

FRANCHISE DISCLOSURE DOCUMENT

PAISANO'S FRANCHISE SYSTEM, INC.

a Virginia corporation

4465 Brookfield Corporate Drive, Suite 202

Chantilly, Virginia 20151

(703) 378-1500

www.paisanospizza.com



The franchise offered is for an Italian Pizza delivery restaurant offering a menu specializing in pizzas, calzones, strombolis, salads, sandwiches, hot and cold subs, Italian entrees, chicken wings, desserts, and beverages under the name "Paisano's". A Paisano's restaurant offers lunch and dinner menus for delivery, take-out, and catering, and operates using the franchisor's proprietary recipes, formulae, techniques, trade dress, trademarks and logos. You may offer dine-in services with our advance written approval.

The total investment necessary to begin operation of a Paisano's franchise is \$426,500 to \$662,500. This includes between \$30,000 to \$32,000 that must be paid to the franchisor and/or its affiliate, as appropriate.

If you sign a Multi-Unit Operator Agreement to develop at least two Restaurants, upon signing the Multi-Unit Operator Agreement you will pay a development fee equal to \$30,000 for the first Restaurant to be developed plus a deposit of \$15,000 multiplied by each additional Restaurant to be developed under the Multi-Unit Operator Agreement. The development fee is applied *pro rata* to the initial franchise fees due for each Restaurant developed after the first one. The total investment necessary to begin operation as a Paisano's Multi-Unit Operator is \$441,500 to \$677,500. This includes between \$45,000 to \$47,000 that must be paid to the franchisor and/or its affiliate, as appropriate.

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 the 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 Fouad Qreitem at 4465 Brookfield Corporate Drive, Suite 202, Chantilly, Virginia 20151 and (703) 378-1500.

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, DC 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.

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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 administrator listed in Exhibit I 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 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 TO RENEW.

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

1. **THE FRANCHISE AGREEMENT AND MULTI-UNIT OPERATOR AGREEMENT REQUIRE YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN VIRGINIA. OUT-OF-STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN VIRGINIA THAN IN YOUR OWN STATE.**
2. **THE FRANCHISE AGREEMENT AND MULTI-UNIT OPERATOR AGREEMENT STATE THAT VIRGINIA LAW GOVERNS THE AGREEMENTS, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.**
3. **THE FRANCHISEE WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM \$426,500 to \$662,500. THE MULTI-UNIT OPERATOR WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM \$441,500 to \$677,500. THESE AMOUNTS EXCEED THE FRANCHISOR'S STOCKHOLDERS EQUITY AS OF DECEMBER 31, 2016, WHICH IS \$372,933.**
4. **YOU WILL NOT RECEIVE AN EXCLUSIVE TERRITORY. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM OUTLETS THAT WE OWN, OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS THAT WE CONTROL.**
5. **THERE ARE POTENTIAL INFRINGING USES IN CERTAIN GEOGRAPHIC AREAS AND YOU MAY BE PROHIBITED FROM USING OUR MARKS IN THOSE AREAS. SEE ITEM 13 FOR DETAILS.**
6. **THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.**

We may use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

Effective date: See the next page for state effective dates

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