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FRANCHISE DISCLOSURE DOCUMENT 2014 OCT -8 AM 11 49

Pizza Factory, Inc., a California corporation which has its principal address at 49430 Road 426, Suite D, PO Box 989, Oakhurst, California, 93644, telephone (559) 683-3377. The e-mail address is [info@pizzafactoryinc.com](mailto:info@pizzafactoryinc.com), web page address <http://www.pizzafactory.com>

A sample of the primary business trademark that is used in the Franchise Business is displayed here



The Franchisee will operate a pizza and pasta restaurant which offers both sit-down and take-out service and may include delivery service. The total investment necessary to begin operation of a Pizza Factory franchise will range from \$151,000.00 - \$568,500.00. These estimates will include an initial payment of between \$25,000.00 - \$28,500.00 to establish a Pizza Factory franchise restaurant that must be paid to Pizza Factory or its affiliate(s). The Franchisee applicant shall pay a fee for a consultation and market feasibility study of \$7,500.00 which shall be applied towards the above-mentioned initial payment in the event that the applicant is accepted and enters into the Franchise Agreement.

The estimated initial investment required may vary, or even exceed this estimate, depending upon the cost of tenant improvements. Also, this sum does not include rent for the business location.

This Disclosure Document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this Disclosure Document and accompanying Agreements carefully. Note, however, that no government agency has verified the information contained in this Document. 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.

The terms of your contract will govern your Franchise relationship. Do not 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 "Buying a Franchise, A Consumer Guide," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-777-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](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

This Franchise Disclosure Document is issued on March 1, 2014 as amended on October 2, 2014.

**FOR USE IN CALIFORNIA ONLY**

Revised 10/2014

California Business & 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. Also, California courts may have rendered decisions which may supersede the Franchise Agreement in your relationship with Pizza Factory including the areas of termination and renewal of your Franchise.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. §101, et seq.)

As a condition to either transfer or assign your Franchise, Pizza Factory will require that you sign a General Release of all claims you may have against Pizza Factory, a copy of which is attached to the Franchise Agreement (Exhibit D) as Exhibit 4. The General Release required as a condition for renewal, sale, and/or assignment/transfer shall not apply to release of the type of liability that either the California Franchise Investment Law or the California Franchise Relations Act prohibits from being released or waived.

Also, the 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. The Franchise Agreement also contains a liquidated damage clause. Under California Civil Code §1671, certain liquidated damage clauses are unenforceable. If you transfer or assign your Franchise, you may hold a note secured by any of the assets of the new Franchisee and/or Franchise Business. If you do, then you and/or the principals of the Franchise Business will be required to guarantee that the new Franchisee fully performs his/her/their/its obligations under the Franchise Agreement. The form of Personal Guarantee which will be required that you and, if applicable, your principal shareholder/partners sign is attached to the Franchise Agreement (Exhibit D) as Exhibit 6.

#### **ITEM 18 PUBLIC FIGURES**

Pizza Factory does not use any public figures to promote its franchise at this time.

#### **ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if (1) a franchisor provides the actual records of an existing outlet you are considering buying, or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

~~We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the Franchisor's management by contacting Mary Jane Riva or Robert Riva at P O Box 989, Oakhurst, California, 93644, (559) 683-3377, the Federal Trade Commission, and the appropriate state regulatory agencies.~~

Presented below is the gross sales information for calendar year 2013 for the 86 Restaurants that were open and in operation for 12 full calendar months as of the last day of the applicable year and were at least 1,800 square feet. There were (a) 16 Restaurants under 1,800 square feet operating in 2013, and (b) three Restaurants that were in operation less than 12 full months in 2013. The tables below also include results from two Restaurants that we operated in 2013. Except as noted below, all of the Restaurants offer delivery service. We have excluded Restaurants under 1,800 square feet because they represent a business model that we no longer offer or allow new franchisees to operate. The tables below also reflect the number of Restaurants that were open for more than 10 years in each segment.

### SUMMARY BY SALES

Restaurants	Average of Restaurants 1800 Sq Feet and Above	Sales Above \$500,000	Sales Between \$300,000 and \$500,000	Sales Below \$300,000
Gross Sales Average	\$521,016	\$726,521	\$410,105	\$223,311
No. of Restaurants in Range	86	39 <sup>1</sup>	32 <sup>2</sup>	15 <sup>3</sup>
No. of Restaurants Above Average	33	14	15	8
% of Restaurants Above Average	38.37%	35.89%	46.87%	53.33%
No. of Restaurants Open 10+ Years	69	33	24	12
% of Restaurants Open 10+ Years	80.23%	84.61%	75.00%	80.00%

- 1 9 Restaurants did not offer delivery service
- 2 6 Restaurants did not offer delivery service
- 3 1 Restaurant did not offer delivery service

**YOU SHOULD UNDERSTAND THAT PAST RESULTS ARE NO ASSURANCE AS TO FUTURE RESULTS. ACTUAL RESULTS WILL VARY FROM RESTAURANT TO RESTAURANT AND FROM MARKET TO MARKET AND NO ONE (INCLUDING US)**

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