

Gourmet...Right Away! SM



FRANCHISE DISCLOSURE DOCUMENT



GJ FRANCHISE SYSTEMS, INC.

(a Washington corporation)
3922 148th St. SE, Suite 107
Mill Creek, Washington 98012
Telephone: (425) 948-7603
www.garlicjims.com
newstores@garlicjims.com

GJ Franchise Systems, Inc. is offering franchises to open and operate restaurants under the name "Garlic Jim's Famous Gourmet Pizza[®]" in exchange for a fee.

The total investment necessary to begin operation of a Garlic Jim's[®] restaurant ranges from \$90,700 to \$392,000. This sum includes \$27,500 in fees (including the \$20,000 Initial Franchise Fee, the \$5,000 Initial Training Fee, and the \$2,500 Lease Review Fee) which must be paid to the franchisor. (See Items 5-7 of this Disclosure Document for further explanation concerning the total investment.)

This Disclosure Document summarizes certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Dwayne Northrop, 3922 148th St. SE, Suite 107, Mill Creek, Washington 98012, (425) 948-7603.

The terms of your contract will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date of this Franchise Disclosure Document: May 11, 2016.

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrators listed in Exhibit B for information about the franchisor or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY MEDIATION AND ARBITRATION ONLY IN WASHINGTON. OUT-OF-STATE MEDIATION AND ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE OR LITIGATE WITH US IN WASHINGTON THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT WASHINGTON LAW GOVERNS THIS AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. SPOUSES OF THE FRANCHISE OWNERS MUST SIGN A PERSONAL GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS MAKING YOUR SPOUSE JOINTLY AND SEVERALLY LIABLE FOR ALL OBLIGATIONS OF THE FRANCHISE WHETHER OR NOT THEY ARE INVOLVED IN THE OPERATION OF THE FRANCHISED BUSINESS. THIS REQUIREMENT PLACES THE PERSONAL ASSETS OF OWNERS AND SPOUSES AT RISK.
4. IF THE FRANCHISE AGREEMENT TERMINATES BECAUSE OF YOUR DEFAULT, YOU WILL, ONCE THE FRANCHISE AGREEMENT TERMINATES, BE LIABLE TO US FOR A LUMP SUM AMOUNT EQUAL TO THE NET PRESENT VALUE OF THE ROYALTIES, MARKETING FEES, AND OTHER FEES THAT YOU WOULD HAVE HAD TO PAY FOR THE REST OF THE TERM OF THE FRANCHISE AGREEMENT HAD YOU NOT DEFAULTED. ROYALTIES AND MARKETING FEES WILL BE CALCULATED BASED ON YOUR RESTAURANT'S AVERAGE MONTHLY GROSS SALES FOR THE 12 MONTHS PRECEDING THE TERMINATION DATE.

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