

1 PRESTON DuFAUCHARD
California Corporations Commissioner
2 ALAN S. WEINGER
3 Deputy Commissioner
JOHN R. DREWS (CA BAR NO. 69595)
4 Corporations Counsel
Department of Corporations
5 71 Stevenson Street, Suite 2100
6 San Francisco, California 94105
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8 Attorneys for Complainant

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

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12 In the Matter of) Case No. (Not yet assigned)
)
13 THE CALIFORNIA CORPORATIONS)
COMMISSIONER) **STIPULATION AND SETTLEMENT**
14) **AGREEMENT**
)
15 Complainant,)
)
16 v.)
)
17 INTERNATIONAL TRAINING AND)
EXCHANGE INC. and LANGO KIDS,)
18)
19 Respondent.)
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21)
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24 In resolution of an inquiry into the possible offer and sale of unregistered franchises within
25 the State of California, IT IS HEREBY STIPULATED AND AGREED between International
26 Training Exchange Inc., (“ITE Inc.”) a California corporation and its affiliate doing business as
27 Lango Kids, both located at 600 California Street, 10th Floor, San Francisco, CA 94108 and the
28 Commissioner of Corporations of the State of California (“Commissioner”) as follows:

1 1. The Commissioner alleges that ITE Inc. and Lango Kids offered unregistered and non-
2 exempt franchises in violation of the California Franchise Investment Law (“CFIL”), Corporations
3 Code section 31000 *et seq.* and specifically Corporations Code section 31110, which states in
4 relevant part: “...it shall be unlawful for any person to offer or sell any franchise in this state unless
5 the offer of the franchise has been registered under this part or exempted under Chapter 1...”. It is
6 the intent and understanding between the Parties that this Stipulation and any inferences that may be
7 drawn therefrom shall not be binding or admissible against ITE Inc. and Lango Kids in any pending
8 or future actions brought against ITE Inc. and Lang Kids by third Parties.

9 2. The Parties hereby acknowledge and agree that this Stipulation is intended to constitute a
10 full, final and complete resolution of the Desist and Refrain Order. The Parties acknowledge and
11 agree that nothing contained in this Stipulation shall operate to limit the Commissioner’s ability to
12 assist any other agency, (county, state, or federal) with any prosecution, administrative, civil or
13 criminal, brought by any such agency against ITE Inc. and Lango Kids based upon any of the
14 activities alleged in these matters or otherwise.

15 3. The Commissioner shall issue an Order pursuant to California Corporations Code section
16 31406 directing ITE Inc. and Lango Kids to desist and refrain from the offer and sale of unregistered,
17 non-exempt franchises in the State of California. A true and correct copy of the Order is attached
18 hereto as Exhibit A.

19 4. ITE Inc. and Lango Kids, without admitting or denying such allegations, seek to resolve
20 the concerns of the Commissioner by entering into this Stipulation regarding the issuance of the
21 Desist and Refrain Order.

22 5. ITE Inc. and Lango Kids agree, from the date of execution of this Stipulation, pursuant to
23 California Corporations Code section 31110, not to offer and/or sell franchises in the State of
24 California without registration, unless such franchise is exempt or not subject to registration under
25 Chapter 2, (commencing with section 31100 of the California Corporations Code).

26 6. ITE Inc. and Lango Kids acknowledge that there are 18 locations using the trademark and
27 trade name “Lango Kids” located throughout California.
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1 7. ITE Inc. and Lango Kids agree, as of the effective date of this Stipulation that the addition
2 of new locations in this state by ITE Inc. and Lango Kids shall only be implemented in full
3 compliance with the CFIL (California Corporations Code sections 31000 *et seq.*).

4 8. Subject to ITE Inc. and Lango Kids complying with the terms of this Stipulation and the
5 Desist and Refrain Order, ITE Inc. and Lango Kids may offer and sell franchises in the State of
6 California, in compliance with the California Franchise Investment Law.

7 9. ITE Inc. and Lango Kids hereby acknowledge that the Commissioner stands ready to grant
8 a hearing in relation to the above-mentioned Order. ITE Inc. and Lango Kids understand they have a
9 right to a hearing with regard to that Order, as set out in Corporations Code section 31406.

10 10. ITE Inc. and Lango Kids hereby voluntarily waive their right to a hearing in relation to
11 the Desist and Refrain Order against ITE Inc. and Lango Kids for violations of California
12 Corporations Code section 31110, for the offer and sale of unregistered, non-exempt franchises in the
13 State of California. ITE Inc. and Lango Kids further waive their right to any reconsideration, appeal,
14 or other rights which may be afforded pursuant to the Corporations Code, the California
15 Administrative Procedure Act, the California Code of Civil Procedure or any other provision of law
16 in connection with this matter.

17 11. ITE Inc. and Lango Kids agree to pay the Department of Corporations administrative
18 penalties in the amount of \$2500, due at the time of execution of this Stipulation.

19 12. The Parties hereto further stipulate that if evidence of the continuing offer or sale of
20 unregistered, non-exempt franchises by ITE Inc. and Lango Kids or other violations of the CFIL are
21 discovered after the execution of this Stipulation, the Commissioner may seek additional remedies
22 against ITE Inc. and Lango Kids. These remedies may include, but are not limited to, civil injunctive
23 and ancillary relief and/or criminal prosecution as set out in the relevant parts of the CFIL, California
24 Corporations Code sections 31000 *et seq.*

25 13. Each of the parties represents, warrants, and agrees that it has received independent legal
26 advice from its attorney(s) with respect to the advisability of executing this Stipulation.

27 14. Each of the Parties represents, warrants, and agrees that in executing this Stipulation it
28 has relied solely on the statements set forth herein and the advice of its own counsel. Each of the

1 Parties further represents, warrants, and agrees that in executing this Stipulation it has placed no
2 reliance on any statement, representation, or promise of any other party, or any other person or entity
3 to make any statement, representation, or disclosure of anything whatsoever. The Parties have
4 included this clause: (1) to preclude any claim that any party was in any way fraudulently induced to
5 execute this Stipulation; and (2) to preclude the introduction of parol evidence to vary, interpret,
6 supplement, or contradict the terms of this Stipulation.

7 15. This Stipulation is the final written expression and the complete and exclusive statement
8 of all the agreements, conditions, promises, representations, and covenants between the Parties with
9 respect to the subject matter hereof, and supersedes all prior or contemporaneous agreements,
10 negotiations, representations, understandings, and discussions between and among the Parties, their
11 respective representatives, and any other person or entity, with respect to the subject matter covered
12 herein.

13 16. In that the Parties have had the opportunity to draft, review, and edit the language of this
14 Stipulation, no presumption for or against any Party arising out of drafting all or any part of this
15 Stipulation will be applied in any action relating, connected to, or involving this Stipulation.
16 Accordingly, the Parties waive the benefit of California Civil Code section 1654 and any successor or
17 amended statute, providing that in cases of uncertainty, language of a contract should be interpreted
18 most strongly against the Party who caused the uncertainty to exist.

19 17. This Stipulation may be executed in one or more counterparts, each of which shall be an
20 original but all of which, together, shall be deemed to constitute a single document.

21 18. Each signatory hereto covenants that he/she possesses all necessary capacity and
22 authority to sign and enter into this Stipulation.

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24 Dated: March 2, 2010

PRESTON DuFAUCHARD
California Corporations Commissioner

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By: _____
ALAN S. WEINGER
Deputy Commissioner

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Dated: February 24, 2010

INTERNATIONAL TRAINING AND EXCHANGE
INC. (ITE Inc.)

By: _____

Dated: February 24, 2010

LANGO KIDS

By: _____

Dated: February 25, 2010

By: _____

COUNSEL FOR ITE Inc. and LANGO KIDS

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STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: International Training and Exchange Inc.
Lango Kids
600 California Street, 10th Floor
San Francisco, CA 94108

DESIST AND REFRAIN ORDER

(For violations of section 31110 of the Corporations Code)

The California Corporations Commissioner finds that:

1. International Training and Exchange Inc. (hereinafter "ITE Inc.") is a California corporation located at 600 California Street, 10th Floor, San Francisco, CA 94108. Its affiliate Lango Kids is located at the same address.

2. ITE Inc. and Lango Kids have established a program within the State of California whereby individuals are exclusively authorized to operate a Lango Program in their respective communities. The purpose of the program is to provide services and training under the umbrella of Lango trademarks and with the use of Lango intellectual property devise a system of teaching young children how to speak a second language.

3. The Lango Program is offered by ITE Inc. and Lango Kids as an excellent financial opportunity with a generous territory and strong support from a proven program and an established company. Lango offers a unique approach to teach foreign languages to children using a technique they call Adventure Learning.

4. For the payment of a fee (\$500 setup fee and \$1600 to purchase recommended materials), participants in the Lango Kids program are offered a) training and support from the Lango Headquarters, b) the right to use Lango's trademarked curriculum, operating model and materials, c) access to proprietary student registration and management software, d) an exclusive territory; and e) assistance in marketing and advertising programs to support business growth. Further, participants are provided with operations manuals, and their performance is monitored by employees of Lango

1 Kids to insure the continued quality of the product.

2 5. As of this date, there are approximately 18 locations registered in the Lango Kids
3 program throughout the State of California.

4 6. The Commissioner has determined that the relationship between ITE Inc. and Lango Kids
5 and each Lango Leader as operators of the program are known is a franchise, as defined in California
6 Corporations Code section 31005. These franchises were offered and sold in this state.

7 7. The Department of Corporations has not issued a franchise registration to ITE Inc. or
8 Lango Kids for the offer or sale of Lango Kids franchises in this state.

9 Based upon the foregoing findings, the California Corporations Commissioner is of the
10 opinion that ITE Inc. and Lango Kids have offered and sold franchises in California that are subject
11 to registration under the California Franchise Investment Law, in violation of California Corporations
12 Code section 31110. Pursuant to section 31406 of the California Corporations Code, ITE Inc. and
13 Lango Kids is hereby ordered to desist and refrain from the further offer or sale of Lango Kids
14 franchises unless and until the offers have been duly registered under the California Franchise
15 Investment Law or unless exempt.

16 This Order is necessary, in the public interest, for the protection of franchisees and consistent
17 with the purposes, policies, and provisions of the California Franchise Investment Law.

18 Dated: March 2, 2010
19 Los Angeles, California

PRESTON DuFAUCHARD
California Corporations Commissioner

22 By _____
23 ALAN S. WEINGER
24 Deputy Commissioner