



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 802 134<sup>th</sup> 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 (22<sup>nd</sup>) 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](mailto: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

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  
GARLIC JIM'S FRANCHISE )  
16 INTERNATIONAL, INC. and DWAYNE )  
17 NORTHROP, ) 3) CLAIMS FOR ANCILLARY RELIEF  
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 802 134<sup>th</sup> 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.

///  
28

(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)  
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5 1515 K Street, Ste. 200  
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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  
GARLIC JIM'S FRANCHISE )  
16 INTERNATIONAL, INC. and DWAYNE )  
17 NORTHROP, ) 6) CLAIMS FOR ANCILLARY RELIEF  
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 802 134<sup>th</sup> 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 ///

27 ///

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

23  
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

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# EXHIBIT C

**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*



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**PLEASE CONTACT JOANNE ROSS OF THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT [jross@corp.ca.gov](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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**

15 **FRANCHISEE**

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

16 **ENTITY/INDIVIDUAL:**

18 By: \_\_\_\_\_

18 \_\_\_\_\_  
19 **Print Name of Entity/Individual**

20 Name: \_\_\_\_\_

20 Signed

21 By: \_\_\_\_\_

21 Name: \_\_\_\_\_

22 Its: \_\_\_\_\_

22 Its: \_\_\_\_\_

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

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

24 **GUARANTOR**

25 **Print Name**

25 \_\_\_\_\_

26 \_\_\_\_\_

26 Signed

27 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**

2  
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.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be made effective as of the  
 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: \_\_\_\_\_

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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.**

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**  
29 **Obligations Which Survive Termination set forth in this Agreement, any**  
30 **controversy or claim arising out of or relating to this Agreement or the**  
31 **relationship between Franchisee and/or Guarantor and Franchisor shall be**  
32 **settled by arbitration in Los Angeles, California in accordance with the rules**  
33 **of the American Arbitration Association then pertaining, using a single AAA**  
34 **Arbitrator, and judgment upon the award rendered may be entered in any**  
35 **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: \_\_\_\_\_