Garlic Jim's accepted the

1 initial franchise fees prior to completing all of its initial obligations, such as training and site
2 inspection, under each franchise agreement. In doing so, Garlic Jim's and Dwayne Northrop violated
3 the Deferral Fee Condition.

4 III

5 VIOLATIONS OF CALIFORNIA FRANCHISE INVESTMENT LAW

6 The Commissioner finds that Respondents Garlic Jim's and Dwayne Northrop have
7 committed multiple violations of the California Franchise Investment Law, including, but not limited
8 to, the following:

9 A. MATERIAL MISSTATEMENTS OR OMISSIONS IN A FRANCHISE REGISTRATION
10 APPLICATION FILED WITH THE COMMISSIONER IN VIOLATION OF SECTION
11 31200

12 Corporations Code section 31200 provides:

13 It is unlawful for any person willfully to make any untrue statement of a material fact in any
14 application, notice or report filed with the commissioner under this law, or willfully to omit to
15 state in any such application, notice, or report any material fact which is required to be stated
16 therein, or fail to notify the commissioner of any material change as required by Section 31123.

17 At various times from August 22, 2005 through April 20, 2008, the Commissioner issued three
18 franchise registrations to Garlic Jim's under section 31110 of the Franchise Investment Law, authorizing
19 Garlic Jim's to offer and sell franchises in California. The Commissioner approved each of Garlic Jim's
20 three registrations only on the condition that all initial obligations to its franchisees were completed prior
21 to Garlic Jim's collecting the initial franchise fees associated with the sale of each franchise location.

22 Garlic Jim's agreed to comply with this condition to the effectiveness of registration under the FIL.
23 Garlic Jim's willfully made this untrue statement to the Department repeatedly. Even after
24 acknowledging the condition and declaring that it would comply with it, Garlic Jim's accepted initial
25 franchise fees for at least twenty-five (25) franchise locations without completing its initial
26 obligations for each franchise.

27 As such, Garlic Jim's and Dwayne Northrop violated the Deferral Fee Condition to its
28 registration to offer and sell franchises in California. Further, the Deferral Fee Condition was a
material condition to the effectiveness of all three registrations. Accordingly, Respondents violated

1 section 31200 three times by making the untrue statement that they would comply with the Deferral
2 Fee Condition in each of their three applications for registration.

3 B. MATERIAL MISSTATEMENTS OR OMISSIONS OF MATERIAL FACT IN THE OFFER
4 OR SALE OF FRANCHISES IN VIOLATION OF SECTION 31201

5 Corporations Code section 31201 provides:

6 It is unlawful for any person to offer or sell a franchise in this state by means of any written or
7 oral communication not enumerated in Section 31200 which includes an untrue statement of a
8 material fact or omits to state a material fact necessary in order to make the statements made,
in light of the circumstances under which they were made, not misleading.

9 As stated above, Garlic Jim's obtained twenty-five (25) signed franchise agreements from
10 California residents throughout 2006, 2007, and 2008, and accepted the initial franchise fees for each
11 one prior to fulfilling its obligations. Consequently, Garlic Jim's and Dwayne Northrop either
12 omitted the material fact of the Commissioner's Deferral Fee Condition when offering and selling to
13 these prospective franchisees or made the untrue statement of a material fact that the Commissioner's
14 Deferral Fee Condition was no longer in effect. As such, Respondents committed twenty-five (25)
15 violations of section 31201.

16 C. VIOLATION OF COMMISSIONER'S CONDITION OF REGISTRATION PURSUANT
17 TO SECTION 31203

18 Corporations Code section 31203 provides:

19 It is unlawful for any person to violate any order of the commissioner or condition to the
20 effectiveness of the registration of the offer or sale of franchises.

21 As stated above, the Commissioner approved three of Garlic Jim's registrations to sell franchises at
22 various times between August 22, 2005 and April 20, 2008. The Commissioner required Garlic Jim's
23 and Dwayne Northrop to comply with the Deferral Fee Condition as a condition to the effectiveness
24 of those registrations. The Deferral Fee Condition required Garlic Jim's to provide initial training,
25 site inspection, and professional fees and its costs associated with opening each Garlic Jim's
26 restaurant prior to collecting the initial fee for each franchise. Garlic Jim's accepted the initial
27 franchise fees for twenty-five (25) franchises prior to completing all of its obligations at each
28 franchise location. As such, Garlic Jim's and Dwayne Northrop violated section 31203 twenty-five

1 (25) times between August 2005 and April 2008.

2 D. MISREPRESENTATION WITH INTENT TO INFLUENCE THE COMMISSIONER'S
3 ADMINSTRATION OF THE FRANCHISE INVSTMENT LAW IN VIOLATION OF
4 SECTION 31204

5 Corporations Code section 31204, subsection (b) provides:

6 It is unlawful for any person to knowingly make an untrue statement to the commissioner
7 during the course of licensing, investigation, or examination, with the intent to impede,
8 obstruct, or influence the administration or enforcement of any provision of this division.

9 As stated above, Garlic Jim's and Dwayne Northrop violated the Deferral Fee Condition by
10 accepting initial franchise fees for twenty-five (25) franchises prior to completing all of their
11 obligations for each location. In addition to the Deferral Fee Condition, the Commissioner required
12 Garlic Jim's President, Dwayne Northrop, to sign an affidavit stating that he had read and understood
13 the Deferral Fee Condition. Respondents acknowledged the Deferral Fee Condition and signed the
14 affidavit in order to secure each of the above-mentioned franchise registrations, with knowledge of
15 their practice of regularly accepting initial franchise fees in violation of the condition, and with intent
16 to influence the Commissioner's decision with respect to all three registrations. As such,
17 Respondents violated section 31204(b) three times between August 2005 and April 2008.

18 IV

19 CITATIONS

20 Corporations Code section 31406 provides:

21 (a) If, upon inspection or investigation, based upon a complaint or otherwise, the
22 commissioner has cause to believe that a person is violating any provision of this division or
23 any rule or order promulgated pursuant to this division, the commissioner may issue a citation
24 to that person in writing describing with particularity the basis of the citation. Each citation
25 may contain an order to desist and refrain and an assessment of an administrative penalty not
26 to exceed two thousand five hundred dollars (\$2,500.00) per violation and shall contain
27 reference to this section, including the provisions of subdivision (c). All penalties collected
28 under this section shall be deposited in the State Corporations Fund.

(b) The sanctions authorized under this section shall be separate from, and in addition to, all other administrative, civil, or criminal remedies.

///

(c) If within 60 days from the receipt of the citation, the person cited fails to notify the

1 commissioner that the person intends to request a hearing as described in subdivision (d), the
2 citation shall be deemed final.

3 (d) Any hearing under this section shall be conducted in accordance with Chapter 5
4 (commencing with Section 11500) of Part I of Division 3 of Title 2 of the Government Code.

5 (e) After the exhaustion of the review procedures provided for in this section, the
6 commissioner may apply to the appropriate superior court for a judgment in the amount of the
7 administrative penalty and order compelling the cited person to comply with the order of the
8 commissioner. The application shall include a certified copy of the final order of the
9 commissioner and shall constitute a sufficient showing to warrant the issuance of the
10 judgment and order.

11 The foregoing facts establish that Garlic Jim’s and Dwayne Northrop have committed
12 multiple violations of the Franchise Investment Law in the course of conducting business with no less
13 than twenty-five (25) California franchises since the initial franchise registration in August 2005.

14 Pursuant to section 31406, Garlic Jim’s and Dwayne Northrop are hereby assessed and
15 ordered to pay the Commissioner citations of \$2,500 for each of three (3) violations of section 31200,
16 twenty-five (25) violations of section 31201, twenty-five (25) violations of section 31203, and three
17 (3) violations of 31204. The total citation amount for the fifty-six (56) violations is one hundred and
18 forty thousand dollars (\$140,000), with all payments being due and payable to the Department within
19 ninety (90) days after this order becomes final.

20 V

21 DESIST AND REFRAIN ORDER

22 The Commissioner finds that beginning as early as February 2006, Garlic Jim’s and Dwayne
23 Northrop violated multiple provisions of the Franchise Investment Law, including but not limited to
24 Corporations Code sections 31200, 31201, 31203, and 31204 as set forth in greater detail herein.

25 Pursuant to section 31406 of the Corporations Code, Garlic Jim’s and Dwayne Northrop are
26 hereby ordered to desist and refrain from:

27 (a) Making material misstatements or omissions in a franchise registration application filed
28 with the Commissioner in violation of section 31200;

(b) Making material misstatements or omissions by any oral or written communication in the
course of offering or selling franchises in violation of section 31201;

(c) Violating any order of the commissioner or condition to the effectiveness of the

1 registration of the offer or sale of franchises in violation of section 31203; and

2 (d) Knowingly making untrue statements to the commissioner during the course of licensing,
3 investigation, or examination, with the intent to influence the administration or enforcement of the
4 Franchise Investment Law in violation of section 31204.

5 VI

6 CLAIMS FOR ANCILLARY RELIEF

7 Corporations Code section 31408(a) provides:

8 If the commissioner determines it is in the public interest, the commissioner may include in
9 any administrative action brought under this division, including a stop order, a claim for
10 ancillary relief, including, but not limited to, a claim for rescission, restitution or
11 disgorgement or damages on behalf of the persons injured by the act or practice constituting
12 the subject matter of the action, and the administrative law judge shall have jurisdiction to
13 award additional relief. The person affected may be required to attend remedial education, as
14 directed by the commissioner.

13 CLAIM FOR RESCISSION

14 The Commissioner has found that Garlic Jim's and Dwayne Northrop have committed
15 multiple violations of the Franchise Investment Law. As a result, Garlic Jim's and Dwayne Northrop
16 shall afford all franchisees located in California the right to rescind or terminate without penalty any
17 franchise agreement or related contractual obligation with Garlic Jim's.

18 CLAIM FOR RESTITUTION AND DAMAGES

19 In light of the nature and length of Garlic Jim's and Dwayne Northrop's violations of the FIL,
20 Garlic Jim's and Dwayne Northrop shall:

21 (a) Pay restitution to every California franchisee in the amount of the full franchise fee
22 collected from each franchisee within ninety (90) days after this order becomes final; and

23 (b) Pay twenty thousand dollars (\$20,000) in damages, or according to proof, to each
24 franchisee owner of every franchise opened in California, whether or not still open.

25 OTHER RELIEF

26 Perform all obligations promised to franchisees at each currently open franchised location
27 in California.

28 CLAIM FOR COMPLAINANT'S COSTS

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Corporations Code section 31408(b) provides:
In an administrative action brought under this part the commissioner is entitled to recover costs, which in the discretion of the administrative law judge may include any amount representing reasonable attorney’s fees and investigative expenses for the services rendered, for deposit into the State Corporations Fund for the use of the Department of Corporations.

Garlic Jim’s and Dwayne Northrop shall pay reasonable attorney’s fees and investigative expenses incurred by the Department of Corporations in investigating and enforcing the FIL in this matter, in the discretion of the administrative law judge or in the amount of twenty-five thousand dollars (\$25,000).

VII
CONCLUSION

Based upon the foregoing findings, the California Corporations Commissioner has found that Garlic Jim’s and Dwayne Northrop violated multiple provisions of the California Franchise Investment Law and has issued this Desist and Refrain Order, Citations, and Claims for Ancillary Relief.

WHEREFORE, the California Corporations Commissioner finds the foregoing orders and claims necessary, in the public interest, for the protection of investors, and consistent with the purposes, policies, and provisions of the California Franchise Investment Law.

Dated: December 30, 2010
Los Angeles, California

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____
ALAN S. WEINGER
Deputy Commissioner

1 PRESTON DuFAUCHARD
California Corporations Commissioner
2 ALAN S. WEINGER
Deputy Commissioner
3 JOANNE ROSS (BAR NO. 202338)
Corporations Counsel
4 Department of Corporations
5 1515 K Street, Ste. 200
Sacramento, California 95814
6 Telephone: (916) 324-9687
7 Facsimile: (916) 445-6985
8 Attorneys for Complainant

9
10 BEFORE THE DEPARTMENT OF CORPORATIONS
11 OF THE STATE OF CALIFORNIA

12 In the Matter of THE CALIFORNIA) OAH Case No.: 2011030530
CORPORATIONS COMMISSIONER,)
13) AMENDED STATEMENT IN SUPPORT OF:
Complainant,)
14) 4) CITATIONS
vs.)
15) 5) DESIST AND REFRAIN ORDER
16 GARLIC JIM'S FRANCHISE)
INTERNATIONAL, INC. and DWAYNE) 6) CLAIMS FOR ANCILLARY RELIEF
17 NORTHROP,)
18)
Respondents.)
19)
20)

21
22 I
23 INTRODUCTION

24 The California Department of Corporations ("Department") is responsible for administering
25 and enforcing provisions of the California Franchise Investment Law ("FIL"), which is found at
26 Corporations Code sections 31000 et seq. The Department is authorized to pursue administrative
27 actions and remedies against franchisors that violate the FIL in California.

28 The California Corporations Commissioner ("Commissioner") finds that Respondents Garlic

1 Jim's Franchise International, Inc., formerly Garlic Jim's Franchise Corp., both Washington
2 corporations (collectively "Garlic Jim's"), and Dwayne Northrop ("Northrop"), in his capacity as
3 president of Garlic Jim's, have violated multiple provisions of the FIL.

4 II
5 FACTS

6 Garlic Jim's is a Washington corporation engaged in business activities relating to the
7 franchising of restaurants under the trade name "Garlic Jim's Famous Gourmet Pizza." Garlic Jim's
8 offers and sells franchises in California as well as other states. Garlic Jim's principal business
9 address is 802 134th St. SW, Suite 130, Everett, Washington 98204. Northrop was president of Garlic
10 Jim's at all relevant times.

11 Beginning on August 22, 2005, the Commissioner approved the first of Garlic Jim's franchise
12 registration applications, permitting Garlic Jim's to offer and sell franchises in California. Franchise
13 registrations must be renewed or re-registered annually in order for the franchisor to continue to offer
14 and sell franchises in California. The annual filings allow the Commissioner to review the financial
15 condition and other aspects of the franchisor and franchise offering. Garlic Jim's obtained two
16 subsequent franchise registrations, on May 22, 2006 and on April 24, 2007. This last registration
17 expired on April 20, 2008. The Commissioner approved each of Garlic Jim's three registrations with
18 a condition to the effectiveness of the registration ("Deferral Fee Condition"). Each registration was
19 only effective if this condition was met.

20 The Commissioner imposed the Deferral Fee Condition on Garlic Jim's to protect potential
21 California franchisees. The Deferral Fee Condition required Garlic Jim's to complete all of its initial
22 obligations related to each franchise prior to receiving the initial franchise fee for that franchise.
23 These obligations included completing initial training, conducting site inspection, and paying for
24 professional fees and certain costs associated with opening each Garlic Jim's restaurant. Dwayne
25 Northrop, President of Garlic Jim's, declared in a written and signed affidavit submitted to the
26 Department that he read and understood the Deferral Fee Condition.

27 Beginning in February 2006 and continuing until at least April 2008, Garlic Jim's sold at least
28 twenty-five (25) franchises to California investors. During this period, Garlic Jim's accepted the

1 initial franchise fees prior to completing all of its initial obligations, such as training and site
2 inspection, under each franchise agreement. In doing so, Garlic Jim's and Dwayne Northrop violated
3 the Deferral Fee Condition.

4 III

5 VIOLATIONS OF CALIFORNIA FRANCHISE INVESTMENT LAW

6 The Commissioner finds that Respondents Garlic Jim's and Dwayne Northrop have
7 committed multiple violations of the California Franchise Investment Law, including, but not limited
8 to, the following:

9 A. MATERIAL MISSTATEMENTS OR OMISSIONS IN A FRANCHISE REGISTRATION
10 APPLICATION FILED WITH THE COMMISSIONER IN VIOLATION OF SECTION
11 31200

12 Corporations Code section 31200 provides:

13 It is unlawful for any person willfully to make any untrue statement of a material fact in any
14 application, notice or report filed with the commissioner under this law, or willfully to omit to
15 state in any such application, notice, or report any material fact which is required to be stated
16 therein, or fail to notify the commissioner of any material change as required by Section 31123.

17 At various times from August 22, 2005 through April 20, 2008, the Commissioner issued three
18 franchise registrations to Garlic Jim's under section 31110 of the Franchise Investment Law, authorizing
19 Garlic Jim's to offer and sell franchises in California. The Commissioner approved each of Garlic Jim's
20 three registrations only on the condition that all initial obligations to its franchisees were completed prior
21 to Garlic Jim's collecting the initial franchise fees associated with the sale of each franchise location.

22 Garlic Jim's agreed to comply with this condition to the effectiveness of registration under the FIL.
23 Garlic Jim's willfully made this untrue statement to the Department repeatedly. Even after
24 acknowledging the condition and declaring that it would comply with it, Garlic Jim's accepted initial
25 franchise fees for at least twenty-five (25) franchise locations without completing its initial
26 obligations for each franchise.

27 As such, Garlic Jim's and Dwayne Northrop violated the Deferral Fee Condition to its
28 registration to offer and sell franchises in California. Further, the Deferral Fee Condition was a
material condition to the effectiveness of all three registrations. Accordingly, Respondents violated

1 section 31200 three times by making the untrue statement that they would comply with the Deferral
2 Fee Condition in each of their three applications for registration.

3 C. MATERIAL MISSTATEMENTS OR OMISSIONS OF MATERIAL FACT IN THE OFFER
4 OR SALE OF FRANCHISES IN VIOLATION OF SECTION 31201

5 Corporations Code section 31201 provides:

6 It is unlawful for any person to offer or sell a franchise in this state by means of any written or
7 oral communication not enumerated in Section 31200 which includes an untrue statement of a
8 material fact or omits to state a material fact necessary in order to make the statements made,
in light of the circumstances under which they were made, not misleading.

9 As stated above, Garlic Jim's obtained at least twenty-five (25) signed franchise agreements
10 from California residents throughout 2006, 2007, and 2008, and accepted the initial franchise fees for
11 each one prior to fulfilling its obligations. Consequently, Garlic Jim's and Dwayne Northrop either
12 omitted the material fact of the Commissioner's Deferral Fee Condition when offering and selling to
13 these prospective franchisees or made the untrue statement of a material fact that the Commissioner's
14 Deferral Fee Condition was no longer in effect. As such, Respondents committed at least twenty-five
15 (25) violations of section 31201.

16 E. VIOLATION OF COMMISSIONER'S CONDITION OF REGISTRATION PURSUANT
17 TO SECTION 31203

18 Corporations Code section 31203 provides:

19 It is unlawful for any person to violate any order of the commissioner or condition to the
20 effectiveness of the registration of the offer or sale of franchises.

21 As stated above, the Commissioner approved three of Garlic Jim's registrations to sell franchises at
22 various times between August 22, 2005 and April 20, 2008. The Commissioner required Garlic Jim's
23 and Dwayne Northrop to comply with the Deferral Fee Condition as a condition to the effectiveness
24 of those registrations. The Deferral Fee Condition required Garlic Jim's to provide initial training,
25 site inspection, and professional fees and its costs associated with opening each Garlic Jim's
26 restaurant prior to collecting the initial fee for each franchise. Garlic Jim's accepted the initial
27 franchise fees for at least twenty-five (25) franchises prior to completing all of its obligations at each
28 franchise location. As such, Garlic Jim's and Dwayne Northrop violated section 31203 twenty-five

1 (25) times between August 2005 and April 2008.

2 F. MISREPRESENTATION WITH INTENT TO INFLUENCE THE COMMISSIONER'S
3 ADMINSTRATION OF THE FRANCHISE INVSTMENT LAW IN VIOLATION OF
4 SECTION 31204

5 Corporations Code section 31204, subsection (b) provides:

6 It is unlawful for any person to knowingly make an untrue statement to the commissioner
7 during the course of licensing, investigation, or examination, with the intent to impede,
8 obstruct, or influence the administration or enforcement of any provision of this division.

9 As stated above, Garlic Jim's and Dwayne Northrop violated the Deferral Fee Condition by
10 accepting initial franchise fees for at least twenty-five (25) franchises prior to completing all of their
11 obligations for each location. In addition to the Deferral Fee Condition, the Commissioner required
12 Garlic Jim's President, Dwayne Northrop, to sign an affidavit stating that he had read and understood
13 the Deferral Fee Condition. Respondents acknowledged the Deferral Fee Condition and signed the
14 affidavit in order to secure each of the above-mentioned franchise registrations, with knowledge of
15 their practice of regularly accepting initial franchise fees in violation of the condition, and with intent
16 to influence the Commissioner's decision with respect to all three registrations. As such,
17 Respondents violated section 31204(b) three times between August 2005 and April 2008.

18 IV

19 CITATIONS

20 Corporations Code section 31406 provides:

21 (a) If, upon inspection or investigation, based upon a complaint or otherwise, the
22 commissioner has cause to believe that a person is violating any provision of this division or
23 any rule or order promulgated pursuant to this division, the commissioner may issue a citation
24 to that person in writing describing with particularity the basis of the citation. Each citation
25 may contain an order to desist and refrain and an assessment of an administrative penalty not
26 to exceed two thousand five hundred dollars (\$2,500.00) per violation and shall contain
27 reference to this section, including the provisions of subdivision (c). All penalties collected
28 under this section shall be deposited in the State Corporations Fund.

(b) The sanctions authorized under this section shall be separate from, and in addition to, all other administrative, civil, or criminal remedies.

(c) If within 60 days from the receipt of the citation, the person cited fails to notify the commissioner that the person intends to request a hearing as described in subdivision (d), the citation shall be deemed final.

(d) Any hearing under this section shall be conducted in accordance with Chapter 5 (commencing with Section 11500) of Part I of Division 3 of Title 2 of the Government Code.

1 (e) After the exhaustion of the review procedures provided for in this section, the
2 commissioner may apply to the appropriate superior court for a judgment in the amount of the
3 administrative penalty and order compelling the cited person to comply with the order of the
4 commissioner. The application shall include a certified copy of the final order of the
5 commissioner and shall constitute a sufficient showing to warrant the issuance of the
6 judgment and order.

7 The foregoing facts establish that Garlic Jim's and Dwayne Northrop have committed
8 multiple violations of the Franchise Investment Law in the course of conducting business with no less
9 than twenty-five (25) California franchises since the initial franchise registration in August 2005.

10 Pursuant to section 31406, Garlic Jim's and Dwayne Northrop are hereby assessed and
11 ordered to pay the Commissioner citations of \$2,500 for each of three (3) violations of section 31200,
12 twenty-five (25) violations of section 31201, twenty-five (25) violations of section 31203, and three
13 (3) violations of 31204. The total citation amount for the fifty-six (56) violations is one hundred and
14 forty thousand dollars (\$140,000), with all payments being due and payable to the Department within
15 ninety (90) days after this order becomes final.

16 V

17 DESIST AND REFRAIN ORDER

18 The Commissioner finds that beginning as early as February 2006, Garlic Jim's and Dwayne
19 Northrop violated multiple provisions of the Franchise Investment Law, including but not limited to
20 Corporations Code sections 31200, 31201, 31203, and 31204 as set forth in greater detail herein.

21 Pursuant to section 31406 of the Corporations Code, Garlic Jim's and Dwayne Northrop are
22 hereby ordered to desist and refrain from:

23 (a) Making material misstatements or omissions in a franchise registration application filed
24 with the Commissioner in violation of section 31200;

25 (b) Making material misstatements or omissions by any oral or written communication in the
26 course of offering or selling franchises in violation of section 31201;

27 (c) Violating any order of the commissioner or condition to the effectiveness of the
28 registration of the offer or sale of franchises in violation of section 31203; and

(d) Knowingly making untrue statements to the commissioner during the course of licensing,

1 investigation, or examination, with the intent to influence the administration or enforcement of the
2 Franchise Investment Law in violation of section 31204.

3 VI

4 CLAIMS FOR ANCILLARY RELIEF

5 Corporations Code section 31408(a) provides:

6 If the commissioner determines it is in the public interest, the commissioner may include in
7 any administrative action brought under this division, including a stop order, a claim for
8 ancillary relief, including, but not limited to, a claim for rescission, restitution or
9 disgorgement or damages on behalf of the persons injured by the act or practice constituting
10 the subject matter of the action, and the administrative law judge shall have jurisdiction to
11 award additional relief. The person affected may be required to attend remedial education, as
12 directed by the commissioner.

11 CLAIM FOR RESCISSION

12 The Commissioner has found that Garlic Jim’s and Dwayne Northrop have committed
13 multiple violations of the Franchise Investment Law. As a result, Garlic Jim’s and Dwayne Northrop
14 shall afford all franchisees who were located in California at the time Garlic Jim’s offered or sold
15 franchise(s) to them, and franchisees who purchased the right to open franchised locations in
16 California, (collectively, “California Franchisees”) the right to rescind or terminate without penalty
17 any franchise agreement or related contractual obligation with Garlic Jim’s.

18 CLAIM FOR RESTITUTION AND DAMAGES

19 In light of the nature and length of Garlic Jim’s and Dwayne Northrop’s violations of the FIL,
20 Garlic Jim’s and Dwayne Northrop shall:

21 (c) Pay restitution to every California Franchisee in the amount of the full franchise fee
22 collected from each California Franchisee within ninety (90) days after this order becomes final; and

23 (d) Pay twenty thousand dollars (\$20,000) in damages, or according to proof, to each
24 California Franchisee, whether or not such franchisee opened a franchise and whether or not such
25 franchise is still open.

26 ///

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28 OTHER RELIEF

1 Perform all obligations promised to franchisees at each currently open franchised location
2 in California.

3 CLAIM FOR COMPLAINANT’S COSTS

4 Corporations Code section 31408(b) provides:

5 In an administrative action brought under this part the commissioner is entitled to recover
6 costs, which in the discretion of the administrative law judge may include any amount
7 representing reasonable attorney’s fees and investigative expenses for the services rendered,
8 for deposit into the State Corporations Fund for the use of the Department of Corporations.

9 Garlic Jim’s and Dwayne Northrop shall pay reasonable attorney’s fees and investigative
10 expenses incurred by the Department of Corporations in investigating and enforcing the FIL in this
11 matter, in the discretion of the administrative law judge or in the amount of twenty-five thousand
12 dollars (\$25,000).

12 VII

13 CONCLUSION

14 Based upon the foregoing findings, the California Corporations Commissioner has found that
15 Garlic Jim’s and Dwayne Northrop violated multiple provisions of the California Franchise
16 Investment Law and has issued this Desist and Refrain Order, Citations, and Claims for Ancillary
17 Relief.

18 WHEREFORE, the California Corporations Commissioner finds the foregoing orders and
19 claims necessary, in the public interest, for the protection of investors, and consistent with the
20 purposes, policies, and provisions of the California Franchise Investment Law.

21 Dated: December 6, 2011
22 Los Angeles, California

PRESTON DuFAUCHARD
California Corporations Commissioner

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24 By _____
25 ALAN S. WEINGER
26 Deputy Commissioner
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EXHIBIT B

**February 22, 2012 Stipulation and Agreement of Garlic Jim’s Franchise International, Inc. and
Dwayne Northrop**
*In the Matter of The California Corporations Commissioner vs. Garlic Jim’s Franchise
International, Inc. and Dwayne Northrop, OAH Case No. 2011030530*

1	<u>NAME</u>	<u>LOCATION</u>
2	<u>(Initials of Franchisee)</u>	<u>(City where franchise located)</u>
3	1. J.A.	Palmdale, CA
4	2. T.G.	Redondo Beach, CA
5	3. T.G.	Manhattan Beach, CA
6	4. CMK	Orange County, CA
7	5. CMK	Orange County location 2
8	6. CMK	Orange County location 3
9	7. CMK	Orange County location 4
10	8. CMK	Orange County location 5
11	9. CMK	Orange County location 6
12	10. D.R. & S.W.	Seal Beach, CA
13	11. H.K. & I.K.	Glendale, CA
14	12. I.S.	Pasadena, CA
15	13. I.S.	Rancho Cucamonga, CA
16	14. I.S.	Chino Hills, CA
17	15. J.B.	Valencia, CA
18	16. J.B.	Stevenson Ranch, CA
19	17. J.B.	Canyon Country, CA
20	18. A.K.	South Pasadena, CA
21	19. K.K.	Ladera, CA
22	20. T.C.	Thousand Oaks, CA
23	21. T.C.	Simi Valley, CA
24	22. S.S. (S.E.)	Marina Del Rey, CA
25	23. J.U.	Granada Hills, CA
26	24. D.W.	Woodland Hills, CA
27	25. V.A.	Unknown
28	26. S.M.	Phoenix, AZ
29	27. J.H.	Idaho

EXHIBIT C

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February 22, 2012 Stipulation and Agreement of Garlic Jim's Franchise International, Inc. and

Dwayne Northrop

In the Matter of The California Corporations Commissioner vs. Garlic Jim's Franchise

International, Inc. and Dwayne Northrop, OAH Case No. 2011030530

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EXHIBIT D

**February 22, 2012 Stipulation and Agreement of Garlic Jim’s Franchise International, Inc. and
Dwayne Northrop**
*In the Matter of The California Corporations Commissioner vs. Garlic Jim’s Franchise
International, Inc. and Dwayne Northrop, OAH Case No. 2011030530*

ELECTION FORM (OPEN LOCATION)

Name(s) of Garlic Jim’s Franchisee: _____ (“Franchisee”)

Contact Person (if Garlic Jim’s Franchisee is a corporate entity): _____

Franchisee Street Address, City, State and Zip Code: _____

Store Address and Location: _____

Area Code/Phone Number(s): _____ EmailAddress(es): _____

**READ THIS CAREFULLY AND SELECT ONE (AND ONLY ONE) OF THE FOLLOWING
OPTIONS BY PLACING AN “X” IN SPACE PROVIDED**

Pursuant to the February 22, 2012 Stipulation and Agreement of Garlic Jim’s Franchise International, Inc. and Dwayne Northrop *In the Matter of The California Corporations Commissioner vs. Garlic Jim’s Franchise International, Inc. and Dwayne Northrop*, OAH Case No. 2011030530, the Franchisee identified above elects as follows:

___ **OPTION #1 – Franchisee wishes to continue operating a Garlic Jim’s Franchise International, Inc. franchised restaurant location at the location specified above pursuant to the terms and conditions of the franchise agreement with Garlic Jim’s.**

___ **OPTION #2 – Franchisee wishes to terminate the Franchise Agreement with Garlic Jim’s and sign a mutual release of all claims.**

___ **OPTION #3 – Franchisee wishes to terminate the Franchise Agreement with Garlic Jim’s but does not wish to sign a mutual release of all claims.**

DECLARATION SUPPORTING ELECTION

I declare, under penalty of perjury, as follows:

My name is: _____
[PRINT NAME]

I am an authorized representative of the Franchisee, and I am authorized to execute this Election Form.

Date: _____

Signature (Garlic Jim’s Franchisee or Director and Officer of Garlic Jim’s Franchisee if the Garlic Jim’s Franchisee is a corporation or other business entity)

PRINTED NAME

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PLEASE CONTACT JOANNE ROSS OF THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT jross@corp.ca.gov or 916-324-9687 WITH ANY QUESTIONS AND/OR FOR ADDITIONAL INF

VIA CERTIFIED MAIL RETURN RECEIPT REQUESTED

March __, 2012

[Franchisee Name]
[Franchisee Address]

**RE: In re California Department of Corporations Action
Offer of Option to Terminate Franchise Agreement
(Open Franchised Location)**

Dear _____:

We are pleased to advise you that we have reached a settlement with the California Department of Corporations (“Department”) to resolve the pending issues which the Department raised several years ago. Pursuant to our agreement with the Department, you will be refunded the initial franchise fee which you paid to Garlic Jim’s Franchise International, Inc. (“Garlic Jim’s”). The refund will be issued to you on or before May 22, 2012.

In addition, as part of our resolution with the Department, you have the option to terminate your Franchise Agreement and operate your store independently. **(Please note that you will receive a refund of your initial franchise fee whether or not you exercise your option to terminate the Franchise Agreement.)**

You have until **May 8, 2012** to make your election on the enclosed Election Form.

If you choose to terminate your Franchise Agreement and operate as an independent, you will have the choice to execute either the: (1) the Termination Agreement [No Release of Claims]; or (2) the Termination and Release Agreement. If you elect to terminate, once again, you must **sign and return** the applicable termination agreement you choose no later than **May 8, 2012**.

The Termination and Release Agreement contains a general mutual release of claims whereas the Termination Agreement [No Release of Claims] does *not* contain a release. If you wish to terminate your Franchise Agreement, you must select one of these two termination agreements.

In the event that you choose to terminate your Franchise Agreement *without* the mutual release language, both you and Garlic Jim’s may be able to pursue and assert claims and causes of action which you might possess against each other.

If you execute the Termination Agreement and Mutual Release, both you and Garlic Jim’s are agreeing to release any and all claims which you may possess against one another.

1 Importantly, please note that if you decide to terminate your Franchise Agreement by signing the
2 Termination and Release Agreement or the Termination Agreement [No Release of Claims], **you will**
3 **still be required to comply with the Obligations Which Survive Termination, which are set**
4 **forth on Exhibit 1 to both of the forms of termination agreement enclosed with this letter.**

4 Although you will be able to continue operating your restaurant at your location using the phone
5 numbers you are currently using, if you choose to terminate your Franchise Agreement, within
6 **fourteen (14) days** of **signing** the applicable termination agreement, you are required to:

6 Return all information and manuals furnished by Garlic Jim's, together with all other material
7 containing trade secrets, operating instructions or business practices, including any and all copies
8 thereof;

8 Discontinue all use of Garlic Jim's trademarks and related trade names, the use of any and all signs
9 and paper goods bearing said trademarks or trade names, or any reference whatsoever to Garlic Jim's,
10 Garlic Jim's trademarks or Garlic Jim's trade names;

10 Cause all social media listings, telephone listings in any forum (including telephone books or on the
11 internet) or other advertising and marketing materials referencing the Garlic Jim's location to be
12 removed, taken down and/or changed;

12 De-identify your store by repainting the exterior, removing all Garlic Jim's signage, repainting and
13 redecorating the interior of the building so that it is clear to the public that the location is not a Garlic
14 Jim's or part of the Garlic Jim's system;

14 Not make use of any of the trade secrets, methods of operation, or information received from Garlic
15 Jim's; and

15 Prepare a new menu which does not utilize Garlic Jim's pizza names (which contain Garlic Jim's
16 trademarks and trade names) and other offerings at the store location.

16 Once again, the Obligations Which Survive Termination are set forth on Exhibit 1 to the forms of
17 termination agreement enclosed with this letter.

18 Please be advised that if you execute the applicable termination agreement prior to the May 8, 2012
19 deadline, you will be required to comply with the post-termination obligations set forth in the
20 Obligations Which Survive Termination within fourteen (14) days of the date of your execution of
21 the termination agreement. For example, if you elect to terminate and execute the termination
22 agreement on April 1, 2012, you are required to comply with the post-termination obligations set
23 forth in the Obligations Which Survive Termination on or before April 15, 2012.

23 **Pursuant to our agreement with the Department, you have until May 8, 2012 to make your**
24 **election to remain as a Garlic Jim's franchisee or not, and, if you do not wish to continue as a**
25 **Garlic Jim's franchisee, to sign and return the applicable termination agreement.** If you decide
26 you are electing to stay in the system (which we hope you will do), please complete the enclosed
27 Election Form reflecting that decision and return it to us at your earliest opportunity.

26 If you have any questions, please contact me at 425-918-1900 or dwayne@garlicjims.com.
27 Alternatively, you may contact Joanne Ross of the California Department of Corporations at 916-
28 324-9687 or jross@corp.ca.gov.

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We are committed to growing the Garlic Jim’s system in the State of California, improving our relations with California franchisees and expanding the Garlic Jim’s system and brand. We hope that you choose to remain with Garlic Jim’s as a franchisee.

Sincerely,

Dwayne Northrop

Enclosures

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EXHIBIT E

**February 22, 2012 Stipulation and Agreement of Garlic Jim’s Franchise International, Inc. and
Dwayne Northrop**
*In the Matter of The California Corporations Commissioner vs. Garlic Jim’s Franchise
International, Inc. and Dwayne Northrop, OAH Case No. 2011030530*

1 **ELECTION FORM (UNOPENED)**

2
3 Name(s) of Garlic Jim’s Franchisee: _____ (“Franchisee”)

4 Contact Person (if Garlic Jim’s Franchisee is a corporate entity): _____

5 Franchisee Street Address, City, State and Zip Code: _____

6 Designated Store Location: _____

7 Area Code/Phone Number(s): _____ Email Address(es): _____

8 **READ THIS CAREFULLY AND SELECT ONE (AND ONLY ONE) OF THE FOLLOWING**

9 **OPTIONS BY PLACING AN “X” IN SPACE PROVIDED**

10 Pursuant to the February 22, 2012 Stipulation and Agreement of Garlic Jim’s Franchise International, Inc. and
11 Dwayne Northrop *In the Matter of The California Corporations Commissioner vs. Garlic Jim’s Franchise International, Inc. and*
12 *Dwayne Northrop*, OAH Case No. 2011030530, the Franchisee identified above elects as follows:

13 **OPTION #1 – Franchisee wishes to stay in the Garlic Jim’s system and move forward**
14 **with development of a Garlic Jim’s Franchise International, Inc. franchised restaurant location**
15 **pursuant to the terms and conditions of the franchise agreement with Garlic Jim’s.**

16 **OPTION #2 – Franchisee wishes to terminate the Franchise Agreement with Garlic**
17 **Jim’s and sign a mutual release of all claims.**

18 **OPTION #3 – Franchisee wishes to terminate the Franchise Agreement with Garlic**
19 **Jim’s but does *not* wish to sign a mutual release of all claims.**

20 **DECLARATION SUPPORTING ELECTION**

21 **I declare, under penalty of perjury, as follows:**

22 My name is: _____
23 [PRINT NAME]

24 I am an authorized representative of the Franchisee, and I am authorized to execute this Election Form.

25 Date: _____

26 **Signature** (Garlic Jim’s Franchisee or Director and Officer of Garlic
27 Jim’s Franchisee if the Garlic Jim’s Franchisee is a corporation or other business entity)

28 _____
PRINTED NAME TITLE

PLEASE CONTACT JOANNE ROSS OF THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT
jross@corp.ca.gov or 916-324-9687 WITH ANY QUESTIONS AND/OR FOR ADDITIONAL INFORMATI

VIA CERTIFIED MAIL RETURN RECEIPT REQUESTED

March __, 2012

[Franchisee Name]
[Franchisee Address]

**RE: In re California Department of Corporations Action
Offer of Option to Terminate Franchise Agreement
(Unopened Franchised Location)**

Dear _____:

We are pleased to advise you that we have reached a settlement with the California Department of Corporations (“Department”) to resolve the pending issues which the Department raised several years ago. Pursuant to our agreement with the Department, you will be refunded the initial franchise fee which you paid to Garlic Jim’s Franchise International, Inc. (“Garlic Jim’s”). The refund will be issued to you on or before May 22, 2012.

In addition, as part of our resolution with the Department, you have the option to terminate your Franchise Agreement without further obligation to develop the Garlic Jim’s franchised location. **(Please note that you will receive a refund of your initial franchise fee at this time whether or not you exercise your option to terminate the Franchise Agreement.)**

You have until **May 8, 2012** to make your election on the enclosed Election Form.

If you choose to terminate your Franchise Agreement, you will have the choice to execute either the: (1) the Termination Agreement [No Release of Claims]; or (2) the Termination and Release Agreement. If you elect to terminate, once again, you must **sign and return** the applicable termination agreement you choose no later than **May 8, 2012**.

The Termination and Release Agreement contains a general mutual release of claims whereas the Termination Agreement [No Release of Claims] does *not* contain a release. If you wish to terminate your Franchise Agreement, you must select one of these two termination agreements.

In the event that you choose to terminate your Franchise Agreement *without* the mutual release language, both you and Garlic Jim’s may be able to pursue and assert claims and causes of action which you might possess against each other.

If you execute the Termination Agreement and Mutual Release, both you and Garlic Jim’s are agreeing to release any and all claims which you may possess against one another.

1 Importantly, please note that if you decide to terminate your Franchise Agreement by signing the
2 Termination and Release Agreement or the Termination Agreement [No Release of Claims], **you will**
3 **still be required to comply with the Obligations Which Survive Termination, which are set**
4 **forth on Exhibit 1 to both of the forms of termination agreement enclosed with this letter.**

4 Although you are relieved from your non-competition obligations, if you choose to terminate your
5 Franchise Agreement, within **fourteen (14) days** of **signing** the applicable termination agreement,
6 you are required to return all information and manuals furnished by Garlic Jim's, together with all
7 other material containing trade secrets, operating instructions or business practices, including any and
8 all copies thereof and not make use of any of the trade secrets, methods of operation, or information
9 received from Garlic Jim's.

8 Because you did not open a Garlic Jim's restaurant location under the Franchise Agreement, many of
9 the Obligations Which Survive Termination may not be relevant or applicable at this time; however,
10 they are set forth on Exhibit 1 to the forms of termination agreement enclosed with this letter.

10 Please be advised that if you execute the applicable termination agreement prior to the May 8, 2012
11 deadline, you will be required to comply with the post-termination obligations set forth in the
12 Obligations Which Survive Termination within fourteen (14) days of the date of your execution of
13 the termination agreement. For example, if you elect to terminate and execute the termination
14 agreement on April 1, 2012, you are required to comply with the post-termination obligations set
15 forth in the Obligations Which Survive Termination on or before April 15, 2012.

15 **Pursuant to our agreement with the Department, you have until May 8, 2012 to make your**
16 **election to remain as a Garlic Jim's franchisee or not, and, if you do not wish to continue as a**
17 **Garlic Jim's franchisee, to sign and return the applicable termination agreement.** If you decide
18 you are electing to stay in the system (which we hope you will do), please complete the enclosed
19 Election Form reflecting that decision and return it to us at your earliest opportunity.

18 If you have any questions, please contact me at 425-918-1900 or dwayne@garlicjims.com.

19 Alternatively, you may contact Joanne Ross of the California Department of Corporations at 916-
20 324-9687 or jross@corp.ca.gov.

21 We are committed to growing the Garlic Jim's system in the State of California, improving our
22 relations with California franchisees and expanding the Garlic Jim's system and brand. We hope that
23 you choose to remain with Garlic Jim's as a franchisee.

24 Sincerely,

26 Dwayne Northrop

27 Enclosures

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EXHIBIT F

February 22, 2012 Stipulation and Agreement of Garlic Jim’s Franchise International, Inc. and Dwayne Northrop
In the Matter of The California Corporations Commissioner vs. Garlic Jim’s Franchise International, Inc. and Dwayne Northrop, OAH Case No. 2011030530

TERMINATION AGREEMENT
[NO RELEASE OF CLAIMS]

THIS TERMINATION AGREEMENT (the "Agreement") is made effective as of _____, 2012, (the "Effective Date"), by and between **GARLIC JIM'S FRANCHISE INTERNATIONAL INC.**, (formerly Garlic Jim's Franchise Corp.) a Washington Corporation ("Franchisor") and _____, a California _____ [individual/corporate entity] ("Franchisee"), and _____, an individual ("Guarantor"), (collectively referred to as "The Parties").

RECITALS

Franchisor and Franchisee are parties to that certain franchise agreement, dated _____, (the "Franchise Agreement"), whereby Franchisee was granted the right and obligation to open and operate a Garlic Jim's Famous Gourmet Pizza Restaurant in the Franchised Location of _____, California (the "Restaurant").

Franchisee desires to terminate its Franchise Agreement in accordance with its option to terminate pursuant to the Stipulation and Agreement of Garlic Jim's Franchise International, Inc. and Dwayne Northrop in the matter of *In the Matter of The California Corporations Commissioner vs. Garlic Jim's Franchise International, Inc. and Dwayne Northrop*, OAH Case No. 2011030530.

AGREEMENT

FOR AND IN CONSIDERATION of the foregoing Recitals, which are incorporated herein, the mutual covenants contained herein and other valuable consideration, receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

Termination of the Franchise Agreement. The Parties acknowledge and agree that the Franchise Agreement and any other agreements between the parties, and all rights and obligations thereunder are terminated as of the Effective Date and shall thereafter have no further force or effect, except as set forth in this Agreement. Notwithstanding the termination of the Franchise Agreement, the obligations set forth in **Exhibit H-1** entitled "Obligations Which Survive Termination" attached hereto, shall survive termination and continue in full force and effect. Further, it is expressly acknowledged and agreed that Franchisee shall be relieved of any non-competition obligations and shall be permitted to continue operating a competing business at the location of the former Restaurant and use the telephone number(s) associated with the former Restaurant.

Attorney's Fees. In the event of any dispute between the Parties based upon an alleged breach or default of their respective obligations to be fulfilled pursuant to this Agreement, the prevailing Party therein shall be entitled to recover attorney's fees and court costs against the non-prevailing Party in accordance with the dispute resolution provision of the Obligations Which Survive Termination attached hereto and which are incorporated by reference herein.

1 **Miscellaneous.** This Agreement and the Exhibit attached hereto embody the entire agreement and
2 understanding between the Parties and supersedes all prior agreement and understanding related to
3 the subject matter hereof (other than the Obligations Which Survive Termination). The Parties agree
4 that California law shall govern this Agreement. The Parties intend that the provisions of this
5 Agreement be enforced to the fullest extent permitted by applicable law. Accordingly, if any
6 provisions are deemed not enforceable, they shall be deemed modified to the extent necessary to
7 make them enforceable. The Parties agree that, in entering into this Agreement, they are relying upon
8 their own judgment, belief, and knowledge as to all phases of any claims and further acknowledge
9 that no promise, inducement or agreement or any representations and warranties not expressed herein
10 have been made to procure their agreement hereto. The Parties further acknowledge that they have
11 read, understand, and fully agree to the terms of this Agreement. All capitalized terms referenced but
12 not defined herein shall have the same meaning as set forth in the Franchise Agreement.

13 **IN WITNESS WHEREOF**, the Parties have caused this Agreement to be made effective as of the
14 Effective Date.

15 **FRANCHISOR**
16 **GARLIC JIM'S FRANCHISE**
17 **INTERNATIONAL, INC.**

18 **FRANCHISEE**
19 **ENTITY/INDIVIDUAL:**

20 By: _____
21 Name: _____
22 By: _____
23 Its: _____
24 Date: _____

25 _____
26 **Print Name of Entity/Individual**
27 Signed
28 Name: _____
Its: _____
Date: _____

29 **Print Name**
30 _____

31 **GUARANTOR**
32 _____
33 Signed
34 Date: _____

EXHIBIT H-1

OBLIGATIONS WHICH SURVIVE TERMINATION

Indemnification and Insurance.

Franchisee shall be responsible for all loss or damage originating in or in connection with the operation of the franchised Restaurant, and for all claims or demands for damages to property or for injury, illness or death of persons directly or indirectly resulting therefrom, and Franchisee agrees to defend and indemnify and to save and hold Franchisor harmless of and from any such claims, loss or damage, including attorney's fee related thereto. Franchisee shall defend and indemnify Franchisor, holding it harmless from and against any and all claims for damage to persons and property arising from or out of any occurrence in or around Franchisee's premises, except such claims as would relieve any person from liability imposed by state law.

Franchisor is not responsible, nor liable, for any act, omission, contract, debt or any other obligation of or claim or judgment against Franchisee. Franchisee therefore agrees that if Franchisor shall be subject to any claim, demand, penalty or become a party to any suit or other judicial, court, or administrative proceeding by reason of any claim, act or omission by Franchisee, its employees or agents, or by reason of any act occurring on the Franchisee's Garlic Jim's Pizza Restaurant premises, or by reason of omission with respect to the business operations of the Garlic Jim's Pizza Restaurant, Franchisee shall defend Franchisor and shall also indemnify and hold the Franchisor harmless against all judgments, settlement(s), penalties and expenses, including attorneys' fees, court costs and other expenses of litigation or administrative proceedings, incurred by, or imposed on Franchisor in any litigation or administrative proceeding. Franchisee's duty to defend Franchisor under this paragraph shall be at the option of Franchisor.

Effect of Termination; Return of Information; De-Identification; Re-Imaging; Operation as Independent.

Within fourteen (14) calendar days of the Effective Date of this Agreement, Franchisee:

Shall return to Franchisor all information and manuals furnished by Franchisor to Franchisee, together with all other material containing trade secrets, operating instructions or business practice;

Shall discontinue all use of the Franchisor's Marks (as defined in the Franchise Agreement) and related trade names, the use of any and all signs and papers goods bearing said Marks and trade names, or any reference whatever thereto (which includes but is not limited to taking all necessary steps to change your menu and cause all social media listings, telephone listings in any forum (including telephone books or on the internet) or other advertising and marketing materials referencing the Restaurant to be removed, taken down and/or changed);

Shall repaint the exterior and redecorate the interior of the building to the sole satisfaction of Franchisor, so that in Franchisor's opinion it is clear to the public that the location is not part of the System;

1 Shall not operate, or do business under any name or in any manner that might tend to give the general
2 public the impression that this Agreement is still in force or that the Franchisee is connected in any
way with Franchisor or has any right to use the System or the Marks.

3 Shall not make use of or avail itself of any of the trade secrets, methods of operation, or information
4 received from Franchisor, or disclose or reveal any such information or any portion thereof to anyone
5 not employed by Franchisor or its franchisees;

6 Shall not assist anyone not licensed to use the System in the construction or equipping of any
7 business incorporating any or all of the distinctive features or equipment layout that Franchisor has
originated and developed and which are identifying characteristics of businesses using the System.

8 Disputes.

9 Except for actions seeking injunctive relief based on alleged violations of the Obligations Which
10 Survive Termination set forth in this Agreement, any controversy or claim arising out of or relating to
11 this Agreement or the relationship between Franchisee and/or Guarantor and Franchisor shall be
12 settled by arbitration in Los Angeles, California in accordance with the rules of the American
Arbitration Association then pertaining, using a single AAA Arbitrator, and judgment upon the award
13 rendered may be entered in any court having jurisdiction thereof.

14 Fees; Payments.

15 Upon the Effective Date, Franchisee shall pay Franchisor and its Affiliates all fees, amounts and
16 other monies due and owing to Franchisor under the Franchise Agreement which accrued prior to the
Effective Date of this Agreement.

17 Nothing contained herein shall serve to release, waive or otherwise absolve Franchisee from paying
18 all fees, amounts and other monies due and owing to Franchisor and its Affiliates under the Franchise
Agreement which accrued prior to the Effective Date of this Agreement.

20 **FRANCHISOR**

FRANCHISEE

21 **GARLIC JIM'S FRANCHISE**
22 **INTERNATIONAL, INC.**

ENTITY/INDIVIDUAL:

23 By: _____

Print Name of Entity/Individual

25 Name: _____

Signed

26 By: _____

Name: _____

27 Its: _____

Its: _____

28 Date: _____

Date: _____

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GUARANTOR

Print Name

Signed

Date: _____

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EXHIBIT G

February 22, 2012 Stipulation and Agreement of Garlic Jim's Franchise International, Inc. and Dwayne Northrop

In the Matter of The California Corporations Commissioner vs. Garlic Jim's Franchise International, Inc. and Dwayne Northrop, OAH Case No. 2011030530

1 **TERMINATION AND RELEASE AGREEMENT**

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3 **THIS TERMINATION AND RELEASE AGREEMENT** (the "Agreement") is made effective as of
4 _____, 2012, (the "Effective Date"), by and between **GARLIC JIM'S FRANCHISE**
5 **INTERNATIONAL INC.**, (formerly Garlic Jim's Franchise Corp.) a Washington Corporation ("Franchisor")
6 and _____, a California _____ [individual/corporate entity]
7 ("Franchisee"), and _____, an individual ("Guarantor"), (collectively referred to as "The Parties").

8 **RECITALS**

- 9
10 A. Franchisor and Franchisee are parties to that certain franchise agreement, dated
11 _____, (the "Franchise Agreement"), whereby Franchisee was granted the right and
12 obligation to open and operate a Garlic Jim's Famous Gourmet Pizza Restaurant in the Franchised
13 Location of _____, California (the "Restaurant").
14 B. Franchisee desires to terminate its Franchise Agreement in accordance with its option to terminate
15 pursuant to the Stipulation and Agreement of Garlic Jim's Franchise International, Inc. and
16 Dwayne Northrop in the matter of *In the Matter of The California Corporations Commissioner vs.*
17 *Garlic Jim's Franchise International, Inc. and Dwayne Northrop*, OAH Case No. 2011030530.

18 **AGREEMENT**

19 **FOR AND IN CONSIDERATION** of the foregoing Recitals, which are incorporated herein, the
20 mutual covenants contained herein and other valuable consideration, receipt and sufficiency of which are
21 hereby acknowledged, the Parties agree as follows:

- 22 1. **Termination of the Franchise Agreement.** The Parties acknowledge and agree that the
23 Franchise Agreement and any other agreements between the parties, and all rights and obligations
24 thereunder are terminated as of the Effective Date and shall thereafter have no further force or
25 effect, except as set forth in this Agreement. Notwithstanding the termination of the Franchise
26 Agreement, the obligations set forth in **Exhibit H-2** entitled "Obligations Which Survive
27 Termination" attached hereto, shall survive termination and continue in full force and effect.
28 Further, it is expressly acknowledged and agreed that Franchisee shall be relieved of any non-
competition obligations and shall be permitted to continue operating a competing business at the
location of the former Restaurant and use the telephone number(s) associated with the former
Restaurant.

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2. Release.

- a. Franchisee, on behalf of themselves and their respective current and former shareholders, officers, directors, principals, agents, partners, employees, representatives, attorneys, spouses, and successors and assigns, hereby release Franchisor and its current and former agents, principals, officers, directors, shareholders, members, employees, franchisees, representatives, area directors, attorneys, parents, predecessors, affiliates, subsidiaries, divisions, and successors and assigns (collectively referred to as “Franchisor Affiliates”) of and from any and all claims, demands, obligations, actions, liabilities, defenses or damages of every kind and nature whatsoever, in law or in equity whether known or unknown, from the beginning of time to the date here of including, without limitation any and all claims arising out of the Franchise Agreement and any relationship or transaction with the Franchisor or the Franchisor Affiliates, however characterized or described.

(For California Residents Only) It is your intention in executing this Agreement that this instrument be and is a general release which shall be effective as a bar to each and every claim, demand, or cause of action released by you. You recognize that you may have some claim, demand, or cause of action against Franchisor or the Franchisor Affiliates of which you are totally unaware and unsuspecting, which you are giving up by executing this Agreement. It is your intention in executing this instrument that it will deprive you of each such claim, demand, or cause of action and prevent you from asserting it against Franchisor or the Franchisor Affiliates. In furtherance of this intention, you expressly waive any rights or benefits conferred by the provisions of Section 1542 of the California Civil Code, which provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

You acknowledge and represent that you have consulted with legal counsel before executing this Agreement and that you understand its meaning, including the effect of Section 1542 of the California Civil Code, and expressly consent that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including, without

1 limitation, those relating to the release of unknown and unsuspected claims, demands, and
2 causes of action.

3
4 b. Franchisor, on behalf of itself and its affiliates and their respective current and former agents,
5 principals, officers, directors, shareholders, members, employees, parents, predecessors,
6 affiliates, subsidiaries, divisions, and successors and assigns, hereby releases Franchisee and
7 the undersigned Guarantors, and their current and former shareholders, officers, directors,
8 principals, agents, partners, employees, representatives, attorneys, spouses, and successors and
9 assigns (collectively referred to as "Franchisee Affiliates") of and from any and all claims,
10 demands, obligations, actions, liabilities, defenses or damages of every kind and nature
11 whatsoever, in law or in equity, whether known or unknown, which have arisen or may arise
12 under the Franchise Agreement or the relationships between Franchisor and the Franchisee
13 Affiliates by virtue thereof, from the beginning of time to the date hereof, including with
14 respect to any claims for future lost royalties. Notwithstanding the foregoing, this release
15 shall not include such a claim, demand, obligation, action, liability, or damage arising from a
16 breach or default of the Franchisee's obligations set forth herein or in the Obligations Which
17 Survive Termination, attached hereto, which have not been waived herein.

18
19 3. **Attorney's Fees.** In the event of any dispute between the Parties based upon an alleged breach or
20 default of their respective obligations to be fulfilled pursuant to this Agreement, the prevailing
21 Party therein shall be entitled to recover attorney's fees and court costs against the non-prevailing
22 Party in accordance with the dispute resolution provision of the Obligations Which Survive
23 Termination attached hereto and which are incorporated by reference herein.

24
25 4. **Miscellaneous.** This Agreement and the Exhibit attached hereto embody the entire agreement and
26 understanding between the Parties and supersedes all prior agreement and understanding related to
27 the subject matter hereof (other than the Obligations Which Survive Termination). The Parties
28 agree that California law shall govern this Agreement. The Parties intend that the provisions of
this Agreement be enforced to the fullest extent permitted by applicable law. Accordingly, if any
provisions are deemed not enforceable, they shall be deemed modified to the extent necessary to
make them enforceable. The Parties agree that, in entering into this Agreement, they are relying
upon their own judgment, belief, and knowledge as to all phases of any claims and further
acknowledge that no promise, inducement or agreement or any representations and warranties not
expressed herein have been made to procure their agreement hereto. The Parties further
acknowledge that they have read, understand, and fully agree to the terms of this Agreement. All
capitalized terms referenced but not defined herein shall have the same meaning as set forth in the
Franchise Agreement.

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30 **IN WITNESS WHEREOF**, the Parties have caused this Agreement to be made effective as of the
31 Effective Date.

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FRANCHISOR

FRANCHISEE

**GARLIC JIM'S FRANCHISE
INTERNATIONAL, INC.**

ENTITY/INDIVIDUAL:

By: _____

Print Name of Entity/Individual

Name: _____

Signed By: _____

Name: _____

Its: _____

Its: _____

Date: _____

Date: _____

GUARANTOR

Print Name

Signed

Date: _____

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EXHIBIT H-2

OBLIGATIONS WHICH SURVIVE TERMINATION

Indemnification and Insurance.

Franchisee shall be responsible for all loss or damage originating in or in connection with the operation of the franchised Restaurant, and for all claims or demands for damages to property or for injury, illness or death of persons directly or indirectly resulting therefrom, and Franchisee agrees to defend and indemnify and to save and hold Franchisor harmless of and from any such claims, loss or damage, including attorney's fee related thereto. Franchisee shall defend and indemnify Franchisor, holding it harmless from and against any and all claims for damage to persons and property arising from or out of any occurrence in or around Franchisee's premises, except such claims as would relieve any person from liability imposed by state law.

Franchisor is not responsible, nor liable, for any act, omission, contract, debt or any other obligation of or claim or judgment against Franchisee. Franchisee therefore agrees that if Franchisor shall be subject to any claim, demand, penalty or become a party to any suit or other judicial, court, or administrative proceeding by reason of any claim, act or omission by Franchisee, its employees or agents, or by reason of any act occurring on the Franchisee's Garlic Jim's Pizza Restaurant premises, or by reason of omission with respect to the business operations of the Garlic Jim's Pizza Restaurant, Franchisee shall defend Franchisor and shall also indemnify and hold the Franchisor harmless against all judgments, settlement(s), penalties and expenses, including attorneys' fees, court costs and other expenses of litigation or administrative proceedings, incurred by, or imposed on Franchisor in any litigation or administrative proceeding. Franchisee's duty to defend Franchisor under this paragraph shall be at the option of Franchisor.

Effect of Termination; Return of Information; De-Identification; Re-Imaging; Operation as Independent.

Within fourteen (14) calendar days of the Effective Date of this Agreement, Franchisee:

1 **Shall return to Franchisor all information and manuals furnished by Franchisor to**
2 **Franchisee, together with all other material containing trade secrets, operating**
3 **instructions or business practice;**

4 **Shall discontinue all use of the Franchisor's Marks (as defined in the Franchise**
5 **Agreement) and related trade names, the use of any and all signs and papers**
6 **goods bearing said Marks and trade names, or any reference whatever thereto**
7 **(which includes but is not limited to taking all necessary steps to change your**
8 **menu and cause all social media listings, telephone listings in any forum**
9 **(including telephone books or on the internet) or other advertising and**
10 **marketing materials referencing the Restaurant to be removed, taken down**
11 **and/or changed);**

12 **Shall repaint the exterior and redecorate the interior of the building to the sole**
13 **satisfaction of Franchisor, so that in Franchisor's opinion it is clear to the**
14 **public that the location is not part of the System;**

15 **Shall not operate, or do business under any name or in any manner that might tend to**
16 **give the general public the impression that this Agreement is still in force or**
17 **that the Franchisee is connected in any way with Franchisor or has any right**
18 **to use the System or the Marks.**

19 **Shall not make use of or avail itself of any of the trade secrets, methods of operation,**
20 **or information received from Franchisor, or disclose or reveal any such**
21 **information or any portion thereof to anyone not employed by Franchisor or**
22 **its franchisees;**

23 **Shall not assist anyone not licensed to use the System in the construction or equipping**
24 **of any business incorporating any or all of the distinctive features or**
25 **equipment layout that Franchisor has originated and developed and which are**
26 **identifying characteristics of businesses using the System.**

27 Disputes.

28 **Except for actions seeking injunctive relief based on alleged violations of the**
 Obligations Which Survive Termination set forth in this Agreement, any
 controversy or claim arising out of or relating to this Agreement or the
 relationship between Franchisee and/or Guarantor and Franchisor shall be
 settled by arbitration in Los Angeles, California in accordance with the rules
 of the American Arbitration Association then pertaining, using a single AAA
 Arbitrator, and judgment upon the award rendered may be entered in any
 court having jurisdiction thereof.

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FRANCHISOR

FRANCHISEE

**GARLIC JIM'S FRANCHISE
INTERNATIONAL, INC.**

ENTITY/INDIVIDUAL:

By: _____

Print Name of Entity/Individual

Name: _____

Signed By: _____

Name: _____

Its: _____

Its: _____

Date: _____

Date: _____

GUARANTOR

Print Name

Signed

Date: _____

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EXHIBIT H

February 22, 2012 Stipulation and Agreement of Garlic Jim’s Franchise International, Inc. and Dwayne Northrop
In the Matter of The California Corporations Commissioner vs. Garlic Jim’s Franchise International, Inc. and Dwayne Northrop,

OAH Case No. 2011030530

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EXHIBIT H-1

OBLIGATIONS WHICH SURVIVE TERMINATION

Indemnification and Insurance.

Franchisee shall be responsible for all loss or damage originating in or in connection with the operation of the franchised Restaurant, and for all claims or demands for damages to property or for injury, illness or death of persons directly or indirectly resulting therefrom, and Franchisee agrees to defend and indemnify and to save and hold Franchisor harmless of and from any such claims, loss or damage, including attorney's fee related thereto. Franchisee shall defend and indemnify Franchisor, holding it harmless from and against any and all claims for damage to persons and property arising from or out of any occurrence in or around Franchisee's premises, except such claims as would relieve any person from liability imposed by state law.

Franchisor is not responsible, nor liable, for any act, omission, contract, debt or any other obligation of or claim or judgment against Franchisee. Franchisee therefore agrees that if Franchisor shall be subject to any claim, demand, penalty or become a party to any suit or other judicial, court, or administrative proceeding by reason of any claim, act or omission by Franchisee, its employees or agents, or by reason of any act occurring on the Franchisee's Garlic Jim's Pizza Restaurant premises, or by reason of omission with respect to the business operations of the Garlic Jim's Pizza Restaurant, Franchisee shall defend Franchisor and shall also indemnify and hold the Franchisor harmless against all judgments, settlement(s), penalties and expenses, including attorneys' fees, court costs and other expenses of litigation or administrative proceedings, incurred by, or imposed on Franchisor in any litigation or administrative proceeding. Franchisee's duty to defend Franchisor under this paragraph shall be at the option of Franchisor.

Effect of Termination; Return of Information; De-Identification; Re-Imaging; Operation as Independent.

Within fourteen (14) calendar days of the Effective Date of this Agreement, Franchisee:

1 Shall return to Franchisor all information and manuals furnished by Franchisor to
2 Franchisee, together with all other material containing trade secrets, operating
3 instructions or business practice;

4 Shall discontinue all use of the Franchisor's Marks (as defined in the Franchise
5 Agreement) and related trade names, the use of any and all signs and papers
6 goods bearing said Marks and trade names, or any reference whatever thereto
7 (which includes but is not limited to taking all necessary steps to change your
8 menu and cause all social media listings, telephone listings in any forum
9 (including telephone books or on the internet) or other advertising and
10 marketing materials referencing the Restaurant to be removed, taken down
11 and/or changed);

12 Shall repaint the exterior and redecorate the interior of the building to the sole
13 satisfaction of Franchisor, so that in Franchisor's opinion it is clear to the
14 public that the location is not part of the System;

15 Shall not operate, or do business under any name or in any manner that might tend to
16 give the general public the impression that this Agreement is still in force or
17 that the Franchisee is connected in any way with Franchisor or has any right
18 to use the System or the Marks.

19 Shall not make use of or avail itself of any of the trade secrets, methods of operation,
20 or information received from Franchisor, or disclose or reveal any such
21 information or any portion thereof to anyone not employed by Franchisor or
22 its franchisees;

23 Shall not assist anyone not licensed to use the System in the construction or equipping
24 of any business incorporating any or all of the distinctive features or
25 equipment layout that Franchisor has originated and developed and which are
26 identifying characteristics of businesses using the System.

27 Disputes.

28 Except for actions seeking injunctive relief based on alleged violations of the
Obligations Which Survive Termination set forth in this Agreement, any
controversy or claim arising out of or relating to this Agreement or the
relationship between Franchisee and/or Guarantor and Franchisor shall be
settled by arbitration in Los Angeles, California in accordance with the rules
of the American Arbitration Association then pertaining, using a single AAA
Arbitrator, and judgment upon the award rendered may be entered in any
court having jurisdiction thereof.

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Fees; Payments.

Upon the Effective Date, Franchisee shall pay Franchisor and its Affiliates all fees, amounts and other monies due and owing to Franchisor under the Franchise Agreement which accrued prior to the Effective Date of this Agreement.

Nothing contained herein shall serve to release, waive or otherwise absolve Franchisee from paying all fees, amounts and other monies due and owing to Franchisor and its Affiliates under the Franchise Agreement which accrued prior to the Effective Date of this Agreement.

FRANCHISOR

FRANCHISEE

**GARLIC JIM'S FRANCHISE
INTERNATIONAL, INC.**

ENTITY/INDIVIDUAL:

By: _____

Print Name of Entity/Individual

Name: _____

Signed By: _____

Name: _____

Its: _____

Its: _____

Date: _____

Date: _____

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GUARANTOR

Print Name

Signed

Date: _____

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EXHIBIT H-2

OBLIGATIONS WHICH SURVIVE TERMINATION

Indemnification and Insurance.

Franchisee shall be responsible for all loss or damage originating in or in connection with the operation of the franchised Restaurant, and for all claims or demands for damages to property or for injury, illness or death of persons directly or indirectly resulting therefrom, and Franchisee agrees to defend and indemnify and to save and hold Franchisor harmless of and from any such claims, loss or damage, including attorney's fee related thereto. Franchisee shall defend and indemnify Franchisor, holding it harmless from and against any and all claims for damage to persons and property arising from or out of any occurrence in or around Franchisee's premises, except such claims as would relieve any person from liability imposed by state law.

Franchisor is not responsible, nor liable, for any act, omission, contract, debt or any other obligation of or claim or judgment against Franchisee. Franchisee therefore agrees that if Franchisor shall be subject to any claim, demand, penalty or become a party to any suit or other judicial, court, or administrative proceeding by reason of any claim, act or omission by Franchisee, its employees or agents, or by reason of any act occurring on the Franchisee's Garlic Jim's Pizza Restaurant premises, or by reason of omission with respect to the business operations of the Garlic Jim's Pizza Restaurant, Franchisee shall defend Franchisor and shall also indemnify and hold the Franchisor harmless against all judgments, settlement(s), penalties and expenses, including attorneys' fees, court costs and other expenses of litigation or administrative proceedings, incurred by, or imposed on Franchisor in any litigation or administrative proceeding. Franchisee's duty to defend Franchisor under this paragraph shall be at the option of Franchisor.

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3 **instructions or business practice;**

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5 **Agreement) and related trade names, the use of any and all signs and papers**
6 **goods bearing said Marks and trade names, or any reference whatever thereto**
7 **(which includes but is not limited to taking all necessary steps to change your**
8 **menu and cause all social media listings, telephone listings in any forum**
9 **(including telephone books or on the internet) or other advertising and**
10 **marketing materials referencing the Restaurant to be removed, taken down**
11 **and/or changed);**

12 **Shall repaint the exterior and redecorate the interior of the building to the sole**
13 **satisfaction of Franchisor, so that in Franchisor's opinion it is clear to the**
14 **public that the location is not part of the System;**

15 **Shall not operate, or do business under any name or in any manner that might tend to**
16 **give the general public the impression that this Agreement is still in force or**
17 **that the Franchisee is connected in any way with Franchisor or has any right**
18 **to use the System or the Marks.**

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20 **or information received from Franchisor, or disclose or reveal any such**
21 **information or any portion thereof to anyone not employed by Franchisor or**
22 **its franchisees;**

23 **Shall not assist anyone not licensed to use the System in the construction or equipping**
24 **of any business incorporating any or all of the distinctive features or**
25 **equipment layout that Franchisor has originated and developed and which are**
26 **identifying characteristics of businesses using the System.**

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controversy or claim arising out of or relating to this Agreement or the
relationship between Franchisee and/or Guarantor and Franchisor shall be
settled by arbitration in Los Angeles, California in accordance with the rules
of the American Arbitration Association then pertaining, using a single AAA
Arbitrator, and judgment upon the award rendered may be entered in any
court having jurisdiction thereof.

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FRANCHISOR

FRANCHISEE

**GARLIC JIM'S FRANCHISE
INTERNATIONAL, INC.**

ENTITY/INDIVIDUAL:

By: _____

Print Name of Entity/Individual

Name: _____

Signed By: _____

Name: _____

Its: _____

Its: _____

Date: _____

Date: _____

GUARANTOR

Print Name

Signed

Date: _____