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DEPARTMENT OF  
BUSINESS OVERSIGHT  
SAN FRANCISCO**FRANCHISE DISCLOSURE DOCUMENT****1 THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

The franchisor is Pizza Guys Franchises, Inc, a California corporation incorporated on April 7, 1995, which sells pizza store franchises under the "*Pizza Guys*" name To simplify language in this Disclosure Document, "Pizza Guys Franchises, Inc " will generally be referred to as "us," "we" or "our" and "you" and "your" will mean a person whom we grant a franchise

The *Pizza Guys*® franchises to be offered in this state consist of a system for serving to the general public, during lunch, dinner and other hours, a limited menu of foods and beverages prepared according to certain recipes, formulas and other procedures, for consumption off premises at takeout and delivery only pizza stores decorated and equipped according to our specifications, and operated under the "*Pizza Guys*" name according to our marketing, business, inventory, accounting, and other policies and procedures, all of which we have developed and will continue to develop (referred to as the "franchise" or the "franchise system" as the context requires)

The pizza market is a highly competitive and developed market with low profit margins requiring a high volume of sales to be profitable Additionally, the market is dominated by large nationally based companies such as *Papa Johns*® *Dominoes*® *Godfather's*® *Pizza Hut*® *Round Table*® and *Little Caesars*® with much greater capital resources than us and a multitude of small chain or single restaurant stores There may be other risks concerning this franchise Discuss the pizza market in general and this franchise in specific with your Professional Advisor

This is the 18th year in which we have offered *Pizza Guys*® franchises We have never offered franchises in another line of business We do not operate any *Pizza Guys*® stores our self although a corporation owned by our principals, RSM, Inc owns and operates *Pizza Guys*® stores in the Sacramento, California area Our telephone number is (916) 852-2222 and our principal business address is 2731 Citrus Road, Ste A-1, Rancho Cordova, California 95742, which is also the address of our agent for service of process, Shahpour M Nejad The principal business address and telephone number of our affiliate, RSM, Inc is 2731 Citrus Road, Ste A-2, Rancho Cordova, CA 95742, telephone number (916) 852 4120 The principal business address and telephone number of our affiliate, PG Equipment & Supply, Inc , is 2731 Citrus Road, Ste A, Rancho Cordova, CA 95742, telephone number (916) 852-2222

We had a predecessor, Superb Pizza, Incorporated, which operated many of the *Superb*™ pizza stores which our principals subsequently converted to *Pizza Guys*® stores

Pizza Guys is a proud sponsor of the Sacramento Kings and sells pizza at the Sleep Train Arena in Sacramento, CA Such sponsorship is on an annual basis and must be renegotiated annually Pizza Guys may not successfully negotiate future sponsorship and is not obligated to continue such sponsorship

### 3 LITIGATION

No litigation or arbitration of a type required to be disclosed in this Disclosure Document exists

Neither us, nor any person or franchise broker described in *Item 2* of this Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U S C A 78a *et seq* suspending or expelling such persons from membership in such association or exchange

### 4 BANKRUPTCY

Neither us nor any of the persons identified in *Item 2* of this franchise Disclosure Document has, during the 10 year period immediately preceding the date of this franchise Disclosure Document, been involved as a debtor in proceedings under the U S Bankruptcy Code required to be disclosed in this Item

### 5 INITIAL FEES

Initial Franchise Fee If we grant you a *Franchise Agreement* you must pay us an Initial Franchise Fee of \$15,000 at the time you sign the *Franchise Agreement* The Initial Franchise Fee is nonrefundable and you are not entitled to interest thereon See *Franchise Agreement* section 6 01(a)

Pizza Guys may offer owners of “mom and pop” pizza parlors to convert their business and operate as a Pizza Guys store As an incentive to the “mom and pop” owners, there will be no initial Franchise Fee and there may be reduction in other fees and costs associated with the initial investment which will vary on a case by case basis Such arrangements are negotiated on a case by case basis depending in part on the condition, type and status of the existing operation

Pizza Guys may offer to waive the Weekly Franchise Fee for a period of up to six (6) months to you if you open a new location The Weekly Franchise Fee is waived on the new location not your existing location Such arrangements are negotiated on a case by case basis depending in part on the condition, type and status of your existing operation

Pizza Guys may offer you the following incentive if you open a store in the underdeveloped area within a 50 miles radius from the center of the City of San Francisco

(1) No initial Franchise Fee,

(2) The Weekly Franchise Fee will be reduced to 0% for the first year,

(3) The Weekly Franchise Fee will be reduced to 3% for the second year,

(4) The Weekly Franchise Fee will be reduced to 4% for the third year,

(5) The Weekly Franchise Fee will be at our standard rate (currently 5%) for the fourth year and subsequent years.

(6) Two reconditioned ovens will be provided to you for your use at no charge. No warranty is provided. If you remain in business for two years, are in compliance with the terms of the Franchise Agreement, and are current on your obligations to us, the ovens will be transferred to you.

(7) This incentive is non transferrable.

Notice of Negotiated Sales *For California Residents only* The California Franchise Investment Law requires that we notify California residents of items of this Disclosure Document which we have negotiated with other franchisees. There have been no Notices of Negotiated Sales filed in California in the last twelve months. Except as set forth herein and in any Notice of Negotiated Sales which may be included as an *Appendix* to this Disclosure Document, an identical Initial Franchise Fee and an identical Initial Advertising Fee will or will not be charged in connection with each type of franchise offered and sold pursuant to this franchise Disclosure Document. Our affiliate, RSM, Inc., builds *Pizza Guys*® stores and sells them to our franchisees as "turnkey" *Pizza Guys*® operations. RSM, Inc. does not pay us an Initial Franchise Fee or Weekly Franchise Fees, however, buyers of a turnkey store from RSM, Inc. pays us an Initial Franchise Fee, Initial and Weekly Franchise Fees.

## 6 OTHER FEES

<i>Type of Fee<sup>1</sup></i>	<i>Amount</i>	<i>Due Date<sup>13</sup></i>	<i>Remarks</i>
WEEKLY FRANCHISE FEE <sup>2</sup>	5% of Gross Sales <sup>14</sup>	Wednesday each week <sup>15</sup>	see footnotes
MINIMUM MONTHLY ADVERTISING EXPENDITURE <sup>3</sup>	Variable cumulative percentage of Gross Sales, or \$5,500, whichever is less <sup>14</sup>	As it becomes due	see footnote
TELEPHONE NUMBER LEASE <sup>4</sup>	Deposit Reimbursement of actual costs	As Incurred	see footnote
ADDITIONAL TRAINING <sup>5</sup>	Actual cost of travel, meals and lodging plus \$100 per day	Upon your request for additional training	see footnote
TRANSFER FEE <sup>6</sup>	\$7,500 or ½ of then current Initial Franchise Fee	After our approval of your proposed buyer(s)	see footnote

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