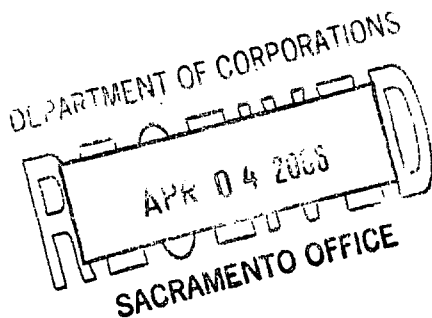




Formatted: Centered

EXHIBIT UFA
UNIT FRANCHISE AGREEMENT



Deleted: ¶
2005
Formatted: Tabs: 6.5", Right
Formatted: Font: Arial Narrow
Formatted: Tabs: 6.5", Right + Not
at 3.25"

EXHIBIT UFA

UNIT FRANCHISE AGREEMENT

TABLE OF CONTENTS

Style Definition: TOC 1: Font: Not Bold, Space Before: 6 pt, After: 0 pt

Section	Page
1. Franchise Grant and Trade Name License	1
2. Franchised Location	2
3. Commencement of Construction	3
4. Limitation of Agreement	4
5. Fees	5
6. Maintenance and Modification of the System	6
7. Completion of Restaurant	6
8. Improvements by Franchisee	7
9. Opening Procedures	7
10. Marketing	8
11. Sources of Products	8
12. Bookkeeping	9
13. Reports	9
14. Inspections	10
15. Counseling and Advisory Services	10
16. Training	10
17. Performance	11
18. Approval	13
19. Franchisee is an Independent Contractor	13
20. Offerings by Franchisee	13
21. Restrictions	13
22. Interest and Late Fee	14
23. Indemnification and Insurance	14
24. Franchise Not Assignable or Transferable	15
25. Noncompetition Agreement by Franchisee and its Officers and Employees	17
26. Term	17
27. Termination	17
28. Effect of Termination	19
29. Sale or Lease of Premises	20
30. Sale or Discontinuance of Business for Other Reasons	20
31. Restriction on Use of Property	20
32. Miscellaneous	20
33. Acknowledgments	22

Formatted: Font: 11 pt

Deleted: 1. Franchise Grant and Trade Name License. . 1¶
2. Franchised Location. . 2¶
3. Fees. . 5¶
4. Maintenance and Modification of the System. . 6¶
5. Completion of Restaurant. . 6¶
6. Construction by Franchisee. . 7¶
7. Opening Procedures. . 7¶
8. Marketing. . 8¶
9. Bookkeeping. . 8¶
10. Reports. . 9¶
11. Inspections. . 10¶
12. Counseling and Advisory Services. . 10¶
13. Training. . 10¶
14. Performance. . 11¶
15. Approval. . 13¶
16. Franchisee is an Independent Contractor. . 13¶
17. Offerings by Franchisee. . 13¶
18. Restrictions. . 14¶
19. Interest and Late Fee. . 14¶
20. Indemnification and Insurance. . 14¶
21. Franchise Not Assignable or Transferable. . 15¶
22. Noncompetition Agreement by Franchisee and its Officers and Employees. . 17¶
23. Term. . 17¶
24. Termination. . 18¶
25. Effect of Termination. . 19¶
26. Sale or Lease of Premises. . 20¶
27. Sale or Discontinuance of Business for Other Reasons. . 20¶
28. Restriction on Use of Property. . 21¶
29. Miscellaneous. . 21¶
30. Acknowledgments. . 23¶

Deleted: 1

Deleted: C:\DMM Client Files\Garlic Jim's\Franchise UFOC's\2005\California\Unit Franchise CA.doc

EXHIBIT UFA TO
FRANCHISE OFFERING CIRCULAR

GARLIC JIM'S FRANCHISE CORP.
UNIT FRANCHISE AGREEMENT

THIS AGREEMENT is made as of the _____ day of _____, 20____, by and between
Garlic Jim's Franchise Corp. whose address is 802 134th St. SW, Suite 130, Everett, Washington 98204
(hereinafter referred to as "Franchisor") and _____
whose address is _____
(hereinafter referred to as "Franchisee").

Deleted: 1950 112th Avenue NE,
Suite 101, Bellevue

Deleted: 98004

Formatted: Superscript

RECITALS

1. Franchisor has developed a system (hereinafter referred to as "System") of opening and operating restaurants featuring pizza; and
2. The distinguishing features of the System include but are not limited to the name "Garlic Jim's Famous Gourmet Pizza" and logo, signs, emblems, trade names, trademarks, service marks, all of which are hereinafter referred to as "Marks"; as well as distinctive food products and the formulas, recipes and quality standards therefore; instructional materials, various operation manuals and training courses; menus; and distinctive decor and atmosphere, all of which may be changed, improved, and further developed from time to time; and
3. Restaurants using the System and products sold therein have a reputation for excellence that has been acquired and is being maintained by continuing research and development, marketing programs and by requiring all parties licensed to use the System to maintain high standards of quality and service; and
4. Franchisee wishes to be assisted, trained and licensed by Franchisor to engage in the aforesaid business as a Franchisee of Garlic Jim's Franchise Corp.; and
5. Franchisee recognizes the importance to the System and to the public of maintaining the distinctive standards, qualities and attributes of products and services identified by the "Marks" and is willing to maintain such standards, qualities and attributes; and
6. Franchisee desires to obtain from Franchisor a license to use the System at the Franchised Location as described below, subject to the terms and conditions hereinafter set forth;
7. Franchisee desires to obtain the right to select a proposed site on which to construct a Garlic Jim's restaurant, to submit the same to Garlic Jim's for its acceptance and, upon the acceptance of the proposed site by Garlic Jim's to construct, own and operate a Garlic Jim's restaurant upon such site upon the terms and conditions set forth herein which terms are necessary to ensure the controlled development of a Garlic Jim's restaurant at the Franchised Location and to maintain Garlic Jim's high uniform standards of quality and service and to protect the goodwill and enhance the public image of the Garlic Jim's System and the Licensed Rights.

NOW, THEREFORE, in consideration of the covenants and agreements contained herein, the parties hereto agree as follows:

1. **Franchise Grant and Trade Name License.**

- 1.1 Franchisor grants and licenses to Franchisee for the term and subject to the conditions set forth herein, the nonexclusive right ("Franchise") to use the System for restaurant services at the Franchised Location described below. In return, Franchisee covenants to use its best efforts to promote and enhance the sales of its Garlic Jim's restaurant.

Formatted: Tabs: 6.5", Right

- 1.2 Franchisee does not have the right to serve alcoholic beverages under this Franchise Agreement. In order to protect the goodwill of the Garlic Jim's System, this right is strictly controlled with permission granted by Garlic Jim's Franchise Corp. Maintenance of the right to serve alcoholic beverages in conjunction with the Garlic Jim's System would be dependent upon employment at all times of a person who has completed an approved alcoholic Beverage Service Training Course.
- 1.3 Franchisor grants no other rights hereunder. Franchisor will from time to time license others to use Franchisor's trademarks, service marks and methods of operating a Garlic Jim's restaurant and may at its option sell Garlic Jim's products to retail grocery stores, for resale or license others to do same.
- 1.4 The completion of the training program defined herein is a condition precedent to the grants and license given herein.

2 Franchised Location.

- 2.1 The rights granted to Franchisee hereunder shall be restricted to the operation of a single Garlic Jim's restaurant ("Franchised Restaurant") at a specific address and location to be determined, and once determined attached to this Unit Franchise Agreement as Exhibit FL ("Franchised Location"). Franchisee shall select and propose to Franchisor for approval a specific site for the Franchised Location. Franchisor may approve or disapprove the proposed location in accordance with the terms of this Agreement and Franchisor's then-current site selection form and approval criteria and procedures. Franchisor may use a variety of criteria and procedures to evaluate a site Franchisee proposes. Franchisor may change its procedures from time-to-time. As part of this procedures, Franchisor may identify a general area (the size of which will depend upon the characteristics of the particular market involved) in which Franchisee will have the right to search for an acceptable site for the Franchised Location. The general area in which you may conduct your search is commonly known as: _____ If Franchisee is unable or refuses to locate or secure a site that meets Franchisor's criteria within that area within the timeframe Franchisor specifies, Franchisor may allow another franchisee to search for such a site for the Franchised Location in that area. Any area identified by Franchisor for site selection purposes simply is the area in which Franchisee is expected to concentrate its efforts to find an acceptable site for the Franchised Location. Franchisor may use various criteria to evaluate one or more sites proposed by Franchisee.

Franchisor has the right to designate a real estate broker whom Franchisee must use to contact the landlord of a proposed site, in which case Franchisee may not contact the landlord directly without Franchisor's approval.

Franchisee acknowledges and agrees that the Franchised Location will be a specific numbered street or mall address at which Franchisee's Restaurant will be physically located. The "Franchised Location" cannot and will not under any circumstances be defined as a geographic area or be described in terms other than a specific numbered street or mall address. During the term of this Agreement, the Franchised Location shall be used exclusively to operate a Garlic Jim's restaurant.

If, through no fault of your own, Franchisee is unable to continue to occupy the Site (for example, because of the expiration of a lease or the destruction of all or substantial part of the premises), Franchisee shall have the right to relocate, provided, that promptly upon learning that the existing Site must be closed, you notify Garlic Jim's in writing and request permission to relocate. In any other cases, if Franchisee wants to relocate, it may do so only with the prior written consent of Garlic Jim's, which Garlic Jim's in its sole discretion may withhold. The selection and construction of any new Site will be

Formatted: Tabs: 6.5", Right

subject to the System requirements in effect at that time, as provided in the Confidential Operations Manual.

Franchisee further acknowledges and warrants that Franchisor's approval of the Franchised Location does not constitute a guarantee, recommendation, or endorsement of the Franchised Location and that the success of the restaurant to be operated at the Franchised Location depends upon Franchisee's abilities as an independent businessperson. Once Franchisor has approved the Franchised Location, Franchisor will be deemed to have complied with its obligations under this Agreement to assist Franchisee by providing criteria for the Franchised Location and determining fulfillment of the requisite criteria for the Franchised Location, such determination based on information provided by Franchisee.

LEASE APPROVAL. Franchisee shall obtain Franchisor's prior written approval before executing any lease or purchase agreement for a Franchised Location. Prior to its execution, Franchisee's proposed lease must be reviewed and certified as acceptable to Franchisor. Such review is for the benefit of Franchisor, and Franchisee acknowledges that Franchisor's review and approval of a lease for a Franchised Location do not constitute a recommendation, endorsement, or guarantee by Franchisor of the suitability of the Franchised Location or the lease, and Franchisee should take all steps necessary to ascertain whether such Franchised Location and lease are acceptable to Franchisee. Upon submission of a proposed Franchised Location for the restaurant, Franchisee shall pay Franchisor or its designated supplier (which may be an affiliate of Franchisor) a lease review fee of One Thousand Seven Hundred Fifty Dollars (\$1,750.00) ("Lease Review Fee"). The Lease Review Fee pays the expenses incurred to review and (if Franchisor so chooses) to negotiate certain provisions of the lease. Franchisee is not a third-party beneficiary of the lease negotiation or review. Franchisee agrees that Franchisor does not guarantee that the terms, including rent, will represent the most favorable terms available in that market. Franchisor shall charge Franchisee only one (1) Lease Review Fee unless Franchisee refuses to sign a lease that Franchisor has certified as acceptable for the Franchised Location, and Franchisor is then required to engage in one or more additional lease reviews for the Franchised Location (or for a different Franchised Location if Franchisee refuses to sign any lease for the first proposed Franchised Location), in which case Franchisee must pay Franchisor or its designated supplier a Lease Review Fee for the first lease review as well as a Lease Review Fee for each additional lease review.

Deleted: Four

Deleted: 1,400.00

- 2.2 Without first obtaining the written consent of Franchisor, Franchisee will not conduct or permit others to conduct any other food service business, activity or operation (including food service manufacturing or supply) at the Franchised Location other than the operation of a Garlic Jim's restaurant pursuant to the terms of this Agreement.
- 2.3 It is understood and agreed that Franchisee shall have the exclusive right to operate a Garlic Jim's restaurant and to use the Garlic Jim's System and the Licensed Rights at the restaurant for a term of ten (10) years commencing on the date of this Agreement, unless this Agreement terminates before the end of such term as provided in Section 26. Termination or expiration of this Agreement will constitute a termination or expiration of the franchise.

3. Commencement of Construction.

- 3.1 Upon receipt of Garlic Jim's written acceptance of a proposed site on Garlic Jim's Site Acceptance Form as set forth in paragraph 2.1 hereof, Franchisee shall immediately take the necessary steps to acquire the site, by purchase, lease or sublease, and to otherwise obtain the rights to construct, maintain and operate a Garlic Jim's restaurant on the site.

Formatted: Tabs: 6.5", Right

- 3.2 As soon as Franchisee has acquired the right to use the site, obtained all permits, governmental approvals, and otherwise obtained the rights to construct, maintain and operate a Garlic Jim's restaurant on the site, Franchisee shall notify Garlic Jim's of such fact in writing on Garlic Jim's Notice of Intent to Commence Construction Form.
- 3.3 Upon receipt from Garlic Jim's of this executed Unit Franchise Agreement for said site, Franchisee shall commence construction of the Garlic Jim's restaurant at the site in accordance with the terms of this Unit Franchise Agreement; provided, however, that all plans and specifications must be approved by Garlic Jim's in writing before any work is begun.
- 3.4 As set forth in paragraph 2 and this paragraph 3 hereof, Franchisee shall in no event begin construction of any Garlic Jim's restaurant unless the following conditions have been met:
- 3.4.1 The site has been accepted by Garlic Jim's in accordance with paragraph 2 hereof, and any contingencies to which such acceptance is subject have been met.
- 3.4.2 Franchisee has obtained the right to use the site, obtained all necessary permits and government approvals, and otherwise obtained the rights to construct, maintain and operate the Garlic Jim's restaurant on the site.
- 3.4.3 Franchisee's site plan has been approved by Garlic Jim's and in the event Franchisee does not intend to construct the Garlic Jim's restaurant strictly in accordance with Garlic Jim's standard construction plans, specifications and layouts, all construction plans, specifications and layouts, shall be approved by Garlic Jim's.
- 3.4.4 Franchisee has obtained this Unit Franchise Agreement for the site fully executed by both Franchisee and Garlic Jim's.

If, at any time, Garlic Jim's determines that Franchisee has begun constructing or remodeling a Garlic Jim's restaurant without all of these conditions having been met, Garlic Jim's shall, in addition to any other remedies, have the right to obtain an injunction against the continued construction and the opening of the Garlic Jim's restaurant from a court of competent authority, and Franchisee hereby consents to any such injunction.

4. **Limitation of Agreement.**

Franchisee acknowledges and agrees that:

- 4.1 This Agreement includes only the right to select a site for the construction of a Garlic Jim's restaurant and to submit the same to Garlic Jim's for its approval in accordance with the terms of this Agreement. This Agreement does not include the grant of a license by Garlic Jim's to Franchisee of any rights to use the Licensed Rights, the Garlic Jim's System, or to open or operate any other Garlic Jim's restaurant.
- 4.2 The Developmental Rights granted hereunder are personal to Franchisee and cannot be sold, assigned, transferred or encumbered, in whole or in part, except as set forth in paragraph 24 hereof.
- 4.3 Franchisee shall have no right to use in its name the name "Garlic Jim's" or other names used by Garlic Jim's. If Franchisee has heretofore obtained permission to use any of these names, and does use any of them in its name, then, upon termination of this Agreement for any reason whatsoever, Franchisee shall immediately take all steps

Formatted: Tabs: 6.5", Right

necessary to eliminate any of these names from its name, except as may be permitted by this Unit Franchise Agreement.

4.4 Except as provided in paragraph 1 hereof, the Licensed Rights granted hereunder are non-exclusive, and Garlic Jim's retains the right, in its sole discretion:

4.4.1 To continue to construct and operate other Garlic Jim's restaurants and to use Garlic Jim's System and the Licensed Rights at any location outside the Franchised Area, and to license others to do so for the purpose of this Unit Franchise Agreement, the term "Franchise Area" shall be defined in Exhibit FL.

4.4.2 To develop, use and franchise the rights to any trade names, trademarks, service marks, trade symbols, emblems, signs, slogans, insignia or copyrights not designated by Garlic Jim's as Licensed Rights, for use with similar or different franchise systems for the sale of the same, similar or different products or services other than in connection with the Garlic Jim's System at any location, on such terms and conditions as Garlic Jim's may deem advisable and without granting Franchisee any rights therein.

4.4.3 To develop, merchandise, sell and license others to sell Garlic Jim's pizzas and other products to the public through groceries and other outlets in the Franchised Area and to use the Licensed Rights in connection therewith.

4.5 Because complete and detailed uniformity under many varying conditions may not be possible or practical, Garlic Jim's specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any franchisee based upon the peculiarities of a particular site or circumstance, density of population, business potential, population of trade area, existing business practices or any other condition which Garlic Jim's deems to be of importance to the successful operation of such franchisee's business. Franchisee shall not be heard to complain on account of any variation from standard specifications and practices granted to any franchisee and shall not be entitled to require Garlic Jim's to grant Franchisee a like or similar variation hereunder.

4.6 Franchisee has sole responsibility for the performance of all obligations arising out of the operation of its business pursuant to this Agreement, including, but not limited to, the payment when due of any and all taxes levied or assessed by reason of such operation.

4.7 In all public records, in its relationship with other persons, and in any offering circular, prospectus or similar document, Franchisee shall indicate clearly the independent ownership of Franchisee's business and that the operations of said business are separate and distinct from the operation of Garlic Jim's business.

4.8 Franchisee agrees to indemnify and hold harmless Garlic Jim's from any liability or damage Garlic Jim's may incur, including reasonable attorney fees, as a result of claims, demands, costs or judgments, of any kind or nature, by anyone whomsoever, arising out of, or otherwise connected with, this Agreement, the Licensed Rights, the acquisition, of any restaurant site, or ownership, maintenance or operation of any Garlic Jim's restaurant by Franchisee.

5. Fees.

5.1 Franchisee's Initial Franchise Fee or Other Initial Payment. The initial franchise fee or other initial payment for a single restaurant ("Unit Franchise") is Twenty Thousand Dollars (\$20,000). Certain qualified existing Franchisees of The Garlic Jim's company

Formatted: Bullets and Numbering

Formatted: Tabs: 6.5", Right

restaurants may be offered a discount of Five Thousand Dollars (\$5,000) in consideration of reduced training expenses.

Deleted: By Direction of the California Department of Corporations, the Franchisor may not have receipt of the Initial Franchise Fee until all of Franchisor's obligations to the Franchisee have been completed. For details of the deferral of the Initial Franchise fee, see Exhibits CAL attached and made a part of the Garlic Jim's Franchise Corp. Uniform Franchise Offering Circular. Upon Completion by Franchisor of its obligation to the Franchise, the deferred initial Franchise fee shall be paid to the Franchisor and is not refundable.¶

Formatted: Normal

5.2 Royalty Fee.

5.2.1 In addition to all other amounts to be paid hereunder, Franchisee shall pay Franchisor for the license granted hereunder a weekly royalty fee of Five and One-Half Percent (5.5%) of the gross sales, less bad orders, as hereinafter defined, realized from the Franchised Restaurant for the term of this license. The term "gross sales" includes all sales of every kind and nature from the Franchised Restaurant, including but not limited to sales of vending machines, pizza, beverages, other approved menu items, game income, novelties, and services, whether sold for consumption on or off the premises except, Gross Sales does not include receipts any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax. Bad orders are all recorded sales for which no revenue is collected and no product is received by the consumer.

5.2.2 Franchisee shall furnish Franchisor with an operating statement and a profit and loss statement in a form containing such information as may from time to time be prescribed by Franchisor showing the gross sales from the Franchised Restaurant during the period being reported to Franchisor in the frequency and fashion then proscribed to all Franchisees within the system..

6. Maintenance and Modification of the System.

6.1 Franchisee shall maintain the location to the standards of health and safety, sanitation, repair and condition required by Franchisor, which standards are specified in the operations manual as it may be modified from time to time. Said standards are subject to modification. Where there is extraordinary wear and tear, Franchisee shall make such additions, alterations, repairs, refurbishing and replacements (but no others without Franchisor's consent) as may be required for that purpose, including without limitation such periodic repainting, repairs to impaired equipment, and replacement of obsolete signs as Franchisor may direct. Franchisee shall be required in Franchisor's sole discretion to refurbish the Franchised Location at Franchisee's expense to conform to the design, color schemes, and presentation of the System consistent with the concepts in effect for new locations. This includes, without limitation, structural changes, remodeling, redecoration, and modifications to existing improvements.

6.2 Franchisee is aware that in order to maintain the Garlic Jim's image and reputation, the System may be changed or modified, specifically, but not exclusively, including the adoption and use of new exterior building designs, new interior decor, new or modified marks, copyrighted materials, new equipment, and new furnishings. Franchisee will accept, use and display any such changes or modifications in the System as if they were a part of this Franchise Agreement at the time of execution hereof, and Franchisee will make such expenditures and such changes or modifications as the System may require.

7. Completion of Restaurant.

Franchisee agrees to construct the improvements to the Franchised Restaurant generally in accordance with the general plans and specifications approved by Franchisor and to open same for business within 365 days after the date of this Franchise Agreement. Provided, however, if Franchisee is not able to open for business within said time period due to causes beyond Franchisee's control, such as strikes, weather, or not being able to obtain essential equipment or materials, then the date on which the Franchised Restaurant shall be required to be opened for business shall be extended for such additional time as such cause or causes shall delay the opening, provided that in no event shall such time be extended for more than ninety (90) days without first obtaining the written consent of the Franchisor.

Deleted: 180

Formatted: Tabs: 6.5", Right

8. **Improvements by Franchisee.**

All such buildings and other improvements shall be constructed in accordance with the general designs approved by Franchisor. No changes shall be made in said general designs except as may be required in order to conform with local building codes and regulations (which changes must be approved in writing by Franchisor), and no alterations or changes shall be made thereafter in the improvements so constructed or in the decor without first obtaining the written consent of Franchisor. If any such changes or alterations are made without first obtaining said consent, then Franchisor at its option shall have the right to require Franchisee to change the buildings or other improvements, or decor at Franchisee's cost so they will conform to the approved designs. A provision containing the terms of this paragraph shall be placed in the Franchisee's lease (if any). Franchisee shall at its cost obtain and provide: local certification of plans to insure that all local codes and requirements have been complied with; all required building, sign and other permits; architectural inspections and supervision of construction as required; (in the case of a free standing structure) a registered survey showing boundary lines, setbacks, location of improvements, encroachments and such other information as may be necessary; and shall take all other action that may be required to insure that the improvements on the Franchised Location are constructed in accordance with approved designs. For purposes hereof the definition of decor shall include any and all interior decoration and Franchisor signs.

9. **Opening Procedures.**

9.1 Franchisee, and if Franchisee is not a natural person, a partner or shareholder designated by Franchisee and accepted by Franchisor, and Franchisee's manager must satisfactorily complete the Franchisor's TRAINING PROGRAM.

9.2 Prior to opening for business, the Franchisee must satisfactorily complete the Franchisor's PRE-OPENING CHECKLIST which specifically, but not exclusively includes:

The improvements, equipment, furniture, and fixtures must meet the System standards;

Employees must be hired and be available for training during the opening period described in 9.3;

The equipment must be cleaned and polished to Franchisor's satisfaction;

If requested, the initial inventory order will be reviewed by Franchisor prior to delivery;

FAILURE TO ADHERE TO THE PRE-OPENING CHECKLIST AND TO MEET ITS REQUIREMENTS WILL DELAY OPENING WHICH SHALL RESULT IN INCREASED COSTS FOR FRANCHISEE.

9.3 Franchisor will provide Franchisee with an opening team or individual to assist in the opening of Franchisee's first Franchised Restaurant and in training Franchisee's employees for 5 days at no charge, additional sites are Three Thousand Dollars (\$3,000) or whatever the then charge is in effect at that time. Said team or individual shall be composed of such personnel as Franchisor deems necessary in its sole discretion, and such opening team or individual shall remain at the Franchised Restaurant for such time as Franchisor in its sole discretion shall deem necessary in order to properly open the Franchised Restaurant and train the personnel employed therein. After five (5) days, franchisee shall pay the expenses of the team supervisor and team members. The term "expenses" as used herein shall be deemed to include costs of transportation, meals, and lodging. Franchisee shall at all times be responsible for salaries and expenses related to its employees. If Franchisee does not give Franchisor at least thirty (30) days' prior written notice of the opening of the restaurant, Franchisor is not obligated to provide this assistance.

Formatted: Tabs: 6.5", Right

10. **Marketing.**

Franchisee shall contribute and participate in marketing as set forth below:

10.1 Advertising Material and Signs.

10.1.1 Franchisee agrees to follow the recommendations of Franchisor with respect to the kinds and types of advertising and the media used and shall not spend any amounts for or use any kind of advertising and promotion other than that prepared or recommended by Franchisor without first obtaining Franchisor's written consent. All advertising and promotional material shall be submitted to Franchisor within a reasonable time for overview and recommendations on future advertising and promotional material. Franchisee shall pay the reasonable cost of all materials supplied by Franchisor for advertising and promotion purposes, including the pro rata share of cost of creative work, printing, engraving and films.

10.1.2 Franchisee must use signs approved by Franchisor.

10.1.3 Franchisee must adhere to Franchisor grand opening promotional advice including purchasing, receiving, and using print material provided by Garlic Jim's Food and Equipment as part of the "Grand Opening Marketing Plan".

10.1.4 The term "Advertising and Promotional Material" as used in this Section 10, shall not include Pizza boxes, napkins and cups, etc., and the printing of Garlic Jim's Pizza Logos and Trademarks thereon.

10.2 National Marketing Fund. Franchisee is required to pay a National Marketing Fee of 2% of Gross Weekly Sales. Garlic Jim's Pizza will use the Marketing Fund to provide advertising and promotional materials and services to Franchisee as well as conduct general promotion of the brand. Garlic Jim's Pizza will not use advertising funds to sell additional franchises. Garlic Jim's Pizza will administer the Marketing Fund and will provide Franchisee with an annual unaudited statement of the receipts and disbursements of the Marketing Fund. Garlic Jim's will not be obligated to spend any amount on advertising in the area or territory where you are located. Garlic Jim's in its sole discretion reserves the right to raise or lower the National Marketing Fee by a margin of 1/2 of 1% annually on the first of each calendar year. The fund will not be raised above 4% or lowered below 1%. Garlic Jim's will receive an administrative fee to cover related sales promotion, marketing, and administrative expenses.

Deleted: 1.5

10.3 Regional Marketing Fund

The Garlic Jim's system reserves the right to establish a local / regional marketing fund in your area. The purpose of such a fund will be to pool advertising dollars to be used on a local or regional advertising program such as radio, television, or phone books. Each local fund may differ slightly from each market in terms of fee paid and advertising mission. The bylaws or operating agreements governing each individual regional fund will be established and approved by a majority vote of the stores affected. Each store will represent one vote.

Deleted: 10.3

Formatted: Font: (Default) Arial, 10 pt, Underline

Formatted: Heading 2, Indent: Left: 0"

11. Sources of Products

11.1 Approved Suppliers.

You must purchase or lease all equipment, inventory, supplies, and other products and materials required for the operation of the Franchised Business solely from suppliers (including distributors, manufacturers, and other sources) who have been approved in writing by Garlic Jim's.

Formatted: Font: Bold

Formatted: Font: Bold

Formatted: Font: Bold

Formatted: Tabs: 6.5", Right

Garlic Jim's maintains written lists of approved items of equipment, fixtures, inventory, and supplies (by brand name and/or by standards and specifications) and a list of approved suppliers for those items. Garlic Jim's updates its lists from time to time and issues the updated lists to all franchisees. Garlic Jim's will furnish its standards and specifications, as well as its criteria for supplier approval, to franchisees or suppliers on request, but only on a confidential basis.

If you desire to purchase any items from an unapproved supplier, you or the supplier must submit to Garlic Jim's a written request for approval. Garlic Jim's approval will not be unreasonably withheld, but must be obtained in writing. Garlic Jim's reserves the right to require that its representatives be permitted to inspect the supplier's facilities and that samples from the supplier be delivered to Garlic Jim's or its designee for testing. And that all of Garlic Jim's expenses associated with reviewing and inspecting the proposed supplier be reimbursed by either you or the supplier regardless of whether approval is granted or denied. Garlic Jim's will respond to a request for approval within 30 days after completing inspections and testing. (See Item 6 about concerning the supplier approval fee). Garlic Jim's may from time to time re-inspect the facilities and products of any previously approved supplier and may revoke its approval if the supplier fails to meet any of Garlic Jim's standards and specifications at any time.

11.2 Sole or Designated Suppliers.

The only approved supplier (and there for the "sole or designated" supplier) for food products and retail packaging is Garlic Jim's Food & Equipment (the commissary) which is a Division of the affiliate entity known as Garlic Jim's Famous Gourmet Pizza, Inc. Additionally, you are able to purchase heavy equipment and small wares from various suppliers based on approved equipment specifications on an ongoing basis after your store has opened, but you must purchase your "New Store Package" which includes all the equipment both heavy and small that you will need to properly outfit and open your new store from Garlic Jim's Food & Equipment - the sole supplier for new store packages. Garlic Jim's Food & Equipment (The Commissary) is a division the affiliate Garlic Jim's Famous Gourmet Pizza, Inc.

12. Bookkeeping.

Franchisee agrees to keep and maintain complete and accurate books and records of its business operations following such accounting procedures, charts of accounts, software systems and cash register systems as Franchisor requires from time to time.

13. Reports.

A report of Gross Sales, expenses and a profit and loss statement for the operation of the Franchised Restaurant that has been prepared by a CPA using generally acceptable accounting practices shall be submitted by Franchisee to Franchisor within thirty (30) days after the end of each calendar quarter. In addition, within Ninety (90) days after the close of each fiscal year, Franchisee will furnish Franchisor a full and complete statement in writing of income, expense, and a profit and loss statement for the operation of the Franchised Restaurant during said period, together with a balance sheet for the Franchised Restaurant, both of which shall be prepared in accordance with accepted accounting standards and practice and certified by an officer of the company to be correct. Franchisee agrees to keep complete and accurate books and records of its business operations in the manner designated and prescribed by Franchisor. The report and financial statement required hereunder shall be in such form and contain such information as Franchisor may from time to time reasonably designate. Franchisor shall have the right at all reasonable times to examine, at its expense, Franchisee's books, records, and tax returns. If the Franchisor conducts an audit and should such an audit reveal that Franchisee has understated their gross monthly revenue by two percent (2%) or more, or in the event of a failure to report gross weekly revenue, then Franchisee shall reimburse the Franchisor for all audit costs, including, without limitation, the charges, travel expenses, room, board, and compensation of

Formatted: Tabs: 6.5", Right

Franchisor's employees and independent accountants incurred in connection with the audit. Franchisee also shall immediately pay all royalty fees, advertising fees and late payment charges that the audit determines to be owed. The obligation herein imposed upon the Franchisee for failure to report gross monthly revenues in their entirety shall be in addition and not in lieu of any rights and remedies of the Franchisor, as elsewhere provided in this Agreement or as provided by law.

In addition, in accordance with ¶ 8(C) of the Franchise Offering Circular, Franchise may retain the right to require all approved suppliers to submit periodic reports to Franchisor as to quantities purchased, aging of accounts, and other such required information. "Approved suppliers" are defined as those suppliers which have been approved by Franchisor to provide goods and services to all Franchisees of The Garlic Jim's Franchise Corp.

14. Inspections.

Franchisor or its authorized agent or representative will make inspections of Franchisee's operation. They shall have the right to enter and inspect the premises and examine and test products and supplies for the purpose of ascertaining that Franchisee is operating the restaurant in accordance with the terms of this Agreement and standards referenced or indicated hereby. Inspections shall be conducted during normal business hours and without notice to Franchisee. Franchisor shall notify Franchisee of any deficiencies detected, and Franchisee shall diligently correct any such deficiencies. Upon notification of a deficiency, Franchisee shall immediately cease, desist, and refrain from the further use or practice thereof and immediately take whatever steps are necessary to conform to Franchisor's standards and requirements. In furtherance of the foregoing, Franchisor reserves the right to confiscate any goods or materials which Franchisor, in its reasonable judgment, deems to be either illegal or in violation of this Agreement.

15. Counseling and Advisory Services.

In addition to visits by Franchisor's field representatives as Franchisor deems appropriate, Franchisor shall furnish consultation and advisory services to Franchisee within reasonable limits, upon request of Franchisee and at no charge (other than Franchisor's out-of-pocket expenses for food, travel and lodging) with respect to the operation of the Franchised Restaurant, including the provision of operations manuals and consultation and advice, including but not limited to the following:

1. Employee training
2. Advertising and promotion
3. Printing
4. Recipes, formulas, specifications and sanitation
5. Bookkeeping and accounting
6. Purchasing and inventory control
7. Operating problems and procedures
8. Periodic inspections
9. New developments and improvements in the System

16. Training.

- 16.1 Required Orientation Training.** Franchisee (or if Franchisee is not a natural person, a partner or shareholder designated by Franchisee and accepted by Franchisor) and Franchisee's manager shall attend and complete, to Franchisor's satisfaction, Franchisor's initial management training programs for a minimum period of four (4) weeks in Everett, Washington or another Garlic Jim's store owned by a "Certified Training Partner" (averaging 8.5 hours per day) prior to the opening of the business and any additional training programs which Franchisor requires from time to time. Franchisee must at all times during the term of this Agreement have a principal and a manager who has successfully completed, to Franchisor's satisfaction, the Franchisor's Management Training Programs.

Deleted: ¶

Deleted: Believe

Formatted: Tabs: 6.5", Right

16.2 Additional Training. Franchisee shall cause its employees (including any person subsequently acting as manager) to attend such training programs, both prior to and after the opening of the Franchised Restaurant, as Franchisor may from time to time reasonably require, in order to train Unit Franchisee's personnel to properly operate the facilities using the System. No charge shall be made by Franchisor for training programs conducted by it prior to opening, but Franchisee shall be required to pay all expenses of Franchisee's personnel who take part in any such program.

16.3 Training Personnel. Franchisor may provide Franchisee with a qualified team or individual for additional training of employees, if required. Said team or individual shall be composed of such personnel as Franchisor deems necessary in its sole discretion, and such team or individual shall remain at the Franchised Restaurant for such time as Franchisor in its sole discretion shall deem necessary in order to properly train the personnel employed therein. Franchisee shall pay the expenses of the team supervisor and team members. The term "expenses" as used herein shall be deemed to include costs of transportation, meals, and lodging. Franchisee shall at all times be responsible for salaries and expenses related to its employees.

17. **Performance.**

In order to maintain the highest degree of quality and service on a uniform system wide basis, Franchisee shall operate the restaurant in conformity with the methods, standards and specifications prescribed by Franchisor. Franchisee agrees to comply with the Operations Manual as it is from time to time modified and will:

17.1 Use only menus which comply with Franchisor's specifications for materials, finish, style, pattern and design.

17.2 Maintain and operate the Franchised Restaurant in good condition and repair and in a proper and businesslike manner, using Franchisee's best efforts to maintain a clean, sanitary and respectable atmosphere therein in accordance with the System standards and do such redecoration, repairing, refurbishing and restoration, as from time to time may be reasonably required to meet the System standards as they may be modified from time to time.

17.3 Comply with all applicable governmental laws, ordinances, rules and regulations.

17.4 Maintain sufficient inventories as prescribed by Franchisor and employ sufficient employees as prescribed by Franchisor to operate the Franchised Restaurant at its maximum capacity and efficiency Three Hundred Six Four (364) days per year from 11:00 A.M. to 11:00 P.M. or in the case of regional mall operations, to operate in accordance with the hours of the mall. Franchisee may not be open for additional hours or less hours without prior approval of Franchisor.

17.5 Require all employees in the Franchised Restaurant to wear uniforms or clothes conforming to such specifications as to color, design and atmosphere projection as Franchisor may from time to time reasonably designate, so as to maintain the goodwill developed by System.

17.6 Employ only qualified individuals, who are trained in accordance with Franchisor standards, who will at all times conduct themselves in a competent and courteous manner in accordance with the image and reputation of the System and use Franchisee's best efforts to insure that Franchisee's employees maintain a neat and clean appearance and render competent and courteous service to patrons of the Franchised Restaurant. It is understood that poorly trained employees, poor appearances and incompetent or discourteous service are extremely damaging to the goodwill of the System.

Formatted: Tabs: 6.5", Right

- 17.7 Use only ingredients, supplies, furnishings and equipment that conform to the current standards and specifications of the System. Franchisor shall have the right to terminate this Agreement if Franchisee uses any ingredients, supplies, furnishings and equipment that do not conform to such standards and specifications.
- 17.8 Permit Franchisor or its agents, at reasonable times, to remove from the restaurant samples of any product without payment, in amounts necessary for testing to determine whether the samples meet Franchisor's then-current standards and specifications. In addition to any other remedies it may have, Franchisor may require Franchisee to bear the cost of the testing if the suppliers for the item have not been approved or if the item does not conform to the System's standards and specifications.
- 17.9 Prominently display restaurant signs in and upon the land and buildings using the Marks and/or other advertising signs of such nature, form, color, number, location and size and containing such material as Franchisor may from time to time reasonably direct or approve in writing; and not display in or upon said premises or elsewhere any sign or advertising media of any kind to which Franchisor reasonably objects, including signs and advertising media which have been outdated. Upon giving Franchisee notice of its objection to same or upon termination hereof, Franchisor may at any time enter upon the said premises and remove any objectionable or non-approved signs or advertising media and keep or destroy the same without paying therefore or without being deemed guilty of trespassing or any other tort.
- 17.10 Conduct all advertising programs using the Marks or copyrighted materials in a dignified manner that will not detract from the reputation of the System, but will enhance the reputation of the System.
- 17.11 Submit all news stories and other information to be released for publication relating to the restaurant operated by Franchisee to Franchisor so as to keep the Franchisor informed.
- 17.12 Carry only such menu items as may from time to time be approved by Franchisor and serve only under the formulae and recipes and in the containers, plates, dishes and presentations approved by Franchisor.
- 17.13 Use Franchisee's personal, best and continuing efforts to fully promote and develop the Franchised Restaurant, using the restaurant only for the purposes designated in this Agreement and avoiding any activities that would conflict or interfere with, or be detrimental to such purposes.
- 17.14 Not sell, display or use on Unit Franchisee's premises vending machines, video games, entertainment devices, jukeboxes, gambling devices, games of chance, telephone booths, and products not included in the System, unless approved in writing by Franchisor.
- 17.15 Not use Marks except as they relate to the System.
- 17.16 Participate in any and all cooperative advertising program established by Franchisor with System suppliers or fellow Franchisees.
- 17.17 Have at all times a manager and a principal who have met Franchisor's training requirements.
- 17.18 Will at all times use in the preparation of food products the following special ingredients:
Garlic Jim's Pizza Sauce and Dough Mix.

Formatted: Tabs: 6.5", Right

- 17.19 Have all managers and key employees sign a form nondisclosure agreement to ensure confidentiality.
- 17.20 Keep the operations manual and other manuals and materials current as to local and/or state laws.
- 17.21 Franchisees are personally responsible for all debts and monetary obligations owed to franchisor, its subsidiaries or affiliates and to all franchise vendors and creditors.

18. **Approval.**

Franchisee shall operate and maintain the Franchised Restaurant in a manner that will ensure that said business will obtain the highest approval possible for businesses of like kind from the governmental authorities that inspect restaurants in the area where said business is operated. Franchisee must submit a copy of its current approval to Franchisor every six months. If Franchisee is not able to obtain such approval or if Franchisee fails to operate in accordance with the general standards of quality, maintenance, repairs and sanitation required by the System, then Franchisor may, at its option, place such trained personnel in the Franchised Restaurant as it deems necessary to train the operating personnel until said business can obtain the highest approval or meet said general standards. The personnel shall remain at the restaurant until the required approval is obtained or until Franchisor, in its discretion, decides to remove them. The Franchisee shall pay all costs of providing said personnel, including costs of transportation, meals, lodging, salary, wages or other compensation, plus the cost of fringe benefits which shall be deemed to be Twenty percent (20%) of their salary and wages.

19. **Franchisee is an Independent Contractor.**

Franchisee is, and shall be under this Agreement, an independent contractor, and no partnership shall exist between Franchisee and Franchisor. This Agreement does not make Franchisee the agent, legal representative, or employee of Franchisor for any purpose whatsoever, and Franchisee is not granted any right or authority to assume or create any obligation for or on behalf of, or in the name of, or in any way to bind Franchisor. Franchisee agrees not to incur or contract any debt or obligation on behalf of Franchisor or commit any act, make any representation or advertise in any manner which may adversely affect any right of Franchisor or be detrimental to their good names and reputations, or that of other franchisees of Franchisor.

Pursuant to the above and subject to the provisions of state law, Franchisee agrees to indemnify Franchisor and save and hold Franchisor harmless from any and all liability, loss, attorney's fees, or damage Franchisor may suffer as a result of claims, demands, costs or judgments against Franchisor arising out of the relationship hereby established.

20. **Offerings by Franchisee.**

Securities or partnership interests in Franchisee may be offered to the public, by private offering, or otherwise, only with the prior written consent of Franchisor, whether or not Franchisor's consent is otherwise required, which consent shall not be unreasonably withheld. All materials required for such offering by federal or state law shall be submitted to Franchisor for review prior to their being filed with any government agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for review prior to their use. No Franchisee offering shall imply (by use of the Marks or otherwise) that Franchisor is participating in an underwriting, issuance, or offering of Franchisee or Franchisee securities; and Franchisor's review of any offering shall be limited solely to the subject of the relationship between Franchisee and Franchisor. Franchisee shall give Franchisor at least sixty (60) days' prior written notice prior to the effective date of any offering or other transaction covered by this paragraph.

21. **Restrictions.**

Franchisor is engaged in the business of operating and franchising the System on a regional and national basis. Franchisee acknowledges that the appropriation or duplication of the System or any part thereof for a purpose other than to operate a Garlic Jim's restaurant licensed to use the System would damage the goodwill and the franchising businesses of Franchisor. Therefore,

Formatted: Tabs: 6.5", Right

Franchisee agrees that it will not, during the term of this Agreement, without first obtaining Franchisor's written consent, directly or indirectly engage in or acquire any interest in any pizza business, including any interest in a corporation or other entity, that directly or indirectly uses or duplicates or simulates in any way the System or any portion thereof. If it does so, then Franchisee shall pay Franchisor as liquidated damages an amount equal to five and one-half percent (5.5%) of the gross sales (as defined in Section 3) of any such business payable on the tenth (10th) day of each month and Franchisor may, at its option, obtain an injunction against further use. Franchisee further acknowledges that Franchisor owns the System, which constitutes trade secrets of Franchisor, and all material or other information now or hereafter provided or disclosed to Franchisee regarding said System is disclosed to Franchisee in confidence and Franchisee has no right to disclose any part of it to anyone who is not an employee of Franchisor or any of its franchisees. Franchisee will not disclose information to any employee or agent until that employee or agent executes a nondisclosure agreement satisfactory to Franchisor under which agreement Franchisor will be a third party beneficiary of the commitment of the employee and/or agent. Franchisee will at its cost enforce the nondisclosure provisions of this Agreement and the nondisclosure agreement against the agents and employees. Franchisee further agrees not to use the Marks or trade names in any manner, except as approved by Franchisor, and then only to operate a Garlic Jim's restaurant. All other rights to the Marks and trade names are reserved to the Franchisor.

22. Interest and Late Fee.

Any sums owed to the Franchisor that are not paid on or before the date they are due will bear a late payment charge equal to Two Hundred Dollars (\$200.00) for each delinquent fee for that month/period. If Franchisee's payments are more than Thirty (30) days late, Franchisor will charge interest at the maximum allowed by applicable state law from the date due until the date paid.

23. Indemnification and Insurance.

23.1 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.

23.2 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.

23.3 Franchisee shall, at all times, carry such insurance as may be required by law and/or the terms of any lease on the premises where the Franchised Restaurant is located, and in any event, the following:

Formatted: Tabs: 6.5", Right

- 23.3.1 Employer's Liability and Workmen's Compensation in an amount no less than that prescribed by law in the state in which the Franchised Restaurant is located.
- 23.3.2 Liability Insurance under a comprehensive general liability form for products liability, premises and operations contractual liability, and property damage on an occurrence basis with the following limits:

Property Damage and Personal Injury: \$1,000,000.00
- 23.3.3 Maintain state minimum limits on non-owned automobile liability insurance and when available raise those limits to One Million Dollars (\$1,000,000.00).
- 23.3.4 To have fire legal liability insurance in an amount for adequate coverage of the building that is being leased or furnish the Franchisor with a waiver of subrogation from the lessor concerning fire legal liability.

- 23.4 Any and all insurance obtained by Franchisee shall be in form and with insurers acceptable to Franchisor and Franchisor shall be named as an additional named insured under each of said policies and furnished with copies of the policies or certificates therefor. All policies of insurance required to be maintained by Franchisee hereunder shall be renewed (and policies or certificates together with evidence of payment of premiums delivered to Franchisor) at least Thirty (30) days prior to the respective expiration dates of existing policies of insurance. All such policies shall contain endorsements requiring the insurer to give Franchisor at least Ten (10) days' written notice before terminating, canceling or making any changes in any such policy. The above limits of coverage may be increased from time to time by Franchisor to reflect increases in the cost of living, litigation expenses and inflationary trends from the date hereof. All insurance policies (excluding workers' compensation policies) must be issued by an insurance carrier rated B+ or better by A.M. Best Company, as reported to the general public at ambest.com or meeting such other criteria Garlic Jim's may establish.
- 23.5 If Franchisee fails to provide and maintain the required coverage, Franchisor may, at its discretion, obtain and pay for such coverage, in which event, Franchisee agrees that it will pay for any such costs of insurance and any expenses incurred by Franchisor.

24. Franchise Not Assignable or Transferable.

- 24.1 Except in the case of transfers to the spouse, heirs or relatives of Franchisee upon its death or permanent incapacity, Franchisee may not sell, assign or transfer its business and interest in the Unit Franchise Agreement to any third person without first offering the same to Franchisor on the same terms and conditions as offered to the third person. In such case, Franchisor shall have an option, exercisable within Forty Five (45) days after receipt of written notice of the offer and certain other information to purchase such business and interest on those terms and conditions. If Franchisor does not exercise its option, Franchisee may, within Sixty (60) days, sell, assign or transfer its business and interest in the agreements to the third party provided Franchisor has also consented to the sale, transfer or assignment.
- 24.2 Franchisee shall not directly or indirectly sell, assign, transfer, give, devise, convey or encumber this Agreement or any right or interest herein or hereunder, or suffer or permit any such assignment, transfer, or encumbrance to occur by operation of law, unless it first obtains the written consent of Franchisor. A transfer of any stock in the Franchisee if it is a corporation or a transfer of any ownership rights in Franchisee if it is a partnership or limited partnership shall be considered a transfer restricted hereunder.
- 24.3 Franchisor shall not unreasonably withhold approval of an assignment or transfer to proposed assignees or transferees who are of good moral character, sufficient business

Formatted: Tabs: 6.5", Right

experience, and have sufficient financial resources and otherwise meet Franchisor's then applicable standards for franchisees and who are willing to assume all obligations of Franchisee hereunder and to execute and be bound by all provisions of the Franchisor's then-current form of standard Unit Franchise Agreement, which shall, however, provide for the same royalty and service fee and marketing contributions provided hereunder and a term equal to the remaining term of the Franchise, regardless of the terms of the named current form.

The transferee shall have paid for and completed the training program(s) then required of new franchise owners and shall pay the current franchise fee. Transferee will receive the same training as franchise owners, unless at the discretion of Garlic Jim's, more limited training and limited fees are appropriate based on transferee's prior experience.

Franchise owner or transferee shall pay a transfer fee according to Garlic Jim's then-current transfer fee schedule and have reimbursed Garlic Jim's for its reasonable legal, accounting, credit, and investigation expenses incurred as a result of such transfer. At the current time, franchise owner must pay to Garlic Jim's a transfer fee equal to Three Thousand (\$3,000.00).

Franchise owner shall have paid Garlic Jim's a Three Thousand (\$3,000.00) commission, if Garlic Jim's obtained the transferee for the franchise owner.

- 24.4 As a condition to granting consent under this section, Franchisor may require completion of reasonable upgrading and remodeling of the premises to comply with standards for new franchisees and successful completion of Franchisor's training course by the proposed assignee or its manager. Further, all monetary obligations owed to Franchisor, its subsidiaries or affiliates, and to all of Franchisee's vendors, must be current before consent will be granted.
- 24.5 The Franchise, if granted to individuals, may be assigned to a partnership or corporation which conducts no business other than a Garlic Jim's restaurant, which is actively managed by Franchisee, and in which Franchisee owns and controls not less than Fifty One percent (51%) of the general partnership interest or the equity and voting power, provided that all partners or shareholders shall execute an Assignment Agreement in a form approved by the Franchisor, undertaking to be personally bound, jointly and severally, by all provisions of this Agreement and all issued and outstanding stock certificates of such corporation shall bear a legend reflecting or referring to the restrictions of this Agreement.
- 24.6 Franchisee shall have no right to grant and shall not grant any sublicense and shall not subfranchise any of the rights in the location, process, method of doing business, or System granted in this Agreement. Should Franchisee attempt any such grant or assignment, Franchisee's rights under this Agreement, at the election of the Franchisor, shall forthwith terminate.
- 24.7 Franchisor has the right to review Franchisee's business records, upon advance written notice, to determine if there have been unauthorized transfers thereunder.
- 24.8 The foregoing notwithstanding, upon the death or mental incapacity of any person with an interest in Franchisee, in this Agreement, or in the licensed business, the executor, administrator, or personal representative of such person shall transfer its interest to a third party approved by Franchisor within six (6) months after such death or mental incapacity. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any lifetime transfer. However, in the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the approval of Franchisor, the personal representative of the deceased person shall have a reasonable time to dispose of the deceased's interest in

Formatted: Tabs: 6.5", Right

Franchisee or in the licensed business, which disposition shall be subject to all the terms and conditions for transfers contained in this Agreement.

25. **Noncompetition Agreement by Franchisee and its Officers and Employees.**

This Franchise Agreement contains a covenant not to compete which extends beyond the termination of the Franchise. This provision may not be enforceable under California Law.

During the terms hereof and in the event of termination of this Agreement, for any reason other than the fault of Franchisor, and in addition to and not as a limitation of any other restrictions upon Franchisee contained herein, Franchisee and its key employees; and if Franchisee is a corporation, then Franchisee and each of its officers, key employees and stockholders; agree that they will not during such term and for a period of Two(2) years following the date this Agreement is terminated, directly or indirectly, for or on behalf of itself, himself or others, without first obtaining Franchisor's written consent, engage in any pizza food service business similar to the food business of Franchisor or any part thereof, operated under the System within the Franchised Area or in any other franchised area granted to a Garlic Jim's Franchisee. Franchisee agrees to obtain from such of its officers, key employees and stockholders as Franchisor may designate, covenants against such competition with Franchisor and Franchisee and also to obtain agreements to maintain as a trade secret the proprietary data and information supplied by Franchisor. Franchisee agrees that the execution and delivery of such agreements by any officer, key employee, or stockholder shall be a condition precedent to the designation of such officers, employment of such key employees (i.e. store managers), and/or purchase of stock by such stockholders. The parties acknowledge that the above mentioned prohibition is based on the reason and understanding that the Franchisee, its key employees; or its officers, key employees and stockholders, if it is a corporation; will be possessed of knowledge of business and operating methods and trade secrets, disclosure of which would prejudice and potentially damage the interest of Franchisor and Franchisor's other franchisees. If any part of this restriction is found to be unreasonable by a court, in time or distance, each month of time or mile of distance may be deemed a separate unit so that the time or distance may be reduced by appropriate order of the court to that deemed reasonable.

26. **Term.**

Unless terminated earlier, in accordance with the terms set forth herein, this Agreement and the Franchise granted hereunder shall have a term of Ten (10) years from the date hereof. Upon the expiration of the Agreement, provided that Franchisee gives Franchisor written notice of its election to renew not less than six (6) months, nor more than twelve (12) months, prior to the end of the then-current term, the Franchisee may apply for a new unit franchise agreement. Franchisor may, at its sole discretion, grant a new agreement. A major consideration in granting a new unit franchise agreement will be if Franchisee is not and has not, at any time during the preceding term, been in material default of Franchisee's obligations hereunder, and if Franchisee has used its best efforts to promote the Garlic Jim's Pizza System throughout the term. Further, Franchisee agrees to execute Franchisor's then-current form of Unit Franchise Agreement. Said agreement form shall contain the then-current royalty rate, the then-current advertising contributions, and the then-current renewal franchise fee of Three Thousand Dollars (\$3,000.00) for each store seeking renewal. As a further condition of granting a new agreement, Franchisor shall require refurbishing, upgrading and/or remodeling of the Garlic Jim's Pizza restaurant premises to comply with standards then applicable to new franchisees. Further, all monetary obligations owed to Franchisor, its subsidiaries and affiliates, and to all of Franchisee's vendors, must be current before a new Unit Franchise Agreement will be granted.

27. **Termination.**

If Franchisee shall:

- 27.1 Fail to perform in accordance with any of the terms of this Agreement and such default shall continue for ten (10) consecutive days after Franchisor has given written notice of

Formatted: Tabs: 6.5", Right

such default, or if the default cannot be reasonably corrected within said ten (10) day period, then if it is not corrected within such additional time as may be required, assuming Franchisee proceeds with reasonable diligence, PROVIDED THAT SUCH WRITTEN NOTICE AND A REASONABLE TIME TO CORRECT DEFAULTS SHALL NOT BE REQUIRED IF FRANCHISEE REPEATEDLY FAILS TO PERFORM IN ACCORDANCE WITH THE TERMS AND CONDITIONS CONTAINED HEREIN; or

- 27.2 Be adjudicated a bankrupt, become insolvent, or have a trustee or a receiver of all or any part of Franchisee's property appointed by a court of competent jurisdiction **NOTE: This provision may not be enforceable under Federal Bankruptcy Law (11 USCA §101 et seq.);** or
- 27.3 Have a procedure for reorganization, composition or arrangement of Franchisee's affairs, instituted for or against Franchisee whether or not the same is approved by a court of competent jurisdiction; in no event shall the Franchise Agreement or any right or interest hereunder be deemed an asset in any insolvency, receivership, bankruptcy, arrangement, composition or reorganization proceedings; or
- 27.4 Not gain a dismissal within Ninety (90) days thereafter, should an involuntary bankruptcy proceeding be filed under any bankruptcy laws or other laws; or
- 27.5 Make a general assignment for the benefit of creditors; or
- 27.6 Default in the payment of any indebtedness to Franchisor, and/or to all of Franchisee's vendors, when same becomes due and payable and Franchisee fails to pay said amount within ten (10) days after receiving notice of said default; or
- 27.7 Fail to satisfy any judgment against Franchisee within Thirty (30) days after the judgment is entered and becomes final; or
- 27.8 Falsify any report required to be furnished Franchisor hereunder; or
- 27.9 Cease to do business on the franchised premises for a period of three (3) days or more; or
- 27.10 Lose, for any cause whatsoever, the right of possession as owner or lessee of the real property on which the Franchised Restaurant is located; or
- 27.11 Fail to restore the Franchised Restaurant to full operation within a reasonable period time, but not more than Ninety (90) days, from the date the Franchised Restaurant is rendered inoperable by any casualty; or
- 27.12 Fail to comply with laws, rules or regulations of all federal, state and local governments, applicable to the operation; or
- 27.13 Fail to use its best efforts to promote and operate the Garlic Jim's Pizza System franchised hereunder.

Then, and in any such event, Franchisor may, without prejudice to any other remedies it may have, terminate this Agreement and the franchise granted hereunder, by written notice to Franchisee, and all rights of Franchisee hereunder shall cease and Franchisee shall pay Franchisor all sums then due, except where prohibited by state law. **This Franchise Agreement contains a liquidated damages clause. Under California Civil Code §1671, certain liquidation damages clauses are unenforceable.** However, such termination shall not affect the obligation of Franchisee hereunder to take action or abstain from taking action after the termination hereof. In addition to Franchisor's right to terminate the Franchise Agreement, and not in lieu thereof,

Formatted: Tabs: 6.5", Right

Franchisor may enter into the franchised facility and exercise complete authority with respect to the operation of the franchised facility until such time as it determines that the default of Franchisee has been cured and that Franchisee is complying with the requirements of this Agreement. Franchisee specifically agrees that a designated representative of Franchisor may take over, control and operate the franchised facility and Franchisee shall reimburse Franchisor for the full compensation paid to such representative, including the cost of all fringe benefits plus all travel expenses, room and board and other expenses reasonably incurred by such representative, so long as it shall be necessary, and in any event until the default has been cured and Franchisee is complying with the terms of this Agreement. Franchisee shall have a clause inserted in its lease for the premises which encompasses the above.

27.14 Franchisee has been put in an operational default three (3) times in one twelve (12) month period of time.

28. Effect of Termination.

On termination of this Agreement, whether by reason of lapse of time, default in performance, or other cause or contingency, Franchisee:

- 28.1 Shall within seven (7) days, 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;
- 28.2 Shall discontinue all use of the Franchisor's Marks 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 and shall immediately assign to Franchisor the restaurant telephone number(s); and
- 28.3 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.
- 28.4 Shall not operate, or do business under any name or in any manner that might tend to give the general 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.
- 28.5 Shall not make use of or avail itself of any of the trade secrets, methods of operation, or information received from Franchisor, or disclose or reveal any such information or any portion thereof to anyone not employed by Franchisor or its franchisees;
- 28.6 Shall not assist anyone not licensed to use the System in the construction or equipping of any 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.
- 28.7 Shall execute any and all documents required by Franchisor which are necessary to effectuate termination of Franchisee's license and interest in the use of any and all Marks of Franchisor.
- 28.8 If Franchisee has the power to prevent it, shall not permit the real property which was used for any Franchised Restaurant to be used for any business similar to the business operated under the System for a period of two years after the expiration of the right of Franchisor to buy the property as hereinabove defined; and
- 28.9 Shall not, during the term, and for twenty four (24) months after termination, directly or indirectly, engage in any food service business, including a food service business

Formatted: Tabs: 6.5", Right

manufacturing or supplying pizza or similar to the food service business, or any part thereof, operated under the System within the Franchised Area.

The remedies hereunder are cumulative, not exclusive.

29. Sale or Lease of Premises.

- 29.1 If during the term of this Agreement, Franchisee shall receive a bona fide offer and desires to sell, transfer, assign, lease or sublet any interest in any business location covered by this Agreement or any part thereof, or in the business thereon conducted, or in the equipment or furnishings located thereon, it shall offer the same to Franchisor in writing at the same price and on the same terms, which offer Franchisor may accept at any time within sixty (60) days of receipt of such offer to sell by Franchisor from Franchisee. If Franchisor declines, or does not within said sixty (60) day period accept such offer, then for a period of sixty (60) days Franchisee may sell, transfer, assign, lease or sublet such interest as the case may be, but not at a lower price nor on more favorable terms than have been offered to Franchisor. If Franchisee does not close a transaction within said sixty (60) days, the right shall lapse and the transaction must be re-offered to Franchisor pursuant to the procedures set forth above.
- 29.2 In no event shall Franchisee offer the said premises or any interest therein, or in the business conducted thereon, or in the equipment or furnishing thereon for sale or transfer at public auction, nor at any time shall an offer be made to the public to sell, transfer, assign, lease, or sublet, through the medium of advertisement, either in the newspapers or otherwise, without having first obtained the written consent of Franchisor to such advertisement or publication.

30. Sale or Discontinuance of Business for Other Reasons.

If this Agreement is terminated or canceled by reason of lapse of time, default in performance, or if Franchisee decides to discontinue business at the Franchised Restaurant for any other reason, Franchisee must give Franchisor sixty (60) days' written notice thereof. Prior to termination Franchisee must offer to sell the assets of the business first to Franchisor. If upon such offer the parties are unable to agree as to a purchase price and terms, the fair value of said premises and property shall be determined by three appraisers, Franchisee selecting one, and Franchisor selecting one; the two appraisers so chosen, shall select a third appraiser. The decision of a majority of the appraisers so chosen, shall be conclusive, and the arbitrators shall exclude from their decision as to the fair value anything for goodwill or going concern value. Franchisor shall have the right to purchase the said premises and property at any time within sixty (60) days after receipt, in writing, of the decision of the appraisers as aforesaid, or if appraisers were not required, then at any time within sixty (60) days after receipt in writing of an agreeable offer. The cost of the appraisal shall be shared equally by the parties. If the business is not purchased within the specified time periods, Franchisee shall have ninety (90) days in which to sell to a third party, after which time any sale must be resubmitted as set forth above.

31. Restriction on Use of Property.

In order to protect the goodwill derived from the System, Franchisee shall not, if it has the power to prevent it, permit the real property used for the Franchised Restaurant to be used for any business similar to the business operated under the System during a period of two (2) years after the last to occur of: (i) the termination of this Agreement or (ii) expiration of the right of Franchisor to buy hereunder. Franchisee shall insert a clause in its lease (if any) or at Franchisor's option, shall record an agreement in the applicable land records giving effect to this provision.

32. Miscellaneous.

Formatted: Tabs: 6.5", Right

32.1 **Successors.** This Agreement shall bind and inure to the benefit of the successors and assigns of Franchisor and shall be personally binding on and inure to the benefit of Franchisee (including the individuals executing this Agreement on behalf of a corporation if Franchisee is a corporation) and its or their respective heirs, executors, administrators, successors and assigns.

32.2 **Parties Bound.** The covenants, restrictions and limitations contained herein shall apply to all of the individuals executing this Agreement and the attachments hereto, and if Franchisee is a corporation, or if the rights of Franchisee hereunder are assigned to a corporation with the consent of Franchisor, shall (without limiting the generality of the foregoing) apply to the activities of all stockholders, officers, directors, key employees, managing agents, subsidiaries and affiliates of Franchisee, or such corporate assignees. If Franchisee is a corporation, it agrees to affix a legend to all stock certificates evidencing its stock issued during the term of this Agreement which shall state that all such stock is subject to the terms and conditions contained herein. Assignment by Franchisee shall not relieve it of the obligations herein, and it is specifically understood that it shall continue to be bound by the covenants not to compete contained herein.

32.3 **Trade Name.** Individual Franchisees shall cause the publication and filing of a Trade Name Registration or other local filings which may be required in Franchisee's jurisdiction in accordance with the then-applicable laws of the jurisdiction in which the Franchisee's business is located and shall maintain the same from time to time by due and timely filings of renewal certificates, if required. If the Franchisee assigns this Franchise Agreement and the Franchisee's rights, title and interest thereunder to a corporation, as provided for in this Franchise Agreement, any such corporate name shall first be approved of in writing by the Franchisor. All trade names used by individuals or corporations operating as Franchisees of Franchisor shall bear the name "a franchisee of The Garlic Jim's Franchise Corp."

32.4 **Disputes.** **This Franchise Agreement requires binding arbitration. The arbitration will occur at King County, Washington State, with costs being born by the unsuccessful party. This provision may not be enforceable under California Law.** Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration in King County, State of Washington in accordance with the rules of the American Arbitration Association then pertaining, using AAA Arbitrators, and judgment upon the award rendered may be entered in any court having jurisdiction thereof.

This Agreement is for a franchise. Damages for breach thereof would be difficult, if not impossible to prove. The parties therefore agree that pending arbitration, this Agreement may be enforced in equity by specific performance and that all equitable remedies may be invoked including temporary or permanent injunctions. Upon issuance of an arbitration award, the award may be enforced by the entry of a judgment for damages or injunction as the award provides, in a court of competent jurisdiction.

The unsuccessful party in any action, suit or arbitration hereunder shall be responsible for the prevailing party's reasonable attorney fees and costs as shall be fixed by the court, or courts, or arbitration panel before which the action, including any appeal therefrom, is tried, heard or decided.

32.5 **Invalidity of Part of Agreement.** In the event that any provision in this Agreement is for any reason held to be invalid or unenforceable, such holding shall not in any way invalidate or make unenforceable the remaining provisions of this Agreement.

32.6 **Entire Agreement.** There are no representations, inducements, promises, agreements, arrangements or undertakings, oral or written, between the parties other than those set

Formatted: Tabs: 6.5", Right

forth herein. No agreement of any kind relating to the matters covered by this Agreement shall be binding upon either party unless and until the same has been made in writing and executed by all interested parties.

- 32.7 **Construction.** All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement or any provision herein may require, as if such words had been fully and properly written in the appropriate number and gender. All covenants, agreements and obligations assumed herein by Franchisee shall be deemed to be joint and several covenants, agreements and obligations of each of the persons named as Franchisee, if more than one person is so named.
- 32.8 **Captions.** Captions and section headings are used herein for convenience only. They are not part of this Agreement and shall not be used in construing it.
- 32.9 **Notices.** Whenever notice is required or permitted to be given under the terms of this Agreement, it shall be given in writing, and be delivered personally or by certified or registered mail, postage prepaid, addressed to the party for whom intended. All such notices shall be addressed to the party to be notified at their respective addresses as first above written, or at such other address or addresses as the parties may from time to time designate in writing.
- 32.10 **Effect of Waivers.** No waiver, delay, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising from any default or breach by Franchisee shall affect or impair the rights of these parties with respect to any subsequent default of the same or of a different kind. Any use by Franchisee of the System or any part thereof at any place other than at the Franchised Restaurant shall not give Franchisee any rights not granted hereunder. Failure to take action to stop such use shall not in any event be considered a waiver of the rights not granted hereunder. Failure to take action to stop such use shall not in any event be considered a waiver of the rights of Franchisor at any time to require Franchisee to restrict said use to the Franchised Restaurant.
- 32.11 **Governing Law and Venue.** This Franchise Agreement requires application of the laws of Washington State. This provision may not be enforceable under California Law. This Agreement shall be deemed to have been made and entered into in the State of Washington and all rights and obligations of the parties hereto shall be governed by and construed in accordance with the laws of the State of Washington. Venue shall lie in the Superior Court of King County, State of Washington.

33. Acknowledgments.

- 33.1 No representations, promises, guarantees or warranties of any kind were made by Franchisor to induce the execution hereof or in connection herewith, except as specifically set forth in writing in this Franchise Agreement. Franchisee further acknowledges that neither the Franchisor nor any other party has guaranteed Franchisee's success.
- 33.2 It is recognized by the parties that Franchisor is also (or may become) a manufacturer or distributor of certain products, such as pizza sold at grocery stores under the trademarks licensed herein; and it is understood that Franchisor does not warrant that such products will not be sold within the area set forth in Section 2 by others who may have purchased such products from Franchisor.

Formatted: Tabs: 6.5", Right

FRANCHISEE ACKNOWLEDGES THAT IT HAS ENTERED INTO THIS FRANCHISE AGREEMENT AFTER MAKING AN INDEPENDENT INVESTIGATION OF FRANCHISOR'S OPERATION AND LICENSING SYSTEM AND THE FRANCHISEE HAS NOT ACTED OR RELIED UPON ANY REPRESENTATIONS, EXPRESS OR IMPLIED, AS TO THE POTENTIAL SUCCESS OF SUCH BUSINESS VENTURE OF THE GROSS REVENUES, VOLUME, PROFITS OR EARNINGS WHICH THE LICENSEE MAY BE EXPECTED TO REALIZE. THE SUCCESS OF THE BUSINESS VENTURE, CONTEMPLATED HEREIN INVOLVES SUBSTANTIAL RISKS AND DEPENDS ON THE ABILITY OF THE FRANCHISEE AS AN INDEPENDENT BUSINESSMAN AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS.

The parties hereto have executed this Agreement in duplicate the day and year first above written.

_____ (Franchisee)

By: _____
Its: _____

THE GARLIC JIM'S FRANCHISE CORP. (Franchisor)

By: _____
Its: _____



EXHIBIT CONF

CONFIDENTIALITY AGREEMENT

Formatted: Centered

The following Agreement is entered in to between GARLIC JIM'S FRANCHISE CORP., a Washington corporation, having offices at 802 134th St SW, Suite 130, Everett, Washington 98204 (herein referred to as "GARLIC JIM'S") and _____ (individual/corporation), having a residence/office at _____ (hereinafter referred to as "RECIPIENT").

Deleted: ¶

Deleted: 1950 112th Avenue NE, Bellevue, Washington 98004

Formatted: Superscript

RECITALS:

WHEREAS, GARLIC JIM'S represents that it has certain ideas and information with respect to the establishment of a distinctive style of a Garlic Jim's restaurant known as "GARLIC JIM'S," which ideas and information relate to food preparation, layout, decor and motif, site selection, equipment and food supplies, food recipes, advertising strategies, marketing approaches, and further valuable know-how, trade secrets and other confidential information in connection with said restaurant, all of which is hereinafter referred to as "Disclosure," which GARLIC JIM'S desires to receive for enabling RECIPIENT to evaluate said "Disclosure" and determine whether or not RECIPIENT desires to enter into an Agreement with GARLIC JIM'S for RECIPIENT'S use of said Disclosure;

NOW, THEREFORE, IN CONSIDERATION OF ONE DOLLAR (\$1.00), paid in hand, and other valuable consideration, the receipt of which is hereby acknowledged, and further to protect the secrecy and propriety rights of GARLIC JIM'S in and to its Disclosure, IT IS AGREED by the parties hereto as follows:

1. GARLIC JIM'S agrees to disclose to RECIPIENT, who hereby accepts from GARLIC JIM'S, said Disclosure; RECIPIENT agrees to receive and for the duration of this Agreement, to use, RECIPIENT'S best efforts to maintain said Disclosure in secrecy and confidence:
 - (a) to the extent that the same was not previously known to RECIPIENT; or
 - (b) unless or until the same is or becomes public knowledge through no act or fault of RECIPIENT.
2. IT IS UNDERSTOOD AND AGREED that this Agreement conveys no rights in said Disclosure to RECIPIENT, and to the extent and so long as said Disclosure remains confidential, RECIPIENT shall not use said Disclosure for any purpose, except for the herein stated purposes of said Disclosure, and it is understood that the extent of such evaluation is to be determined solely by RECIPIENT after receiving said Disclosure.
3. All correspondence and other written materials exchanged between the parties during the term of the Agreement, and relating to the subject matter herein identified, shall be considered as part of said Disclosure.
4. RECIPIENT understands and agrees that the subject matter of said Disclosure is the property of GARLIC JIM'S and that all written material loaned to it by GARLIC JIM'S pursuant to this Agreement shall not be duplicated or reproduced and all of them shall not be duplicated or

Deleted: ¶
2005

Formatted: Tabs: 6.5", Right

Formatted: Font: Arial Narrow

Formatted: Tabs: 6.5", Right + Not at 3.25"



reproduced and all of them shall be returned promptly to GARLIC JIM'S at the request of GARLIC JIM'S

5. **THIS AGREEMENT** shall be effective as of the date of disclosure of said Disclosure to **RECIPIENT** and shall remain in effect until said Disclosure becomes public knowledge through no act or fault of **RECIPIENT**.

6. **THIS AGREEMENT** shall be construed in accordance with the laws of the State of Washington.

DATED this ___ day of _____, 20__.

GARLIC JIM'S FRANCHISE CORP.

By _____
Its: _____
"GARLIC JIM'S"

Deleted: :
Deleted: .

Address: _____
"RECIPIENT"

Deleted: :
Deleted:

Deleted: ¶
2005
Formatted: Tabs: 6.5", Right
Formatted: Font: Arial Narrow
Formatted: Tabs: 6.5", Right + Not
at 3.25"



EXHIBIT LIST
LIST OF FRANCHISEES

Formatted: Centered

DEPARTMENT OF CORPORATIONS
APR 04 2006
SACRAMENTO OFFICE

DEPARTMENT OF CORPORATIONS
APR 04 2006
SACRAMENTO OFFICE

Deleted: ¶
¶
¶
COMPANY OWNED STORES¶
¶
<#>Garlic Jim's Famous Gourmet
Pizza, Inc.¶
1105 Bellevue Way NE¶
Bellevue, WA 98004¶
(425) 455-5467¶
¶
<#>Garlic Jim's Famous Gourmet
Pizza, Inc.¶
4520 Klahanie Drive SE¶
Issaquah, WA 98029-5812¶
(425) 427-5467¶
¶

Deleted: ¶
2005
Formatted: Tabs: 6.5", Right
Formatted: Font: Arial Narrow
Formatted: Tabs: 6.5", Right + Not
at 3.25"



Exhibit List
FRANCHISEE LIST

Company Owned				
1 - Bellevue				Opening Date: 03/01/2004
<i>Name</i>	<i>Store Address</i>	<i>City, State, Zip</i>	<i>Store Phone</i>	<i>Store Fax</i>
Garlic Jim's Franchise, Inc.	1105 Bellevue Way NE	Bellevue, WA 98004	425.455.5467	425.455.5471
<i>Contact Name</i>	<i>Address</i>	<i>City, State, Zip</i>	<i>Mobile Phone</i>	<i>Email</i>
Ben Darling	802 134 th St SW	Everett, WA 98204		
2 - Klahane				Opening Date: 07/01/2004
<i>Name</i>	<i>Store Address</i>	<i>City, State, Zip</i>	<i>Store Phone</i>	<i>Store Fax</i>
Garlic Jim's Franchise, Inc.	4520 Klahanie Dr. SE	Issaquah, WA 98029	425.427.5467	425.427.8661
<i>Contact Name</i>	<i>Address</i>	<i>City, State, Zip</i>	<i>Mobile Phone</i>	<i>Email</i>
James Warren	802 134 th St SW	Everett, WA 98204		

Franchisees				
3- Maple Valley				Opening Date: 01/01/2005
<i>Name</i>	<i>Store Address</i>	<i>City, State, Zip</i>	<i>Store Phone</i>	<i>Store Fax</i>
San Jose	23330 Maple Valley Rd.	Maple Valley, WA 98029	425.433.2525	425.828.9198
<i>Contact Name</i>	<i>Address</i>	<i>City, State, Zip</i>	<i>Mobile Phone</i>	<i>Email</i>
Carlos Valiz	PO Box 437	Lake Stevens, WA 98258		carlos@sanjosepizzaco.com
4- S. Tempe				Opening Date: 04/19/2005
<i>Name</i>	<i>Store Address</i>	<i>City, State, Zip</i>	<i>Store Phone</i>	<i>Store Fax</i>
GJEC	7520 S. Rural Rd.	Tempe, AZ 85283	480.994.5467	480.491.5567
<i>Contact Name</i>	<i>Address</i>	<i>City, State, Zip</i>	<i>Mobile Phone</i>	<i>Email</i>
Bob Smith	3610 E. Southern Ave.	Phoenix, AZ 85040	360.202.6395	bob@garlicjims.com
5- Cedar Hills				Opening Date: 05/03/2005
<i>Name</i>	<i>Store Address</i>	<i>City, State, Zip</i>	<i>Store Phone</i>	<i>Store Fax</i>
VK Holdings	12480 SW Walker Rd.	Beaverton, OR 97005	503.645.3400	503.641.9500
<i>Contact Name</i>	<i>Address</i>	<i>City, State, Zip</i>	<i>Mobile Phone</i>	<i>Email</i>
Bill Volm	5603 SE Rivershore Dr.	Vancouver, WA 98683	503.706.4521	wvolm@comcast.com
6- Higley Rd.				Opening Date: 03/22/2005
<i>Name</i>	<i>Store Address</i>	<i>City, State, Zip</i>	<i>Store Phone</i>	<i>Store Fax</i>
Company Ck	147 S. Higley Rd.	Gilbert, AZ	480.507.5467	480.507.3316
<i>Contact Name</i>	<i>Address</i>	<i>City, State, Zip</i>	<i>Mobile Phone</i>	<i>Email</i>
Bob Smith	3610 E. Southern Ave.	Phoenix, AZ 85040	360.202.6395	bob@garlicjims.com

7- Rose Hill					Opening Date: 03/22/2005
Name	Store Address	City, State, Zip	Store Phone	Store Fax	
Housel Ent.	8431 122 nd Ave NE	Kirkland, WA 98033	425.822.8881	425.828.9198	
Contact Name	Address	City, State, Zip	Mobile Phone	Email	
Evelyn Housel	1622 Hoquiam Pl.	Kirkland, WA 98033			
8- West Union					Opening Date: 06/07/2005
Name	Store Address	City, State, Zip	Store Phone	Store Fax	
VK Holdings	18365 NW West Union	Portland, OR 97229	503.644.5467	503.485.0999	
Contact Name	Address	City, State, Zip	Mobile Phone	Email	
Bill Volm	5603 SE Rivershore Dr.	Vancouver, WA 98683	503.706.4521	vvolm@comcast.com	
9- Federal Way					Opening Date: 05/17/2005
Name	Store Address	City, State, Zip	Store Phone	Store Fax	
Jolly 2, Inc.	34024 Hoyl Rd.	Federal Way, WA 98023	253.838.7744	253.942.9007	
Contact Name	Address	City, State, Zip	Mobile Phone	Email	
Roger Holmstedt	3625 Spyglass Dr. NE	Tacoma, WA 98422	253.942.9006	rholmstedt@yahoo.com	
10- Woodinville / Bothell					Opening Date: 06/28/2005
Name	Store Address	City, State, Zip	Store Phone	Store Fax	
Daylight	16404 120 th Ave. NE	Bothell, WA 98011	425.483.5555	425.424.0146	
Contact Name	Address	City, State, Zip	Mobile Phone	Email	
Tony Yang	2102 NE 33 rd Pl.	Renton, WA 98056	425.445.8885	nanyanwong@aol.com	
11- Avondale					Opening Date: 08/23/2005
Name	Store Address	City, State, Zip	Store Phone	Store Fax	
LB Pizza	11523 Avondale Rd. NE Suite 111	Redmond, WA 98052	425.851.9000	425.425.497.1657	
Contact Name	Address	City, State, Zip	Mobile Phone	Email	
Yong Luu	18515 NE 100 th Ct.	Redmond, WA 98052	425.881-7484 206.498.1046	brbogle@comcast.net	
12- Ahwalukee					Opening Date: 10/18/2005
Name	Store Address	City, State, Zip	Store Phone	Store Fax	
Company Ck	1327 E. Chandler Blvd.	Phoenix, AZ	480.460.5467		
Contact Name	Address	City, State, Zip	Mobile Phone	Email	
Bob Smith	3610 E. Southern Ave.	Phoenix, AZ 85040	360.202.6395	bob@garlicjims.com	
13- W. Salem					Opening Date: 08/30/2005
Name	Store Address	City, State, Zip	Store Phone	Store Fax	
Doughboy Corp.	1594 Edgewater St. NW	Salem, OR 97304	503.581.5467	503.485.0999	

Contact Name	Address	City, State, Zip	Mobile Phone	Email
Eric Peterson	531 Tower Drive NW	Salem, OR 97304	503.385.4030 503.409.5843	eric.peterson@promortgage.net
14- Renton Hid				Opening Date: 11/08/2005
Name	Store Address	City, State, Zip	Store Phone	Store Fax
NV/NG, Inc.	4004 NE 4 th St.	Renton, WA 98056	425.228.5467	
Contact Name	Address	City, State, Zip	Mobile Phone	Email
David Kloppman	10413 210 th Ave. NE	Redmond, WA 98052	253.912.9006	davek222@comcast.net
15- Mukilteo				Opening Date: 09/20/2005
Name	Store Address	City, State, Zip	Store Phone	Store Fax
Hungary Rhino, LLC	10924 Mukileo Speedway, Suite 0	Mukileo, WA 98012	425.493.8646	
Contact Name	Address	City, State, Zip	Mobile Phone	Email
Jon Komine	3126 178 th St. SE	Bothell, WA 98012	425.591.7341	jkomine@garlicjimspizza.com
16- Monroe				Opening Date: 11/15/2005
Name	Store Address	City, State, Zip	Store Phone	Store Fax
Jack Flajole	14957 North Kelsey St.	Monroe, WA 98272	360.794.1100	360.794.1164
Contact Name	Address	City, State, Zip	Mobile Phone	Email
Jack Flajole	11028 Durland Ave NE	Seattle, WA 98125	206.818.9902	jflaj@comcast.com
17- Clackamas				Opening Date: 10/25/2005
Name	Store Address	City, State, Zip	Store Phone	Store Fax
VK Holdings	10219 SE Sunnyside Rd.	Clackamas, OR	503.496.5457	
Contact Name	Address	City, State, Zip	Mobile Phone	Email
Bill Volm	5603 SE Rivershore Dr.	Vancouver, WA 98683	503.706.4521	wvolm@comcast.com
18- Orenco				Projected Opening Date: 02/21/2006
Name	Store Address	City, State, Zip	Store Phone	Store Fax
VK Holdings	7180 NE Cornell Rd	Hillsboro, OR	503.726.5200	
Contact Name	Address	City, State, Zip	Mobile Phone	Email
Bill Volm	5603 SE Rivershore Dr.	Vancouver, WA 98683	503.706.4521	wvolm@comcast.com
19- Tigard				Opening Date: 12/13/2005
Name	Store Address	City, State, Zip	Store Phone	Store Fax
Stierlin Ohana, LLC	13815 SW Pacific Hwy.	Tigard, OR 97223	503.968.7700	
Contact Name	Address	City, State, Zip	Mobile Phone	Email
Lou Stierlin	3600 Robin view Dr.	West Linn, OR 97068	503.635.4526	lmshierlin@aol.com
20- Peoria				Projected Opening Date: 02/14/2006
Name	Store Address	City, State, Zip	Store Phone	Store Fax
Robert Bailey	7557 W.	Peoria, AZ	623.334.8400	

	Greenway, #102	85381		
Contact Name	Address	City, State, Zip	Mobile Phone	Email
Robert Bailey	8232 W. Crocus Dr.	Peoria, AZ 85381	206.818.9902	Mygish3@cox.net
21-Chandler				Projected Opening Date: 02/17/2006
Name	Store Address	City, State, Zip	Store Phone	Store Fax
Cudd Family Ent	1445 S. Arizona Ave.	Chandler, AZ 85224	480.821.5467	
Contact Name	Address	City, State, Zip	Mobile Phone	Email
Gabe Cudd	4271 Andre Ave.	Gilbert, AZ 85297	480.540.5138	gcudd@tannersagent.com
22- University Pl				Projected Opening Date: 02/21/2006
Name	Store Address	City, State, Zip	Store Phone	Store Fax
Lisa Slokke	2065 Mildred St. W	Fir Crest, WA 98466	253.565.5467	
Contact Name	Address	City, State, Zip	Mobile Phone	Email
Lisa Slokke	7910 N. 10 th St.	Tacoma, WA 98406	253.970.9349	curzoo@harbornet.com
23- Bremerton				Opening Date: 12/06/2005
Name	Store Address	City, State, Zip	Store Phone	Store Fax
Kitsap GJ W.B.	1704 6 th St.	Bremerton, WA 98337	360.373.5467	360.373.2110
Contact Name	Address	City, State, Zip	Mobile Phone	Email
Ted Fry	1704 6 th St.	Bremerton, WA 98337	360.536.2104	tedf@garlicjimskitsap.com
24- Salmon Ck				Projected Opening Date: 02/14/2006
Name	Store Address	City, State, Zip	Store Phone	Store Fax
Dave Quinn	13317 NE 12 th Ave.	Vancouver, WA	360.573.8400	
Contact Name	Address	City, State, Zip	Mobile Phone	Email
Dave Quinn	808 NW 172 nd Pl.	Beaverton, OR 97006	503.891.4013	dxquinn@aol.com



Formatted: Centered

EXHIBIT FIN
FINANCIAL STATEMENTS

Deleted: ¶
2005

Formatted: Tabs: 6.5", Right

Formatted: Font: Arial Narrow

Formatted: Tabs: 6.5", Right + Not
at 3.25"

CONSENT OF ACCOUNTANT

Garlic Jim's Franchise International, Inc.

We hereby consent to the use in the Franchise Disclosure Document (Offering Circular) of Franchisor of our report dated March 17, 2006, relating to the audited financial statements of **Garlic Jim's Franchise International, Inc.** for the year ended December 31, 2005 and the initial period ended December 31, 2004. We understand that the Offering Circular will be filed with appropriate state regulatory authorities and delivered to prospective franchisees.

Date this 29th day of March, 2006.

Accountant:

William Veroni & Co Inc PS