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

TO: BonChon Chicken
Kyungnam Province
Sangbook-Myun, Sotori 966-1
Republic of Korea

and

Daegu Kwangyoeksi
Suhgu Yihyundong 42-525
Daegu, Republic of Korea

DESIST AND REFRAIN ORDER
(For violations of Section 31110 of the Corporations Code)

The California Corporations Commissioner finds that:

1. At all relevant times BonChon Chicken ("BonChon"), form of organization unknown, is an entity purportedly in the business of selling Korean-style fried chicken.
2. At all relevant times, BonChon conducted business at Kyungnam Province, Sangbook-Myun, Sotori 966-1, Republic of Korea and/or Daegu Kwangyoeksi, Suhgu Yihyundong 42-525, Daequ, Republic of Korea. BonChon operates restaurants throughout the United States and the Republic of Korea.
3. BonChon maintains websites located on the World Wide Web at www.bonchon.com and www.bonchon.co.kr.
4. BonChon's websites provide members of the public, including California residents, with "international franchise info," including an explanation of BonChon's "Franchise Establishment Process," setting forth the requirements of establishing a BonChon franchise. Prospective purchasers interested in acquiring the rights to a BonChon franchise are asked to submit "franchise" inquiries via e-mail or by contacting BonChon via telephone.
5. Beginning in 2007, BonChon entered into at least one agreement with a California resident to establish a Korean-style fried chicken restaurant within the State of California. Pursuant

1 to an agreement entitled, "Sales Agreement," BonChon granted the franchisee the right to engage in
2 the operation of a Korean-style fried chicken restaurant. The franchisee is entitled, among other
3 things, to use BonChon's trademark and trade name to run its restaurant business. In addition, the
4 franchisee is allowed to purchase monthly allotments of BonChon's proprietary "secret sauce."

5 6. In exchange for the foregoing rights and benefits, the franchisee paid an
6 "administrative fee" of at least \$43,000.00.

7 7. This agreement constitutes a franchise as defined by Corporations Code section
8 31005.

9 8. This franchise was offered or sold in this state.

10 9. The Department of Corporations has not issued a registration to BonChon for the offer
11 or sale of any franchise in this state. Additionally, the offer or sale of any franchise of BonChon is
12 not exempt from registration.

13 Based upon the foregoing findings, the California Corporations Commissioner is of the
14 opinion that BonChon has sold a BonChon franchise in California that is subject to registration under
15 the Franchise Investment Law, in violation of Corporations Code section 31110. Pursuant to section
16 31402 of the Corporations Code, BonChon Chicken is hereby ordered to desist and refrain from the
17 further offer or sale of BonChon franchises unless and until the offer has been duly registered under
18 the Franchise Investment Law or unless exempt. This Order is necessary, in the public interest, for
19 the protection of franchisees and consistent with the purposes, policies, and provisions of the
20 Franchise Investment Law.

21 Dated: December 8, 2008
22 Los Angeles, California

23 **PRESTON DuFAUCHARD**
24 California Corporations Commissioner

25
26 By _____
27 ALAN S. WEINGER
28 Lead Corporations Counsel
Enforcement Division