



## FRANCHISE OFFERING CIRCULAR

### Garlic Jim's Franchise Corp.

A Washington Corporation

802 134<sup>th</sup> St. SW, Suite 130

Everett, Washington 98204

(425) 918-1900

**Brief Description of Franchised Business:** The Franchise will offer a limited menu of fresh cooked pizzas, beverages and complimentary items to the public.

**Total Amounts from Items 5 and 7:** The initial franchise fee is Twenty Thousand Dollars (\$20,000.00). Certain qualified existing Franchisees of Garlic Jim's Famous Gourmet Pizza stores may be offered a discount of Five Thousand Dollars (\$5,000.00) for subsequent units in consideration of reduced training expenses. The estimated initial investment required ranges from One Hundred Seventy-Five Thousand Six Hundred Dollars (\$175,600.00) to Three Hundred Forty Seven Thousand Three Hundred Dollars (\$347,300.00). This sum does not include real property, workers compensation insurance, or any salary for the owner during the initial start-up period.

#### RISK FACTORS:

THE FRANCHISE PERMITS THE FRANCHISEE TO ARBITRATE WITH THE FRANCHISOR ONLY IN WASHINGTON. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT ALSO MAY COST MORE TO ARBITRATE WITH THE FRANCHISOR IN WASHINGTON THAN IN YOUR HOME STATE.

THE UNIT FRANCHISE AGREEMENT STATES THAT WASHINGTON LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

<http://www.garlicjims.com/franchise.asp>

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT: [www.corp.ca.gov](http://www.corp.ca.gov)

Information comparing franchisors is available. Call the state administrators listed in **Exhibit ST** or your public library for sources of information.

Registration of this franchise by a state does not mean that the state recommends it or has verified the information in this Offering Circular. If you learn that anything in the Offering Circular is untrue, contact the Federal Trade Commission and your state agency listed in **Exhibit ST**.

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 Exhibit CAL attached and made a part of this Uniform Franchise Offering Circular.

Effective Date: \_\_\_\_\_

Uniform Franchise Offering Circular

Garlic Jim's Franchise Corp.

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**David Gollersrud, Director, VP Sales & Real Estate**

From 2001 to 2003, Mr. Gollersrud was a Jet City Pizza Franchisee in New Castle, Washington and has served as the Franchise Operations Director for Jet City Pizza Company and was responsible for training. From 1996 to 2001, Mr. Gollersrud was a buyer for Nordstrom in the Oregon market. Mr. Gollersrud is also a Director and Vice President of Garlic Jim's Famous Gourmet Pizza, Inc. with specific responsibilities for the development of emerging markets and the oversight of sales and site acquisition in current markets. Mr. Gollersrud also serves as Director, Vice President, and Treasurer of Garlic Jim's Food & Equipment Southwest, Inc.

**Craig Roberts, Director, VP Operations**

From 2001 to 2003, Mr. Roberts was a Jet City Pizza Franchisee in New Castle, Washington. In 2000, Mr. Roberts was a General Manager for Jet City Pizza Company. From 1995 to 2000, Mr. Roberts was a Regional Sales Representative in Southern Oregon for the Coca-Cola Company. He also serves as a Director and Vice President of Garlic Jim's Famous Gourmet Pizza, Inc.

**Mark Peizer, Director**

From 1997 to the Present, Mr. Peizer serves as a principal partner in Lang-Peizer Commercial Real Estate in Seattle, Washington. Mr. Peizer is also a Director of Garlic Jim's Famous Gourmet Pizza, Inc.

**Franchise Broker:**

Summit Management Group (A Division of Summit Real Estate Group LLC, a Washington Limited Liability Company) is the Franchise Broker of Garlic Jim's Franchise Corp. in the State of Washington. Their address is 230 West Third Street, North Bend, Washington 98045. Mr. Jonathan Pearlstein is the broker (member of Summit Management Group) and has served in this capacity since December 1, 2003. Prior to this, Mr. Pearlstein was with the Starbucks Corporation from May 1, 1999 to June 1, 2001.

3. **LITIGATION.**

No litigation is pending against either the Franchisor or its affiliate entities.

**Neither the franchisor, nor any person or franchise broker set forth in Item 2 of the UFOC is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.**

4. **BANKRUPTCY.**

No person previously identified in Items 1 or 2 of this Offering Circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed under this Item.

5. **INITIAL FRANCHISE FEE.**

The initial franchise fee for a Garlic Jim's Restaurant franchise is Twenty Thousand Dollars (\$20,000.00). The initial franchise fee is calculated on a uniform basis for all franchises. Certain qualified existing Franchisees of the Garlic Jim's stores may be offered a discount of Five Thousand Dollars (\$5,000.00) in consideration of reduced training expenses.

By Direction of the California Department of Corporations, Garlic Jim's may not have receipt of the Initial Franchise Fee until all of its obligations to you have been completed. For details of the deferral of the Initial Franchise Fee, see Exhibit CAL, attached and made a part of this Uniform Franchise Offering Circular.

The Initial Franchise Fee is payable in cash or by certified check. This payment holds your Territory while Garlic Jim's reviews your application and business plan. If Garlic Jim's rejects your application or if you cancel for any reason, during this review period, Garlic Jim's will refund the entire franchise fee paid.



PROVISIONS	SECTION IN UNIT FRANCHISE AGREEMENT	SUMMARY
		arranged, release signed by you and current agreement signed by new franchisee
Garlic Jim's right of first refusal to acquire your business	29.1	Garlic Jim's can match any offer for the Franchisee's business

**Note 1:** These states have statutes which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise:

Arkansas - Stat. Sec. 70-807; California - Bus. & Prof. Code Sections 20000-20043; Connecticut - Gen. Stat. Section 42-133e et seq; Delaware - Code, tit.; Hawaii - Rev. Stat. Section 482E-1; Illinois - 815 ILCS 705/1-44 and 705/20; Indiana - Stat. Section 23-2-2.7; Iowa - Code Sections 532H.1-523H.17; Michigan - Stat. Section 19.854(27); Minnesota - Stat. Section 80C.14; Mississippi - Code Section 75-24-51; Missouri - Stat. Section 407.400; Nebraska - Rev. Stat. Section 87-401; New Jersey - Stat. Section 56:10-1; South Dakota - Codified Laws Section 37-5A-51; Virginia - Code 13.1-557-574 - 13.1-564; Washington - Code Section 19.100.180; Wisconsin - Stat. Section 135.03.

These and other states may have court decisions which may supersede the franchise agreement in your relationship with the Franchisor, including the area's of termination and renewal of your franchise.

**California Business and Professions Code Section 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.**

**18. PUBLIC FIGURES.**

Garlic Jim's does not use any public figures to promote its franchise.

**19. EARNINGS CLAIMS.**

Garlic Jim's does not furnish or authorize its salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of a Garlic Jim's franchise business. Actual results vary from unit to unit and Garlic Jim's cannot estimate the results of any particular franchise.

**20. LIST OF OUTLETS.**

The following chart shows the number of Garlic Jim's franchises and company-owned businesses during the three (3) calendar years prior to this Offering Circular, together with projections for sales of franchises and openings of company-owned businesses through April 20, 2007.

State	Franchises open for business			Franchises sold but not opened			Company owned open for business			Company owned closed for business			Projected franchise sales & company openings
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	
													04/20/06 -04/20/07
Washington	0	0	9	0	0	7	0	2	0	0	0	0	12
Oregon	0	0	5	0	0	11	0	0	0	0	0	0	5
Arizona	0	0	3	0	0	3	0	0	0	0	0	0	5
Nevada	0	0	0	0	0	0	0	0	0	0	0	0	7
California	0	0	0	0	0	2	0	0	0	0	0	0	25
Utah	0	0	0	0	0	0	0	0	0	0	0	0	2
New Jersey	0	0	0	0	0	0	0	0	0	0	0	0	8
<b>TOTAL:</b>	<b>0</b>	<b>0</b>	<b>17</b>	<b>0</b>	<b>0</b>	<b>23</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>64</b>



The following chart shows the number of franchises transferred by franchisees or terminated, not renewed or reacquired by Garlic Jim's, or otherwise reasonably known by Garlic Jim's to have ceased doing business, during the three calendar years prior to the date of this Offering Circular.

State	Franchises Transferred			Terminated by Franchisor			Not renewed by Franchisor			Reacquired by Franchisor			Otherwise left system			Franchises operating at Year End		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
Washington	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	11
Oregon	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5
Arizona	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3
Nevada	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
California	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Utah	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
New Jersey	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL:</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>19</b>

Attached as **Exhibit LIST** are the names, addresses, and telephone numbers of all franchisees as of January 1, 2006, and the last known home address and telephone number of every franchisee who had a store terminated, canceled, not renewed or who otherwise voluntarily or involuntarily ceased to do business under the Unit Franchise Agreement during calendar 2005, or who has not communicated with Garlic Jim's within ten (10) weeks of the application date of this Offering Circular.

**21. FINANCIAL STATEMENTS.**

Attached as **Exhibit FIN** to this Offering Circular are the audited financial statement from January 28, 2004 (date of incorporation) to December 31, 2004 and the audited financial statements from December 1, 2005 to April 30, 2005.

**22. CONTRACTS.**

Attached are copies of the following agreements relating to the offer of the franchise:

- Exhibit ST** - Names and Addresses of State Regulatory Authorities and Registered Agents in States
- Exhibit UFA** - Unit Franchise Agreement
- Exhibit CONF** - Confidentiality Agreement
- Exhibit LIST** - List of Franchisees
- Exhibit FIN** - Financial Statements
- Exhibit SLA** - State Law Addendum
- Exhibit CA** - California Franchise Agreement Addendum

**23. RECEIPT.**

The last page of this Offering Circular is a detachable document acknowledging receipt of the Offering Circular. If this page or any other pages or exhibits or exhibits are missing from your copy, please contact Garlic Jim's at this address or phone number:

**Garlic Jim's Franchise Corp.**  
802 134<sup>th</sup> St. SW, Suite 130  
Everett, Washington 98204  
(425) 918-1900



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

## **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



**EXHIBIT CA**

**CALIFORNIA FRANCHISE AGREEMENT ADDENDUM**

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. These include Franchisor's obligation to complete initial training, conduct site inspection and to pay for professional fees and its costs to open a Garlic Jim's restaurant. Once the Franchisor has completed its obligations to the Franchisee as set forth herein, the deferred Initial Franchise Fee shall then be paid directly to the Franchisor.

The California Franchise Investment law requires that a copy of all proposed agreements relating to the sale of the franchise be delivered together with the Offering Circular.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this \_\_\_\_\_ date of \_\_\_\_\_, 20\_\_\_\_.

GARLIC JIM'S FRANCHISE CORP.  
Franchisor Name

\_\_\_\_\_  
Prospective Franchisee

\_\_\_\_\_

\_\_\_\_\_

