



Pizza Guys®

FRANCHISE DISCLOSURE DOCUMENT

Pizza Guys Franchises, Inc.
a California corporation
2731 Citrus Road, Ste. A-1
Rancho Cordova, California 95742
(916) 852-2222
Internet Home Page: www.pizzaguys.com

Pizza Guys Franchises, Inc. franchises others to offer and sell a limited menu of foods, beverages and other merchandise for consumption off premises from takeout and delivery only pizza stores identified by the "**Pizza Guys**" trade name and service mark which are decorated and equipped according to our specifications, and are operated according to our 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). To simplify language in this offering circular, hereinafter "Pizza Guys Franchises, Inc." will generally be referred to as "we," "us," or "our" and the franchisee, the person who buys the franchise, will generally be referred to as "you."

The total investment necessary to begin the operation of a Pizza Guys franchise is as follows: The estimated initial investment is approximately \$ 66,700 on the low end and \$ 218,500 on the high end. This sum includes the initial franchise fee of \$15,000 plus approximately \$10,000 on the low end and \$65,000 on the high end for equipment and \$2,500 for initial inventory. You are required to use a Professional Advisor to evaluate the suitability of this investment for your particular circumstances and to advise you of the risks involved. See *Franchise Agreement, section 6.01(a)* and see *Exhibit 7. See Item 5.*

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all of the attached agreements carefully. You must receive this disclosure document at least 14 days before you sign a binding agreement or make any payment to the franchisor in connection with the franchise sale.

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 the Pizza Guys Corporate Offices at the above address and telephone numbers.

OUR WEBSITE www.pizzaguys.com HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at <http://www.dbo.ca.gov>

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. Information comparing franchisors is available. Call your state agency or your public library for other sources of information of franchising. More information on franchising, such as "A Consumer's Guide to Buying a Franchise", is available from the Federal Trade Commission ("FTC"). You can contact the FTC at 1-877-FTCHELP 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. In addition, there may be laws on franchising in your state. Ask you state agencies about them. **Note, however, that no government agency has verified the information contained in this document.**

You should also know that the terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read your entire contract carefully. Moreover, show your contract and this disclosure document to an advisor, such as a lawyer or an accountant.

Effective Date:

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 3 for information about the franchisor, or about franchising in your state. **THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.**

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 PROVIDES THAT ANY DISPUTE BETWEEN YOU AND US REGARDING THE FRANCHISE AGREEMENT AND ALL MATTERS RELATING TO THE VALIDITY, CONSTRUCTION, PERFORMANCE AND ENFORCEMENT THEREOF SHALL BE HEARD BY A REFEREE PURSUANT TO THE PROVISIONS OF CALIFORNIA CODE OF CIVIL PROCEDURE §§638 THROUGH 645.1, INCLUSIVE.

2. THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS. THE FRANCHISE AGREEMENT PROVIDES THAT ANY HEARING SHALL BE HEARD IN SACRAMENTO, CALIFORNIA. THE FORUM FOR ANY LEGAL ACTION SHALL BE THE PROPER COURT OF THE STATE OF CALIFORNIA IN AND FOR THE COUNTY OF SACRAMENTO OR THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF CALIFORNIA, SACRAMENTO BRANCH. OUT OF STATE HEARINGS OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO LITIGATE WITH FRANCHISOR IN CALIFORNIA THAN IN YOUR HOME STATE. NOTWITHSTANDING THE FOREGOING, WE OR OUR AFFILIATES MAY, BUT ARE NOT REQUIRED TO, SEEK PROVISIONAL AND SUMMARY REMEDIES INCLUDING, BUT NOT LIMITED TO, WRITS OF POSSESSION AND ATTACHMENT, UNLAWFUL DETAINER, FORCIBLE EVICTION AND DETAINER AND THE LIKE, AND INJUNCTIONS AND TEMPORARY RESTRAINING ORDERS IN CIVIL LITIGATION PROCEEDINGS.

3. THE FRANCHISE AGREEMENT PROVIDES THAT ANY HEARING SHALL BE HEARD IN SACRAMENTO, CALIFORNIA. THE FORUM FOR ANY LEGAL ACTION SHALL BE THE PROPER COURT OF THE STATE OF CALIFORNIA IN AND FOR THE COUNTY OF SACRAMENTO OR THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF CALIFORNIA, SACRAMENTO BRANCH. OUT OF STATE HEARINGS OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO LITIGATE WITH FRANCHISOR IN CALIFORNIA THAN IN YOUR HOME STATE.

4. YOU HAVE A DUTY TO READ THIS FRANCHISE OFFERING CIRCULAR, THE FRANCHISE AGREEMENT AND ALL OTHER CONTRACTS CAREFULLY IN THEIR ENTIRETY FOR AN UNDERSTANDING OF YOUR AND OUR RIGHTS AND OBLIGATIONS. YOU WILL BE BOUND BY THE TERMS OF THE FRANCHISE AGREEMENT AND ALL OTHER CONTRACTS EVEN IF YOU DID NOT READ OR UNDERSTAND THEM. OUR REPRESENTATIVES ARE NOT AUTHORIZED TO MAKE DIFFERENT REPRESENTATIONS FROM THOSE CONTAINED HEREIN. ACCORDINGLY, YOU ARE NOT JUSTIFIED IN RELYING ON ANY REPRESENTATION WHICH VARIES FROM THOSE CONTAINED HEREIN. THIS

FRANCHISE OFFERING CIRCULAR IS PROVIDED FOR YOUR OWN PROTECTION AND CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER CONTRACTS. READ THESE DOCUMENTS NOW!

5. WE DO NOT FURNISH, AND WE SPECIFICALLY PROHIBIT OUR REPRESENTATIVES FROM FURNISHING, ANY ORAL OR WRITTEN INFORMATION CONCERNING THE ACTUAL OR POTENTIAL SALES, COSTS, INCOME OR PROFITS OF A STORE. ACTUAL RESULTS VARY FROM UNIT TO UNIT AND A FRANCHISE UNIT MAY LOSE MONEY OR FAIL. WE INVITE YOU AND YOUR ADVISOR(S) TO CREATE YOUR OWN BEST ESTIMATE OF EARNINGS AFTER DISCUSSIONS WITH OUR FRANCHISEES LISTED IN ITEM 20 HEREIN.

6. IF YOU ARE FURNISHED ANY ORAL OR WRITTEN INFORMATION CONCERNING THE ACTUAL OR POTENTIAL SALES, COSTS, INCOME OR PROFITS OF A PIZZA GUYS® STORE OR IF YOU ARE FURNISHED ANY INFORMATION WHICH CONTRADICTS OR CONFLICTS WITH THE INFORMATION SET FORTH IN THIS FRANCHISE OFFERING CIRCULAR, THE FRANCHISE AGREEMENT OR OTHER CONTRACTS, DO NOT RELY ON SUCH INFORMATION BUT IMMEDIATELY CONTACT OUR CHAIRMAN OF THE BOARD, SHAHPOURNEJAD, OR ANY MEMBER OF OUR BOARD OF DIRECTORS PERSONALLY AT (916) 852-2222.

7. CALIFORNIA BUSINESS & PROFESSIONS CODE SECTIONS 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. BUSINESS AND PROFESSIONS CODE SECTION 20040.5 RELATING TO FORUM SELECTION CLAUSES RESTRICTING VENUE OUTSIDE THE STATE OF CALIFORNIA FOR ARBITRATION MAY BE PREEMPTED BY THE FEDERAL ARBITRATION ACT. SECTION 20040.5 MAY STILL APPLY TO ANY PROVISION RELATING TO JUDICIAL PROCEEDINGS.

8. THE *FRANCHISE AGREEMENT* PROVIDES FOR TERMINATION UPON BANKRUPTCY. THIS PROVISION MAY NOT BE ENFORCEABLE UNDER FEDERAL BANKRUPTCY LAW (11 U.S.C.A. SEC. 101 ET SEQ.).

9. 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.

10. THE FRANCHISE AGREEMENT CONTAINS INTEREST AND LATE CHARGES WHICH MAY BE CONSIDERED LIQUIDATED DAMAGES. UNDER CALIFORNIA CIVIL CODE SECTION 1671, CERTAIN LIQUIDATED DAMAGES CLAUSES ARE UNENFORCEABLE.

11. 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 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.

12. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date:

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