

SEP 18 2017

Department of
Business Oversight

FRANCHISE DISCLOSURE DOCUMENT



PHILLY FOODS, INC.
dba PHILLY'S BEST AUTHENTIC CHEESESTEAK & HOAGIE SHOP
A California Corporation
13805 Alton Parkway, Suite A
Irvine, California 92618-1690
(949) 206-9724
bobpb@sbcglobal.net
www.eatphillysbest.com

As a Philly's Best franchisee, you will operate a sandwich shop offering food and products that are unique to Philadelphia at approved locations. The total initial investment necessary to begin operating a Philly's Best sandwich shop ("Sandwich Shop") ranges from \$221,500 to \$436,000. This includes \$38,000 that must be paid to PFI and its affiliates.

We offer qualified individuals the right to own and operate multiple Sandwich Shops in a designated development area by entering into an Area Development Agreement ("ADA"). The total initial investment necessary to begin operating under the ADA will vary depending on the number of Sandwich Shops to be opened in your designated area (a "Development Territory"). The total estimated initial investment to begin operating your first Sandwich Shop under an ADA for three Sandwich Shops ranges from \$241,500 to \$456,000, which includes \$58,000 you must pay to us or our affiliates.

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 Andrea Levey at 13805 Alton Parkway, Suite A, Irvine, California 92618, (949) 206-9724.

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 homepage 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.

The issuance date is September 14, 2017.

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with the 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 G 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 AND AREA DEVELOPMENT AGREEMENT REQUIRE YOU TO RESOLVE DISPUTES WITH US BY MEDIATION ONLY IN THE STATE OF CALIFORNIA. OUT-OF-STATE MEDIATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO MEDIATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE.
2. ANY DISPUTES NOT SUBJECT TO MEDIATION MUST BE RESOLVED BY LITIGATION ONLY IN THE STATE OF CALIFORNIA. IT MAY COST YOU MORE TO LITIGATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE.
3. IF THE FRANCHISEE/AREA DEVELOPER IS AN INDIVIDUAL, WE REQUIRE THAT THE FRANCHISEE'S/AREA DEVELOPER'S SPOUSE EXECUTE A PERSONAL GUARANTY. IF THE FRANCHISEE/AREA DEVELOPER IS A BUSINESS ENTITY, EACH PRINCIPAL AND THE RESPECTIVE SPOUSES OF EACH PRINCIPAL MUST EXECUTE A PERSONAL GUARANTY. THIS PLACES THE PERSONAL AND MARITAL ASSETS OF THESE INDIVIDUALS AND THEIR SPOUSES AT RISK.
4. YOU MUST MAKE THE MINIMUM ROYALTY OR ADVERTISING FUND PAYMENTS, REGARDLESS OF YOUR SALES LEVELS. YOUR INABILITY TO MAKE THE PAYMENTS MAY RESULT IN TERMINATION OF YOUR FRANCHISE AND LOSS OF YOUR INVESTMENT.
5. 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 is our agent and 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 Dates in the Registration States are Listed on the Following Page]

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