

FRANCHISE DISCLOSURE DOCUMENT

PIZZA FACTORY, INC.
A CALIFORNIA CORPORATION
49430 ROAD 426, SUITE D, PO BOX 989
OAKHURST, CALIFORNIA, 93644
(559) 683-3377
www.pizzafactory.com
info@pizzafactoryinc.com



**WE TOSSEM,
THEY'RE AWESOME!**

The franchise offered is for a pizza and pasta restaurant which offers both sit-down and take-out service and may include delivery service. We offer two franchise programs:

1. A single Pizza Factory restaurant. The total investment necessary to begin operation of a Pizza Factory franchise will range from \$372,000 - \$562,000. This estimate includes the initial payment of \$30,000 to Pizza Factory.
2. Multiple Pizza Factory restaurants within a defined area pursuant to an Area Development Agreement. There is an initial development fee of one half of the total Initial Franchise Fees payable for all restaurants to be developed under the Area Development Agreement (excluding the first Pizza Factory restaurant), plus \$30,000 representing the initial franchise fee for your first Franchise Agreement. You will pay an initial franchise fee of \$30,000 for the first restaurant. However, we will credit the development fee against the initial franchise fees (at the rate of \$12,500 per Franchise Agreement for the second through fourth Pizza Factory restaurants and the rate of \$10,000 per Franchise Agreement for the fifth and subsequent Pizza Factory restaurants).

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 governmental agency has verified the information contained in this document.**

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 an attorney or an accountant.

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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.

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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 H 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. 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 PERMITS THE FRANCHISEE TO SUE ONLY IN MADERA COUNTY, CALIFORNIA. LITIGATING IN MADERA COUNTY MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO SUE IN MADERA COUNTY THAN IN YOUR HOME COUNTY.
2. THE AREA DEVELOPMENT AGREEMENT PERMITS THE DEVELOPER TO ARBITRATE ONLY IN THE COUNTY IN WHICH THE COMPANY'S HEADQUARTERS IS LOCATED. THIS MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE IN A COUNTY OTHER THAN YOUR HOME COUNTY.
3. TO OPERATE A PIZZA FACTORY FRANCHISE RESTAURANT YOU MUST BE LICENSED TO SELL BEER AND WINE. IF YOU DO NOT MEET THE LICENSING REQUIREMENTS, YOU WILL NOT BE ABLE TO OPERATE A PIZZA FACTORY FRANCHISE WHICH COULD RESULT IN A TOTAL LOSS OF YOUR INVESTMENT.
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We 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.

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