FRANCHISE DISCLOSURE DOCUMENT

Pizza Guys®

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 franchise disclosure document, 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 $ 67,200 on the low end and $222,500 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 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.**

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 2731 Citrus Road, Ste. A-1, Rancho Cordova, California 95742 and (916) 852-2222.

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 "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 ("FTC"). 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 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.

Issuance Date: April 9, 2018

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.

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.

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. 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.

4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date:

PIZZA GUYS®

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Pizza Guys®

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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 23rd 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. 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. We have no affiliates that offer franchises in any line of business or provide products or services to our franchisees. We have one affiliate, RSM, Inc., a California corporation, owned by our principals, formed on January 27, 1995 which operates ***Pizza Guys®*** stores . Since 1995, RSM has owned and operated ***Pizza Guys®*** stores in the Sacramento, California area, and maintains its principal place of business at 2731 Citrus Road, Ste. A-2, Rancho Cordova, CA 95742. RSM has never conducted business in any other line of business nor has it offered franchises in this or any other lines of business. RSM does not provide you with products or services.

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

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2. BUSINESS EXPERIENCE

The persons named below are the directors, principal officers, other executives and any other individuals who will have management responsibility relating to the sale or operation of franchises offered by this Disclosure Document:

President
Member, Board of Directors: Shahpour M. Nejad

From April 1995 to the present, Shahpour M. Nejad has been President and a member of Pizza Guys Franchises, Inc. 2-person Board of Directors.

As President, Mr. Nejad is the chief operating officer of Pizza Guys Franchises, Inc. Mr. Nejad is also responsible for coordinating promotional, marketing and training programs, as well as product research and development.

As Director of Advertising, Mr. Nejad creates approved forms of advertising for the ***Pizza Guys®*** stores.

Mr. Nejad has over 34 years of experience working in, managing, constructing and operating and owning various pizza stores since 1982. Before creating ***Pizza Guys®,*** Mr. Nejad individually, or jointly with others, owned and operated, or constructed and sold before opening 15 Superb Pizzas℠ stores and managed one Superb Pizza & Burger and one Straw Hat Pizza.

Chief Financial Officer, Secretary
Member, Board of Directors: Reza Kalantari

From April 1995 to the present, Reza Kalantari has been Chief Financial Officer and a member of Pizza Guys Franchises, Inc. 2-person Board of Directors. Mr. Kalantari is responsible for corporate and franchise finances, and franchisee training with respect to banking and financial matters. In early 1998, Mr. Kalantari also became our Secretary.

Reza Kalantari has over 36 years of retail experience. Mr. Kalantari has over 28 years of experience working in, managing, constructing and operating and owning various pizza stores since 1986. Before creating ***Pizza Guys®,*** Mr. Kalantari individually, or jointly with others, owned and operated, or constructed and sold before opening 15 Superb Pizza℠ stores and worked at one Straw Hat Pizza.

VP of Operations: Michael J. Morgan

From March 2007 to the present, Michael J. Morgan has been VP of Operations. From August 1998 to March 2007, Mr. Morgan was the Operations Manager for Jacmar Foodservice.

At this time, we employ no "franchise brokers." Franchises are offered and sold solely by our officers, Messrs. Shahpour M. Nejad, Reza Kalantari and Michael J. Morgan.

3 LITIGATION

No litigation, arbitration, or other civil and/or criminal action of a type required to be disclosed in this Disclosure Document exists.

Neither us, nor a predecessor; a parent or affiliate who guarantees the franchisor's performance; an affiliate who has offered or sold franchises in any line of business within the last 10 years; or any other person identified in *Item 2* of this franchise Disclosure Document is subject to a currently effective injunctive or restrictive order or decree resulting from a pending or concluded action brought by a public agency and relating to the franchise or to a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law.

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. The Initial Franchise Fee is nonrefundable and you are not entitled to interest thereon. See *Franchise Agreement*, section 6.01(a).

We will defer the payment of the Initial Franchise Fee and all other initial payments until all of our initial pre-opening obligations have been satisfied and until you open your business and it is operating. However, you must execute the Franchise Agreement prior to looking for a site or beginning training.

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.

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

Type of Fee[1]	***Amount***	***Due Date[14]***	***Remarks***
WEEKLY FRANCHISE FEE[2]	5% of Gross Sales[15]	Wednesday each week[16]	see footnotes
MINIMUM MONTHLY ADVERTISING EXPENDITURE[3]	Variable cumulative percentage of Gross Sales, or $5,500, whichever is less [15]	As it becomes due	see footnote
TELEPHONE NUMBER LEASE[4]	Deposit Reimbursement of actual costs	As Incurred	see footnote
ADDITIONAL TRAINING[5]	Actual cost of travel, meals and lodging plus $100 per day	Upon your request for additional training	see footnote
RETRAINING[6]	Actual cost of travel, meals and lodging plus $250 per day	As we determine	see footnote
TRANSFER FEE[7]	$7,500 or ½ of then current Initial Franchise Fee	After our approval of your proposed buyer(s)	see footnote
RENEWAL/EXTEN-SION FEE[8]	$7,500 or ½ of then current Initial Franchise Fee for Franchise Agreements	At least 180 days prior to expiration of term	see footnote
INSPECTION & AUDITS[9]	Cost of inspection and audit	If audit reveals understatement of 2% or more	see footnote
PROOF OF COMPLIANCE[10]	Actual cost of travel, meals and lodging plus $250	Upon Reinspection	see footnote

Type of Fee[1]	Amount	Due Date[14]	Remarks
LATE CHARGES[11]	$35 per occurrence	From the date originally due until paid	see footnote
INTEREST[12]	18% per annum or the maximum legal rate whichever is lower	From the date originally due until paid	see footnote
REBATES[13]	variable	Paid by suppliers not by you	see footnote

FOOTNOTES:

1 All fees are not imposed, collectible or payable to us. Of the fees which are payable to us, none are refundable.

2 Weekly Franchise Fee: The Weekly Franchise Fee for the *Franchise Agreement* is 5% of Gross Sales for each week of the franchise term and any renewal/extension term, due on the Wednesday of each week for the preceding week immediately ended. See *Franchise Agreement, section 6.01(b) and 6.10.*

3 Minimum Monthly Advertising Expenditure: You are required to spend on advertising a minimum of 7% of gross sales or $5,500, whichever is less.

Advertising expenses are paid to third parties not to us. Proof of your Minimum Monthly Advertising Expenditure must be submitted with your Monthly Advertising Report (see Section 6. 05(b)). We retain the right to unilaterally increase the Minimum Monthly Advertising Expenditure in the event that, in our sole opinion, an increase is required to be competitive in the market.

We will provide an approved format for you to promote your ***Pizza Guys***@ store, however, we have not established an advertising fund and we are not required to advertise or otherwise increase recognition of and goodwill toward the ***Pizza Guys***® chain. For the first six (6) months your store is open, we will plan the advertising of your store. You may find it advisable to expend up to $7,500 each month for the first six (6) months your store is open to advertise the opening of your store. *See Franchise Agreement, Articles 5 and 6.*

In the Sacramento, California area a ***Pizza Guys***® advertising cooperative exists which determines what advertisements are placed on the basis of one- store-one-vote. Our affiliate, RSM, Inc., operates the majority of the ***Pizza Guys***® stores in the Sacramento area and, accordingly, controls what advertisements are placed in the Sacramento area.

When two or more franchised businesses have been established in a Metropolitan Statistical Area (MSA), we may establish an advertising cooperative in that area. If an advertising

cooperative has been established in your territory, you are required to participate in the cooperative advertising group. If the group approves by majority an advertising program you must pay for your share of the expense. (Franchise Agreement, Article 5.) Although we may not have an advertising cooperative in your area, we may, from time to time, require that you join a specific advertising campaign and we will electronically withdrawal money from your account for the campaign. (Franchise Agreement, Article 5, and Exhibit 4.)

4 Telephone Number Lease: You shall enter into a Telephone Number Lease with us which provides that you will lease the telephone numbers for your store from us including but not limited to the "main telephone number." We will retain ownership of the leased telephone numbers, and the main telephone number shall be restricted to receive calls only (or, if such feature is unavailable, to receive calls but restricted to place local calls only). The main telephone number shall be the one (1) and only telephone number used to advertise the store. You may install additional telephone number(s) to place and receive local and long distance calls but you may not use such telephone number(s) to advertise the store. You may not advertise materials with your phone number outside of your 2-mile radius. We have the absolute right to select and change, at any time, the telephone company which will provide the main telephone number to the premises. You may use the leased telephone numbers so long as you are not in default of this Lease, the ***Pizza Guys***® *Franchise Agreement* or any other agreement between you and us or our affiliates, if any. Upon your default you forfeit your right to use the leased telephone numbers including, but not limited to the main telephone number, and you hereby specifically and irrevocably authorize us to terminate the leased telephone numbers or to redirect the calls received by the leased telephone numbers to another location from which we or another franchisee may serve your customers. You shall also pay the telephone company and/or vendor(s), as directed, according to the terms of our *Telephone Number Lease*. See *Items 6 and 10*, herein, see *Franchise Agreement*, sections 2.04, 10.02(1,) and 13.01(a) and the *Telephone Number Lease* attached hereto as *Exhibit 5*.

5 Additional Training: If you believe that our Initial Training Program is not adequate for you or for the particular circumstances of your store, additional training to be conducted by our representative at your store may be purchased from us for the actual cost of travel, meals and lodging plus $100 per day. Pursuant to your Franchise Agreement, you are required to train your employees/managers. If you want your employees/managers trained by us, we will do so for the actual cost of travel, meals and lodging plus $250 per day. *See Franchise Agreement, section 3.01.*

6 Retraining: If we determine that you are not operating your store in compliance with our Store Operations Manual, we, in our sole discretion, have the right to make you go through Phase I training again, and will do so for the actual cost of travel, meals and lodging plus $250 per day. *See Franchise Agreement, section 4.01(o).*

7 Transfer Fee: To voluntarily transfer the franchise, you must pay us a Transfer Fee equal to one-half of the then current Initial Franchise Fee for *Franchise Agreements* or $7,500 in the event we are not then granting new franchises. Your transferee is required to use a Professional Advisor to evaluate the suitability of this investment for your transferee's particular circumstances and to advise your transferee of the risks involved. The Transfer Fee is due after our approval of your proposed buyer(s) but is nonrefundable even if for any reason, the proposed transfer does not occur. See *Item 17,* below, and see *Franchise*

Agreement, Article 14.

8 Renewal/Extension Fee: To renew (or extend) the franchise term you must pay us a renewal fee equal to one-half of the then current Initial Franchise Fee for *Franchise Agreements* (or in the event we are not then granting new franchises, an extension fee of $7,500). The Renewal/Extension Fee applies *only* to Franchise Agreements and is due upon your request to renew or extend. See *Item 17,* below, and see *Franchise Agreement, section 12.02(a).*

9 Inspection and Audit: You must permit us, our representatives, accountants, attorneys and other agents to inspect and audit your books and records without notice during regular business hours. This authorization is continuing and irrevocable. If an inspection or audit discloses that actual Gross Sales exceed your reported Gross Sales, you must pay us: (a) the additional amounts owed, (b) interest on said amounts from the date originally due until paid, and (c) if actual Gross Sales exceed your reported Gross Sales by 2% or more, the cost of the inspections and audits which revealed the under-reported sales including, but not limited to, our agents' fees, travel, meals and lodging. See *Franchise Agreement, section 6.07.*

10 Proof of Compliance: You shall permit us, our representatives, accountants, attorneys and other agents to inspect your store premises at any time during regular business hours, without notice, and to observe all aspects of the business and you shall furnish us with such evidence as we may request from time to time for the purpose of determining your compliance with the franchise system. If we determine that you are not in compliance with the franchise system, we will provide you with written notice thereof and you will have thirty (30) days to provide evidence of compliance. Upon reinspection, if needed, you agree to pay us for such reinspection at the rate of $250 per day plus actual cost of travel, meals and lodging.

11 Late Charges: Under the *Franchise Agreement,* you must pay us a late charge of $35 per occurrence on any amount not paid when due, however, the payment of such interest will not be deemed to authorize any delay in payment of any amount. See *Franchise Agreement, section 6.04,* attached hereto as *Exhibit 1.* This late charge may be considered a liquidated damage. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

12 Interest: Under the *Franchise Agreement,* any amount not paid when due will bear interest at the rate of 18% per annum or the maximum legal rate in the jurisdiction in which the store is located, whichever is lower, from the date due until paid, however, the payment of such interest will not be deemed to authorize any delay in payment of any amount. See *Franchise Agreement, section 604,* attached hereto as *Exhibit 1.* This interest charge may be considered a liquidated damage. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

13 Rebates: Advertisers, suppliers, including food and beverage suppliers, and other product and service providers provide monetary or in-kind "rebates" to franchisors who designate them as a sole source supplier or who recommend or approve them as an authorized supplier. You agree that we have the right to receive and expend such rebates in any manner that we, in our sole and absolute discretion, desire. See *Franchise Agreement, section 6.08.* For a description of the types of rebates which we have received in the most recently ended year, see Item 8.

14 Preauthorized Bank Deduction Procedure: All fees may be collected by us from you will be collected by way of a preauthorized bank deduction procedure. Upon signing the *Franchise*

Agreement and from time to time as requested by us, you must sign all documents necessary to establish and maintain a preauthorized bank deduction procedure whereby your bank is authorized to pay your Weekly Franchise Fee and any other payment (such as *Telephone Number Lease* rent and advertising campaigns as may be required by us) including electronically deducting any default payments. You shall maintain sufficient funds in the account to assure the timely preauthorized transfer of the appropriate funds and you shall pay to us a reasonable service fee, not less than $25, and all bank charges in the event that sufficient funds are not available to honor such deduction. You must not cancel the preauthorized bank deduction procedure and you must require your bank to provide written notice 30 days in advance of any change to your account which would affect it. You release, indemnify and agree to defend your bank from and against any obligation, loss, liability or damage caused by, or related to, payments pursuant to the preauthorized bank deduction procedure. See *Franchise Agreement, section 6.03* and see the *Preauthorized Bank Deduction Procedure* attached hereto as Exhibit 4.

15 "Gross Sales" means all revenue and other compensation, including catering and delivery, derived from your business exclusive *of:* 1) sales taxes actually paid by you to governmental authorities and 2) authorized "complimentary items" as defined in the *Store Operations Manual* from time to time. Sales for checks or credit shall be treated as occurring for the full price in the week during which the sale is made irrespective of the time when you actually receive payment (whether full or partial) therefor. See *Franchise Agreement, section 6.10.*

16 "Week" means a period of 7 days as designated by the calendar, but beginning on Monday and ending on Sunday for fee payments and financial reports. See *Franchise Agreement, section 6.09.*

7. ESTIMATED INITIAL INVESTMENT

The following table summarizes your *Initial Investment* (this *Item 7),* your *Initial Franchise Fee* (see *Item 5),* and certain portions of *Other Fees* (see *Item 6).* The information in the table is qualified in its entirety by the material set forth in the full text of *Items 5, 6 and 7.* You must also understand that the following information is merely an estimate, is general in nature, and is subject to wide market fluctuations. The total initial investment necessary to open your ***Pizza Guys***® store will vary considerably from store to store depending upon a number of factors including, but not limited to, the location and size of the proposed store premises, the amount of leasehold improvement necessary, whether you purchase new or reconditioned equipment, the volume of business expected to occur at the proposed store premises, the condition of the financial market at that time, and your particular financial circumstances.

Table follows on next page

YOUR ESTIMATED INITIAL INVESTMENT

Store Cost (Low, Medium, High)

TYPE OF FEE	LOW	MEDIUM	HIGH	HOW PAID & WHEN DUE	PAYMENTS TO BE MADE TO
INITIAL FRANCHISE FEE[1]	$15,000*	$15,000*	$15,000*	Lump sum upon signing Franchise Agreement	FRANCHISOR
PROFESSIONAL ADVISOR[2]	$500	$1,000	$1,500	As incurred prior to opening	THIRD PARTY
INITIAL ADVERTISING FEE[3]	$500	$2,500	$5,000	As incurred within first month of opening	THIRD PARTY
GRAND OPENING CEREMONY DAY[4]	$ 6,000	$ 6,000	$ 6,000	As incurred on opening day	FRANCHISOR
STORE PREMISES LEASE[5] ADVANCE RENT & DEPOSIT	$ 2,000	$ 4,500	$ 6,000	Lump sum upon signing Lease Agreement	FRANCHISOR OR LESSOR
LEASEHOLD IMPROVEMENTS[6]	$ 15,000	$ 45,000	$ 90,000	As incurred prior to opening	THIRD PARTY
EQUIPMENT & FURNISHINGS[7]	$ 10,000	$ 45,000	$ 65,000	As incurred prior to opening	THIRD PARTY
CONSTRUCTION PROJECT MANAGER FEES[8]	$ 1,000	$ 2,500	$ 3,500	As incurred prior to opening	THIRD PARTY
SIGNAGE[9]	$ 1,000	$ 4,300	$ 10,000	As incurred prior to opening	THIRD PARTY
INSURANCE[10]	$ 700	$1,000	$1,500	Lump sum prior to opening	THIRD PARTY
MISCELLANEOUS OPENING COSTS[11]	$3,000	$ 3,000	$6,000	As incurred prior to opening	THIRD PARTY
OPENING INVENTORY[12]	$2,500	$2,500	$2,500	Lump sum prior to opening	THIRD PARTY
ADDITIONAL FUNDS[13]	$ 10,000	$ 10,000	$10,000	As incurred after opening	EMPLOYEES, SUPPLIERS, UTILITIES
Your Initial Investment with the Store Equipment and Furnishings Purchased	**$ 67,200**	**$ 143,300**	**$ 222,500**		

Your Initial Investment with the Store Equipment and Furnishings Leased[14]	**$ 57,200**	**$ 98,300**	**$ 157,500**		

THERE ARE NO OTHER DIRECT OR INDIRECT INITIAL PAYMENTS TO PIZZA GUYS IN CONJUNCTION WITH THE FRANCHISE. NONE OF THESE FEES OR EXPENDITURES ARE REFUNDABLE UNDER ANY CIRCUMSTANCES.

FOOTNOTES:

1 Initial Franchise Fee: See *Item 5,* and see *Franchise Agreement, section 6.01(a).*

2 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. A person is not a Professional Advisor unless he or she is designated by you and consents to act as such by signing the *Designation and Consent of Professional Advisor* attached to this Franchise Disclosure Document as *Exhibit 7*; and is either an attorney, certified public accountant or business broker, who is licensed in the jurisdiction where you reside or where the store is to be located and who is unaffiliated with, and is not compensated directly or indirectly by Pizza Guys Franchises, Inc., our affiliates or representatives. See *Franchise Agreement, page 2,* and *Exhibit 7.*

3 Initial Advertising Fee: You may find it advisable to expend up to $5,000 each month for the first six (6) months your store is open to advertise the opening of your store.

4 Grand Opening Ceremony Day: We estimate that your opening day ceremony costs will be approximately $6,000. Opening day elements include: franchise company store managers to cover staffing and experience gaps, sign dancer, DJ, prize booth operator, free box kits, 500 free large pizza give away. Franchisor will provide project management of grand opening ceremony, coordination of Chamber of Commerce ribbon cutting, pre-opening audit, box distribution coordination (including vehicles for distribution), on-site senior management, balloons, use of prize tent, prize wheel and signage, and event day store management by senior corporate management. While you are not required to have a grand opening ceremony, it is recommended.

5 Store Premises Lease Advance Rent & Deposit: Upon signing the lease for the store premises, you must pay the third party lessor the first month's rent and a security deposit (and any other payment required by the lessor). The first month's rent and security deposit will vary depending upon the amount of the monthly rent. The monthly rent will vary from store to store depending upon a number of factors including, but not limited to: the location and size of the store premises, the length of the store premises lease, the extent of leasehold improvements needed, whether the cost of leasehold improvements are included in the rent, and the amount of the first month's rent and security deposit. Depending upon the desirability of the location, the current monthly rental rates for store premises suitable for ***Pizza Guys®*** takeout and delivery only stores in the greater Sacramento, California area range from approximately $1.50 per square foot to $ 3.50 per square foot per month, plus common area maintenance ("CAM") charges where applicable. ***Pizza Guys®.*** stores generally operate in

approximately 1000 to 1500 square foot premises in retail areas. We estimate that monthly CAM charges in the Northern California area for a typical 1,200 square foot ***Pizza Guys®.*** store will range from $315 to $800. Based on recent trends, you should anticipate a rent increase of 3% to 7% per year. [Note: The foregoing information is derived from our experience in the Northern California area. Rental rates in other areas may be greater or less.) See *note 5 of Item* 6 of this Disclosure Document and see *Franchise Agreement, sections 6.02 and 2.01* attached to this Franchise Disclosure Document as *Exhibit 1*.

6 Leasehold Improvements: If you buy a *Franchise Agreement,* it is likely that the store premises will need to be improved in order to make the premises suitable for use as a ***Pizza Guys®*** store (commonly referred to as "leasehold" or "tenant" "improvements"). The cost of such leasehold improvements will vary with the size and location of the store premises and the extent of the improvements required. In some instances, the store premises will already have been improved for use as a store, thereby potentially decreasing the extent of improvements necessary for use as a ***Pizza Guys®*** store, resulting in cost savings to you. In other cases (such as premises which have never before been occupied), extensive leasehold improvements will be necessary in order to make the premises suitable for use as a ***Pizza Guys®*** store, thereby significantly increasing your costs beyond those estimated here. We estimate that leasehold improvements will cost from $15,000 to $90,000, depending upon the size of the premises and whether or not the premises have been previously used as a store. See *note 6 of Item* 6 of this franchise Disclosure Document.

7 Equipment and Furnishings: If you buy a *Franchise Agreement,* you must fixture, furnish, equip and decorate the store in accordance with our standards and specifications as revised from time to time. You must have a conveyor oven, hood and ventilation system, mixer, pizza preparation table, cut table, vegetable dicer and slicer, dough sheeter, freezer, safe, walk-in refrigerator, dry storage shelving, pizza warmer holding cabinet, counter tops, cabinetry, a working facsimile machine at all times, telephone (including message on hold system) and a computer utilizing POS System which must be approved by Franchisor, high speed internet connection, as well as other equipment and furnishings on the store premises in order to operate the premises as a ***Pizza Guys®*** store. You are required to notify us prior to changing your internet provider. The required equipment and furnishings may be purchased outright, or may be leased, or leased and acquired through a lease/purchase agreement from a variety of sources with costs varying according to the size of the store and the specific features of the equipment and furnishings selected. See item 11.

We estimate that the cost to purchase the required equipment and furnishings outright will range from $10,000 to $65,000 depending upon whether or not you choose new or reconditioned equipment or equipment with basic features or more sophisticated equipment including automatic and electronic features. You will contract directly and make all financial and credit arrangements with the seller or lessor of the equipment and furnishings. All equipment and furnishings must meet our standards and specifications and be purchased from an approved supplier. We may, but are not obligated to, sell or lease the equipment and furnishings to you.

8 Construction Project Manager Fees: You are required to use a construction coordinator approved by us.

9 Signage: If you buy a *Franchise Agreement* you must install approved signage on your store premises. We estimate that the store signage or awning will cost from $1,000 to $10,000

depending upon the size and location of the premises and the number of streets or walkways on which the store premises front. You will contract directly and make all financial and credit arrangements with the signage provider. All Signage must meet our standards and specifications and be purchased from a designated or approved supplier. We may, but are not obligated to, lease or sell the signage to you. Notwithstanding this paragraph or any provision of the Franchise Agreement, the signage shall immediately belong to Franchisor.

10 Insurance Coverage: You are required to have Worker's or Workmen's Compensation Insurance as prescribed by law in the state in which the store is located; Comprehensive General Liability Insurance (including products liability coverage, excess and non-owned driver liability and a broad form advertising injury endorsement) with a $1,000,000 combined single limit for Bodily Injury and Property Damage per occurrence; any additional insurance required by the store premises lease; and any additional insurance required by any equipment lease. A $2,000,000 umbrella policy is recommended but not required. See *Franchise Agreement, section 9.02.* Although the expense of such coverage will vary from state to state and region to region, we estimate that you will expend approximately $1,500 per year to maintain such coverage. Payments are made monthly. Only two months' payments *(e.g.,* $290 to $430) must be paid initially. We recommend that you take out an Employment Practices Liability Insurance policy which covers potential claims made by your employees for: wrongful refusal to employ a qualified applicant for employment; wrongful failure to promote, or wrongful deprivation of career opportunity; wrongful demotion, negligent evaluation, negligent reassignment or wrongful discipline; wrongful termination; employment related misrepresentation; harassment, coercion, discrimination; or oral or written publication or material that slanders, defames or libels or violates or invades a right of privacy.

11 Miscellaneous Costs: You are required to have on hand sufficient funds to meet miscellaneous expenses including, but not limited to, the payment of telephone and utilities deposits, health department licensing fees, initial sales tax deposit, small equipment and other isolated or recurring charges. The total amount of funds necessary will vary from store to store depending upon a number of factors including, but not limited to, location and size of the store and the number of persons employed. We estimate that miscellaneous costs will range from $3,000 to $6,000.

Security deposits, utility deposits, sales tax deposits, business licenses, and other prepaid expenses are included under miscellaneous costs. The advance rent and deposit for the store premises lease are discussed in detail in *Items 6 and* 7, above. If you have previously established business credit, then security deposits will fall within the aforementioned range for miscellaneous costs. However, if you have not previously established business credit, your required deposits will exceed that amount.

Additionally, in the event that you lease the store equipment and furnishings, you will generally be required to pay the equipment lessor advance rent and/or a security deposit of $5,000 to $10,000 *(i.e.,* 10% to 20% of the lessor's purchase price for the equipment, varying with the quality of your credit). You should also expect to pay for other miscellaneous leased equipment.

Municipal Sewer Hook-up Fees: It has come to our attention that some municipalities have begun charging a substantial fee for the first time a building is connected to the municipal sewer system. The fee, if charged, can range from $3,000 to $20,000. Whether or not a sewer

hook-up fee is charged and the amount of the fee is totally dependent upon the local ordinances of the county, city or other municipality having jurisdiction over the proposed store premises. It is your responsibility to ascertain and to inform us of what fees will be charged by the local jurisdiction. The sewer hookup fee is not included in our estimate of miscellaneous costs for the following reasons: since the sewer hook-up remains a permanent part of the building, if negotiated prior to signing the lease, the lessor will sometimes pay the fee; also, in our experience, where the fee is charged, it is either less or normally not charged in the case of buildings which have previously been occupied as a store. Accordingly, in communities where such fees are charged, you should consider leasing a previously occupied building instead of a new building.

12 Opening Inventory: Prior to opening, you are required to purchase and have on hand such foods, beverages, pizza containers, cups, paper goods and other inventory as we specify ("opening inventory"). We estimate that the opening inventory will cost approximately $2,500 depending upon the store's anticipated initial sales.

13 Additional Funds - 3 Month's Estimate: We estimate that $10,000 will be necessary to operate the store for 3 months after opening.

14 Store Equipment and Furnishings Leased: Should you lease the equipment and furnishings, you will incur a lease payment which is unknown to us but the amount of your payment will depend on your credit worthiness and lease terms negotiated.

8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We may, from time to time, require you to purchase or lease: (1) certain goods, services, inventory, supplies, fixtures, equipment, furnishings, and real estate only from a designated source or sources; (2) some items only from among a list of approved suppliers; and (3) other items from any supplier so long as the items meet our standards and specifications as revised from time to time.

For instance, we require you to lease the store's telephone numbers from us. We will not derive income from your telephone number lease since, according to the terms of the *Telephone Number Lease,* you do not pay us but rather pay the telephone company and/or vendor(s) directly for the actual charges associated with installing and maintaining the leased telephone numbers. See *Item* 5, 6 and 7 of this Disclosure Document and see *Franchise Agreement, sections 2.04* and *10.02(b)* and see *Telephone Number Lease* attached hereto respectively as *Exhibits 1* and 5. No purchasing or distribution cooperatives exist, however, we may, but are not obligated to, establish a commissary or central kitchen which will be an approved supplier or the sole designated source for some or all of the food, beverages and other inventory purchased by you. In such event, we will derive income therefrom.

Additional specific purchasing or leasing requirements for certain goods, inventory, supplies, fixtures, equipment, furnishings, and store real estate are set forth in the *Store Operations Manual* and may be revised from time to time. See *Franchise Agreement, Articles 2 and 4.*

If you have a *Franchise Agreement,* we estimate that you will be required to purchase or lease approximately 50% to 90% of the goods or services necessary to *establish* your store from us or approved suppliers or sources designated by us and that you will be required to purchase or lease approximately 50% to 90% of the goods or services necessary to *operate* your store from us or approved suppliers or sources designated by us. We reserve the right to designate ourselves as an approved supplier or as the sole designated source for such items.

We approve suppliers based on their: (1) ability to provide the goods or services in accordance with our standards and specifications including, but not limited to, producing our private brand label products, if any; (2) willingness to protect our proprietary information and trade secrets from disclosure and misappropriation; (3) production and delivery capabilities; (4) integrity to assure that association with the supplier will not bring ill will upon us; and (5) the financial solvency of the supplier. Failure to maintain our standards and specifications may result in the termination of a supplier's approved status and we reserve the right to revoke the approval of a supplier at any time. If you desire to use a particular supplier who has not been approved by us, you may request us to consider adding the supplier to the list of approved suppliers.

Advertisers, suppliers, including food and beverage suppliers, and other product and service providers provide monetary or in-kind "rebates" to franchisors who designate them as a sole source supplier or who recommend or approve them as an authorized supplier. You agree that we have the right to receive and expend such rebates in any manner that we, in our sole and absolute discretion, desire. See *Franchise Agreement, section 6.08.* We reserve the right to negotiate additional or different rebates without notice to you at anytime.

Neither Pizza Guys nor any of its officers, principals, or affiliates hold an ownership interest in any supplier of goods or services required to either establish or operate a Pizza Guys franchise.

Pizza Guys may and have negotiated purchasing arrangements with suppliers of foods, beverages, products and services for the benefit of its franchise system. Pizza Guys has not established purchasing or distribution cooperatives. Pizza Guys may receive income in the form of rebates, discounts, allowances or other payments or credits from designated or approved suppliers that sell foods, beverages, products or services to franchisees. In some cases, prices charged by suppliers to company-owned Restaurants may be less than prices charged to franchised Restaurants based on volume, credits, administrative costs or other factors. If Pizza Guys receives any rebates or other payments from a supplier as a result of your purchases from the supplier, those payments will be the exclusive property of Pizza Guys. You will not have any rights to the payments made to Pizza Guys by suppliers. During our last fiscal year, as stated in our 2017 audit, we had total revenues of $0 and we received $0 of Gross Revenues, or approximately 0% of our total revenues, from the sale of required products and services to franchisees.

Except as described above, you are not required to purchase or lease products or services from Pizza Guys or an affiliate, and Pizza Guys will not derive revenue or other material consideration based upon your purchases of products or services from designated or approved suppliers or based upon your purchases of products or services that must meet Pizza Guys's standards and specifications.

Pizza Guys does not provide material benefits to you (for example, renewal or granting additional franchises) based upon your purchase of particular products or services or use of particular suppliers.

The following table describes the types of rebates we receive from approved suppliers:

Company	**Item**	**Rebate Rate**
Jacmar Food Service	Distributor	1% (of non-mozzarella purchases)
Fontanini	Sausage	$0.14 per lb

Company	Item	Rebate Rate
Lamb Weston	Muncheez	$0.05 per case
Rose Packaging	Canadian Bacon	$0.15 per lb
Hormel	Pepperoni	$0.10 per 16

These amounts are deposited in our general franchise account.

9. FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS DISCLOSURE DOCUMENT.

FRANCHISEE'S OBLIGATIONS

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	2.01	8, 11, 15
b. Pre-opening purchases/leases	2 and 3	8, 11
c. Site development and other pre-opening requirements	2 and 3	8, 11, 15
d. Initial and ongoing training	3	11, 15
e. Opening	2 and 3	11, 15
f. Fees	6, 12.02, 14.01(c)	5, 6, 7, 17
g. Compliance with standards and policies	4, 5 and 6	8
h. Trademarks and proprietary information	7	13, 14
i. Restrictions on products/services offered	4.01, 8	8, 16
j. Warranty and customer service requirements	4.01	8, 15
k. Territorial development and sales quotas	4.01, 1.03	12

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
l. Ongoing product/service purchases	3.03, 4.01	8
m. Maintenance, appearance, and remodeling requirements	4.01(k), 2.02, 2.03	15
n. Insurance	9.02	7
o. Advertising	5	5, 6, 7
p. Indemnification	2.01, 2.02, 6.03 7.02(c), 9.02, 9.03,	6, 13, 14, 15 Exhibits 1, 4, 5, 6 and 7
q. Owner's participation/management/staffing	4.01	15
r. Records and reports	5.01(d), 6.05, 6.06, 6.07, 7.08, 14.01	6, 11
s. Inspection and audits	6.08	7
t. Transfer	14	17
u. Renewal	4.01(f), 4.01(g), 6.01(b), (d) and (e), 6.05(a), 7.01, 7.05, 8 and 12	17
v. Post-termination obligations	8 and 13	17 Exhibits 1, 4, 5, 6 and 7
w. Non-competition covenants	8	17
x. Dispute Resolution	15.05	17 Exhibits 1, 4, 5, 6 and 7
y. Other: Preauthorized Bank Deduction Procedure Telephone Number Lease Transfer Packet Designation and Consent of Professional Advisor	 2.04, 4.01(p), 6.02(a), 6.03, 10.01, 10.02(b), 13.01, 14.01(d), 16	 Exhibit 4 6, 8, 10, 11, 17 and Exhibit 5 Exhibit 6 Exhibit 7

10. FINANCING

Pizza Guys does not offer directly or indirectly financing arrangements or similar assistance to franchisees. Pizza Guys does not guarantee your note(s), lease(s) or obligations to third parties.

11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as listed below, we need not provide any assistance to you.

A.. Our Assistance to You:

Prior to the opening of your ***Pizza Guys®*** store, we will:

Approve or disapprove of the real estate proposed by you for use as the store premises and negotiate, if possible, an acceptable agreement for the lease of the premises from the lessor. See *Franchise Agreement, section 2.01, page 2,* and see *Items 8 and 11,* herein.

[Note: We approve or disapprove of the store premises proposed by you based upon the experience of our representatives named and described in *Item 2.* Considerations include, but are not limited to, premises rent, location and physical attributes, existing or likely competition, traffic patterns, population density and demographics, and the proximity to other existing or proposed ***Pizza Guys®*** takeout and delivery only pizza stores. See *Franchise Agreement, sections 2.01, 2.02 and 2.03 of pages 2 and 3.]*

Provide general plans and specifications for the equipment and furnishings layout, signage, design and other incidents of a typical ***Pizza Guys®*** store. (We will not provide energy calculations or plans or specifications for electrical, plumbing, sewer or mechanical systems or compliance with the Americans with Disabilities Act or state disabilities statutes or regulations.) See *Franchise Agreement, section 2.02, page 3.*

[Note: We estimate the typical length of time between the signing of the *Franchise Agreement* or the first payment of any consideration for the franchise and the opening of your store to be approximately 3 to 9 months. You may not hold us liable for any delay in the construction of the store. See *Franchise Agreement, section 2.01, page 2.]*

Provide our food, beverage, ingredients, condiments, cups, containers, napkins, paper goods, packaging and other inventory list. See *Franchise Agreement, section 4.01(d).*

Train you prior to the opening of your store. See *Franchise Agreement, section 3.01,* and see *Item 11,* below.

Provide (during the Initial Training Program) our *Store Operations Manual.* See *Franchise Agreement, section 3.02.* Upon your request, we will permit you to view our *Store Operations Manual* before you purchase the franchise. The *Store Operations Manual* contains approximately 568 pages. The table of contents for the *Store Operations Manual* is attached to this Franchise Disclosure Document as Exhibit 8 (Franchise Agreement – Section 3.02). The *Store Operations Manual* contains mandatory and suggested standards, specifications, operating procedures, and rules. We may modify the *Store Operations Manual* periodically to reflect changes in our operating procedures (Franchise Agreement – Sections 3.02 and 4.01(o)).

Expend your Initial Advertising Fee (for *Franchise Agreements* only) to advertise and otherwise promote the opening of your store. See *Franchise Agreement, section 5.01(b),* and *Section 6.01(c).*

Our obligations during the operation of your store are as follows:

To provide you with revisions, if any, to the *Store Operations Manual.* See *Franchise Agreement, section 3.02.*

To be available for consultation concerning the ongoing operations of the store. See *Franchise Agreement, section 3.03.*

To provide an approved format for you to promote your ***Pizza Guys®*** store. [Note: We have not established an advertising fund and we are not required to advertise or otherwise increase recognition of and goodwill toward the ***Pizza Guys®*** chain.] For the first six (6) months your store is open, we will plan and budget the minimum amount of advertising of your store. However, you may spend more than what we recommend. When your store is ready to open, you will expend an estimated $7,500 minimum per month in advertising fees as incurred within the first six months of opening to advertise the opening of your store. See Franchise Agreement, Article 5.

B. Advertising.

We intend to use digital media (Internet, Facebook, Twitter, etc) and targeted print media in our marketing and advertising efforts as well as local and regional radio and television advertising.

We will be using in-house advertising personnel to do this, but we also may hire advertising and public relations firms to assist us in these efforts. We are not required to spend any advertising fees in your territory or in or near your Store, although we may do so.

Advertising Fees are spent to benefit all franchises, including you. We will provide general advertising programs and sales promotion, campaign and sample advertising materials. You may develop advertising materials for your own use, at your own cost. But we must approve all advertising materials in advance and in writing.

We do not yet have a franchisee council that advises us on advertising policies, but we may establish one in the future, and if we do so, we will request input on advertising informally from franchisees.

We will provide an approved format for you to promote your ***Pizza Guys***@ store, however, we have not established an advertising fund and we are not required to advertise or otherwise increase recognition of and goodwill toward the ***Pizza Guys***® chain. For the first six (6) months your store is open, we will plan and budget the minimum amount of advertising of your store. However, you may spend more than what we recommend. You may find it advisable to expend up to $7,500 each month for the first six (6) months your store is open to advertise the opening of your store. See Franchise Agreement, Articles 5&6.

In the Sacramento, California area a ***Pizza Guys***® advertising cooperative exists which determines what advertisements are placed on the basis of one- store-one-vote. Our affiliate, RSM, Inc., operates the majority of the ***Pizza Guys***® stores in the Sacramento area and, accordingly, controls what advertisements are placed in the Sacramento area.

When two or more franchised businesses have been established in a Metropolitan Statistical Area (MSA), we may establish an advertising cooperative in that area. We have the sole power to require cooperatives to be formed, changed, dissolved, or merged. If an advertising cooperative has been established in your territory, you are required to participate in the cooperative advertising group. If the group approves by majority an advertising program you must pay for your share of the expense. Contributions are calculated by a formula based on coverage of material received. For example, commercial contributions are determined by the percentage of media coverage in the area. Coverage percentage is give to us by the media station. Franchisor-owned outlets must contribute to the fund on the same basis as those for franchisees. (Franchise Agreement, Article 5.) Although we may not have an advertising cooperative in your area, we may, from time to time, require that you join a specific advertising campaign and we will electronically withdrawal money from your account for the campaign. (Franchise Agreement, Article 5, and Exhibit 4.) We are responsible for administering the cooperative. All cooperatives will operate under written governing documents which would be made available to you to review. Cooperatives will not be required to prepare annual or periodic financial statements.

You are not required to participate in any other advertising fund.

If all advertising funds are not spent in the fiscal year in which they accrue, a refund will be given back to you.

None of the advertising funds are or will be used primarily for the solicitation for new franchise sales.

C. Business Management System and Computers:

You are required to purchase or use a working facsimile machine at all times, a telephone utilizing Pizza Guys' Message on Hold System, a computer utilizing POS System which must be approved by Franchisor, high speed internet connection, as well as other equipment and furnishings on the store premises in order to operate the premises as a ***Pizza Guys®*** store. You are required to participate in online ordering and any future programs such as texting orders that Pizza Guys may introduce. You are required to notify us prior to changing your internet provider. The required equipment and furnishings may be purchased outright, or may be leased, or leased and acquired through a lease/purchase agreement from a variety of sources with costs varying according to the size of the store and the specific features of the equipment and furnishings selected.

Your franchise computer system must meet or exceed our minimum requirements, as periodically specified by us, which requirements will be updated from time to time according to changing technology and industry standards. When you purchase and install the POS System, you bear all related costs. Granbury Solutions provide a system approved by Franchisor. The initial computer system is included in the Initial Investment. Pizza Guys will have independent access to the information and data maintained in your business computer system. There are no contractual limitations on our right to access the information and data contained therein.

You may obtain your computer hardware and POS system from a supplier approved by Franchisor. You must upgrade it as we specify at our or our approved suppliers' then current prices for the upgraded equipment or software. There are no contractual limitations on the frequency and cost of the upgrades.

There may be additional costs of the chosen computer system attributable to optional or required maintenance and support contracts and upgrades and updates. We may, but currently do

not, require you to utilize any maintenance or support services for the computer system. You must ensure all programs and applications running on your computer system are legally licensed. We estimate that maintenance and support services could cost between $300 to $2,700 per year.

You must keep all your cash registers and computer system in good operable repair, at your expense, and you must promptly install additions, changes, modifications, substitutions and replacements to the cash register and computer system as we may reasonably require. You will have the sole and complete responsibility for: (a) acquiring, operating, maintaining and upgrading your own cash register and computer system; (b) the manner in which your cash register and computer system interface with our computer systems, if any, and the computer systems of third parties; and (c) all consequences that may arise if your cash register and computer system is not properly operated, maintained and upgraded.

Neither we, our affiliates, nor a third party has a contractual right or obligation to provide ongoing maintenance, repairs or upgrades for your computer system or related items. However, we will provide you with continuing guidance on the necessity for upgrades, all of which you must complete at your own cost.

D. Pizza Guys Training:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Phase I: Covers subjects which are relevant to the opening and operation of the store, including: (a) the basics of our store site selection; (b) the fundamentals of our store design, decor, and layout; (c) standards and specifications for purchasing food, beverages, inventory, supplies, fixtures, equipment and furnishings; (d) equipment operation; (e) preparation of our limited menu of foods and beverages according to our recipes, formulas and other methods; (f) our floor sales methods and customer relations; (g) our employee training, evaluation, relations and other management practices; (h) our print, radio, television and other advertising and marketing techniques; and (i) such other policies and procedures as we deem advisable.	Until certified		Location to be selected by Franchisor

Phase II: After the opening of your store, we or our representatives shall continue training such person and your general manager		5 days, eight (8) hours per day	Your Store

The above table represents our Initial Training Program. (We may require and you may request that every person signing your *Franchise Agreement* and your general manager complete our Initial Training Program.)

The Initial Training Program

Training is conducted by one or more of our principals who are named and whose experience is described in *Item 2* of this franchise Disclosure Document or by another one of our representatives under their supervision. There is no separate charge to you for the Initial Training Program. However, you must pay the transportation, meals and lodging expenses for yourself and your manager during Phase I of our Initial Training Program which is usually conducted in Sacramento, California. We shall pay for the travel, lodging, meals or other expenses of our personnel for the duration of Phase II of the Initial Training Program only. Your or your manager's participation in the Initial Training Program is mandatory. You must personally attend the Initial Training Program and you must not open for business until you or your manager have successfully completed Phase I of our Initial Training Program. You acknowledge that we will not be held liable if you or your manager(s) were to get injured in part or wholly due to your/their own negligence. You agree and acknowledge that you will or have insurance covering such liability and will provide copies of such policy upon our reasonable request. You release, indemnify and agree to defend us, our affiliates and representatives from and against any obligation, loss, liability or damage caused by or related to your or your manager(s) own negligence during the Initial Training Program. We may require and you may request that every person signing your *Franchise Agreement* and your general manager complete our Initial Training Program. We are not required to pay training program participants for their labor. You are responsible for training your employees. Pursuant to your Franchise Agreement, you are required to train your employees/managers. If you want your employees/managers trained by us, we will do so for the actual cost of travel, meals and lodging plus $250 per day. See *Franchise Agreement, section 3.01.*

For Transfers: The seller of an existing ***Pizza Guys*®** store must personally provide the Phase I initial training to the buyer(s) prior to close of escrow. We have no obligation to provide Phase I initial training to the buyer(s) but will provide the Phase II initial training to the buyer(s) after close of escrow if required. If we are not satisfied with the Phase I initial training by you to buyer, we, in our sole discretion, have the right to make the buyer go through Phase I training again.

After the Initial Training Program, we will be available for consultation with you concerning the ongoing operation of the store. See *Franchise Agreement, section 3.03.*

We may, but are not required to, offer additional training courses and/or refresher courses to you. We reserve the right to require you to attend or to otherwise participate in such additional training. You must pay all transportation, lodging, and other expenses incurred in attending such additional training courses.

If you believe that our Initial Training Program is not adequate for you or for the particular

circumstances of your store, additional training at your store may be purchased from us for the actual cost of travel, meals and lodging plus $100 per day. You must make your request for additional training to us in writing and pre-pay for the same before we will schedule additional training.

12. TERRITORY

You will receive an exclusive territory. We have not established and will not establish another franchised or company-owned ***Pizza Guys®*** pizza store or any other franchised or company-owned store serving pizza under the same or a different trade name or trademark within a two (2) mile radius of your store premises (the "Exclusive Area") excepting situations where a natural or artificial condition is an impediment to travel such as freeways, rivers and the like, in which case we may establish another franchised or company-owned store serving pizza within a two (2) mile radius of your store. Notwithstanding the Exclusive Area, you and other franchisees may serve walk-in customers from any area and deliver to call-in customers in any area. You may not advertise materials with your telephone number out of your two (2) mile radius. See *Franchise Agreement, section 1.03,* below.

You and Pizza Guys will agree upon the territory before signing the Franchise Agreement. Any change in the definition of your territory must be in writing. You have no right to relocate your franchise without written approval of Pizza Guys.

You may only have one franchise business located within the territory established by each franchise agreement. You do not receive the right to acquire additional franchises or resell any portion of your territory. Pizza Guys franchisees who are qualified to open multiple locations are given the option to open more than one location within an approved area and specific timeline. The approved area and timeline are negotiated on a case by case basis depending in part on the qualifications of the Franchisee.

There are currently no company owned businesses similar to your franchise business, though Pizza Guys is not prohibited from establishing some.

Pizza Guys has no plans for selling or licensing similar products or services under a different trade name or trademark, other than the Pizza Guys trade name and trademark.

Any additional sales or service facility locations you wish to open must be the subject of an additional franchise agreement. Your designated franchise area may only be changed by written agreement between Pizza Guys and you.

Pizza Guys does not grant you any right to establish a business using the marks of Pizza Guys other than in an approved territory. Further, Pizza Guys does not grant you any right to license others to establish, license, or franchise any business using the marks.

13. TRADEMARKS

We license you the right to operate your store under the ***"Pizza Guys®"*** trade name, trademark and service mark and to use such other trade names, service marks, trademarks and logos as we from time to time decide, and you must operate your store under only such trade names, service marks, trademarks and logos.

Our principals have obtained registration of and have assigned to us the following mark(s) on the Principal Register in the United States Patent and Trademark Office ("USPTO") for the

following goods and services:

Mark	***Described Goods or Services***	***Date of Registration***	***USPTO Registration No.***
Pizza Guys	For pizza in International Class 30	Jan. 28, 1997	2,034,329
Pizza Guys	Prepared food delivery services in International Class 39	Dec. 10, 1996	2,022,471
Pizza Guys The Better Guys	For pizza in International Class 30	June 11, 2002	2,578,298
Pizza Guys The Better Guys	Prepared food delivery services in International Class 39	June 11, 2002	2,578,298
Pizza Guys Real Pizza Real Value	For pizza in International Class 30	PENDING	
Pizza Guys Real Pizza Real Value	Prepared food delivery services in International Class 39	PENDING	
Pizza Guys A Party in Every Pizza	For pizza in International Class 30	PENDING	
Pizza Guys A Party in Every Pizza	Prepared food delivery services in International Class 39	PENDING	
I'm a Pizza Guy	For pizza in International Class 30	April 16, 2013	4,321,056
I'm a Pizza Guy	Prepared food delivery services in International Class 39	April 26, 2013	4,321,056
Artisan Made Pizza Guys Est. 1986 I'm a Pizza Guy	For pizza in International Class 30	March 22, 2016	4,922,283
Artisan Made Pizza Guys Est. 1986 I'm a Pizza Guy	Prepared food delivery services in International Class 39	March 22, 2016	4,922,283

There are no currently effective material determinations of the USPTO, the Trademark Trials and Appeal Board, the trademark administrator of this or any state, or any court, and there is no pending infringement, interference, opposition or cancellation proceeding or any pending material litigation involving our use of the ***"Pizza Guys®"*** trade name, trademark or service mark. There are no agreements currently in effect which significantly limit the right of us to use or license the use

of the ***"Pizza Guys®"*** trademark or service mark in a manner material to this franchise.

You must follow our rules when you use our marks. You shall not use the words "PIZZA GUYS," "PIZZA GUYS THE BETTER GUYS" "GUYS," "GUY," "MEN," "MAN," "SUPERB," "PIZZA GUYS REAL PIZZA REAL VALUE," "PIZZA GUYS A PARTY IN EVERY PIZZA," "I'M A PIZZA GUY," ARTISAN MADE PIZZA GUYS EST. 1986 I'M A PIZZA GUY" or any formative thereof or any other trade name, trademark, service mark or logo now or later designated by us or any mark confusingly similar thereto or attempt to register the same with any local government, state, or nation.

You are not allowed to have a web domain that includes the "Pizza Guys" name in it.

Because of the potentially great expense of prosecuting or defending the marks, we reserve the absolute right to choose whether or not to prosecute or defend the marks or to change the marks to one or more other marks of our choosing. A name change would entail substantial expense to you including, but not limited to, that occasioned by the change of signage and advertising and the resulting loss of customer goodwill. A name change will in no way reduce or relieve you of your obligation to pay the Weekly Franchise Fee, the *Telephone Number Lease,* the store premises lease, and any other obligation owed to us, our affiliates or representatives, or any obligation to trade vendors, the landlord for the store, etc. Accordingly, our license of the marks to you shall not constitute our warranty or guarantee of our ownership of the marks or our duty to defend the same..

You release and indemnify us from and against any claim, obligation, loss, liability or damage caused you by our lack of ownership or failure to prosecute or defend or to obtain registration of the marks or by a mark change, if any.

You are required to notify us of the use of; or claims of rights to, a trade name, service mark, trademark or logo identical to, or confusingly similar to, a trade name, service mark, trademark or logo licensed by us to you.

We are required to participate in your defense, but not to indemnify you for expenses or damages, if you are a party to an administrative or judicial proceeding involving a trade name, service mark, trademark or logo licensed by us to you.

14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any right in, or licenses to, any patents or copyrights which is material to the franchise.

You acknowledge that the customer list which you develop and our franchise system in its entirety, including, but not limited to: recipes; food and beverage specifications and sources; site selection criteria; store design and decor specifications; construction methods; fixtures, furnishings and equipment; employee selection, training, and evaluation; print, radio, television and other advertising and promotional techniques; inventory, accounting and other business policies and procedures; all of which will continue to develop and all other information now or hereafter conveyed in whatever form to you by us, our affiliates or representatives; constitutes our confidential trade secrets and/or unpublished or published copyrights and the same is for your use solely for the purpose of enabling you to establish and operate your store in accordance with the terms of this franchise. Accordingly, except in accordance with the terms of this franchise, without our prior written consent you shall not: (a) appropriate or use any of the foregoing in whole or in part; (b) disclose any of the foregoing in whole or in part to anyone except to another ***Pizza Guys®*** franchisee

or to store employees as required for store operations; or (c) duplicate, reprint or otherwise copy any of the foregoing in whole or in part for any purpose except as is required for store operations. The *Store Operations Manual* is described *in Item 11.*

The *Store Operations Manual* is copyrighted and the information therein is proprietary. *Item 11* of this Disclosure Document describes limitations on the use of the *Store Operations Manual* by you and your employees. You agree not to contest our use or ownership of the copyright or proprietary information. You must also promptly notify us when you learn about unauthorized use of this proprietary information. We are not obligated to take any action but will respond to this information as we deem appropriate. If you are a party to an administrative or judicial proceeding involving a copyright or proprietary information, we are required to participate in your defense, but not to indemnify you for expenses or damages.

Online ordering and text message ordering are owned by Pizza Guys and you are not allowed to have a link on any personal website or other website other than the Pizza Guys' website to the online ordering unless consented to by franchisor

Just as you desire to learn from us, we hope to learn from you and to share what we have learned from you with our other stores. Accordingly, you shall promptly disclose to us all ideas, improvements and materials (including but not limited to menu and recipe suggestions, advertising artwork and promotional materials), whether patentable, copyrightable or not, relating to the goods and services provided at, or the operation of; your store which you or any of your legal or' beneficial owners, partners, shareholders, officers, directors, agents, or employees, solely or jointly with others, develop during the franchise term and any renewal/extension term. You hereby irrevocably assign the exclusive right to the same to us in perpetuity and you specifically grant us permission to license you and our other stores to use those ideas, improvements and materials of yours which we approve. You agree that we owe you no other consideration for your development, assignment and our use of the same but for the license back of the same to you.

15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You will be engaged in your own business and, as such, you will be solely responsible for directing the day-to-day activities of your store and supervising the actual physical activities of your employees. The *Franchise Agreement* requires you to do the things described below.

You must locate and propose to us premises suitable for use as your ***Pizza Guys®*** store in the general area described in *Franchise Agreement, section 1.02,* but you must not enter into any negotiations with the lessor of the proposed premises.

You must comply with all terms of the *Franchise Agreement,* the *Store Operations Manual,* the *Telephone Number Lease,* and the store premises lease.

Each of your legal and beneficial owners, partners, shareholders, officers and directors must personally guarantee the *Franchise Agreement,* the *Telephone Number Lease,* and the store premises lease, if applicable.

You must bear the entire cost of adapting our general plans and specifications to the particular circumstances of the store premises including, but not limited to, the employment of an architect, engineer or other consultants as necessary. However, you must not contract for, or commence the construction of; the store without first obtaining our written approval of all plans and

specifications as adapted.

You must bear the entire cost of improving the store premises including, but not limited to, payment of all material and service providers and government fees. All contracts with service or material providers must be made between you and the applicable service or material provider. The collection of any credit or payment offered by the master lessor for improvement of the store premises *(e.g.,* "tenant allowance," etc.) is your sole responsibility, and you release, indemnify and agree to defend us from and against any obligation, loss, liability or damage caused by, or related to, the same.

You or your manager must personally attend the Initial Training Program and you must not open for business until you or your manager have successfully completed Phase I of our Initial Training Program. You or your manager are responsible for training your employees. If you want your employees/managers trained by us, we will do so for the actual cost of travel, meals and lodging plus $250 per day. Each employee must be certified for each position they provide services for.

You must comply with our advertising policies as revised from time to time and must attend all advertising meetings. When two or more franchised businesses have been established in a Metropolitan Statistical Area (MSA), we may establish an advertising cooperative in that area. If an advertising cooperative has been established in your territory, you are required to participate in the cooperative advertising group. If the group approves by majority an advertising program you must pay for your share of the expense. See *Franchise Agreement*, Article 5. Although we may not have an advertising cooperative in your area, we may, from time to time, require that you join a specific advertising campaign and we will electronically withdrawal money from your account for the campaign. (Franchise Agreement, Article 5, and Exhibit 4.)

You or an approved operator are required to attend all mandatory quarterly franchise and advertising meetings. Your failure to attend a mandatory meeting on the first instance will result in an oral warning, the second instance will result in a written warning, and the third instance will be grounds for termination of the Franchise Agreement. See *Franchise Agreement, Articles 4 and 11*.

You must represent and warrant that you: (1) do now and will, for the duration of the *Franchise Agreement,* live in the locality of the store; (2) shall personally manage and shall personally devote your full-time best efforts to the day-to-day operations of the store; (3) do now own, and for the duration of the *Franchise Agreement* shall continue to own, the entire equity interest in the *Franchise Agreement,* in the business of the store and in its profits, except only as otherwise permitted pursuant to the terms of the *Franchise Agreement;* and (4) do not have any undisclosed partnerships and any undisclosed partnerships or other agreement to share profits is void ab initio. See *Franchise Agreement, section 4.01(f).*

You must understand that the success of the business venture contemplated to be undertaken pursuant to the *Franchise Agreement* depends primarily upon your ability to succeed as an independent business person and you acknowledge and agree that neither us nor any of our agents or representatives have made any oral, written or visual representations of projections of actual or potential sales, earnings, or net or gross profits. You must also understand that our sale of the franchise to you or our approval of the store location and premises does not guarantee success of your store. We cannot, and do not, guarantee that you will succeed in the operation of this business venture. In fact, you must understand that the store may lose money or fail.

16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

The *Franchise Agreement* requires you to sell and deliver the limited menu of foods, beverages and merchandise approved by us from time to time and to sell and deliver only those items. The *Franchise Agreement* also requires all Franchisees to sell and accept Pizza Guys gift cards. The monthly fee will be deducted electronically by Pizza Guys at the first of the month. There are no restrictions on the customers to whom you may sell. Menus may vary from region to region. See *Franchise Agreement, section 4.01(b).*

17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

The following table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

Provision	**Section in franchise or other agreement**	**Summary**
a. Length of the franchise term	12.01	15 years for Franchise Agreement
b. Renewal or extension of the term	12.02	If you are in good standing, you may renew or extend the term for unlimited successive terms equal to the original term of your *Franchise Agreement*
c. Requirements for franchisee to renew or extend	12.02, 2.06	You must give us timely written notice, pay Renewal/Extension Fee, remodel the store to our standards, if we require, sign release and sign new *Franchise Agreement* and related documents. Note: You must pay us the Renewal/Extension Fee and remodel the store only if you have a *Franchise Agreement*.
d. Termination by franchisee	None	You may not terminate the franchise prior to the expiration of the term of the franchise
e. Termination by franchisor without cause	None	N/A
f. Termination by franchisor with cause	11.01, 11.02, 10.01, 10.02	

g. "Cause" defined - curable defaults (Note 1)	11.01, 10.01, 10.02	"Good Cause" means "failure to comply with any lawful requirement of the franchise" which includes any failure to comply with any provision of the *Franchise Agreement*, *Store Operations Manual*, or the *Telephone Number Lease*. Except as described in Item 17.h., below, you have a reasonable opportunity after notice (which in no event need be more than 60 days) to cure the failure.

h. "Cause" defined - non-curable defaults (Note 1)	11.02, 10.01, 10.02	We may terminate the franchise without giving you an opportunity to cure if: you or the store is declared bankrupt or judicially determined to be insolvent, or all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or you admit your inability to pay your debts as they come due; you abandon the franchise by failing to operate the business for 5 consecutive days during which you are required to operate the business under the *Franchise Agreement*, or any shorter period after which it is not unreasonable under the facts and circumstances for us to conclude that you do not intend to continue to operate the franchise, unless such a failure to operate is due to fire, flood, earthquake or other similar causes beyond your control; us and you agree in writing to terminate the franchise; you make any material misrepresentation relating to the acquisition of the franchised business or you and/or an employee of your's engage in conduct which reflects materially and unfavorably upon the operation and reputation of the store of the ***Pizza Guys®*** store chain; you fail, for a period of 10 days after notification of noncompliance, to comply with any federal, state or local law or regulation applicable to the operation of the franchise; after curing any failure in accordance with *Franchise Agreement, section 11.01* (discussed in *Item 17.g.,* above) you engage in the same noncompliance whether or not such noncompliance is corrected alter notice; you repeatedly fail to comply with one or more requirements of the *Franchise Agreement,* whether or not corrected after notice; the store or the store premises are seized, taken over or foreclosed by a government official in the exercise of his duties, or seized, taken over, or foreclosed by a creditor, lienholder or lessor, provided that a final judgment against you remains unsatisfied for 30 days (unless a supersedes or other appeal bond has been filed); or a levy of execution has been made upon the license granted by the *Franchise Agreement* or upon any property used in the franchised business, and it is not discharged within 5 days of such levy; you

continued on next page

i. begins on next page		are convicted of a felony or any other criminal misconduct which is relevant to the operation of the franchise; you fail to pay any franchise fee or other amount due to us or our representatives within 5 days after receiving written notice that such fees are overdue; If we find that you purposely reported incorrect sales; You fail to permit us, our representatives, accountants, attorneys and other agents to inspect and audit, without notice, during regular business hours your books and records. Or, an inspection or audit discloses that actual Gross Sales exceed your reported Gross Sales, and you fail to pay us: (a) the additional amount owed, (b) interest on said amount from the date originally due until paid, and (c) if actual Gross Sales exceed your reported Gross Sales by 2% or more, the cost of the inspections and audits which revealed the under-reported sales including, but not limited to, our agents' fees, travel, meals and lodging; or, we make a reasonable determination that your continued operation of the franchise will result in an imminent danger to public health or safety.

i. Franchisee's obligations on termination/non-renewal	13.01	Your right to operate a ***Pizza Guys®*** store, to use the franchise system, to use the ***"Pizza Guys"*** mark and to use our recipes terminates and you must immediately: pay us all moneys due; return the *Store Operations Manual* and all other materials furnished to you, together with any other materials containing any of our trade names, service marks, trademarks or other indicia, any formative thereof or any name or mark potentially confusingly similar thereto, any of our trade secrets or copyrights; and any idea, improvement or discovery; Not thereafter use our trade names, service marks, trademarks and other indicia or any signs and printed goods bearing such names and marks or any other trade name, service mark, trademark or other indicia similar to or likely to be confused with those of us; not thereafter use any part of the franchise system; and not thereafter disclose, reveal or publish to any person any part of the franchise system; and not disclose, reveal or publish to any person any part of the franchise system; and honor your post-termination covenant not to compete for a term of 5 years within 10-mile radius of a Pizza Guys store. (see Item 17.r).
j. Assignment of contract by franchisor	14.04	We may assign without restriction and shall thereafter be deemed released from all liability.
k. "Transfer" by franchisee - defined	14.01-14.03	A "transfer" includes any sale, transfer, assignment or other hypothecation (such as mortgaging or pledging as security or collateral for a debt) in whole or in part' directly or indirectly whether voluntarily or by operation of law of any interest in the franchised business, the *Franchise Agreement,* the store or the store's assets (except for sales in the usual course of business) and any interest of any of the restaurant's legal or beneficial owners, partners, shareholders, officers or directors or persons signing the *Franchise Agreement*

l. Franchisor approval of transfer by franchisee	14.01	You may request to transfer. We have the right to approve or deny your request to transfer in our sole and absolute discretion. You may transfer upon death subject to the requirements set forth in the Franchise Agreement.
m. Conditions for franchisor approval of transfer	14.01	The process of transferring a ***Pizza Guys®*** store is governed by the *Franchise Agreement* which provides that you may not transfer all or part of the store (or any interest in any corporation or partnership which owns or operates the store) without following the procedure which is set forth in the *Franchise Agreement* and is outlined in our *Transfer Packet* (a copy of our current *Transfer Packet* is attached to this Disclosure Document as *Exhibit 6).*
n. Franchisor's right of first refusal to acquire franchisee's business o. begins on next page	13.01(c), 14.01	We may purchase any interest sought to be transferred on the terms proposed. We have the option for thirty (30) days to purchase your store's equipment, furnishings, fixtures, signs, inventory, leasehold or building and real estate, and improvements and other real or personal property or any portion thereof for a sum equal to the fair market value of such property. There shall be no payment by us for intangible assets including, but not limited to, goodwill.

o. Franchisor's option to purchase franchisee's business	14.01	Upon expiration or termination of the franchise, we have the option for 30 days to purchase your equipment, furnishings, fixtures, signs, inventory, leasehold and improvements and other property or any portion thereof for a sum equal to the fair market value of such property. We are not required to pay you for your intangible assets including, but not limited to, goodwill. Upon the death (or the death of the majority partner or shareholder of a partnership or corporate franchisee), we have the option to purchase the franchised business, if: within the period set forth in the *Franchise Agreement,* the surviving spouse, heirs, or the representative fail to take and pass the Initial Training Program or to otherwise qualify as a franchisee. An independent appraisal of the franchise assets in order to determine fair market value for repurchase purposes is not required by the *Franchise Agreement*.
p. Death or disability of franchisee	14.01(a)(b)	For not more than 120 days after the death of you (or the death of the majority partner or shareholder of a partnership or corporate franchisee), the surviving spouse, heirs, or representative of the estate of the deceased may participate in the ownership of the of the franchise under the terms of the *Franchise Agreement.* Then they must either take and pass the Initial Training Program and satisfy all of our then current qualifications and requirements for new franchises or sell the franchise pursuant to a request to transfer to a person who satisfies our qualifications. See *Item 17. m.,* above. If you become disabled and are not able to operate the store, you may have a representative participate in the operation and ownership of the franchise under the terms of the Agreement for a reasonable time, not to exceed 120 days, after the disability occurs. During that time the store must be operated by a person approved by us.

q. Non-competition covenants during the term of the franchise (Note 2)	8	During the franchise term and any renewal/extension term and for five (5) years following the transfer, expiration or termination of the franchise, you and your legal and beneficial owners, partners, shareholders, officers and directors shall not, without our prior written consent, directly or indirectly, engage in, acquire any financial or beneficial interest in (including interests in corporations, partnerships or trusts, limited liability companies, unincorporated associations and joint ventures), or become an employee of or a consultant to, or lessor for, any company which is similar to a Pizza Guys store or which prepares, serves or sells pizza within a 10-mile radius. Ownership of less than 2% of the shares of a company with shares listed and traded on a national or regional securities exchange shall not be deemed to violate these covenants not to compete so long as neither you nor any of your legal or beneficial owners, partners, shareholders, officers or directors are employed in any capacity by such company.
r. Non-competition covenants during the term of the franchise (Note 2)	8	During the franchise term and any renewal/extension term and for five (5) years following the transfer, expiration or termination of the franchise, you and your legal and beneficial owners, partners, shareholders, officers and directors shall not, without our prior written consent, directly or indirectly, engage in, acquire any financial or beneficial interest in (including interests in corporations, partnerships or trusts, limited liability companies, unincorporated associations and joint ventures), or become an employee of or a consultant to, or lessor for, any company which is similar to a Pizza Guys store or which prepares, serves or sells pizza within a 10-mile radius. Ownership of less than 2% of the shares of a company with shares listed and traded on a national or regional securities exchange shall not be deemed to violate these covenants not to compete so long as neither you nor any of your legal or beneficial owners, partners, shareholders, officers or directors are employed in any capacity by such company

s. Modification of the agreement	15.09	No modification may be made unless in writing signed by us and you, except we may unilaterally modify the ***Pizza Guys®*** menu, recipes, marks, methods, procedures, and the *Store Operations Manual* as we deem advisable, all of which you acknowledge that we have developed and own and will continue to develop and own.
t. Integration/merger clause	15.08	The terms of the *Telephone Number Lease* and the *Store Operations Manual*, as revised from time to time, are incorporated by reference into the *Franchise Agreement* and are binding (subject to law). Any other promises may not be enforceable.
u. Dispute resolution by referee	15.05	Except as specifically limited below, any dispute between you and us regarding this Agreement and all matters relating to the validity, construction, performance and enforcement hereof shall be heard by a referee pursuant to the provisions of California Code of Civil Procedure §§638 through 645.1.
v. Choice of forum (Note 3)	15.05	Any dispute shall be heard in Sacramento, California. The forum for any legal action (including litigation regarding the scope of the referee's jurisdiction) shall be the proper court of the state of California in the County of Sacramento or in the United States District Court for the Eastern District of California, Sacramento Branch
w. Choice of law	15.05	The Franchise Agreement requires application of the laws of California and specifically Code of Civil Procedure §§638 through 645.1

Footnotes:

1. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sections 101 et seq.)
2. 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.
3. The Franchise Agreement requires many disputes be heard before a referee pursuant to California Code of Civil Procedure §§638 through 645.1. The dispute hearing will occur in Sacramento County, California. All expenses of the dispute hearing must be paid by the party against which the referee(s) render a decision.

   California Business and 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.

18. PUBLIC FIGURES

We do not use any public figure to promote our franchise.

19. FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to disclose 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 the information is included in the disclosure document. Financial performance information that differs from that which is included in this Item 19 may be provided 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 the performance at a particular location or under particular circumstances.

Pizza Guys does 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 our chairman of the board, Shahpour Nejad, or any member of our board of directors personally at 2731 Citrus Road, Ste. A, Rancho Cordova, CA; (916) 852-2222, the Federal Trace Commission, and the appropriate state regulatory agencies.

The *Franchise Agreement* requires you to acknowledge that neither we nor any of our affiliates, representatives, agents or employees have made any oral, written or visual representation of actual or potential sales, earnings, net or gross profits or other earnings claims, that your success depends primarily upon personal efforts and abilities as an independent businessperson, that our sale of a franchise to you does not guarantee success, and that the store may lose money or fail.

20. OUTLETS AND FRANCHISEE INFORMATION

The number of Pizza Guys franchises similar to those offered herein as of Pizza Guys' most recent three (3) fiscal years is as follows:

Systemwide Outlet Summary
For Years 2015, 2016, 2017

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised[1]	2015	49	51	2
	2016	51	54	3
	2017	54	57	3

Company-Owned[2]	2015 2016 2017	11 11 9	11 9 8	0 -2 -1
Total Outlets	2015 2016 2017	60 62 63	62 63 65	2 1 2

1) Stores which are either owned and operated by our franchisees or are owned by our franchisees and are subleased to others and are operated by the sublessee or are owned by RSM, Inc. and are operated by sublessees have been included in this table as franchised stores. Stores owned and operated by RSM, Inc., our affiliate, are included in this table as "Company Owned".

2) We have never opened and in the next fiscal year do not intend to open "company owned" Stores. The stores reflected in the "company owned" column above are actually owned and operated by RSM, Inc., our affiliate. Stores owned by RSM, Inc., our affiliate, but are either owned and operated by our franchisees or are owned by our franchisees and are subleased to others and are operated by the sublessee or are owned by RSM, Inc. and are operated by sublessees are included in this table as "Franchised".

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) For years 2015, 2016, 2017

State	2015	2016	2017
	Number of Transfers	Number of Transfers	Number of Transfers
California	3	0	0
Nevada	0	0	0
TOTAL	3	0	0

Status of Franchised Outlets For Years 2015, 2016, 2017

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
California	2015 2016 2017	46 47 50	1 3 3	0 0 0	0 0 0	0 0 0	0 0 0	47 50 53
Nevada	2015 2016 2017	1 2 2	1 0 0	0 0 0	0 0 0	0 0 0	0 0 0	2 2 2
Oregon	2015 2016 2017	2 2 2	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	2 2 2
TOTALS	2015 2016 2017	49 54 54	2 3 3	0 0 0	0 0 0	0 0 0	0 0 0	51 54 57

Status of Company-Owned Outlets
For Years 2015, 2016, 2017

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
California	2015 2016 2017	11 11 9	0 0 0	0 0 0	0 0 0	0 2 1	11 9 8
TOTALS	2015 2016 2017	11 11 9	0 0 0	0 0 0	0 0 0	0 2 1	11 9 8

Projected New Franchised Outlets As Of December 31, 2018

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Fiscal Year
California	0	2	0
Nevada	0	0	0
Oregon	0	0	0
TOTALS	0	2	0

The name, last known address and telephone number of each franchisee under a Franchise Agreement whose franchise has, within the twelve-month period immediately preceding the effective date of this Disclosure Document ceased to do business pursuant to the Franchise Agreement as a result of termination, cancellation non-renewal or otherwise voluntarily or involuntarily ceased doing business or who has not communicated with the franchisor within 10 weeks of the Disclosure Document issuance date is:

Name and Address	Store #	Termination Date	Telephone #
None			

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Pizza Guys. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

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The names, addresses and telephone numbers of all 57 existing ***Pizza Guys®*** stores which are either owned and operated by our franchisees or are owned by our franchisees and are subleased to others and are operated by the sublessee or are owned by RSM, Inc. and are operated by sublessees, are set forth below:

Pizza Guys® #103
6900 65th Street, Suite 5
Sacramento, CA 95823
(916) 422-2222
Owned and operated by
Pizza Guys 65th Inc.

Pizza Guys® #104
2351 Vehicle Drive, Suite D
Rancho Cordova, CA 95670
(916) 852-6666
Owned and operated by
HBHM, Inc.

Pizza Guys® # 109
612 E. Bidwell Rd, Ste. B-1
Folsom, CA 95630
(916) 984-6666
Owned and operated by
Hadi Asadisaraui

Pizza Guys® *#111*
505 L Street
Davis, CA 95616
(530) 758-8888
Owned and operated by
DSC, Inc.

Pizza Guys® #113
7451 Foothills Blvd., Ste 120
Roseville, CA 95670
(916) 773-5555
Owned and operated by
Derek Tyler 2 Inc.

Pizza Guys® #114
5764 Antelope Road, Ste B-4
Sacramento, CA 95842
(916) 723-6666
Owned and operated by
Slavco, Inc.

Pizza Guys® #115
1000 Lincoln Road, Suite F
Yuba City, CA 95991
(530) 822-9999
Owned and operated by
YC & VD, Inc.

Pizza Guys® #116
15253 Hesperian Blvd., Ste. 2
San Leandro, CA 94578
(510) 481-5555
Owned and operated by
Hafeez, Inc.

Pizza Guys®#117
1110 Marshall Road, Suite E
Vacaville, CA 95687
(707) 452-1200
Owned and operated by
PSSR Inc.

Pizza Guys® #118
6709 Plymouth Road, Suite B
Stockton, CA 95207
(209) 955-1111
Owned/operated by Sauman Inc.

Pizza Guys® #119
520 East Yosemite Avenue
Manteca, CA 95336
(209) 239-5555
Owned and operated by
Oudom Rattanachane

Pizza Guys® #122
914 West Lodi Avenue
Lodi, CA 95240
(209) *368-6666*
Owned and operated by
Tuan Tran

Pizza Guys® #123
1140 East Waterloo Road
Suite 4
Stockton, CA 95205
(209) 944-5555
Owned and operated by
Sauman Inc.

Pizza Guys® #124
1914 N. Texas St.
Fairfield, CA 94533
(707) 425-6666
Owned and operated by
Ajay Kumar

Pizza Guys® #125
4920 Pacific Street, Ste. A
Rocklin, CA 95677
(916) 630-5533
Owned and operated by
Skip LLC

Pizza Guys® #126
4001 Railroad Avenue
Pittsburg, CA 94565
(925) 252-9999
Owned and operated by
JMPG, Inc.

Pizza Guys® #127
2255 Tennesee Street, Suite 3
Vallejo, CA 94591
(707) 557-8888
Owned and operated by
Canh Tran, Inc.

Pizza Guys® #129
3440 McHenry Avenue, D-10
Modesto, CA 95350
(209) 525-8888
Owned and operated by
PG 2000, Inc.

Pizza Guys® #133
511 N Golden State Boulevard
Turlock, CA 95380
(209) 656-8888
Owned and operated by
Shukor, Inc.

Pizza Guys® #135
1100 Sycamore Drive
Antioch, CA 94509
(925) 755-1111
Owned and operated by
Jarlsle, Inc.

Pizza Guys® #137
1455 Ary Lane
Dixon, CA 95620
(707) 693--6666
Owned and operated by
Castrah Inc.

Pizza Guys® #138
6026-B San Juan Avenue
Citrus Heights, CA 95610
(916) 726-6666
Owned and operated by
PG2003, Inc.

Pizza Guys® #139
1347 S. Winchester Blvd.
San Jose, CA 95128
(408) 871-3333
Owned and operated by
Sauman Inc.

Pizza Guys® #140
3691 Thornton Avenue
Fremont, CA 94536
(510) 857-9444
Owned and operated by
Hafeez, Inc.

Pizza Guys® #141
1919 Salvio Street
Concord, CA 94520
(925) 682-9999
Owned and operated by
Riya Luttra Corp

Pizza Guys® #142
1776 Piner Road
Santa Rosa, CA 95403
(707) 591-8888
Owned and operated by
PG 2008, Inc.

Pizza Guys® #143
1421 Crows Landing Road
Modesto, CA 95351
(209) 491-2222
Owned and operated by
PG2000, Inc.

Pizza Guys® #144
2800 G Street
Merced, CA 95340
(209) 726-8888
Owned and operated by
Swaran Singh

Pizza Guys® #146
1270 W. Henderson Ave., Ste. B
Porterville, CA 93257
(559) 781-7777
Owned and operated by
Boundom Phakousonh

Pizza Guys® #147
201 D Street, Ste. B
Marysville, CA 95901
(530) 741-1110
Owned and operated by
Neki, Inc.

Pizza Guys® #149
2471 Cohasset Rd.
Chico, CA 95926
(530) 894-8888
Owned and operated by
Neki, Inc.

Pizza Guys® #151
1545 N. Vasco Rd
Livermore, CA 94551
(925) 371-5555
Owned and operated by
JTN, Inc.

Pizza Guys® #152
3317 Coach Ln, Ste. 300
Cameron Park, CA 95682
(530) 672-1313
Owned and operated by
V&Z Pizza Guys, Inc.

Pizza Guys® #153
3007 N. Tracy Blvd.
Tracy, CA 95376
(209) 839-1111
Owned and operated by
DR Pizza LLC.

Pizza Guys® #154
9170 Elk Grove-Florin Rd, #A
Elk Grove, CA 95624
(916) 685-7777
Owned and operated by
PG2003, Inc.

Pizza Guys® #155
8610 Brentwood Blvd., #H
Brentwood, CA 94513
(925) 634-1414
Owned and operated by
Sauman, Inc.

Pizza Guys® #156
745 S. Highway 65, Ste. F
Lincoln, CA 95648
(916) 543-9999
Owned and operated by
Neki, Inc.

Pizza Guys® #157
3080 Vista Blvd, Ste. 200
Sparks, NV 89436
(775) 626-4444
Owned and operated by
Xfinity Blue Line, LLC

Pizza Guys® #159
801 Oakdale Rd, Ste. A-2
Modesto, CA 95355
(209) 523-2222
Owned and operated by
PG 2000, Inc.

Pizza Guys® #160
4370 Golden Circle Dr, Ste E
Placerville, CA 95667
(530) 626-8888
Owned and operated by
RNM, Inc.

Pizza Guys® #162
6271 Lone Tree Wy, #F
Brentwood, CA 94513
(925) 626-3888
Owned and operated by
Jarlsle, Inc.

Pizza Guys® #163
1837 E. Gibson Rd, Ste. G
Woodland, CA 95776
(530) 668-4444
Owned and operated by
DSC, Inc.

Pizza Guys® #165
640 Carol Dr., #104
Galt, CA 95632
(209) 744-5555
Owned and operated by
Davis Tran

Pizza Guys® #167
1548 Newall Ave
Walnut Creek, CA 94596
(925) 934-5555
Owned and operated by
Riya Luthra Corp.

Pizza Guys® #169
6500 Hembree Ln, Ste. 202
Windsor, CA 95492
(707) 836-9999
Owned and operated by
PG 2008, Inc.

Pizza Guys® #170
4000 Pimlico Dr, Ste. 110
Pleasanton, CA 94588
(925) 227-1111
Owned and operated by
Sauman Inc.

Pizza Guys® #171
3000 Jefferson St
Napa, CA 94558
(707) 251-5555
Owned and operated by
Shanli, Inc.

Pizza Guys® #172
3522 Foothill Blvd
Oakland, CA 94605
(510) 533-2222
Owned and operated by
Sai Baba Kirpa, Inc.

Pizza Guys® #174
15370 Bear Valley Rd, #1
Victorville, CA 92395
(760) 843-1022
Owned and operated by
Osh Investment Inc.

Pizza Guys® #176
501 A San Pablo Towne Center
San Pablo, CA 94806
(510) 215-5555
Owned and operated by
A&L Bhandal, Inc.

Pizza Guys® #177
64 NE Division St.
Gresham, OR 97030
(503) 465-2929
Owned and operated by
VKS, Inc.

Pizza Guys® #178
1458 NE 122nd Ave
Portland, OR 97230
(503) 255-2222
Owned and operated by
Guys, Inc.

Pizza Guys® #179
121 Hartz Ave, #125
Danville, CA 94526
(925) 837-3500
Owned and operated by
Mandeep Bhandal

Pizza Guys® #180
1610 Robb Dr., Ste. D-2
Reno, NV 89523
(775) 787-6666
Owned and operated by
K&J Brothers Corp.

Pizza Guys® #181
24456 Mission Blvd.
Hayward, CA 94544
(510) 886-5100
Owned and operated by
Sai Baba Kirpa Inc.

Pizza Guys® #182
701 Sonoma Mountain Pkwy, B-4
Petaluma, CA 94954
(707) 778-2222
Owned and operated by Jose
Tiongson Jr.

Pizza Guys® #183
1998 Homestead Rd #101
Santa Clara, CA 95050
(669) 213-1111
Owned and operated by Sauman
Inc.

Our affiliate, RSM, Inc., owns and operates 8 ***Pizza Guys®*** stores. The addresses of these ***Pizza Guys®*** stores which are owned and operated by RSM, Inc., our affiliate, are set forth below. We have treated them as "company owned" stores for purposes of the tables set forth above, however, these stores are not technically "company owned" stores since they are not owned or operated by us but are owned and operated by our affiliate, RSM, Inc. (Note: Information regarding the franchise may be obtained from the franchisees listed above or from Shahpour Nejad, our president, at our corporate headquarters at (916) 852-4126 and cannot be obtained from the stores listed below.)

Pizza Guys® #101
1310 Fulton Ave, Ste. A
Sacramento, CA 95825
(916)483-4444
Owned and operated by
RSM, Inc.

Pizza Guys® #102
1620 W El Camino Ave Ste 160
Sacramento, CA 95833
(916) 925-4444
Owned by
RSM, Inc. and sublease
by Farah Ikbal

Pizza Guys® #105
7600 Greenhaven Drive, Suite 2
Sacramento, CA 95831
(916) 429-1111
Owned and operated by
RSM, Inc.

Pizza Guys® #107
3675 J Street
Sacramento, CA 95816
(916) 451-2222
Owned and operated by
RSM, Inc.

Pizza Guys® #108
9105 Bruceville Rd., Ste. 9
Elk Grove, CA 95758
(916) 478-8888
Owned and operated by
RSM, Inc.

Pizza Guys® #110
8399 Folsom Blvd., Ste. 3
Sacramento, CA 95826
(916)388-1111
Owned and operated by
RSM, Inc.

Pizza Guys® #112
800 Harbor Boulevard
West Sacramento, CA 95691
(916) 372-2222
Owned and operated by
RSM, Inc.

Pizza Guys® #161
2820 Del Paso Rd, Ste. 100
Sacramento, CA 95834
(916) 419-6666
Owned and operated by
RSM, Inc.

There are no trademark-specific franchisee organization associated with the franchise system being offered. There are no franchisees that have been created, sponsored, or endorsed by us. There are no franchisees incorporated or otherwise organized under state law that have asked us to be included in our disclosure document during the next fiscal year.

21. FINANCIAL STATEMENTS

The Audited Balance Sheet and the related Income Statement for the year ended December 31, 2017 of Pizza Guys Franchises, Inc. prepared by Kawana & Gong, LLP, Certified Public Accountants, 1044 E. Spruce Ave., Suite 105, Fresno, CA 93720-3331, using generally accepted accounting principles are attached hereto as *Exhibit 2*.

The Audited Balance Sheet and the related Income Statement for the year ended December 31, 2016 of Pizza Guys Franchises, Inc. prepared by Kawana & Gong, LLP, Certified Public Accountants, 1044 E. Spruce Ave., Suite 105, Fresno, CA 93720-3331, using generally accepted accounting principles are attached hereto as *Exhibit 2*.

The Audited Balance Sheet and the related Income Statement for the year ended December 31, 2015 of Pizza Guys Franchises, Inc. prepared by Iraj Pessian & Associates, Certified Public Accountants, 21515 Hawthorne Blvd., Ste. 1085, Torrance, CA 90503-6558, using generally accepted accounting principles are attached hereto as *Exhibit 2*.

22. CONTRACTS

The following contracts for use in this state are attached hereto as exhibits:

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Telephone Number Lease	5
Transfer Packet	6
Designation & Consent of Professional Advisor	7
Store Operations Manual - Table of Contents	8
California State Addendum	9

23. RECEIPT

You must acknowledge receipt of this franchise Disclosure Document by signing the receipt, the last page hereto.

EXHIBIT “1”

FRANCHISE AGREEMENT

PIZZA GUYS
FRANCHISE AGREEMENT

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ATTACHMENTS:

A UNCONDITIONAL, IRREVOCABLE GUARANTY

Pizza Guys® FRANCHISE AGREEMENT

(WITH PERSONAL GUARANTEE)

This AGREEMENT is made this _____day of _____, 20_____by and between

FRANCHISOR: *and* **FRANCHISEE:**

PIZZA GUYS FRANCHISES, INC.
2731 Citrus Road, Ste. A
Rancho Cordova, California 95742
(916) 852-2222

_____
(Name)
_____
(Address)
_____
(City State Zip Code)
_____
(Telephone No. w/Area Code)

ACKNOWLEDGMENTS

Pizza Guys Franchises, Inc. franchises others the right to serve our limited menu of foods and beverages prepared according to our recipes, at one takeout and delivery only pizza store operated under the ***Pizza Guys*®** trade name, trademark and other commercial symbols according to our 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 Agreement, "Pizza Guys Franchises, Inc." will generally be referred to as "us," "we" or "our" (and sometimes as "Franchisor"), and "you" and "your" (and sometimes "Franchisee") will mean you, a person to whom we grant a franchise.

You desire to engage in the takeout and delivery only pizza business in the jurisdiction in which the store will be located. You have investigated the franchise system, the approved goods and services, the demand for such goods, and the applicable laws in the jurisdiction in which your store is to be located. You acknowledge our ownership of the franchise system and that the information received by you from us and our representatives, is our creation, was expensive to develop, is confidential and constitutes our trade secrets. You desire to operate a ***Pizza Guys*®** store at the location specified herein using our marks, recipes, decor, marketing, methods and procedures in compliance with our franchise system and to obtain the benefit of the reputation and goodwill associated with our ***Pizza Guys*®** name.

You acknowledge and agree that neither we nor any of our affiliates , representatives, agents or employees have made any oral, written or visual representation of actual or potential sales, earnings, net or gross profits or other earnings claims. You also acknowledge that your success depends primarily upon your personal efforts and abilities as an independent businessperson and that our sale of a franchise to you does not guarantee success and that your store to be operated under this Agreement may lose money or even fail.

You acknowledge and are estopped to deny that you have received a copy of this Agreement and the franchise offering circular with all exhibits attached at the first personal meeting to discuss the franchise; or, at least fourteen business days before you (1) sign a binding agreement with us, or (2) make a payment to Pizza Guys in connection with the proposed franchise sale, whichever occurs first; and that you have read this Agreement and the franchise offering circular and all exhibits, and that we gave you the opportunity to clarify provisions you did not understand, and you consulted with a professional advisor prior to signing. You acknowledge that you have used a Professional Advisor to evaluate the suitability of this investment for your particular circumstances and to advise you of the risks involved. A person is not a Professional Advisor unless he or she is designated by you in the ***Pizza Guys®.*** *Designation & Consent of Professional Advisor,* consents to act as such by signing the ***Pizza Guys®.*** *Designation & Consent of Professional Advisor,* and is either an attorney, certified public accountant or business broker who is licensed in the jurisdiction where you reside or where the store is to be located and who is unaffiliated with, and is not compensated directly or indirectly by Pizza Guys Franchises, Inc., our affiliates or representatives.) We approved you in reliance upon your statements made in your application.

ACKNOWLEDGING THE TRUTH OF THE FOREGOING, you and we agree as follows:

ARTICLE 1: GRANT, LOCATION & EXCLUSIVE AREA

1.0l Grant. We hereby grant you upon receipt of this signed Agreement and payment in full of the Franchise Fee (see *Section* 6.01(a)) and you accept from us a franchise consisting of the right to operate one ***Pizza Guys®*** store at the location specified herein using our marks, recipes, decor, marketing, methods and procedures in compliance with our franchise system operated under the ***Pizza Guys®*** trade name, trademark and other commercial symbols, all of which we have developed and will continue to develop (referred to as the "franchise" or the "franchise system" as the context requires). Pizza Guys franchisees who are qualified to open multiple locations are given the option to open more than one location within an approved area and specific timeline. The approved area and timeline are negotiated on a case by case basis depending in part on the qualifications of the Franchisee. Your receipt of this Agreement signed by a Pizza Guys representative is acknowledgment of our approval of you in the franchise system.

1.02 Location. Your franchise is limited to one address only (the "store premises"). Following is the franchise number *and* a description of the general area in which your store shall be located. The exact address of your store premises shall be inserted below when known.

_____	_____	_____/_____
(franchise #)	(General Area)	(initials)

_____	_____/_____
(Exact Address of the Store)	(initials)

1.03 Exclusive Area. We have not established and will not establish another franchised or company- or affiliate-owned store selling pizza to the general public under the ***Pizza Guys*®** trade name or under a different trade name or service mark within a two (2) mile radius of your store (the "Exclusive Area") excepting situations where a natural or artificial condition is an impediment to travel such as freeways, rivers and the like, in which case we may establish another franchised or company-owned store selling pizza within your Exclusive Area. Notwithstanding the Exclusive Area, you and other franchisees may serve walk-in customers from any area and deliver to call-in customers in any area. You may distribute door hangers, flyers, coupons and other forms of promotion which advertise only your store (instead of a list of areas ***Pizza Guys*®** stores) only within your Exclusive Area. You may not advertise materials with only your telephone number out of your two (2) mile radius. You release, indemnify and agree to defend us, our affiliates and representatives from and against any obligation, loss, liability or damage caused by or related to your advertising alone or with the advertising of other ***Pizza Guys*®** stores. See *Section 5.01(c).*

ARTICLE 2: STORE PREMISES

2.01 Premises Selection You shall locate and propose to us, premises suitable for use as your ***Pizza Guys*®** store in the general area described in *Section 1.02,* above, but you shall not enter into any negotiations with the lessor of the proposed premises. In the event that we approve of the proposed premises for use as your ***Pizza Guys*®** store, we or our representatives shall negotiate with the lessor of the proposed premises for acceptable terms of lease. You may not lease the premises without our prior approval. If the proposed lease terms are acceptable to us and you, we may in our sole and absolute discretion permit you to lease the premises directly from the landlord. In the event we disapprove or fail to approve of the premises or the lease terms, you shall locate and propose to us other premises suitable for use as your ***Pizza Guys*®** store. Our designation, approval, disapproval, failure to disapprove your lease of the premises shall not constitute our warranty or guarantee of successful or unsuccessful store operations at that location or that the lease of the premises will be renewed, and you release, indemnify and agree to defend us, our affiliates and representatives from and against any obligation, loss, liability or damage caused by, or related to, the same.

2.02 Design and Construction. After you have leased the store premises, we will provide you with our general plans and specifications for the design, decor, equipment and furnishings layout, signage and other incidents of a typical ***Pizza Guys*®** store. (We will not provide energy calculations or plans or specifications for electrical, plumbing, sewer or mechanical systems or compliance with the Americans with Disabilities Act, state disabled person's laws, or other similar laws or regulations). You shall bear the entire cost of adapting our general plans and specifications to the particular circumstances of your store premises including, but not limited to, the employment of an architect, engineer or other consultants as necessary. You shall not contract for or commence construction of the store without first obtaining our written approval of all plans and specifications as adapted.

You shall procure certain architectural, engineering, design, construction or other services or materials only from us, our affiliates or other designated source, some services and materials only from among a list of approved service or material suppliers, and other services and materials from any service or material supplier so long as the service or material meets our standards and specifications as revised from time to time. Our designation, approval, disapproval or failure to disapprove of the store's design or construction or of a service or material provider or of the terms of the service or materials contract, or of the services or materials provided shall not constitute our warranty or guarantee of such person's solvency or the quality or safety of such person's services or materials or the fairness of such person's contract, and you release, indemnify and agree to defend us from and against any obligation, loss, liability or damage caused by, or related to, the same. You shall not hold us liable for the design or construction of your store or any delay in the design or construction of your store.

You are required to use a construction coordinator approved by us. You shall bear the entire cost of constructing your store premises including, but not limited to, payment of all material and service providers, consultation fees to independent contractor(s) and fees and permits of government agencies. Prior to the commencement of construction, you shall provide us the names and addresses of all architects, engineers, designers, contractors, laborers or other service or material providers so that we may deliver Notices of Nonresponsibility thereto. All government permits and contracts with service or material providers shall be made between you and the applicable government agency or service or material provider. The collection of any credit or payment offered by the lessor for construction or improvement of the premises ("tenant allowances") shall be the sole responsibility of you, and you release, indemnify and agree to defend us, our affiliates and representatives from and against any obligation, loss, liability or damage caused by, or related to the same.

You shall commence construction within forty-five (45) days of delivery of your store premises or within such earlier period set forth in the store premises lease as and you shall complete construction and open for business within one (1) year of the date of this Agreement, or we may terminate your franchise pursuant to *Section 11.01* retaining all fees paid and all improvements made by you. You shall not open for business until we or our representatives have approved your store as built.

2.03 Fixtures, Furnishings and Equipment. After you have leased the store premises, we shall provide you with our fixtures, furnishings and equipment list. You shall fixture, furnish, equip and decorate your store in accordance with our standards and specifications as revised from time to time. Depending upon the item, you shall purchase certain fixtures, furnishings, equipment and other goods only from us, our affiliates or other designated source, some items only from among a list of approved suppliers, and other items from any supplier so long as the items meet our standards and specifications as revised from time to time. You must have a conveyor oven, hood and ventilation system, mixer, pizza preparation table, cut table, vegetable dicer and slicer, dough sheeter, freezer, safe, walk-in refrigerator, dry storage shelving, pizza warmer holding cabinet, counter tops, cabinetry, as well as other equipment and furnishings on the store premises in order to operate the premises as a ***Pizza Guys*®** store. You are required to have a computer utilizing POS

System which must be approved by Franchisor. You are required to participate in online ordering and any future programs such as texting orders that Pizza Guys may introduce. You are required to have a working facsimile machine at your store at all times. You are required to have a high speed internet connection. You are required to notify us prior to changing your internet provider. You are required to utilize PIZZA GUYS' Message on Hold System. Our designation, approval, disapproval or failure to disapprove of a source or supplier shall not constitute our warranty or guarantee of the source's or supplier's solvency or the quality of the source's or supplier's goods, and you release, indemnify and agree to defend us, or affiliates and representatives from and against any obligation, loss, liability or damage caused by, or related to, the same.

Your franchise computer system must meet or exceed our minimum requirements, as periodically specified by us, which requirements will be updated from time to time according to changing technology and industry standards. When you purchase and install the POS System, you bear all related costs. Granbury Solutions provide a system approved by Franchisor. The initial computer system is included in the Initial Investment. Pizza Guys will have independent access to the information and data maintained in your business computer system. There are no contractual limitations on our right to access the information and data contained therein.

You may obtain your computer hardware and POS system from a supplier approved by Franchisor. You must upgrade it as we specify at our or our approved suppliers' then current prices for the upgraded equipment or software. There are no contractual limitations on the frequency and cost of the upgrades.

There may be additional costs of the chosen computer system attributable to optional or required maintenance and support contracts and upgrades and updates. We may, but currently do not, require you to utilize any maintenance or support services for the computer system. You must ensure all programs and applications running on your computer system are legally licensed. We estimate that maintenance and support services could cost between $300 to $2,700 per year.

You must keep all your cash registers and computer system in good operable repair, at your expense, and you must promptly install additions, changes, modifications, substitutions and replacements to the cash register and computer system as we may reasonably require. You will have the sole and complete responsibility for: (a) acquiring, operating, maintaining and upgrading your own cash register and computer system; (b) the manner in which your cash register and computer system interface with our computer systems, if any, and the computer systems of third parties; and (c) all consequences that may arise if your cash register and computer system is not properly operated, maintained and upgraded.

Neither we, our affiliates, nor a third party has a contractual right or obligation to provide ongoing maintenance, repairs or upgrades for your computer system or related items. However, we will provide you with continuing guidance on the necessity for upgrades, all of which you must complete at your own cost.

You may not maintain customer's credit card numbers on file in the POS.

Pizza Guys will pay up to $1,000 should you decide to purchase a car wrap. Your car wrap design must be pre-approved by Pizza Guys.

2.04 Telephone Number Lease. You shall enter into a *Telephone Number Lease* with us which provides that you will lease the main telephone number for your store from us (the "main telephone number"). We will retain ownership of all telephone numbers (lines) including, but not limited to, the main telephone number (1st line), which shall be restricted to receive calls only (or, if such feature is unavailable, to receive calls but restricted to place local calls only). The main telephone number shall be the one (1) and only telephone number used to advertise the store. You may not advertise materials with your telephone number out of your two (2) mile radius. You may install additional telephone number(s) to place and receive local and long distance calls but you may not use such telephone number(s) to advertise the store. We have the absolute right to select and change, at any time, the telephone company which will provide the main telephone number to the premises. You specifically authorize us to redirect the main telephone number to another location from which we or another franchisee may serve persons in your Exclusive Area if you fail to comply with the franchise system. You shall also pay the telephone company and/or vendor(s), as directed, according to the terms of our *Telephone Number Lease.*

2.05 "As Built" Plans. Upon completion of any construction, fixturing, furnishing or remodeling, you shall provide us with a copy of the drawings, plans and specifications revised to show your store premises as actually built or remodeled and all equipment, furnishings and other improvements as actually built or remodeled and all equipment, furnishings and other improvements as actually installed thereon ("as built" plans). Thereafter, you shall not alter your store premises exterior, interior, floor plan, lighting, seating, signage, equipment, furnishings, fixtures or other items without our prior written consent. You shall bear the entire cost of preparing and delivering the as built plans.

2.06 Remodeling and Re-equipping. Upon our written notice and as a condition of transfer or renewal/extension, you shall promptly remodel, re-equip, redecorate or otherwise update your store premises exterior, interior, floor plan, lighting, seating, signage, equipment, furnishings, fixtures or other items to our standards so as to comply with our plans and specifications as revised from time to time. Re-equipping shall include, but not be limited to, the installation of new or additional ovens or appliances, point-of-sale, inventory control, electronic reporting and other computer or store equipment as we deem advisable from time to time.

ARTICLE 3: INITIAL TRAINING PROGRAM, STORE OPERATIONS MANUAL, AND ONGOING CONSULTATION

3.01 Initial Training Program; Additional Training. Prior to the opening of your store, we or our representatives shall train at least one (1) person signing this Agreement or your general manager at a location selected by us ("Phase I"). Phase 1 training will continue until at least one

person signing this Agreement or your general manager is certified by Pizza Guys. After the opening of your store, we or our representatives shall train such person or general manager at your store for an additional five (5) days, eight (8) hours per day ("Phase II"). (We may require and you may request that every person signing this Agreement and your general manager complete our Initial Training Program.) The foregoing shall be collectively referred to as our "Initial Training Program." You or your general manager must personally attend the Initial Training Program and you must bear your and your general manager's travel, lodging, meals or other expenses, if any. We shall pay for the travel, lodging, meals or other expenses of our personnel for the duration of the Initial Training Program only. Training program participants are not paid for their labor. You acknowledge that we will not be held liable if you or your manager(s) were to get injured in part or wholly due to your/their own negligence. You agree and acknowledge that you will or have insurance covering such liability and will provide copies of such policy upon our reasonable request. You release, indemnify and agree to defend us, our affiliates and representatives from and against any obligation, loss, liability or damage caused by or related to your or your manager(s) own negligence during the Initial Training Program. You shall not open for business until at least one (1) person signing this Agreement or your general manager have successfully completed Phase I of our Initial Training Program. You are responsible for training your employees. If you believe that our Initial Training Program is not adequate for you or for the particular circumstances of your store, additional training at your store may be purchased from us for the actual cost of travel, meals and lodging plus $100 per day. You must make your request for additional training to us in writing and pre-pay for the same before we will schedule additional training. If you want your employees/managers trained by us, we will do so for the actual cost of travel, meals and lodging plus $250 per day. Each employee must be certified for each position they provide services for. *For Transfers:* The seller of an existing ***Pizza Guys®.*** store must personally provide the Phase I initial training to the buyer(s) prior to close of escrow. We have no obligation to provide Phase I initial training to the buyer(s) but will provide the Phase II initial training to the buyer(s) after close of escrow if required. Also, if we are not satisfied with the Phase I initial training by you to buyer, we, in our sole discretion, have the right to make the buyer go through Phase I training again.

3.02 Store Operations Manual. The ***Pizza Guys®.*** store operations manual *("Store Operations Manual")* contains information relating to the operation of your store in compliance with the franchise system. Our *Store Operations Manual* is designed to ensure uniform and high standards of quality, service and appearance among all ***Pizza Guys®.*** stores in order to create and maintain goodwill and widespread recognition and acceptance of the ***Pizza Guys®.*** pizza store chain. During the Initial Training Program, we shall provide you with the then current edition of our *Store Operations Manual.* Our *Store Operations Manual,* as revised by us from time to time, is incorporated in this Agreement by reference and you are bound to it as though it were reprinted herein. In the event of any conflict between the terms of our *Store Operations Manual* and this Agreement, the terms of this Agreement shall prevail.

3.03 Ongoing Consultation. After the Initial Training Program, we or our representatives will be available for consultation with you concerning the ongoing operation of the store.

ARTICLE 4: STORE OPERATIONS

4.01 Store Operations. In addition to requirements set forth elsewhere herein, you shall operate your store as follows:

(a) Compliance with the Franchise System. You agree to operate your store in compliance with the franchise system.

(b) Approved Food, Beverages and Merchandise Only. You agree to serve and sell *only* the food, beverages and merchandise (referred to as "goods and services") approved by us from time to time and to prepare the same according to our recipes, methods and procedures as revised by us from time to time, and to serve or sell no goods or services of any kind. All Franchisees are required to sell and accept Pizza Guys gift cards. The monthly fee will be deducted electronically by Pizza Guys at the first of the month. Menus may vary from region to region. In particular, alcoholic beverages may not be served or sold without our prior written consent which consent may be withheld in our sole and absolute discretion. As the market changes and as our experience increases, we may, but are not obligated to, add to, delete from and/or revise the approved goods and services which you shall offer and there are no limitations on our right to make such additions, deletions or changes. In such event, you are obligated to offer and sell such additional goods and services and not to offer or sell deleted goods or services. Such additional or deleted goods and services will be considered a unilateral modification of this franchise made in compliance with *Section 15.08.*

(c) Prices. You shall determine the prices you charge your customers for all goods and services. You are not required to participate in special promotional programs. If you choose to participate in special promotional programs you are required to participate for the entire duration of the program and you shall charge customers the exact amount of the promotional price for the duration of the special promotional program. If you do not want to participate in special promotional programs offered from time to time, you must notify us in advance.

(d) Inventory. You shall use and stock the foods, beverages, ingredients, condiments, containers, napkins, paper goods, packaging and other serviceware ("inventory") as we approve from time to time and to use or stock no other inventory without our prior written consent. You shall maintain sufficient inventory of approved items to meet customer demand. Depending upon the item, you shall purchase certain items of inventory only from us, our affiliates or other designated source, some items only from among a list of approved suppliers, and other items from any supplier so long as such items meet our standards and specifications as revised from time to time. Our designation, approval, disapproval or failure to disapprove of an inventory source or supplier shall not constitute our warranty or guarantee of the source's or supplier's solvency or the quality of the source's or supplier's inventory, and you release, indemnify and agree to defend us from and against any obligation, loss, liability or damage caused by, or related to, the same.

(e) Delivery. You shall deliver approved food, beverages and merchandise to locations within your Exclusive Area. You may, but are not required to, deliver approved food, beverages and merchandise outside your Exclusive Area.

(f) Your Personal Participation. You represent and warrant that you: (1) do

now and shall, for the franchise term and any renewal/extension term, continue to live in the locality of your store; (2) shall be personally present daily at your store and shall personally devote your full-time best efforts to the day-to-day operations of your store; (3) will attend all mandatory quarterly franchise and advertising meetings; (4) do now own and during the franchise term and any renewal/extension term shall continue to own, the entire equity interest in this Agreement, in the business of your store and in its income, except only as otherwise permitted by this Agreement; and and (5) do not have any undisclosed partnerships and any undisclosed partnerships or other agreement to share profits is void ab initio. Your failure to attend a mandatory meeting on the first instance will result in an oral warning, the second instance will result in a written warning, and the third instance will be grounds for termination of the Franchise Agreement.

(g) Personnel and Uniforms. You shall employ trained personnel in sufficient numbers so as to operate your store at maximum efficiency with sufficient staff at all times. You shall be solely responsible for payment of wages, workers compensation insurance, payroll taxes and any other taxes or payments due to the federal, state or other governmental authorities with respect to said personnel. You shall cause all employees to: (1) wear uniforms or clothing of such color, design and other specifications as we may prescribe from time to time, (2) present a neat and clean appearance, and (3) render competent and courteous service to customers.

(h) Restrictions on Personnel. You must restrict your store's employees from directly or indirectly, engaging in, acquiring any financial or beneficial interest in (including interests in corporations, partnerships or trusts, limited liability companies, unincorporated associations and joint ventures), or be employed by, or be a consultant to, or lessor for, any company which is similar to a ***Pizza Guys®*** store or sells pizza in the same fashion that you are restricted by *Article 8.* You must also restrict your store's employees from disclosing or appropriating the customer list, our recipes, copyrights and trade secrets or proprietary information in the same fashion that you are restricted by *Section 7.04.* You must also require your employees to promptly disclose and to assign to us all ideas, improvements and materials (including but not limited to advertising artwork and promotional materials), whether patentable, copyrightable or not, relating to the services provided at, or the operation of; your store in the same fashion that you are required by *Section 7.05.*

(i) Hours of Operation. You shall operate your store seven (7) days per week throughout the year during the hours we prescribe from time to time, except for a reasonable time necessary to reconstruct due to tire or other casualty.

(j) Quality, Service and Cleanliness. You shall operate your store in a clean, wholesome manner and in compliance with standards of quality, service and cleanliness prescribed by us from time to time. You shall, at your sole expense, have a licensed pest control service visit your store at least one time per month. You must produce evidence of inspection and inform us of any issues within 24 hours when requested by us.

(k) Maintenance of Store Premises, Equipment and Furnishings; Decor. You shall maintain your store premises exterior and interior, lighting, seating, signage, equipment, furnishings, fixtures and other items in excellent working condition and in a neat, clean and wholesome appearance in conformity with the decor scheme for your store prescribed by us from time to time. You agree to replace, at your sole expense, items which become obsolete, out of date or otherwise in need of replacement with items meeting our then current standards, specifications

and decor.

(l) Parking. Regardless of the terms of your store premises lease, you shall ensure that the parking area in the immediate vicinity of your store is kept in a neat and clean manner.

(m) Vending, Video Machines, Etc. Pay telephones, newspaper and magazine racks, jukeboxes, gum machines, games, rides, or vending or video machines shall not be installed on the premises without our prior written consent.

(n) Signs. You shall maintain and display signs of the color, size and design in the locations specified by us from time to time. You shall not place additional signs, posters or art on your store premises without our prior written consent. You shall not place "For Sale" or similar signs on, in, or in the general vicinity of your store or use any words in any advertisement denoting that a *Pizza Guys*® store is the subject of a proposed sale.

(o) Compliance with Store Operations Manual. You agree to operate your store in compliance with our *Store Operations Manual* as revised by us from time to time. If we determine that you are not operating your store in compliance with our Store Operations Manual, we, in our sole discretion, have the right to make you go through Phase I training again, and will do so for the actual cost of travel, meals and lodging plus $250 per day.

(p) Compliance with Store Premises Lease, Telephone Number Lease, Preauthorized Bank Deduction Procedure, and Other Agreements. Your store premises lease, *Telephone Number Lease, Pre-authorized Bank Deduction Procedure* and any other agreement between us and you are hereby incorporated in this Agreement by reference and you are bound to them as though they were reprinted herein and you hereby agree that your breach of any of them shall constitute a "failure of you to comply with a lawful requirement of the franchise" within the meaning of *Articles 10 and 11* and a breach of this Agreement.

(q) Compliance with Laws. You shall, at your sole expense, comply with all federal, state and local laws, ordinances and regulations affecting the store or its operations and shall obtain and keep in force all permits, licenses or other consents required for the construction, maintenance or operation of your store.

(r) Payment of Taxes. You shall pay when due, all taxes imposed on the store premises, its improvements, fixtures, furnishings and equipment, all payroll and other taxes imposed with respect to persons working at your store, and all sales and business taxes applicable to all sales or business conducted at or from the store.

(s) Utilities. You shall pay all charges for water, gas, telephone, electricity, trash pickup, utilities and other services incurred at or in the operation of the store.

(t) Fiscal Responsibility. You shall pay promptly when due or earlier (see below), all costs of constructing, maintaining and operating your store including, but not limited to, those due us, our affiliates, employees, contractors, materialmen, equipment lessors, suppliers and vendors, advertisers, a national, regional or local advertising or franchisee committee, all applicable

federal, state and local governmental authorities, and all charges for water, gas, telephone, electricity, trash pickup and utility and service bills incurred in the operation of the store. Warning: Early Payment Required for Certain Vendors: Even if your produce, food or beverage vendor(s) or your advertiser(s) give you more time to pay, you shall pay your produce vendor(s) according to their payment terms but in no event later than thirty (30) days of their invoice and advertisers and all other food and beverage vendors according to their payment terms but in no event later than fifteen (15) days of their invoice. We want our franchisees to develop the reputation among produce, food and beverage vendor(s) and advertiser(s) for early payment. This may allow us to negotiate good prices for from such vendors for all our franchisees. Accordingly, we will consider your failure to make early payment to produce, food and beverage vendor(s) and your advertiser(s) to constitute "conduct which reflects materially and unfavorably upon the operation and reputation of the franchised business or the ***Pizza Guys*®.** chain" and, accordingly, grounds for immediate termination without opportunity to cure within the meaning of *Section 11.02(d)*.

4.02 Proof of Compliance. You shall permit us, our representatives, accountants, attorneys and other agents to inspect your store premises at any time during regular business hours, without notice, and to observe all aspects of the business and you shall furnish us with such evidence as we may request from time to time for the purpose of determining your compliance with the franchise system. If we determine that you are not in compliance with the franchise system, we will provide you with written notice thereof and you will have thirty (30) days to provide evidence of compliance. Upon reinspection, if needed, you agree to pay us for such reinspection at the rate of $250 per day plus actual cost of travel, meals and lodging.

ARTICLE 5: ADVERTISING

5.01 Advertising. Each month you shall advertise your store using only approved advertising disseminated only in approved media. *(For instance,* you may not create your own Internet website but must advertise on our website.) You may not have a web domain that includes the "Pizza Guys" name in it. For the first six (6) months your store is open, we will plan and budget the minimum amount of advertising of your store. However, you may spend more than what we recommend.

(a) Grand Opening Ceremony Day. We estimate that your opening day ceremony costs will be approximately $6,000. Opening day elements include: franchise company store managers to cover staffing and experience gaps, sign dancer, DJ, prize booth operator, free box kits, 500 free large pizza give away. Franchisor will provide project management of grand opening ceremony, coordination of Chamber of Commerce ribbon cutting, pre-opening audit, box distribution coordination (including vehicles for distribution), on-site senior management, balloons, use of prize tent, prize wheel and signage, and event day store management by senior corporate management. While you are not required to have a grand opening ceremony, it is recommended.

(b) Initial Advertising. You may find it advisable to expend up to $5,000 each month for the first six (6) months your store is open to advertise the opening of your store. For new stores and transferred stores, you must expend a minimum of $5,500 each month for the first six (6) months your store is open to advertise the opening of your store.

(c) Minimum Monthly Advertising Expenditure. You are required to spend on advertising a minimum of 7% of net sales or $5,500, whichever is less.

Advertising expenses are paid to third parties not to us. Proof of your Minimum Monthly Advertising Expenditure must be submitted with your Monthly Advertising Report (see *Section 6. 05(b))*. We retain the right to unilaterally increase the Minimum Monthly Advertising Expenditure in the event that, in our sole opinion, an increase is required to be competitive in the market.

(d) Advertising Materials; No Advertising Fund. We will provide an approved format for you to promote your ***Pizza Guys®.*** store, however, we have not established an advertising fund and we are not required to advertise or otherwise increase recognition of and goodwill toward the ***Pizza Guys®.*** chain.

(e) **Cooperative Advertising**. When two or more franchised businesses have been established in a Metropolitan Statistical Area (MSA), we may establish an advertising cooperative in that area. If an advertising cooperative has been established in your territory, you are required to participate in the cooperative advertising group. If the group approves by majority an advertising program you must pay for your share of the expense. Although we may not have an advertising cooperative in your area, we may, from time to time, require that you join a specific advertising campaign and we will electronically withdrawal money from your account for the campaign.

ARTICLE 6: FEES AND FINANCIAL REPORTS

6.01 Fees. You shall pay us:

(a) an **Initial Franchise Fee** of $15,000. The Initial Franchise Fee is nonrefundable and you are not entitled to interest thereon. We will defer the payment of the Initial Franchise Fee and all other initial payments until all of our initial pre-opening obligations have been satisfied and until you open your business and it is operating. However, you must execute the Franchise Agreement prior to looking for a site or beginning training; and,

(b) a **Weekly Franchise Fee** of 5% of your store's Gross Sales for each week (as defined by *Section 6.10)* of the franchise term and any renewal/extension term, due on each Wednesday for the previous week. When the end of the month occurs during the preceding week, two (2) reports will be due. One for the end of the month, and one for the week. Should you use a third party online service such as Grubhub, Eat 24, etc., you must notify us of the third party company used and you authorize us to obtain these sales monthly directly from the third party company for the purposes of auditing your Weekly Franchise Fee.

(c) 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.

6.02 Additional Payments. You shall also pay the telephone company and/or vendor(s) as directed, all payments due under the Telephone Number Lease, and any other payment due under any other agreement between us or our affiliates and you. Additionally, you are required to pay advertisers the **Minimum Monthly Advertising Expenditure** (see *Section 5.01(c),* above). In the event you desire to renew or extend your franchise, you must pay us a **Renewal/Extension** Fee (see

Section 12.02(a), below). In the event you desire to transfer your franchise, you must pay us a **Transfer Fee** (see *Section 14.01(c),* below).

6.03 Preauthorized Bank Deduction Procedure. From time to time as we request, you shall sign all documents necessary to establish and maintain a preauthorized bank deduction procedure whereby your bank is authorized to pay and charge to your account, checks (or other debit entries by electronic or paper means) drawn on your account by and payable to the order of us (or our affiliates or representatives, or a national, regional or local franchise advertising committee or campaign, as we shall from time to time decide) as payment of your Weekly Franchise Fee and any other payment due from you (such as *Telephone Number Lease* rent and advertising campaigns as may be required by us) including electronically deducting any default payments. You shall maintain sufficient funds in the account to assure the timely preauthorized transfer of the appropriate funds and you shall pay to us a reasonable service fee, not less than $25, and all bank charges in the event that sufficient funds are not available to honor such deduction. You shall not cancel such preauthorized bank deduction procedure or close such account and you shall require your bank to provide us (and our affiliates or representative, as the case may be) written notice 30 days in advance of any change to your account which would affect such preauthorized bank deduction procedure. In order to induce your bank to honor this preauthorized bank deduction procedure, you release, indemnify and agree to defend your bank from and against any obligation, loss, liability or damage caused by, or related to, any payment made pursuant to this preauthorized bank deduction procedure;

6.04 Interest and Late Charges. Any amount not paid when due, shall bear interest at the rate of 18% per annum or the maximum legal rate in the jurisdiction in which your store is located, whichever is lower, from the date due until paid. Any amount not paid when due, shall bear a late charge of $35 per occurrence. The payment of interest or late charges shall not be deemed to authorize any delay in payment of any amount.

6.05 Reports. You shall bear all costs associated with preparing and delivering the following reports to us:

(a) Wednesday Report. PIZZA GUYS will obtain via its online computer system a written report showing your operations for each week (as defined *by Section 6.09)* of the franchise term and any renewal/extension term by 12:00 p.m. on each Wednesday for the previous week containing such information and prepared and transmitted in such form and manner as we from time to time require. When the end of the month occurs during the preceding week, two (2) reports will be due. One for the end of the month, and one for the week. If there are any complications and PIZZA GUYS is unable to obtain sales via online computer system, PIZZA GUYS will call you and it will be your responsibility to fax the written report;

(b) Additional Reports. You shall prepare and deliver such additional operating, financial and other reports containing such information and prepared and transmitted in such form and manner and at such times as we may from time to time require;

(c) Failure to Timely or Accurately Report. In the event that you fail to timely or accurately report your Gross Sales, you authorize us to estimate your Gross Sales and to deduct from your bank account an interim Weekly Franchise Fee subject to subsequent reconciliation. You shall pay all costs incurred by us as a result of your failure to timely or accurately report. There will be a $35.00 late charge fee assessed if you fail to report your weekly sales by noon on Wednesday. If we find that you purposely reported incorrect sales, we will terminate your franchise agreement

without the opportunity to cure within the meaning of *Section 11.02(n);*

6.06 Books and Records. You shall preserve and keep at the store for at least the preceding five (5) years: all order sheets, customer receipts, Z tapes and other cash register tapes, if any, coupons, electronic data and other records of Gross Sales; all invoices for inventory, supplies and other goods and services purchased and all other records of business expenses; all reports, summaries, inventory control sheets and other business operations forms; all canceled checks, deposit slips, bank statements and records of any financial institution doing business with your store; all accounting books and records; all business tax returns and worksheets and all personal tax returns and worksheets as they relate to the business; as well as all other books and records of the business.

6.07 Inspection and Audit. You shall permit us, our representatives, accountants, attorneys and other agents to inspect and audit without notice during regular business hours your books and records. You also authorize us to audit directly from third party vendors and purveyors. This authorization is continuing and irrevocable. If an inspection or audit discloses that actual Gross Sales exceed your reported Gross Sales, you shall pay us: (a) the additional amount owed, (b) interest on said amount from the date originally due until paid, and (c) if actual Gross Sales exceed your reported Gross Sales by 2% or more, the cost of the inspections and audits which revealed the under-reported sales including, but not limited to, our agents' fees, travel, meals and lodging. Your failure to comply with this paragraph is grounds for immediate termination without opportunity to cure within the meaning of *Section 11.02(o)*.

6.08 Rebates. Advertisers, suppliers, including food and beverage suppliers, and other product vendors and service providers provide monetary or in-kind "rebates" to franchisors who designate them as a sole source supplier or who recommend or approve them as an authorized supplier. You agree that we have the right to receive and expend such rebates in any manner that we, in our sole and absolute discretion, desire.

6.09 "Week" Defined. For purpose of this Article, the term "week" shall consist of a period of seven (7) days as designated by the calendar, but beginning on Monday and ending on Sunday.

6.10 "Gross Sales" Defined. "Gross Sales"means all revenue and other compensation, including take out and delivery, catering, including school lunches, special sales, video game revenue, merchandise sales excluding sales tax, sales from third party ordering services (such as Grubhub, Eat 24, etc.), event sales, derived at or from your business exclusive of authorized "complimentary items" as defined in our *Store Operations Manual* from time to time. Sales for checks or credit shall be treated as received for the full price in the week during which the check is received or the credit extended irrespective of the time when you actually receive payment (whether full or partial) therefor.

ARTICLE 7: TRADE NAMES, TRADEMARKS, TRADE SECRETS AND COPYRIGHTS

7.01 Trade Name and Trademark License. We hold registrations for the following mark(s) on the Principal Register in the United States Patent and Trademark Office ("USPTO") for the following goods and services:

Mark	***Described Goods or Services***	***Date of Registration***	***USPTO Registration No.***
Pizza Guys	For pizza in International Class 30	Jan. 28, 1997	2,034,329
Pizza Guys	Prepared food delivery services in International Class 39	Dec. 10, 1996	2,022,471
Pizza Guys The Better Guys	For pizza in International Class 30	June 11, 2002	2,578,298
Pizza Guys The Better Guys	Prepared food delivery services in International Class 39	June 11, 2002	2,578,298
Pizza Guys Real Pizza Real Value	For pizza in International Class 30	PENDING	
Pizza Guys Real Pizza Real Value	Prepared food delivery services in International Class 39	PENDING	
Pizza Guys A Party in Every Pizza	For pizza in International Class 30	PENDING	
Pizza Guys A Party in Every Pizza	Prepared food delivery services in International Class 39	PENDING	
I'm a Pizza Guy	For pizza in International Class 30	April 16, 2013	4,321,056
I'm a Pizza Guy	Prepared food delivery services in International Class 39	April 16, 2013	4,321,056
Artisan Made Pizza Guys Est. 1986 I'm a Pizza Guy	For pizza in International Class 30	March 22, 2016	4,922,283
Artisan Made Pizza Guys Est. 1986 I'm a Pizza Guy	Prepared food delivery services in International Class 39	March 22, 2016	4,922,283

In addition to the above registrations, we claim common law ownership of other marks including but not limited to "Superb Pizza." We hereby license you to use, for the duration of the franchise term and any renewal/extension term, the ***"Pizza Guys,®" "Pizza Guys The Better Guys®," "Pizza Guys Real Pizza Real Value,®" "Pizza Guys A Party in Every Pizza ,®" "I'm a Pizza Guy, ®" or A rtisan Made Pizza Guys Est. 1986 I'm a Pizza Guy ®"*** marks and such other trade names, trademarks, service marks, signage and logos as we require you to use from time to time (the "marks") but only so long as you use the same solely to operate your store in compliance with the franchise system and for no other purpose. You shall follow our rules when you use our marks and you shall not use any trade name, trademark, service mark or logo which we have not required you to use.

7.02 **Trade Secrets and Copyright License.** We hereby license you to use, for the duration of the franchise term and any renewal/extension term, the trade secrets and copyrights as we require you to use from time to time but only so long as you use the same solely to operate your store in compliance with the franchise system and for no other purpose. You acknowledge and are estopped to deny that the customer list which you develop and our franchise system in its entirety, including, but not limited to: recipes; food and beverage specifications and sources; site selection criteria; store design and decor specifications; signage; construction methods; fixtures, furnishings and equipment; employee selection, training, and evaluation; print, radio, television and other advertising and promotional techniques; inventory, accounting and other business policies and procedures; all of which we will continue to develop and all other information now or hereafter conveyed in whatever form to you by us, our affiliates or representatives; constitutes our confidential trade secrets and/or unpublished or published copyrights and we provide the same for your use solely for the purpose of enabling you to establish and operate your store in accordance with the terms of this franchise. The customer list developed by you and any other goodwill which may arise from your use of our marks is and shall remain our sole and exclusive property and shall inure to our sole benefit. (Nothing contained in the preceding sentence shall be construed to prohibit you from receiving, for a transfer of the franchise made in compliance with the provisions of this Agreement, a price which includes payment for any goodwill for your store.)

7.03 Assignment of Ideas, Improvements and Materials. Just as you desire to learn from us, we hope to learn from you and to share what we have learned from you with our other stores. Accordingly, you shall promptly disclose to us all ideas, improvements and materials (including, but not limited to, menu and recipe suggestions, advertising artwork and promotional ideas and materials) relating to the operations of and the goods and services provided by your store which you or any of your legal or beneficial owners, partners, shareholders, officers, directors, agents, or employees, solely or jointly with others, develop during the franchise term and any renewal/extension term. You hereby irrevocably assign exclusive ownership of the same to us in perpetuity and you specifically grant us permission to license you and our other stores to use those ideas, improvements and materials which we approve and, should we desire, to register the same in our name alone as a trade name, trademark, service mark, copyright or patent, as applicable. You agree that we owe you no other consideration for your assignment of your ideas, improvements and materials to us or for our use of the same.

7.04 Licensee Estoppel; Attornment. You hereby acknowledge and are estopped to deny that the trade names, trademark, service marks, signage and logos encompassed by *Section 7.01,* the trade secrets (including but not limited to customer list) and copyrights encompassed by *Section 7.02,* and the ideas, improvements and materials encompassed by this *Section 7.03* (collectively referred to for purposes of this *Article 7* only as "the foregoing") are valid and are owned entirely by us and constitute our sole and exclusive property, and you agree that:

(a) other than pursuant to the terms of this Agreement, you shall not use or appropriate any of the foregoing in whole or in part and, except as in accordance with the terms of this franchise, you shall not use the words "Pizza Guys," “Pizza Guys The Better Guys,” "Guys," "Guy," "Men," "Man," "Superb," “Pizza Guys Real Pizza Real Value,” “Pizza Guys A Party in Every Pizza” or any formative thereof or any other trade name, trademark, service mark or logo now or later designated by us or any mark confusingly similar thereto;

(b) You are not allowed to have a web domain that includes the “Pizza Guys” name in it;

(c) you acknowledge that online ordering and text message ordering are owned by Pizza Guys and you are not allowed to have a link on any personal website or other website other than the Pizza Guys' website to the online ordering unless consented to by franchisor;

(d) you shall not attempt to register with any local government, state or nation any of the foregoing in whole or in part;

(e) other than to another ***Pizza Guys*®.** franchisee or to store employees as required for store operations, you shall not disclose any of the foregoing in whole or in part;

(f) except as required for store operations, you shall not duplicate, reprint or otherwise copy any of the foregoing in whole or in part;

(g) you shall promptly report to us any use not authorized by us of the foregoing; and

(h) you shall cooperate with us in preventing or prosecuting any unauthorized use of the foregoing and in defending our ownership and other rights with respect to the same.

7.05 Our Limited Duty to Defend; Your Release and Indemnification. Our license of the marks, trade secrets and copyrights to you shall not constitute our warranty or guarantee of our ownership of them. Because of the potentially great expense of prosecuting or defending the foregoing, we reserve the absolute right to choose whether or not to prosecute or defend the same. We reserve the right to change the mark(s) to others of our own selection. A name change would entail substantial expense to you including, but not limited to, that occasioned by the change of signage and advertising and the resulting loss of customer goodwill. A name change will in no way reduce or relieve you of your obligation to pay the Weekly Franchise Fee, and any other obligation owed to us, our affiliates or representatives, or any obligation to trade vendors, etc. Accordingly, you release and indemnify us from and against any claim, obligation, loss; liability or damage caused you by our lack of ownership or failure to prosecute or defend or to obtain registration of the marks, trademarks or copyrights, or by a mark change, if any.

ARTICLE 8: COVENANTS AGAINST COMPETITION

During the franchise term and any renewal/extension term, you and your legal and beneficial owners, partners, shareholders, officers and directors shall not, without our prior written consent, directly or indirectly, engage in, acquire any financial or beneficial interest in (including interests in corporations, partnerships or trusts, unincorporated associations and joint ventures), or become an employee of; or a consultant to, or lessor for, any business which is similar to a ***Pizza Guys*®** store or which prepares, serves or sells pizza.

For five (5) years following your transfer or the expiration or termination of the franchise term and any renewal/extension term, you and your legal and beneficial owners, partners, shareholders, officers and directors shall not, directly or indirectly, engage in, acquire any financial or beneficial interest in (including interests in corporations, partnerships or trusts, unincorporated associations and joint ventures), or become an employee of; or a consultant to, or lessor for, any business which is similar to a ***Pizza Guys*®.** store or which prepares, serves or sells pizza within a ten (10) mile radius of your store premises or the location of any existing or former ***Pizza Guys*®.** store.

Ownership of less than 2% of the shares of a company with shares listed and traded on a national or regional securities exchange shall not be deemed to violate this Article so long as neither you nor any of your legal or beneficial owners, partners, shareholders, officers or directors are employed in any capacity by such company.

ARTICLE 9: INDEPENDENT BUSINESS PERSON, INSURANCE AND INDEMNIFICATION

9.01 Independent Business Person; Duty to Indicate Independent Ownership; Banking Relationships. You acknowledge that your financial success depends primarily upon your personal efforts and abilities as an independent business person and that our grant of a franchise to you does not guarantee success and that the store may lose money or fail. You are engaged in your own business and, as such, you are solely responsible for directing the day-to-day activities of your store and you may hire, train, compensate, supervise, discipline and discharge such employees as in your sole judgment you deem advisable for the proper operation of your store. In no circumstances shall you or your employees be considered our agents or employees. You shall not act as or attempt to act as, or represent yourself, directly, indirectly or by implication to be an agent or employee of us, or in any manner assume or create or attempt to assume or create any obligation on our behalf or in our name.

You must display in your store and include on all written materials used, or distributed by or on the behalf of you including, without limitation, all menus, stationery, business cards, checks, receipt forms, all print, radio, television and other advertising, and other materials, a statement that *"Each **Pizza Guys®** store is independently owned and operated"* or other statement as we from time to time require.

You shall operate your store as a ***"Pizza Guys®"*** store. However, you shall not use "PIZZA GUYS" or "PIZZA GUYS THE BETTER GUYS" or "PIZZA GUYS REAL PIZZA REAL VALUE" or "PIZZA GUYS A PARTY IN EVERY PIZZA" as your corporate, partnership or company name. You shall conduct banking relations and relations with us as ***"Pizza Guys®*** #____" designating your franchise number therein. Your accounts with trade vendors, utility services, and filings with federal, state and local governments (e.g., fictitious business name, board of equalization, license, tax, and Internal Revenue Service) must be in your name(s) as they appear on the last page of this Agreement.

9.02 Insurance. Prior to taking possession of your store premises and before selling any goods or services, you shall acquire and thereafter maintain in effect insurance in the following minimum amounts and coverages:

(a) Comprehensive General Liability Insurance including products liability, excess and non-owned driver liability and broad form advertising injury coverages or endorsements with a $1,000,000 minimum combined single limit for Bodily Injury and Property Damage per occurrence. A $2,000,000 umbrella policy is recommended but not required;

(b) Worker's or Workmen's Compensation Insurance as prescribed by law in the state in which your store is located;

(c) All insurance required by the store premises lease; and

(d) All insurance required by any equipment or furnishings lease.

All insurance required to be carried hereunder shall be placed with a reputable insurance carrier admitted in and licensed to do business in the state in which your store is located and having assets in excess of $100,000,000 with a Financial Size Category of XV and a Policyholders Rating of "A+" or "A" (Excellent) as assigned by Alfred M. Best and Company, Inc. All insurance policies required to be carried hereunder shall name us, Shahpour M. Nejad, Reza Kalantari, our officers and representatives, RSM, Inc. and any other person designated by us from time to time as an additional insured. Maintenance of the insurance required hereunder shall not relieve you of your obligations to defend and indemnify us. Proof of coverage, evidence of payment of premiums and duplicate copies of policies of insurance shall be delivered to us by your insurance carrier no fewer than forty-eight (48) hours prior to the date you receive possession of your store premises and at least annually thereafter. All policies of insurance shall be in a form approved by us and shall include a provision prohibiting policy cancellations or material changes prior to the expiration of thirty (30) days written notice to us.

We recommend that you take out an Employment Practices Liability Insurance policy which covers potential claims made by your employees for: wrongful refusal to employ a qualified applicant for employment; wrongful failure to promote, or wrongful deprivation of career opportunity; wrongful demotion, negligent evaluation, negligent reassignment or wrongful discipline; wrongful termination; employment related misrepresentation; harassment, coercion, discrimination; or oral or written publication or material that slanders, defames or libels or violates or invades a right of privacy.

In the event you shall fail to obtain or maintain the insurance required herein, we may, but need not, purchase insurance on your behalf and you shall promptly reimburse us for all premiums and other costs incurred in connection therewith. However, by placing such insurance, we do not guarantee adequate coverage.

9.03 Indemnification. You shall indemnify us, hold us harmless from and defend us, our affiliates and representatives from and against all claims, demands, obligations, liabilities, losses, damages, settlements, judgments, penalties and other expenses, including federal, state and local taxes, attorneys' fees and costs of investigation, litigation or administrative proceedings, incurred by or imposed on us in connection with any act or omission or alleged act or omission of you or your employees or agents, arising from or relating to your store's business, operations or premises. This indemnity provision is a blanket provision and is in addition to, and is not in derogation of, those imposed elsewhere.

ARTICLE 10: BREACH AND REMEDIES

10.01 Breach. Your failure to comply with any lawful requirement of the franchise shall constitute a breach of this Agreement. For purposes of this Agreement the phrase "your failure to comply with any lawful requirement of the franchise" shall mean any failure to comply with any provision of this Agreement, the *Store Operations Manual,* the *Telephone Number Lease,* and the *Transfer Packet* as applicable..

10.02 Remedies. In the event that you fail to comply with any lawful requirement of the franchise, we may, in addition to all other remedies now or hereafter provided us by law, equity or

this Agreement, do one or more of the following:

(a) Terminate your franchise in accordance with *Article 11* and, thereupon, be entitled to recover past and future damages from you and redirect the store's main telephone number to another location from which we or another franchisee may serve your customer's (see *Section 2.04* and see the *Telephone Number Lease);*

(b) Not terminate your franchise but, in the event that you fail to cure such breach in accordance with *Article 11:* (1) act to cure such breach on your behalf and recover from you the cost of such cure, consequential damages and/or (2) be entitled to recover past and future damages from you and redirect the store's main number to another location from which we or another franchisee may serve your customer's until you comply with the franchise (see *Section 2.04* and see the *Telephone Number Lease);*

(c) Seek injunctive relief. (In this regard, you acknowledge that your breach of the franchise is likely to cause damage to us which may not be adequately compensated by money damages and, accordingly, you agree that injunctive relief is appropriate in addition to any other remedy.)

The above remedies are cumulative and our use of one or more of them shall not prevent us from thereafter again using the same or other remedies. Our lack of action on your failure to comply with any lawful requirement of the franchise, whether in a single instance or repeatedly, shall not be construed as our waiver of such breach or any future breach.

ARTICLE 11: GROUNDS FOR TERMINATION PRIOR TO EXPIRATION OF TERM

11.01 Grounds for Termination for "Good Cause" With No More Than 60-Days Opportunity to Cure. Except as otherwise provided by *Section 11.02,* we shall not terminate your franchise prior to the expiration of the term, except for good cause. Except as provided by Section 11.02, "good cause" shall be limited to the failure of the franchisee to substantially comply with the lawful requirements imposed upon the franchisee by the franchise agreement afer being given notice at least 60 days in advance of the termination and a reasonable opportunity, which in no event shall be less than 60 days in advance of the termination and a reasonable opportunity, which in no event shall be less than 60 days from the date of the notice of noncompliance, to cure the failure. The period to exercise the right to cure shall not exceed 75 days unless there is a separate agreement between you and us to extend the time.

11.02 Grounds for Immediate Notice of Termination Without Opportunity to Cure. If during the period in which your franchise is in effect, there occurs any of the following events, immediate notice of termination without an opportunity to cure, shall be deemed reasonable:

(a) You or the business to which the franchise relates are declared bankrupt or are judicially determined to be insolvent, or all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or you admit your inability to pay your debts as they come due;

(b) You abandon the franchise by failing to operate the business for five (5) consecutive days during which you are required to operate the business under the terms of this Agreement or any shorter period after which it is not unreasonable under the facts and circumstances for us to conclude that you do not intend to continue to operate the franchise, unless such failure to

operate is due to fire, flood, earthquake or other similar causes beyond your control;

(c) We and you agree in writing to terminate the franchise;

(d) You make any material misrepresentation relating to your acquisition of the franchise or the franchised business or you or an employee of your's engages in conduct which reflects materially and unfavorably upon the operation and reputation of the franchise, the franchised business or the ***Pizza Guys®*** chain. Warning: You are our representative, so the use of *alcohol or drugs* by you, or anyone working at your store would constitute "conduct which reflects materially and unfavorably upon the operation and reputation of the franchised business and the chain" and, accordingly, constitutes a breach of the terms of the agreement pursuant to Article 10.01 and grounds for termination in accordance with Article 11.01. Also, your failure to make *early payment* to produce, food and beverage vendor(s) and your advertiser(s) in accordance with *Section 4.01(t)* to constitute "conduct which reflects materially and unfavorably upon the operation and reputation of the franchise, the franchised business or the ***Pizza Guys®.*** chain" and, accordingly, grounds for immediate termination without opportunity to cure;

(e) You, or an employee of yours, does any act which is harmful, unfavorable or reflects negatively upon the franchised business or the ***Pizza Guys®*** goodwill and reputation. You do any act without regard to public morals, conventions and Franchisor's policies. If you, or an employee of yours, have committed or do commit any act, or if you have conducted or do conduct yourself in a manner, which shall be an offense involving moral turpitude under federal, state or local laws, or which might tend to bring you to public disrepute, contempt, scandal or ridicule, or which might tend to reflect unfavorably upon the franchised business or ***Pizza Guys,®*** its customers, business partners, sponsors, if any, or their advertising agencies, if any, or otherwise injure the success of the franchise business, we will consider such acts a breach of the terms of this agreement pursuant to Article 10.01 and grounds for immediate termination without opportunity to cure. Without limiting the foregoing, specific examples of prohibited activities are theft, swindling, embezzlement, indecency, crude, vile, or depraved acts that are intended to arouse or to gratify the sexual desire of the actor (including posting of such acts via the internet, YouTube and/or other social media), and drug or alcohol offenses. Your, or an employee of your's, involvement in the manufacture, distribution, sale, purchase, possession or use of an illegal drug shall be deemed to be an offense within the ambit of this Article, giving Franchisor the right for immediate termination without opportunity to cure. You shall be held responsible to us for any act of an employee that gives Pizza Guys a bad reputation.

(f) You fail, for a period of ten (10) days after notification of noncompliance, to comply with any federal, state or local law or regulation applicable to the operation of the franchise;

(g) You, after curing any failure in accordance with *Section 11.01,* engage in the same noncompliance whether or not such noncompliance is corrected after notice;

(h) You repeatedly fail to comply with one or more requirements of this Agreement, whether or not corrected after notice;

(i) Your store or your store premises are seized, taken over or foreclosed by a government official in the exercise of his duties, or its operations are seized, taken over, or foreclosed by a creditor, lienholder or lessor, provided that a final judgment against you remains

unsatisfied for thirty (30) days (unless a supersedeas or other appeal bond has been filed); or a levy of execution has been made upon the franchise granted by this Agreement or upon any property used in the franchised business and it is not discharged within five (5) days of such levy;

(j) You are convicted of a felony or any other criminal misconduct which is relevant to the operation of the franchise;

(k) You fail to pay any franchise fee or other amount due to us or our affiliates within five (5) days after receiving written notice that such fees are overdue;

(l) We make a reasonable determination that your continued operation of the franchise will result in an imminent danger to public health or safety;

(m) Upon auditing your computer system, We find customer's credit card numbers on file in the POS.

(n) If we find that you purposely reported incorrect sales; or

(o) You fail to permit us, our representatives, accountants, attorneys and other agents to inspect and audit, without notice, during regular business hours your books and records. Or, an inspection or audit discloses that actual Gross Sales exceed your reported Gross Sales, and you fail to pay us: (a) the additional amount owed, (b) interest on said amount from the date originally due until paid, and (c) if actual Gross Sales exceed your reported Gross Sales by 2% or more, the cost of the inspections and audits which revealed the under-reported sales including, but not limited to, our agents' fees, travel, meals and lodging.

ARTICLE 12: TERM, RENEWAL AND EXPIRATION

12.01 Term of Franchise. The term of the franchise is fifteen (15) years from the date of this Agreement.

12.02 Renewal (or Extension). Provided that you have fully, faithfully and timely carried out and performed all of your obligations under this Agreement and provided that refusal to renew would not be permitted by the California Franchise Relations Act (California Business & Professions Code section 20000 *et seq.)* or, if refusal to renew would be permitted, provided that we have not given you 180 days prior written notice of intent not to renew, you may renew the franchise (or in the event that we are not then granting new franchises, you may extend the franchise term) for unlimited successive terms of fifteen (15) years, each renewal (or extension) term commencing upon the expiration of the then current term or renewal (or extension) term.

(a) **Your Notice of Renewal (or Extension); Renewal/Extension Fee.** To renew (or in the event that we are not then granting new franchises, you may extend the franchise term) you must give us written notice at least 180 days but not more than 270 days prior to the expiration of the then current term or renewal (or extension) term ("Notice of Renewal/Extension"); and, at the time of delivery of such notice, pay us a renewal fee equal to one-half (½) of the then current Initial Franchise Fee for *Franchise Agreements* (or in the event we are not then granting new franchises, an extension fee of $7,500) ("Renewal/Extension Fee").

(b) **Terms of Renewal (or Extension).** We and you must sign our then current form of franchise agreement and all other documents required of new franchisees (or in the event that

we are not then granting new franchises, you must re-sign this Agreement and related documents). The terms of the franchise, including the amount of the Weekly Franchise Fee, the Minimum Monthly Advertising Expenditure and other fees shall be those set forth in the then current franchise agreement (or in the event that we are not then granting new franchises, shall be those set forth in this Agreement).

(c) **Remodeling.** As a further condition of renewal (or extension), if we require, you at your sole expense shall undertake to remodel your store pursuant to *Section 2.06.*

12.03 Expiration Upon End of Term If Not Renewed (or Extended). We and you agree that the franchise granted by this Agreement, if not renewed (or extended) in the manner set forth above, shall expire at the end of such nonrenewed (or nonextended) term.

ARTICLE 13: EFFECT OF EXPIRATION OR TERMINATION

13.01 Effect of Expiration or Termination. Upon expiration or termination of the franchise the following shall occur immediately without further notice:

(a) **Conclusion of Franchise.** Your right to operate a ***Pizza Guys®*** store, to use any part of the franchise system, the customer list, the recipes, the ***"Pizza Guys®"*** mark and any other trade name, trademark, service mark, logo or indicia designated by us, shall thereupon immediately cease and you shall: (1) promptly pay us and our affiliates all moneys due; (2) promptly return to us the customer list, the *Store Operations Manual* and all other materials furnished to you, together with any other materials containing any trade name, trademark, service mark, logo or other indicia encompassed by *Section 7.01,* any formative thereof or any name or mark potentially confusingly similar thereto; any trade secret or copyright encompassed by *Section 7.04;* and any idea, improvement or materials encompassed by *Section 7.05;* (3) not thereafter operate a ***Pizza Guys®*** store, use any part of the franchise system, the customer list, the recipes, the ***"Pizza Guys®"*** mark and any other trade name, trademark, service mark, logo or indicia designated by us or similar to or likely to be confused with them; and (4) not thereafter disclose, reveal or publish to any person any part of the customer list, our trade secrets, copyrights, or the franchise system.

(b) **Right of Entry and Possession.** You shall not for thirty (30) days, without our prior written consent, remove any equipment, furnishings, fixtures, signs, inventory, leasehold improvements or other property from your store premises. We shall have an immediate right to enter and take possession of your store premises in order to maintain continuous operation of the ***Pizza Guys®*** store, to provide for orderly change of management and disposition of the real and personal property and to otherwise protect our interest, whether or not such right of entry and possession is provided for in your store premises lease. If we do take over the store, you must release yourself from the store premises lease. We have the right to take over the lease upon your default.

(c) **Option to Purchase**. Except as provided in this section, upon a lawful termination or nonrenewal of the franchise, We shall purchase from you, at the value of price paid, minus depreciation, all inventory, supplies, equipment, fixtures, and furnishings purchased or paid for under the terms of the franchise agreement or any ancillary or collateral agreement by you to us or our approved suppliers and sources, that are, at the time of the notice of termination or nonrenewal, in the possession of you or used by you in the franchise business. We shall have the right to receive clear title to and possession of all items purchased from you under this section. We are not required to purchase any personalized items, inventory, supplies, equipment, fixtures, or furnishings not reasonably required to conduct the operation of the franchise business in accordance

with the franchise agreement or any ancillary or collateral agreement or to which you, at the cessation of operation of the franchise business by you, cannot lawfully, or does not, grant us clear title and possession upon our payment to you for the inventory, supplies, equipment, fixtures, or furnishings.

This section shall not apply: (1) when you decline a bona fide offer of renewal from us; (2) if we do not prevent you from retaining control of the principal place of the franchise business; (3) to any termination or nonrenewal of a franchise due to a publicly announced and nondiscriminatory decision by us to completely withdraw from all franchise activity within the relevant geographic market area in which the franchise is located; (4) if we and you mutually agree in writing to terminate or not renew the franchise; (5) to any inventory, supplies, equipment, fixtures, or furnishings that are sold by you between the date of the notice of termination or nonrenewal, and the cessation of operation of the franchise business, by you, pursuant to the termination or nonrenewal.

Upon the termination or nonrenewal of the franchise, we may offset against the amounts owed to you under this section any amounts owed by you to us.

(d) **Survival of Provisions.** Your conditions and promises (including, but not limited to, those set forth in *Article 8)* which by their terms or by reasonable implication are to be observed or performed, in whole or in part, after the expiration or termination of the franchise shall survive the expiration or termination of the franchise.

ARTICLE 14: TRANSFER

14.01 No Transfer Except as Expressly Permitted Herein. Except as expressly permitted by this Article, no interest in the franchised business, this Agreement, your store or its assets (except for sales in the usual course of business) and no interest of any of your legal or beneficial owners, partners, shareholders, officers or directors or persons signing this Agreement on behalf of you shall be sold, transferred, assigned or otherwise hypothecated, in whole or in part, directly or indirectly whether voluntarily or by operation of law (all such hypothecations shall hereinafter be collectively referred to as a "transfer").

(a) **Transfer Upon Death; Rights of Surviving Spouse, Heirs or Estate.** Upon your death (or the death of the majority partner or shareholder of a partnership or corporate franchisee) the surviving spouse, heirs or representative of the estate of the deceased (or the deceased majority partner or shareholder of a partnership or corporate franchisee) may participate in the operation and ownership of the franchise under the terms of this Agreement for a reasonable time, not to exceed 120 days, after the death. During that time the store must be operated by a person who has completed our training and the surviving spouse, heirs or representative of the estate of the deceased shall either:

(1) satisfy all of our then current qualifications and requirements for new franchises (or in the event that we are not then granting new franchises, those qualifications and requirements for the franchise under this Agreement) including satisfactory completion of the Initial Training Program, at their expense; or

(2) transfer the franchise pursuant to Section *14.01(c)* to a person who satisfies our then current qualifications for new franchises (or in the event that we are not then granting new franchises, those qualifications and requirements for the franchise under this

Agreement).

The rights granted pursuant to this subsection shall be conditioned upon the surviving spouse, heirs or representative of the estate of the deceased signing this Agreement and assuming liability for and maintaining all standards and obligations of the franchise.

If, within the period set forth above, the surviving spouse, heirs or the representative of the estate of the deceased fails to satisfy either provision (1) or (2) immediately above, we may terminate this franchise as a failure to comply with a lawful requirement of the franchise within the meaning *of Section 10.01,* herein and thereafter we may exercise our rights after termination pursuant to *Article 13.*

(b) **Transfer Upon Disability.** If you become disabled and are not able to operate the store, you may have a representative participate in the operation and ownership of the franchise under the terms of this Agreement for a reasonable time, not to exceed 120 days, after the disability occurs. During that time the store must be operated by a person approved by us.

If you do not have a representative to operate the store and/or your disability exceeds 120 days, we may terminate this franchise as a failure to comply with a lawful requirement of the franchise within the meaning *of Section 10.01,* herein and thereafter we may exercise our rights after termination pursuant to *Article 13.*

(c) **Transfer Upon Prior Written Consent; Transfer Fee; Our Right of First Refusal.** You may request, but we are not obligated to grant our consent to a proposed transfer. If you desire to transfer:

(1) We will provide you with our franchise transfer documents *("Transfer Packet")* which we may revise from time to time.

(2) We must meet your proposed transferee(s) (referred to as "Buyer(s)" herein). You must arrange for the personal meeting at our corporate offices at a mutually convenient time. Each of your proposed Buyers must be present at the meeting.

(3) If, at the meeting, we preliminarily approve your proposed Buyer(s), we will provide your proposed Buyer(s) with Franchise Application(s) and, if we are then granting new franchises, our current franchise offering circular. Your proposed Buyer(s) must thereupon sign and deliver to us the franchise offering circular receipt and, within 2 weeks thereafter, must complete, sign and return to us the Franchise Applications(s) with financial information.

(4) If, after reviewing their Franchise Application(s) and financial information, we approve your proposed Buyer(s), you must provide us with your cashier's check (the "Transfer Fee") payable to us in the amount of ½ our then current Initial Franchise Fee for *Franchise Agreements* or $7,500 in the event we are not then granting new franchises. Your transferee is required to use a Professional Advisor to evaluate the suitability of this investment for your transferee's particular circumstances and to advise your transferee of the risks involved. The Transfer Fee is due after our approval of your proposed buyer(s) but is nonrefundable even if for any reason, the proposed transfer does not occur; and (A) your proposed Buyer(s) must sign our then current form of franchise agreement and all other documents required of new franchises (or, in the event that we are not then granting new franchises, your proposed Buyer(s) must re-sign this Agreement and related documents) and (B) within two (2) weeks thereafter your proposed Buyer(s)

must take our Initial Training Program at the time and at the location specified by us. Also, if we are not satisfied with the Phase I initial training by you to buyer, we, in our sole discretion, have the right to make the buyer go through Phase I training again. (The Transfer Fee is nonrefundable even in the event that the transfer does not, for any reason, occur.)

(5) At the time your proposed Buyer(s) has/have satisfactorily completed our Initial Training Program and satisfied all of our then current qualifications and requirements for new franchises (or in the event that we are not then granting new franchises, those qualifications and requirements for the franchise under this Agreement) and you have performed all things required by the Transfer Packet, we shall have thirty (30) days to provide you written notice of our: (A) consent to the proposed transfer, (B) denial of consent to the proposed transfer, or (C) exercise of our right of first refusal to acquire the interest on the terms of the proposed transfer.

If we consent, the transfer may occur, but only between the identical transferor(s) (referred to as "Seller(s)" herein) and Buyer(s) on the identical terms consented to.

If we consent, but, for any reason, the transfer is not completed within sixty (60) days of our consent, the proposed transfer shall be deemed withdrawn and all the provisions of this section shall again become fully applicable as if such transfer had not been proposed and our right of first refusal shall apply to any subsequent request for transfer but we shall not refund any part of the Transfer Fee.

If we deny our consent, we shall state in writing our reasons therefor but shall not refund any part of the Transfer Fee.

If we exercise our right of first refusal to purchase, we shall refund to you the entire amount of the Transfer Fee.

If for any reason, your proposed Buyer(s) fail to satisfactorily complete our Initial Training Program or to satisfy all of our then current qualifications and requirements for new franchises (or in the event that we are not then granting new franchises, those qualifications and requirements for the franchise under this Agreement), or you fail to perform all things required by the Transfer Packet, within six (6) months of our receipt of the Transfer Fee, the proposed transfer shall be deemed withdrawn and all the provisions of this section shall again become fully applicable as if such transfer had not been proposed and our right of first refusal shall apply to any subsequent request for transfer but we shall not refund any part of the Transfer Fee.

(d) **Considerations.** In considering a proposed transfer: You must allow us or our representatives to inspect your store, your records and your operations; you must be in compliance with our *Store Operations Manual,* as revised from time to time, and must not be in breach of this Agreement, or any other agreement with us, our affiliates or representatives; Seller(s) and Buyer(s) must provide all documents and make all representations required by us; if required by us, Seller(s) and/or Buyer(s) at their expense shall undertake to remodel your store pursuant to *Section 2.05* and said undertaking shall be secured by Seller(s) and Buyer(s) as required by us; and Buyer(s) must satisfy our then current qualifications for new franchises (or in the event that we are not then granting new franchises, Buyer(s) must satisfy those qualifications and requirements for the franchise under this Agreement).

14.02 Terms of the Franchise After Transfer. After transfer, the terms of the franchise, including the amount of the Weekly Franchise Fee, Minimum Monthly Advertising Expenditure and other fees shall be those set forth in the then current franchise agreement (or in the event that we are

not then granting new franchises those set forth in this Agreement).

14.03 Releases Upon Your Transfer. You will not be immediately released by a transfer. You shall remain personally bound and liable to us for all monetary and nonmonetary obligations of the Buyer(s) under this Agreement for a period of two (2) years after the closing date of such transfer transaction. As a condition of transfer, you, your Buyer(s), and us shall sign a *Release & Indemnification Agreement,* which, among other things, holds us and our affiliates and representatives harmless from any claim relating to the transfer and/or operation of the store and the franchise.

14.04 Transfer by Us. This Agreement may be transferred by us or any successor. Upon such transfer, we shall be deemed released from all liability to you and you shall look solely to our transferee(s) for our performance of this Agreement.

ARTICLE 15: MISCELLANEOUS PROVISIONS

15.01 Nouns and Pronouns. The masculine of any pronoun shall include the feminine and/or the neuter thereof, and the singular of any noun or pronoun shall include the plural, or vice versa, wherever the context requires.

15.02 Article and Section Headings. Article and section headings used herein are for reference only and shall not be employed to interpret the meaning of this Agreement.

15.03 Invalidity and Severability. If any part of this Agreement for any reason shall be declared invalid, such declaration shall not affect the validity of the remainder not declared invalid, which shall remain in full force and effect.

15.04 Notices. Any notice or request given or made pursuant to this Agreement:

(a) Shall be in writing;

(b) Shall be personally delivered, posted by registered, certified or other receipted mail or delivered by telegram to the party's address on page 1 of this Agreement or, after your store has first opened, to you solely at your store address or to such other address as such party may from time to time designate in writing; and

(c) Shall contain a clearly stated reason for such notice. (Notices of Expiration shall contain a clear statement of the reason for expiration and the effective date of such expiration. Notices of Termination shall contain a clear statement of intent to terminate the franchise together with: (1) the reasons therefor, and (2) the effective date of such termination.)

15.05 Agreement to Submit Disputes to a Referee Pursuant to the Provisions of California Code of Civil Procedure §§638 through 645.1; Punitive and Noneconomic Damages Not Awardable; Trademark Matters Not Arbitrable; Choice of Forum; Choice of Law.

Except as specifically limited below, any dispute between you and us regarding this Agreement and all matters relating to the validity, construction, performance and enforcement hereof shall be heard by a referee pursuant to the provisions of California Code of Civil Procedure §§638 through 645.1, inclusive, according to the following procedures:

(a) The parties shall agree upon a single referee who shall then try all issues, whether

of fact or law, and report a finding and judgment thereon. If the parties are unable to agree upon a referee within ten (10) days of a written request to do so by any party, then any party may thereafter seek to have a referee appointed pursuant to California Code of Civil Procedure §§638 and 640;

(b) The parties agree that the referee shall have the power to decide all issues of fact and law and report his/her decision thereon, and to issue all legal and equitable relief appropriate under the circumstances of the controversy before him/her; provided, however, that to the extent the referee is unable to issue and/or enforce any such legal and equitable relief, either party may petition the court to issue and/or enforce such relief on the basis of the referee's decision;

(c) The California Evidence Code rules of evidence and procedure relating to the conduct of the hearing, examination of witnesses and presentation of evidence shall apply;

(d) Any party desiring a stenographic record of the hearing may secure a court reporter to attend the hearing; provided, the requesting party notifies the other parties of the request and pays for the costs incurred for the court reporter;

(e) The referee shall issue a written statement of decision which shall be reported to the court in accordance with California Code of Civil Procedure §643 and mailed promptly to the parties;

(f) Judgment may be entered on the decision of the referee in accordance with California Code of Civil Procedure §644, and the decision may be excepted to, challenged and appealed according to law;

(g) The parties shall promptly and diligently cooperate with one another and the referee, and shall perform such acts as may be necessary to obtain a prompt and expeditious resolution of the dispute or controversy in accordance with the terms hereof; and

(h) The cost of such proceeding, including but not limited to the referee's fees, shall initially be borne equally by the parties to the dispute or controversy. However, the prevailing party in such proceeding shall be entitled, in addition to all other costs, to recover its contribution for the costs of the reference and its reasonable attorney's fees as items of recoverable costs.

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. 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.

15.06 Cost of Enforcement or Defense. Attorneys' fees shall not be recoverable as a cost of any dispute submitted to referee. The referee's fees shall be borne by either you or us or by both of you and us in such proportion as the referee(s) shall decide.

15.07 Binding Effect. This Agreement shall be binding upon and shall inure to the benefit

of you and us hereto and our respective heirs, executors, administrators, personal representatives, transferees, successors and assigns.

15.08 Entire Agreement. This Agreement constitutes and contains the entire agreement and understanding of you and us with respect to its subject matter. There are no representations, undertakings, agreements, terms, or conditions not contained herein. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

15.09 Modification. This Agreement may be modified only by a writing referencing this Agreement and stating that it is an amendment thereto. Such writing must be signed by authorized representatives of the parties. Only our President is authorized to sign for us, and no modification or amendment signed by any other representative of us shall be binding upon us. We may unilaterally modify the ***Pizza Guys®*** menu, recipes, marks, methods, procedures, and the *Store Operations Manual* as we deem advisable, all of which you acknowledge that we have developed and own and will continue to develop and own.

ARTICLE 16: SIGNATURES; YOUR PERSONAL GUARANTEE

Each person signing this Agreement agrees, warrants and represents that the undersigned constitutes all of your legal and beneficial owners, partners, shareholders, officers and directors and that, together, they own the entire interest in this Agreement, in the business of your store and in its income. You are required to inform Franchisor of all your partners, including silent partners.

Personal Guarantee: Each person signing this Agreement for franchisee, having read this entire Agreement and being directly or indirectly beneficially interested in the store to be conducted by the franchisee, and to induce us to enter into this franchise with franchisee, hereby jointly and severally guarantee the performance of franchisee and each other person signing this Agreement for franchisee including, without limitation, the performance of this Agreement and any other agreement with us including the payment of all sums due hereunder or thereunder. Each person signing this Agreement for franchisee agrees to sign the Unconditional, Irrevocable Guaranty attached to this Agreement as Attachment A. Each person signing this Agreement for franchisee hereby expressly waives any modification, amendment, extension or renewal of this Agreement, the franchise granted hereby, and this guarantee and any notice thereof and waives notice of default. Nothing herein shall be deemed to abrogate or impair any separate instrument of guarantee or subordination which the undersigned may have previously signed or may contemporaneously herewith or hereafter sign. This guarantee shall be considered a continuing guarantee.

FRANCHISEE

_____	_____
(***Signature***)	(***Signature***)
_____	_____
(Typed or printed name and capacity of Signer)	*(Typed or printed name and capacity of Signer)*
_____	_____
(Residence Address)	*(Residence Address)*
_____	_____
(City State Zip)	*(City State Zip)*

_____/_____ _____/_____
(Res. Telephone No. Bus. Telephone No.) *(Res. Telephone No. Bus. Telephone No.)*

_____/_____ _____/_____
(SSN) (Date of Birth) *(SSN) (Date of Birth)*

_____ _____
(Driver's License No. and Issuing State) *(Driver's License No. and Issuing State)*

FRANCHISEE

_____ _____
(***Signature***) (***Signature***)

_____ _____
(Typed or printed name and capacity of Signer) *(Typed or printed name and capacity of Signer)*

_____ _____
(Residence Address) *(Residence Address)*

_____ _____
(City State Zip) *(City State Zip)*

_____/_____ _____/_____
(Res. Telephone No. Bus. Telephone No.) *(Res. Telephone No. Bus. Telephone No.)*

_____/_____ _____/_____
(SSN) (Date of Birth) *(SSN) (Date of Birth)*

_____ _____
(Driver's License No. and Issuing State) *(Driver's License No. and Issuing State)*

FRANCHISOR

By our signatures below, we accept you as a Pizza Guys® franchisee.

PIZZA GUYS FRANCHISES, INC.

By: _____ By: _____
Shahpour M. Nejad, President Reza Kalantari, Secretary

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
) ss.
County of _____)

On _____, before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

_____
(Seal) Notary Public Signature

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
) ss.
County of _____)

On _____, before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

_____
(Seal) Notary Public Signature

PIZZA GUYS FRANCHISES, INC.

ATTACHMENT A TO FRANCHISE AGREEMENT

UNCONDITIONAL, IRREVOCABLE GUARANTY

This Unconditional and Irrevocable Guaranty ("Guaranty") is made as of _____ by the undersigned ("Guarantors") for the benefit of Pizza Guys Franchises, Inc., and its successors and assigns ("Franchisor"), to induce Pizza Guys to execute that certain franchise agreement ("Agreement") by Pizza Guys to _____ ("Franchisee").

WHEREAS, Pizza Guys is not willing to execute the Agreement with Franchisee unless the Guarantors sign and deliver this Guaranty to Pizza Guys and perform their obligations hereunder; and

WHEREAS, each of the Guarantors will benefit personally if Franchisor extends a franchise to Franchisee and each of the Guarantors has asked Franchisor to extend a franchise to Franchisee;

NOW, THEREFORE, to induce Franchisor to sell a Pizza Guys franchise to Franchisee and/or to otherwise extend credit to Franchisee from time to time, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Guarantors hereby make the following guaranty to Franchisor:

1. **Unconditional Guaranty of Payment**. Guarantors, jointly and severally, unconditionally, absolutely, irrevocably and to the same extent as if the undersigned had signed the Agreement as Franchisee, assumes all liabilities, obligations and duties of Franchisee accruing under the Agreement, and guarantees to Franchisor and Franchisor's successors and assigns the full, prompt and complete performance of each and all of the terms, covenants, conditions and provisions of the Agreement to be kept and performed by Franchisee or Franchisee's successors or assigns, including the payment of all fees, Promissory Notes, and any other charges to accrue thereunder and all damages that may arise as a consequence of the nonperformance thereof. No act or thing need occur to establish any Guarantor's liability hereunder.

   Each Guarantor hereby waives the right to require Franchisor to proceed against Franchisee or any other party, to proceed against or to apply any security Franchisor may hold, or to pursue any other remedy for Guarantor's benefit. Each Guarantor agrees that Franchisor may proceed against any Guarantor under this Guaranty without pursuing or exhausting any remedies against Franchisee or any other party and without proceeding against or applying any security Franchisor may hold.

2. **Representations and Warranties.** Each Guarantor represents and warrants to Franchisor as follows: (a) Guarantor acknowledges that Franchisor would not extend a franchise and/or any credit to Franchisee without this Guaranty; (b) Guarantor has a direct and substantial economic interest in Franchisee and expects to derive substantial benefits therefrom; (c) Guarantor is not insolvent, as defined in the US Bankruptcy Code, and will not become insolvent as a result of this Guaranty; and, (d) Guarantor has reviewed and approved all the

terms and conditions of the Agreement and this Guaranty and consulted with legal counsel.

3. **Rights of Franchisor.** Franchisor may deal exclusively with Franchisee in all matters relating to the Agreement without notice to and/or the approval of any Guarantor(s). Each Guarantor shall remain jointly and severally liable regardless of any act or omission by Franchisor which might otherwise directly or indirectly result, by operation of law or otherwise, in the discharge or release in whole or in part of the Franchisee, any other Guarantor, or any other person, or the discharge, release, or impairment of any collateral now or hereafter held as security in connection with the Agreement. This Guaranty remains fully enforceable irrespective of any defenses which the Franchisee may assert, including without limitation, the failure of consideration, breach of warranty, payment, statute of frauds, statute of limitations, accord and satisfaction, and usury. Guarantors agree that Franchisor may, in its sole and absolute discretion and without prejudice to or in any way limiting or lessening its rights under this Guaranty, do or fail to do any of the following one or more times, without notice to or the approval of any one or more of the Guarantors, and without diminishing, altering, or otherwise affecting the liability of each Guarantor hereunder: (a) grant extensions of time or other indulgences to Franchisee, (b) alter or amend any instrument of the Agreement, (c) authorize the sale of any security, whether real or personal property, (d) take additional or substituted security, whether real or personal property, (e) discharge or release any party or parties, (f) realize on or release any security, (g) accept partial payments, (h) accept or make compositions or other arrangements or file or refrain from filing a claim in any bankruptcy proceeding of Franchisee or other Guarantor.

4. **Waiver of Defenses.** Each Guarantor hereby waives, to the extent permitted by law, any and all defenses which may now or hereafter exist by virtue of any statute, statute of limitations, valuation, stay or moratorium law or other similar law now or hereafter in effect; including without limitation, any defense based on any of the following: (a) all rights and benefits under Section 2809 of the California Civil Code, if applicable, purporting to reduce the undersigned's obligation as guarantor in proportion to the principal obligation hereby guaranteed, (b) the failure or invalidity of, or any defect in, documents, (c) any disability or other defense of the Franchisee, any other Guarantor, or any other person, (d) any error or omission in connection with Franchisor's administration of the Franchise documents or of the Agreement, (e) the loss or impairment of any right of subrogation, (f) the foreclosure of any collateral; it being intended that this Guaranty shall survive the realization upon any collateral, including without limitation nonjudicial foreclosure. Guarantor shall be and shall remain liable for any deficiency remaining after foreclosure of any mortgage or security interest securing payment of the Agreement, whether or not the liability of Franchisee or any other obligor for such deficiency is discharged pursuant to statute or judicial decision. Without limiting the foregoing, each Guarantor hereby further waives: (i) the extension of the obligations of the Guaranty arising by reason of the institution of proceedings by or against Franchisor under or pursuant to applicable bankruptcy laws and (ii) any right to participate in any security.

5. **Waiver of Right of Subrogation.** Until the Agreement is paid in full, each Guarantor hereby waives all rights that such Guarantor may now have and/or may acquire hereafter,

whether by subrogation, contribution, reimbursement, recourse, exoneration, contract or otherwise, to recover from the Franchisee and/or from any property of the Franchisee any sums paid under this Guaranty. ( ) ( ) ( ) ( )

6. **Waiver of Right of Reimbursement.** Each Guarantor waives any right of reimbursement, contribution, recourse, and/or any other right or remedy of Guarantor against Franchisee, any other Guarantor, and/or any other person to recover amounts which any Guarantor is obligated to pay under this Guaranty, except for any right of subrogation after payment of the Agreement in full.

7. **Bankruptcy and Assignment of Rights.** If any payment made by Franchisee to Franchisor is reclaimed in a bankruptcy, or receivership proceeding, Guarantors, jointly and severally shall pay to Franchisor the amount so reclaimed. Each Guarantor assigns to Franchisor all rights such Guarantor may have in any proceeding involving Franchisee under the U.S. Bankruptcy Code and/or under any receivership or insolvency proceedings involving Franchisee, whether or not such rights relate to this Guaranty. Such assignment shall not diminish, alter, or otherwise affect the liability of each Guarantor under this Guaranty.

8. **Attorneys' Fees and Collection Expenses.** Each Guarantor agrees to pay or reimburse Franchisor on demand for all legal fees and other costs and expenses incurred by Franchisor in endeavoring to collect and enforce the Agreement and/or in enforcing this Guaranty, together with interest at the maximum rate permitted by law.

9. **Joint and Several Obligations; Community Property.** The obligations of each Guarantor under this Guaranty are joint and several among the persons signing as Guarantor. Franchisor, in its sole discretion, may enforce this Guaranty against any one or more of the undersigned persons as Guarantor. If any of the undersigned persons are married, in addition to signing this Guaranty as individual persons and binding their respective separate property, they sign this Guaranty on behalf of their marital community and bind their community property.

10. **Waivers by Guarantor.** Each Guarantor hereby waives any and all defenses and discharges otherwise available to a surety, guarantor and/or accomodation co-obligor. Each Guarantor waives any and all defenses, claims, setoff and discharges of the Franchisee and/or of any other obligor pertaining to the Agreement, except the defense of discharge by payment in full.

    Each Guarantor will not assert, plead or seek to enforce against Franchisor any claim, defense and/or setoff available to Guarantor against the Franchisee. Each Guarantor hereby waives any right to assert against Franchisor as a defense, counterclaim, setoff or crossclaim, any defense (legal or equitable), counterclaim, setoff or crossclaim which such Guarantor may now or at any time hereafter have under applicable law, rule, arrangement or relationship against Franchisee, Franchisor and/or anyone else. Each Guarantor hereby waives all defenses, counterclaims and setoffs of every kind and nature whatsoever arising, directly or indirectly, from the present or future lack of perfection, sufficiency, validity or enforceability of the Agreement, its documentation or any security interest with respect to

the Agreement with Franchisee, any of its assets or properties and/or any other person.

Each Guarantor waives all defenses based on any and/or all of the following: (i) Franchisee's dissolution or loss, cancellation or forfeiture of its legal status or good standing for any reason whatsoever; (ii) Franchisee's application for or consent to the appointment of a receiver, trustee or liquidator of Franchisee and/or of all or any part of its assets; (iii) Franchisee's inability or written admission of the inability to pay its obligations as they mature; (iv) any general assignment by Franchisee for the benefit of creditors, (v) adjudication of Franchisee as bankrupt or insolvent, (vi) the filing by Franchisee of a voluntary petition in bankruptcy or a petition or any answer seeking reorganization or any arrangement for the benefit of creditors or taking advantage of any insolvency law in its capacity as a franchisee; (vii) the filing against Franchisee of any involuntary petition seeking to subject Franchisee to any bankruptcy, insolvency or similar laws, (viii) Franchisee interposing an answer admitting the material allegations of any such petition, and (ix) entry of an order, judgment or decree against Franchisee by any court approving a petition seeking the reorganization of Franchisee or the appointment of a receiver, trustee or liquidator for Franchisee or of all or of a substantial part of the assets of Franchisee.

Each Guarantor waives diligence, presentment for payment, protest and demand, notice of protest, dishonor, acceleration, and nonpayment or nonperformance, notice of the incurrence of indebtedness by Franchisee, notice of acceptance of this Guaranty, notice of any amendment or extension of the obligations of Franchisee under the Agreement, notice that Franchisor, Franchisee or any other person has taken or omitted to take any action under the Agreement or other instrument, notice of any amendment of any instrument at any time constituting or relating to security for obligations incurred under the Agreement, and notice of the occurrence of any default under the Agreement or any such instrument.

11. **Insolvency of Guarantor.** The adjudication of bankruptcy of any Guarantor shall not revoke this Guaranty. If any Guarantor shall be or become insolvent (however defined), then Franchisor shall have the right to declare immediately due and payable, and each Guarantor will forthwith pay to Franchisor on demand, the full amount of all of the obligations under the Agreement, whether due and payable or unmatured, until all of such obligations have been paid in full to Franchisor. If any of the Guarantors voluntarily commences or there is commenced involuntarily against any of the Guarantors a case under the United States Bankruptcy Code, the full amount of all the obligations, whether due and payable or unmatured, shall be immediately due and payable without demand or notice thereof.

12. **Miscellaneous**.

a. This Gauranty may be delegated or assigned by Franchisor, in any manner, without affecting any Guarantor's liability under this Guaranty. Guarantors may not assign or delegate any rights or duties owed under this Guaranty.

b. This Guaranty shall be effective upon delivery to Franchisor, without further act, condition or acceptance by Franchisor, is binding upon and enforceable against each Guarantor's heirs, legal representatives, successors and assigns and shall inure to the

benefit of Franchisor, its successors and assigns.

c. This Guaranty is governed by the laws of the State of California. Each Guarantor consents to the jurisdiction of the courts of the State of California.

d. This Guaranty constitutes the entire agreement of the parties and supersedes any prior or contemporaneous agreements whether oral or written between them with respect to the subject matter hereof.. This Guaranty may be changed if at all, only if agreed to in writing by all of the Guarantors and Franchisor.

e. If any provision of this Guaranty is invalid, illegal or unenforceable, such provision shall be considered severed from the rest of this Guaranty and the remaining provisions shall continue in full force and effect as if the invalid provision had not been included.

f. All notices, requests, demands, and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given if sent by facsimile or if delivered by messenger or courier delivery, or sent by first class mail, postage prepaid, certified or registered, return receipt requested, as set forth below:

If to: _____:

If to: _____:

If to Franchisor:
Pizza Guys Franchises, Inc.
2731 Citrus Road, Ste. A
Rancho Cordova, CA 95742
Phone No.: 852-2222
Fax No.: 857-1100

g. **Waiver of Right to Jury Trial. THE PARTIES HERETO HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS GUARANTY OR THE RELATIONSHIP ESTABLISHED HEREUNDER.**

h. Each Guarantor shall deliver to Franchisor all financial information concerning the Guarantor as may be requested by Franchisor, including without limitation, a current balance sheet of Guarantor and a statement of all income and expense for the twelve calendar months ended on the date of such balance sheet and monthly or less frequent updates of such financial information within seven (7) business days from (i) the date of this agreement and (ii) from the date of any request by Franchisor. Failure to comply with the financial information obligation set forth in this subparagraph (h) or material deterioration in the financial condition of any Guarantor, as determined by Franchisor, shall give Franchisor the right to demand immediate payment of the obligations from any one or more of the Guarantors as selected by Franchisor.

GUARANTORS ACKNOWLEDGE THAT THEY HAVE READ AND UNDERSTOOD THE TERMS OF THIS GUARANTY, THEY HAD THE OPPORTUNITY TO BE OR WERE REPRESENTED BY INDEPENDENT COUNSEL PRIOR TO EXECUTING THIS GUARANTY, AND THEY HAVE RECEIVED A COPY OF THIS GUARANTY.

"GUARANTORS"

Name of Guarantor	Name of Guarantor
_____	_____
_____	_____
Signature of Guarantor	Signature of Guarantor
_____	

"Franchisor", the Beneficiary

PIZZA GUYS FRANCHISES, INC.

By_____
Shahpour Nejad, President

Acknowledgment(s) follow on next page

ACKNOWLEDGMENT

STATE OF CALIFORNIA)
) SS
COUNTY OF _____)

On _____, before me, _____, a Notary Public, personally appeared _____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

(Seal)

_____
NOTARY

ACKNOWLEDGMENT

STATE OF CALIFORNIA)
) SS
COUNTY OF _____)

On _____, before me, _____, a Notary Public, personally appeared _____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

(Seal)

_____
NOTARY

EXHIBIT "2"

FINANCIAL STATEMENTS

Form F – Consent of Accountant

CONSENT

Kawana & Gong, LLP consents to the use in the Franchise Disclosure Document issued by Pizza Guys Franchises, Inc. ("Franchisor") on April 19, 2017, as it may be amended, of our report dated July 21, 2017, relating to the financial statements of Franchisor for the period ending December 31, 2016.

Richard Kawana
Certified Public Accountant

PIZZA GUYS FRANCHISES, INC.

REPORT ON EXAMINATION

OF

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

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Fresno, California 93720-3331

Tel. (559) 226-6664
Fax (559) 226-7174
www.kgllpcpas.com

INDEPENDENT AUDITOR'S REPORT

July 21, 2017

To the Board of Directors and Stockholders
of Pizza Guys Franchises, Inc.

We have audited the accompanying financial statements of Pizza Guys Franchises, Inc. (a California corporation), which comprise the balance sheet as of December 31, 2016, and the related statements of income, retained earnings, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 2016 financial statements referred to above present fairly, in all material respects, the financial position of Pizza Guys Franchises, Inc. as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Pizza Guys Franchises, Inc. as of December 31, 2015, were audited by other auditors whose report dated October 13, 2016, expressed an unmodified opinion on those statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2016 supplementary information on Schedule I on page 15 is presented for purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole. The 2015 supplementary information on Schedule I on page 15 was subjected to the auditing procedures applied in the 2015 audit of the financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2015 financial statements as a whole.

Kawana & Gong, LLP

PIZZA GUYS FRANCHISES, INC.

BALANCE SHEETS

ASSETS

	Years Ended December 31,	
	2016	2015
CURRENT ASSETS:		
Cash	$ 339,342	$ 354,591
Accounts receivable - trade	77,066	66,416
Prepaid income taxes	1,597	7,543
Prepaid expenses	5,857	7,058
TOTAL CURRENT ASSETS	423,862	435,608
PROPERTY AND EQUIPMENT - at cost:		
Furniture and fixtures	56,636	24,664
Vehicles	438,962	344,438
Computer equipment	33,891	61,224
Machinery and equipment	136,588	165,206
Leasehold improvements	29,650	29,650
	695,727	625,182
Less accumulated depreciation	467,429	469,564
	228,298	155,618
OTHER ASSETS:		
Deferred income tax asset	2,050	-
	2,050	-
	$ 654,210	$ 591,226

See accompanying notes to financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

	Years Ended December 31,	
	2016	2015
CURRENT LIABILITIES:		
Accounts payable:		
Trade	$ 25,074	$ 15,766
Affiliated company	236,847	412,282
Credit cards	43,451	41,988
Payroll taxes payable	7,994	8,974
Accrued wages and salaries	14,298	15,654
Income taxes payable		5,189
Accrued expenses	23,683	4,096
Current maturities on long-term debt	25,508	16,714
TOTAL CURRENT LIABILITIES	376,855	520,663
LONG-TERM DEBT, net of current portion	34,080	10,029
DEFERRED INCOME TAXES		2,547
STOCKHOLDERS' EQUITY:		
Common stock, no par value; authorized 1,200,000 shares; issued and outstanding 1,200,000 shares	27,813	27,813
Retained earnings	215,462	30,174
	243,275	57,987
	$ 654,210	$ 591,226

PIZZA GUYS FRANCHISES, INC.

STATEMENTS OF INCOME AND RETAINED EARNINGS

	Years Ended December 31,	
	2016	2015
SALES:		
Franchise royalties	$ 1,675,280	$ 1,491,808
Franchise fees	79,000	37,500
Advertising income	316,199	294,818
Rebate income	145,452	144,048
Returns and allowances	(19,087)	(7,886)
	2,196,844	1,960,288
EXPENSES:		
General and administrative expenses	1,943,883	1,570,102
Depreciation	65,964	53,133
	2,009,847	1,623,235
INCOME FROM OPERATIONS	186,997	337,053
OTHER INCOME (EXPENSES):		
Interest expense	(430)	(1,124)
Lease income	13,000	
Gain on sale of asset	1,600	
Other income	9,154	29,423
	23,324	28,299
INCOME BEFORE INCOME TAXES	210,321	365,352
INCOME TAXES:		
Current	5,806	5,189
Deferred	(4,597)	291
	1,209	5,480
NET INCOME	209,112	359,872

See accompanying notes to financial statements.

PIZZA GUYS FRANCHISES, INC.

STATEMENTS OF INCOME AND RETAINED EARNINGS

(Continued)

	Years Ended December 31,	
	2016	2015
RETAINED EARNINGS, BEGINNING OF PERIOD	$ 30,174	$ 315,390
SHAREHOLDERS' WITHDRAWALS	23,824	645,088
RETAINED EARNINGS, END OF PERIOD	$ 215,462	$ 30,174

See accompanying notes to financial statements.

PIZZA GUYS FRANCHISES, INC.

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 209,112	$ 359,872
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	65,964	53,133
Deferred income taxes benefit	(4,597)	
Gain on sale of assets	(1,600)	
(Increase) decrease in:		
Accounts receivable	(10,650)	23,183
Prepaid expenses	7,147	(11,099)
Increase (decrease) in:		
Accounts payable	(164,664)	446,579
Accrued wages & salaries	(1,356)	5,707
Payroll taxes payable	(980)	(5,749)
Income taxes payable	(5,189)	1,259
Accrued expenses	19,587	(4,950)
NET CASH PROVIDED BY OPERATING ACTIVITIES	112,774	867,935
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(83,192)	
Proceeds from sale of assets	1,600	
NET CASH USED BY INVESTING ACTIVITIES	(81,592)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments - long-term debt	(22,607)	(17,940)
Shareholders' withdrawals	(23,824)	(645,088)
NET CASH USED BY FINANCING ACTIVITIES	(46,431)	(663,028)
NET INCREASE (DECREASE) IN CASH	(15,249)	204,907
CASH, BEGINNING OF YEAR	354,591	149,684
CASH, END OF YEAR	$ 339,342	$ 354,591

See accompanying notes to financial statements.

PIZZA GUYS FRANCHISES, INC.

STATEMENTS OF CASH FLOWS

(Continued)

	Years Ended December 31,	
	2016	2015
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest expense	$ 430	$ 1,124
Income taxes	$ 6,177	$ 11,764
SUPPLEMENTARY DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Acquisition of equipment:		
Cost of property and equipment	$ 138,644	$
Property and equipment loans	(55,452)	
Cash payment for property and equipment	$ 83,192	$

See accompanying notes to financial statements.

PIZZA GUYS FRANCHISES, INC.

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION

Pizza Guys Franchises, Inc. (the "Company"), a California S corporation, was formed on April 7, 1995 to offer franchises for the operation of pizza takeout and delivery stores. The Company operates under the accrual method of accounting. The Company has 1,200,000 shares of no stated value common stock authorized, issued, and outstanding as of December 31, 2016 and December 31, 2015.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Pizza Guys Franchises, Inc. is presented to assist in understanding the Company's financial statements. The financial statements and notes are the representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements. Management has evaluated subsequent events through July 21, 2017, the date the financial statements were available to be issued.

Cash Equivalents

For purposes of the statement of cash flows, the Company considers all unrestricted investment instruments purchased with original maturities of three months or less to be cash equivalents. At December 31, 2016 and December 31, 2015, there were no cash equivalents.

Property and Equipment

Property and equipment are stated at cost. Expenditures for maintenance and repairs are expensed as incurred while renewals and betterments are capitalized. Depreciation is computed on the straight-line and declining-balance method over estimated useful lives.

Accounts receivable

Bad debts are charged to operations in the year in which the account is determined uncollectible. Trade receivables are due no more than 30 days after issuance of the invoice. Receivables past due more than 60 days are considered delinquent. All accounts receivable are considered by management to be fully collectible.

Compensated Absences

Compensated absences for sick pay and vacation time have not been accrued since they cannot be reasonably estimated. The Company's policy is to recognize these costs when actually paid.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

The Company follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended December 31, 2016 and December 31, 2015 were $954,792 and $605,015, respectively.

Presentation of Sales Tax

The State of California, and various counties, localities and districts impose a sales tax on all of the Company's sales to nonexempt customers. The Company collects the sales tax from customers and remits the entire amount to the State. The Company's accounting policy is to not include the tax collected and remitted to the State in revenues.

Income Taxes

The Company has elected to be taxed as an S corporation under the provisions of the Internal Revenue Code. Accordingly, the financial statements do not include provision for federal income taxes because the Company does not incur federal income taxes. Instead, the stockholders are taxed on their proportionate share of the Company's taxable income. The state of California does impose a corporate level franchise tax on S corporations. A provision for this tax has been recorded.

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to depreciation, prepaid expenses, and other current liabilities for financial reporting purposes over tax purposes. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

The Company classifies interest related to the underpayment of income taxes and any related penalties as operating expenses in the Statement of Income. There were no penalties related to income taxes for the years ended December 31, 2016 and December 31, 2015.

The Company files income tax returns in the U.S. federal jurisdiction and the state of California. The Company's U.S. federal and California income tax returns from 2013 to the current year remain open to examination.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of risk consist principally of accounts receivable. Concentrations of credit risk with respect to accounts receivable contracts are due to the majority of customers being located within the Central Valley of California. The Company performs ongoing credit evaluations of its customers and, generally, requires no collateral.

The Company maintains all of its cash accounts in one commercial bank located in Rancho Cordova, California. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At December 31, 2016 and December 31, 2015 the amounts in excess of the insured limits were $92,368 and $112,757, respectively.

Reclassifications

Certain amounts in the 2015 financial statements have been reclassified for comparative purposes to conform to the 2016 presentation.

DEPRECIATION EXPENSE

Depreciation expense was computed as follows:

	Estimated Useful Years	Years Ended December 31, 2016	Years Ended December 31, 2015
Machinery and equipment	5	$ 5,817	$ 5,575
Furniture and fixtures	7	201	190
Vehicles	5	58,005	44,876
Computer equipment	5	1,941	1,547
Leasehold improvements	10		251
		$ 65,964	$ 53,133

LONG-TERM DEBT

	Years Ended December 31, 2016	Years Ended December 31, 2015
Note payable to Lexus Financial Services, 2.9% interest rate, due in monthly installments of principal and interest of $997.80, vehicle pledged as collateral. The loan matures October 21, 2017.	$ 9,810	$ 21,535
Note payable to Mercedes-Benz Financial Services, 0% interest rate, due in monthly installments of principal of $696.50, vehicle pledged as collateral. The loan matures October 27, 2017.	32,039	
Note payable to Toyota Financial Services, 0% interest rate, due in monthly installments of principal of $611.67, vehicle pledged as collateral. The loan matures May 16, 2019.	17,739	

LONG-TERM DEBT (continued)

	Years Ended December 31, 2016	Years Ended December 31, 2015
Note payable to Toyota Financial Services, 0% interest rate, due in monthly installments of principal of $578.63, vehicle pledged as collateral. The loan matured on September 5, 2016.	$	$ 5,208
	59,588	26,743
Less current portion	25,508	16,714
	$ 34,080	$ 10,029

Maturities of long-term debt for each of the next four years are as follows:

Year Ending	Aggregate Obligations
December 31, 2017	$ 25,508
December 31, 2018	15,698
December 31, 2019	11,417
December 31, 2020	6,965
	$ 59,588

COMMITMENTS

Operating Lease

Pizza Guys Franchises, Inc. leases a truck and trailer to a franchisee under a 36-month operating lease, with the option to extend the lease or to purchase the truck and trailer. The current lease provides for monthly receipts of $1,000. Lease income received for the years ended December 31, 2016 and December 31, 2015 was $13,000 and $-0-, respectively.

Contract commitment

The Company had an advertisement contract with a third party that was completed on June 19, 2016. The terms of the contract called for a monthly payment of $20,833. Advertisement expense paid for this contract was $124,998 and $249,996 for the years ended December 31, 2016 and December 31, 2015, respectively.

INCOME TAXES

The components of deferred taxes included in the balance sheets as of December 31, 2016 and December 31, 2015 are as follows:

	Years Ended	
	December 31, 2016	December 31, 2015
Deferred tax liabilities	$ (112)	$ (2,993)
Deferred tax assets	2,162	446
Net deferred tax assets (liabilities)	$ 2,050	$ (2,547)

RELATED PARTY TRANSACTIONS

Revenues and payables

The Company has routine business transactions with a franchisee that is considered an affiliated company. The Company has conducted the following routine business transactions with the affiliated company:

	Years Ended	
	December 31, 2016	December 31, 2015
Advertising income	$ 68,501	$ 46,700
Due to affiliated company	236,847	412,282

Office Lease

The Company leases its office in Rancho Cordova, California from a related company owned by one of the shareholders on a five-year operating lease. For the years ended December 31, 2016 and December 31, 2015, rent of $180,000 and $195,000, respectively, was paid and expensed.

RELATED PARTY TRANSACTIONS (continued)

Office Lease (continued)

Future minimum rental payments under the Company's operating lease are as follows:

Year Ending	Obligations
December 31, 2017	$ 351,090
December 31, 2018	368,010
December 31, 2019	384,930
	$ 1,104,030

FRANCHISING

In general, the Company's franchise agreements provide for the payment of a franchise fee for each opened franchised location. Franchisees pay royalty fees of 5% of gross sales. The Company collects advertising fees for regional media, which are based on a variable cumulative percentage of gross sales or $5,500, whichever is less. Subject to approval and payment of their renewal fee, a franchisee may generally renew its agreement upon expiration. The Company recognizes renewal fees as income when a renewal agreement becomes effective.

Initial franchise fees of $15,000 are generally recognized when substantially all services or conditions relating to the franchise sale have been performed or satisfied by the Company. Services provided by the Company include assistance in site selection, personnel training, and implementation of an accounting and quality control system.

Franchise revenue consists of the following:

	Years Ended	
	December 31, 2016	December 31, 2015
Franchise royalties	$ 1,675,280	$ 1,491,808
Franchise fees	79,000	37,500
Advertising income	316,199	294,818
Rebate income	145,452	144,048
Returns and allowances	(19,087)	(7,886)
Total franchise revenue	$ 2,196,844	$ 1,960,288

FRANCHISING (continued)

As territory is assigned to each franchisee sold, the Company may reach the point where existing markets become saturated and initial franchising revenue declines. Unless new markets are entered into, franchise revenues after market saturation will come primarily from continuing and renewal fees for existing franchises. In 2016, there were three franchises sold, one new franchise opened, and 62 franchises in operation.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments, none of which are held for trading purposes, include cash, accounts receivable, prepaid expenses, accounts payable and other current liabilities. The Company estimates that the fair value of all financial instruments at December 31, 2016 does not differ materially from the aggregate carrying value of the financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

SUPPLEMENTARY INFORMATION

PIZZA GUYS FRANCHISES, INC.

SCHEDULE I

GENERAL AND ADMINISTRATIVE EXPENSES

	Years Ended December 31,	
	2016	2015
GENERAL AND ADMINISTRATIVE EXPENSES:		
Advertising and promotion	$ 954,792	$ 605,015
Awards to franchisee	1,541	6,475
Automobile expense	24,109	18,298
Bank service charges	7,342	7,354
Internet expenses	9,690	7,865
Consulting	28,776	9,900
Continuing education		340
Charitable contributions	19,506	44,598
Dues and subscriptions	585	55
Insurance expense	68,569	63,073
Meals and entertainment	22,797	9,406
Miscellaneous	1,324	
Office supplies	111,758	42,219
Officers salaries	24,000	24,000
Wages and salaies	358,499	418,355
Payroll taxes	39,107	39,303
Pest Control	960	880
Postage and freight	7,887	3,520
Professional fees	18,649	16,367
Rent expense	180,000	195,000
Repairs and maintenance	1,898	1,582
Security	1,605	563
Supplies	7,757	6,932
Taxes and licenses	3,003	2,743
Telephone expense	27,099	29,654
Travel expense	12,826	8,052
Utilities	1,954	89
Uniform and laundry	7,850	8,464
	1,943,883	1,570,102
INTEREST	430	1,124
DEPRECIATION AND AMORTIZATION	65,964	53,133
	$ 2,010,277	$ 1,624,359

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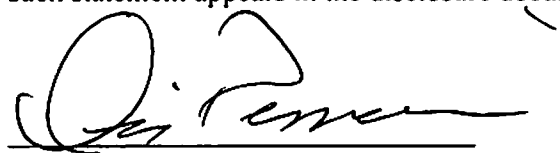
E-Mail: Pessian@pchcpa.com

CONSENT OF ACCOUNTANT

I, Iraj Pessian, an independent Certified Public Accountant, hereby consent to the use of the December 31, 2015 audited financial statement of Pizza Guys Franchises, Inc., prepared by me as such statement appears in the disclosure documents.



Iraj Pessian
Certified Public Accountant

October 13, 2016
Torrance, California

PIZZA GUYS FRANCHISES, INC.

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

Year Ended December 31, 2015

PIZZA GUYS FRANCHISES, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
Pizza Guys Franchises, Inc.
Rancho Cordova, California

Report on Financial Statements

I have audited the accompanying financial statements of Pizza Guys Franchises, Inc. (a California S-corporation) which comprise the balance sheets as of December 31, 2015, and the related statement of income and retained earnings, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this include the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

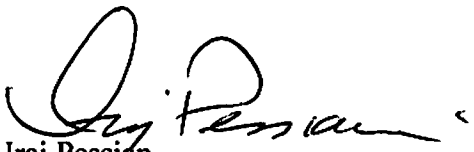
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control element to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. According, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

significant accounting estimates made management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion the financial statements referred to above present fairly, in all material respects, the financial position of Pizza Guys Franchises, Inc. as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Iraj Pessian
Certified Public Accountant

Torrance, California
October 13, 2016

"Exhibit A"

PIZZA GUYS FRANCHISES, INC.
BALANCE SHEET
December 31, 2015

ASSETS

CURRENT ASSETS			
Cash	$ 354,591		
Accounts Receivable	66,416		
Prepayment	14,601		
Total Current Assets		$	435,608
PROPERTY AND EQUIPMENT			
Vehicle	344,438		
Fixtures and Equipment	251,095		
Leasehold Improvements	29,650		
Total Property and Equipment	625,183		
Less: Accumulated Depreciations	(469,565)		
Net Property & Equipment			155,618
TOTAL ASSETS		$	591,226

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES			
Accounts Payable	$ 5,699		
Accrued Expenses	56,150		
Accrued Wages & Payroll Related Payable	21,725		
Payroll Tax Payable	2,903		
State Income Tax Payable	5,189		
Accounts Payable - Related Party	412,282		
Current Portion of Long-term Debt	16,714		
Total Current Liabilities		$	520,664
DEFERRED INCOME TAX			2,547
LONG-TERM DEBT, less current portion			10,029
STOCKHOLDERS' EQUITY			
Common Stock - No Par Value, 1,200,000 Shares Authorized, 1,200,000 Shares Issued and Outstanding	27,813		
Retained Earnings	30,174		
Total Stockholders' Equity			57,987
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		$	591,226

See Accompanying Notes and Independent Auditor's Report

"Exhibit B"

PIZZA GUYS FRANCHISES, INC.
STATEMENT OF INCOME AND RETAINED EARNINGS
For The Year Ended December 31, 2015

		Amount	%
REVENUE			
Royalty Income	$	1,491,808	76.10
Rebate		144,048	7.35
Other Income		332,318	16.95
Returns and Allowances		(7,886)	(0.40)
Net Revenue		1,960,287	100.00
GENERAL AND ADMINISTRATIVE EXPENSES		1,624,358	82.86
Operating Income		335,929	17.14
OTHER INCOME			
Refund/ Reimbursement		29,423	1.50
Total Other Income		29,423	1.50
Income Before Provision for Income Tax		365,352	18.64
PROVISION FOR INCOME TAX		5,480	0.28
NET INCOME		359,872	16.86
BEGINNING RETAINED EARNINGS		315,390	
Less:			
Distributions Paid		(645,088)	
ENDING RETAINED EARNINGS	$	30,174	

See Accompanying Notes and Independent Auditor's Report

"Exhibit C"

PIZZA GUYS FRANCHISES, INC.
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES		
NET INCOME		$ 359,872
Adjustments to reconcile net income		
to net cash from operations:		
Depreciation	$ 53,133	
(Increase)/ Decrease In:		
Accounts Receivable	23,183	
Prepayment	(11,099)	
Increase/ (Decrease) In:		
Accounts Payable	(17,757)	
Accrued Expenses	47,103	
Accrued Wages & Payroll Related Payable	5,707	
Payroll Tax Payable	(5,749)	
Accounts Payable - Related Party	412,282	
State Income Tax Payable - Current	968	
State Income Tax Payable - Deferred	291	
Net Adjustments		508,063
NET CASH PROVIDED BY OPERATING ACTIVITIES		867,935
CASH FLOWS FROM INVESTING ACTIVITIES	0	
NET CASH (USED) BY INVESTING ACTIVITIES		0
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan Payable	(17,940)	
Distributions Paid	(645,088)	
NET CASH (USED) BY FINANCING ACTIVITIES		(663,028)
NET INCREASE IN CASH		204,907
CASH AT BEGINNING OF YEAR		149,684
CASH AT END OF YEAR		$ 354,591
SUPPLEMENTARY DISCLOSURES		
Interest Paid		$ 1,124
Income Taxes Paid		$ 11,764

See Accompanying Notes and Independent Auditor's Report

PIZZA GUYS FRANCHISES, INC.
Notes to Financial Statements
December 31, 2015

1. Summary of Significant Accounting Policies

Nature of Business

Pizza Guys Franchises, Inc. is a California based corporation, which grants franchises for the operation of pizza takeout and delivery stores. Initial franchise fee is currently fifteen thousand dollars and is due and payable in a lump sum at the time the prospective franchisee signs the franchise agreement. Royalty is four percent of gross sales for each week of the franchise term or any renewal or extension term.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with maturity of three months or less to be cash equivalents.

Property, Equipment and Depreciation

Property and equipment are stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets of five to ten years. Maintenance and repairs are charged to expense as incurred; major renewal and betterment are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Advertising

The Company expenses advertising costs as they are incurred. Advertising expenses for the year ended December 31, 2015 was $605,015.

PIZZA GUYS FRANCHISES, INC.
Notes to Financial Statements
December 31, 2015

1. Summary of Significant Accounting Policies <Continued>

Reclassification

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

Income Tax

The Company, with the consent of the stockholders, has elected under the Internal Revenue Code to be an S corporation. Under this provision, the Company does not pay federal corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal income taxes on their respective shares. All items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns.

Deferred Tax

Deferred taxes are recognized for temporary differences between the basis of assets and liabilities for financial statements and income tax purposes. The difference related primarily to depreciable asset (using accelerated depreciation methods for income tax purposes).

Concentrations of Credit Risk

The Company maintains its cash balances in one financial institution located in Rancho Cordova, California. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000. At December 31, 2015, the Company had an uninsured balance of $112,757.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of accounts receivable. The Corporation grants credit primarily to customers located in California.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends, and other information. Generally, the Company does not require collateral or other security to support account receivables. At December 31, 2015, the Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established.

PIZZA GUYS FRANCHISES, INC.
Notes to Financial Statements
December 31, 2015

1. Summary of Significant Accounting Policies <Continued>

Date of Management's Review

Management has evaluated subsequent events through October 13, 2016, the date on which the financial statements were available to be issued.

2. Accounts Receivable

Accounts receivable consist of the balances of rebates; franchise fees and royalties earned but have not received. As of December 31, 2015, accounts receivable had a current balance of $66,416.

3. Accounts Payable and Accrued Expenses

Accounts Payable and Accrued Expenses consist of the balances of supplier payable and credit cards payable. As of December 31, 2015, accounts payable and accrued expenses had current balances of $5,699 and $56,150, respectively.

4. Accounts Payable – Related Party

The company had an unsecured and non-interest bearing account payable from its related party. As of December 31, 2015, account payable from its related party had current balance of $412,282. After the balance sheet date, the company repaid $240,000 back to its related party.

PIZZA GUYS FRANCHISES, INC.
Notes to Financial Statements
December 31, 2015

5. Debt

The Company's Long-term debt consists of the following:

Note payable to a bank, payable in 47 equal Monthly installments of $998, including interest In 2.90%, collateralized by an automobile, Due on Oct 2017	$ 21,535
Note payable to a bank, payable in 36 equal Monthly installments of $998, 0% interest, collateralized by an automobile, Due on Sept 2016	$ 5,208
Less: Current Portion	(16,714)
Net Long-term Liabilities	$10,029

6. Debt – Cont'd

The following is a summary of principal maturities of long-term debt during the next five years:

2016	$ 16,714
2017	10,029

7. Income Tax

The provision of state income taxes for the year ended December 31, 2015 is $5,480.

Current	$ 5,189
Deferred	$ 291

The federal income tax returns of the Company for 2013, 2014, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

PIZZA GUYS FRANCHISES, INC.
Notes to Financial Statements
December 31, 2015

8. Commitments

Operating Lease

The Company leases its store facilities under a month-to-month operating lease for currently $15,000 per month.

Contract Commitment

During 2013, the Company renewed its long-term advertisement contract with Sacramento Kings Limited Partnership. The Company believes that the contract, which is expected to be completed in 2015-16 NBA season, will enhance its Pizza selling business. The total contract amount is estimated to be $500,000 and the estimated remaining payable is as follows:

NBA Season	
2015-16	$ 100,000

IRAJ PESSIAN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS
21515 HAWTHORNE BLVD.
SUITE 1085
TORRANCE, CA 90503-6558

TEL (310) 540-4123 FAX (310) 540-6067
PESSIAN@PCHCPA.COM

Independent Auditor's Report on Supplementary Information

To the Board of Directors and Shareholders of
Pizza Guys Franchises, Inc.
Rancho Cordova, California

I have audited the financial statements of Pizza Guys Franchises, Inc. as of and for the year ended December 31, 2015, and have issued my report thereon dated October 13, 2016 which contained an unmodified opinion on those financial statements. My audit was performed for the purpose of forming an opinion on the financial statements as a whole. I have not performed any procedures with respect to the audited financial statements subsequent to May 31, 2016.

The supplementary information contained in Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Iraj Pessian
Certified Public Accountant

Torrance, California
October 13, 2016

"Schedule 1"

PIZZA GUYS FRANCHISES, INC.
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
For The Year Ended December 31, 2015

		Amount	%
GENERAL AND ADMINISTRATIVE EXPENSES			
Advertising	$	605,015	30.86
Salaries and Wages		418,355	21.34
Rent		195,000	9.95
Insurance		63,073	3.22
Depreciation		53,133	2.71
Charitable Contribution		44,598	2.28
Office Supplies and Expenses		42,647	2.18
Payroll Taxes		39,303	2.00
Telephone		29,654	1.51
Officers' Compensation		24,000	1.22
Autos and Parking		18,298	0.93
Legal and Professional Fees		16,367	0.83
Consulting		9,900	0.51
Meal and Entertainment		9,406	0.48
Dues and Subscriptions		8,483	0.43
Bank Charges, Credit Card Fees, & Interest		8,478	0.43
Uniform and Laundry		8,464	0.43
Travels		8,052	0.41
Supplies		6,932	0.35
Awards to Franchisee		6,475	0.33
Postage		3,520	0.18
Taxes, Licenses & Permits		2,743	0.14
Repair and Maintenance		2,462	0.13
Total General and Administrative Expenses	$	1,624,358	82.86

See Accompanying Notes and Independent Auditor's Report

EXHIBIT “3”

STATE ADMINISTRATORS

California **Department of Business Oversight** **One Sansome Street, Suite 600** **San Francisco, California 94104**	**New York** New York State Office of Attorney General Bureau of Investor Protection & Securities 120 Broadway, 23rd Floor New York, NY 10271
Hawaii Department of Commerce and Consumer Affairs 1010 Richards Street Honolulu, HI 96813	**Oregon** Department of Consumer and Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, OR 97310
Illinois Office of Attorney General 500 South Second Street Springfield, IL 62706	**Rhode Island** Securities Examiner Securities Regulation Division 233 Richmond Street, Suite 232 Providence, RI 02903
Indiana Securities Commissioner 302 West Washington Street, Room E-111 Indianapolis, IN 46204	**Virginia** State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9th Floor Richmond, VA 23219
Maryland Office of the Attorney General Securities Division 200 St. Paul Place, 20th Floor Baltimore, MD 21202	**Washington** Dept. Of Financial Institutions Division of Securities P.O. Box 9033 Olympia, WA 98507-9033
Michigan Consumer Protection Division Franchise/Antitrust Section Michigan Dept. of Attorney General 6525 Ottawa Street, 7th Floor Lansing, MI 48909	**Wisconsin** Wisconsin Commission of Securities 101 E. Wilson Street Madison, WI 53702
Minnesota Minnesota Commerce Department 85 Seventh Place East Suite 500 St. Paul, MN 55101-2198	**South Dakota** Department of Labor and Regulation Division of Securities 124 S Euclid, Suite 104 Pierre, SD 57501
North Dakota Franchise Division Office of Securities Commission 600 East Boulevard - 5th Floor Bismarck, ND 58505	

EXHIBIT “4”

PREAUTHORIZED BANK DEDUCTION PROCEDURE

AUTHORIZATION TO HONOR CHECKS DRAWN BY & PAYABLE TO PIZZA GUYS FRANCHISES, INC.

MY NAME EXACTLY AS IT APPEARS ON MY BANK ACCOUNT:	
MY BANK ACCOUNT NO.:	**MY *PIZZA GUYS*® FRANCHISE NO.:**
MY FULL NAME:	
MY STREET ADDRESS:	
MY CITY, STATE, ZIP CODE:	

I, the above-named account holder, hereby authorize and direct you to pay and charge to my account, checks (or other debit entries by electronic or paper means) drawn on the above account by and payable to the order of PIZZA GUYS FRANCHISES, INC. Your rights in respect to each such check (or other debit entry by electronic or paper means) shall be the same as if it were a check drawn on you and signed personally by me.

In order to induce you to honor checks (or other debit entries by electronic or paper means) presented for payment pursuant to this preauthorized deduction procedure, I hereby release, indemnify and agree to defend you from and against any obligation, loss, liability or damage caused by, or related to, the honor of any and all checks (or other debit entries by electronic or paper means) presented for payment pursuant to this preauthorized bank deduction procedure.

I hereby direct you not to cancel this preauthorized bank deduction procedure. I further direct you to provide PIZZA GUYS FRANCHISES, INC. written notice 30 days in advance of any change which would affect such preauthorized bank deduction procedure. This directive is to remain in full force and effect until you receive written notification of its termination from PIZZA GUYS FRANCHISES, INC. in such time and in such manner so as to afford you a reasonable time to act upon it. The directives contained herein are irrevocable by me.

BANK FULL NAME:
BANK STREET ADDRESS:
CITY, STATE, ZIP CODE:

ATTACHED HERETO IS MY <u>VOIDED CHECK</u>

(to provide you necessary information regarding my checking account)

Date _____ **_____**

(My signature exactly as it appears on my bank account records)

TO: THE ABOVE-NAMED BANK

If you have any questions regarding this document, please direct them to:

Reza Kalantari, Chief Financial Officer
Pizza Guys Franchises, Inc.
2731 Citrus Road, Ste. A
Rancho Cordova, CA 95742
(916) 852-2222

EXHIBIT “5”

TELEPHONE NUMBER LEASE

Pizza Guys® TELEPHONE NUMBER LEASE
(WITH PERSONAL GUARANTEE)

1. Parties. This Telephone Number Lease ("Agreement"), dated _____ is made by and between _____ _____ (referred to singularly and collectively as "Lessee" or "you" herein) and PIZZA GUYS FRANCHISES, INC., a California corporation, (referred to as "Lessor," "us" or "we" herein).

2. *Pizza Guys*® Store. You are, or intend to be, our franchisee under that existing or proposed ***Pizza Guys*®** franchise agreement (referred to as the *"Franchise Agreement"* herein) made, or to be made for that ***Pizza Guys*®** store located or to be located in the general vicinity of:

_____

(referred to as the "premises" herein).

3. Telephone Number Leased. We hereby lease to you and you hereby lease from us for the rent set forth below, one or more telephone numbers. The following telephone number (referred to as the "main telephone number") shall be the only telephone number used for advertising your ***Pizza Guys*®** store:

( ) -

(Only the above number shall be advertised)

You may not distribute advertising materials with your phone number on it outside of your 2-mile radius.

4. Ownership, Restriction and Use of Telephone Numbers; Additional Numbers. We will retain ownership of the telephone numbers including, but not limited to the main telephone number. We may restrict the telephone numbers to receive calls only or, if unavailable, to receive calls but restricted to place local calls only, or otherwise as we, in our sole and absolute discretion, from time to time decide. The main telephone number listed above shall be the one (1) and only telephone number used to advertise the store, its goods, services and business. You may install additional telephone number(s) to place and receive local and long distance calls but you may not advertise such telephone number(s). We have the absolute right to select and change, at any time, the telephone company which will provide telephone service for the leased telephone number. **You may not distribute advertising materials with your phone number on it outside of your 2-mile radius.**

5. Payment.

5.01 Advance Rent and Deposit. There is no deposit required to be paid to us. Deposits and advance rent may be required by the telephone service and same would be paid directly to the vendor if required.

5.02 Reimbursement. You shall promptly reimburse us without offset or deduction for all charges advanced by us associated with installing and maintaining the leased telephone numbers.

6. Term, Renewal, Termination and Expiration. The term of this telephone number lease shall be the term of your ***Pizza Guys*®** franchise and the lease shall expire upon termination or expiration of the franchise term. In the event that you renew your ***Pizza Guys*®** franchise, you must renew this telephone number lease and it shall be deemed automatically renewed if the ***Pizza Guys*®** franchise is renewed.

7. No Use of Telephone Leased Number after Expiration, Non renewal or Termination. The main telephone number embodies a significant portion of the goodwill of the ***Pizza Guys*®** store. Accordingly, you shall immediately cease using the main telephone number and all other leased telephone numbers in the event that your ***Pizza Guys*®** franchise expires, is nonrenewed or

is terminated, or is declared in default and the main telephone number redirected.

8. Limitation of Obligations of Lessor; Indemnification; Waiver of Claims. You agree that we are not the telephone company and that we do not assume and are not obligated to perform any of the telephone company's obligations. Accordingly, we do not guarantee uninterrupted or quality service or accurate billing and you shall look solely to the telephone company for telephone service continuity and quality, accurate billing and the like. In the event of any dispute between the telephone company and you, whether or not we are also named as a party, you shall indemnify us against any obligation, loss, liability or damage caused by, or related to, the same. You hereby forever release us from any obligation to perform the obligations of the telephone company, and, with respect to such release, you hereby waive all rights conferred upon you by the provisions of Section 1542 of the Civil Code of California, which reads as follows: "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known to him must have materially affected his settlement with the debtor."

9. Lessor's Remedies Against Lessee Upon Default.

9.01 Lessee's Default Defined. You understand that this Agreement is entered into so that you may operate a ***Pizza Guys®*** store on the premises. Accordingly, you understand that your right to use the leased telephone numbers is subject to all the provisions of this Agreement, the store premises lease, the ***Pizza Guys®*** *Franchise Agreement* and any other agreement entered into between you and us. Accordingly, any act or omission which violates any of the provisions of such agreements shall, automatically, be deemed a default under this Agreement.

9.02 Lessor's Remedies. IN ADDITION TO ALL RIGHTS AND DEFENSES CONFERRED UPON US BY THIS AGREEMENT, AS BETWEEN YOU AND US, WE SHALL HAVE ALL THE RIGHTS AND DEFENSES CONFERRED UPON US BY LAW OR EQUITY AND WHEN WE EXERCISE OUR RIGHTS OR DEFENSES AGAINST YOU, YOU SHALL HAVE NO EXCUSE OR DEFENSE THAT WE OR OUR AFFILIATE(S) ALSO OCCUPY THE RELATIONSHIP OF FRANCHISOR, SUBLESSOR, OR OTHERWISE TO YOU. IF YOU DO NOT AGREE WITH THIS PROVISION OR ANY OTHER PROVISION OF THIS AGREEMENT DO NOT ENTER INTO THE FRANCHISE RELATIONSHIP.

9.03 Authority to Redirect Telephone Calls. You may use the leased telephone numbers so long as you are not in default of this Lease, the ***Pizza Guys®*** *Franchise Agreement* or any other agreement between you and us or our affiliates, if any. Upon your default you forfeit your right to use the leased telephone numbers including, but not limited to the main telephone number, and **YOU HEREBY SPECIFICALLY AND IRREVOCABLY AUTHORIZE US TO TERMINATE THE LEASED TELEPHONE NUMBERS OR TO REDIRECT THE CALLS RECEIVED BY THE LEASED TELEPHONE NUMBERS TO ANOTHER LOCATION FROM WHICH WE OR ANOTHER FRANCHISEE MAY SERVE YOUR CUSTOMERS.**

10. Indemnification. You shall defend, indemnify and hold us harmless from all liability, costs, judgments, damages, claims or demands, including reasonable attorneys' fees, arising out of your use of the leased telephone numbers.

11. Miscellaneous.

11.01 Agreement to Submit Disputes to a Referee Pursuant to the Provisions of California Code of Civil Procedure §§638 through 645.1; Punitive and Noneconomic Damages Not Awardable; Trademark Matters Not Arbitrable; Choice of Forum; Choice of Law.

Except as specifically limited below, any dispute between you and us regarding this Agreement and all matters relating to the validity, construction, performance and enforcement hereof shall be heard by a referee pursuant to the provisions of California Code of Civil Procedure §§638 through 645.1, inclusive, according to the following procedures:

(a) The parties shall agree upon a single referee who shall then try all issues, whether of fact or law, and report a finding and judgment thereon. If the parties are unable to agree upon a referee within ten (10) days of a written request to do so by any party, then any party may thereafter seek to have a referee appointed pursuant to California Code of Civil Procedure §§638 and 640;

(b) The parties agree that the referee shall have the power to decide all issues of fact and law and report his/her

decision thereon, and to issue all legal and equitable relief appropriate under the circumstances of the controversy before him/her; provided, however, that to the extent the referee is unable to issue and/or enforce any such legal and equitable relief, either party may petition the court to issue and/or enforce such relief on the basis of the referee's decision;

(c) The California Evidence Code rules of evidence and procedure relating to the conduct of the hearing, examination of witnesses and presentation of evidence shall apply;

(d) Any party desiring a stenographic record of the hearing may secure a court reporter to attend the hearing; provided, the requesting party notifies the other parties of the request and pays for the costs incurred for the court reporter;

(e) The referee shall issue a written statement of decision which shall be reported to the court in accordance with California Code of Civil Procedure §643 and mailed promptly to the parties;

(f) Judgment may be entered on the decision of the referee in accordance with California Code of Civil Procedure §644, and the decision may be excepted to, challenged and appealed according to law;

(g) The parties shall promptly and diligently cooperate with one another and the referee, and shall perform such acts as may be necessary to obtain a prompt and expeditious resolution of the dispute or controversy in accordance with the terms hereof; and

(h) The cost of such proceeding, including but not limited to the referee's fees, shall initially be borne equally by the parties to the dispute or controversy. However, the prevailing party in such proceeding shall be entitled, in addition to all other costs, to recover its contribution for the costs of the reference and its reasonable attorney's fees as items of recoverable costs.

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. 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.

11.02 Cost of Enforcement or Defense. Attorneys' fees shall not be recoverable as a cost of any dispute submitted to referee. The referee's fees shall be borne by either you or us or by both of you and us in such proportion as the referee(s) shall decide.

11.03 Notices. Any notice or demand given or made pursuant to this Agreement: (a) Shall be in writing; (b) Shall be personally delivered, posted by registered, certified or other receipted mail or delivered by telegram to the address on the last page hereof or at such changed address or addresses as such party may from time to time designate; and (c) Shall contain a clearly stated reason for such notice. Notices of expiration shall contain a clear statement of the reason for expiration, and the effective date of such expiration. Notices of termination shall contain a clear statement of intent to terminate the lease under this Agreement: (1) together with the reasons therefor, and (2) the effective date of such termination.)

11.04 Successors. This Agreement shall be binding on and inure to the benefit of the parties and their successors.

11.05 Assignment and Subletting. Notwithstanding anything contrary contained in this Agreement or elsewhere, you have no right to assign or sublet the leased telephone number and any such attempt shall be void.

11.06 Entire Agreement. This Agreement constitutes and contains the entire agreement and understanding of you and us with respect to its subject matter. There are no representations, undertakings, agreements, terms, or conditions not contained herein.

11.07 Modification. This Agreement may be amended or modified only by a writing referencing this Agreement and stating that it is a modification thereof. Such writing must be signed by authorized representatives of the parties. Only our President

is authorized to sign for us, and no modification signed by any other representative of us shall be binding upon us.

12. Condition Subsequent. If, for any reason, you do not receive possession of the store premises, we are not required to lease you the telephone number and you shall have no action against us for the same.

13. Signatures.

Lessee

All persons signing this Agreement for you agree, warrant and represent that they constitute all of your legal and beneficial owners, partners, shareholders, officers and directors and that, together, they own the entire interest in this Agreement, in the business of your store and in its income.

Personal Guarantee: Each person signing this Agreement for franchisee, having read this entire Agreement and being directly or indirectly beneficially interested in the store to be conducted by the franchisee, and to induce us to enter into this franchise with franchisee, hereby jointly and severally guarantee the performance of franchisee and each other person signing this Agreement for franchisee including, with6ut limitation, the performance of this Agreement and any other agreement with us including the payment of all sums due hereunder or thereunder. Each person signing this Agreement for franchisee hereby expressly waives any modification, amendment, extension or renewal of this Agreement, the franchise granted hereby, and this guarantee and any notice thereof and waives notice of default. Nothing herein shall be deemed to abrogate or impair any separate instrument of guarantee or subordination which the undersigned may have previously signed or may contemporaneously herewith or hereafter sign. This guarantee shall be considered a continuing guarantee.

_____	_____
(Signature)	*(Signature)*
_____	_____
(Typed or printed name and capacity of Signer)	*(Typed or printed name and capacity of Signer)*
_____	_____
(Signature)	*(Signature)*
_____	_____
(Typed or printed name and capacity of Signer)	*(Typed or printed name and capacity of Signer)*

Lessor

PIZZA GUYS FRANCHISES, INC.
2731 Citrus Road, Ste. A
Rancho Cordova, California 95742
Tel.: (916) 852-2222

By:_____	By:_____
Shahpour M. Nejad, President	Reza Kalantari, Secretary

EXHIBIT “6”

TRANSFER PACKET

Re: TRANSFER PROCEDURE EXPLANATION FOR THE SELLER OF A PIZZA GUYS® STORE AND THE SELLER'S ESCROW AGENT

Dear Seller and Prospective Buyer of a ***Pizza Guys®*** store and Escrow Agent:

The process of transferring a ***Pizza Guys®*** store is governed by the seller's *Franchise Agreement* which provides that the seller (referred to in the *Transfer Packet* as "you") may not transfer all or part of the store (or any interest in its profits or in any corporation or partnership which owns or operates the store) without following the procedure outlined in the *Transfer Packet.*

The purpose of this letter is to provide you, your Buyer and your escrow agent with an overview of the a ***Pizza Guys®*** transfer process. Forms dealing with various aspects of the transfer procedure which are required by the franchisor, Pizza Guys Franchises, Inc. (referred to in the *Transfer Packet* as "us" or "Our") are included in the *Transfer Packet* with this letter. These forms are what *we* require from you to process the transfer request; however, additional documents, such as a Sales Contract, Promissory Note, Security Agreement, Bulk Sales Notice, UCC-3 Financing Search Report, and Tax and Wage Clearances to name just a few, may be required by law or to protect your and/or your Buyer's interests in the transaction. Neither us nor our affiliates or representatives are permitted to negotiate or prepare these additional documents. We strongly recommend that you and your Buyer each separately retain the services of an experienced attorney and an accountant to negotiate and prepare such additional documents and to otherwise assist you and your Buyer in the transaction.

Generally, for us to approve a transfer, you must allow us or our representatives to inspect your store, your records and your operations; you must be in compliance with our *Store Operations Manual,* as revised from time to time, and must not be in breach of your *Franchise Agreement,* the *Telephone Number Lease,* or any other agreement with us or our affiliates; you and your Buyer(s) must provide all documents and make all representations required by us; if required by us, you and/or your Buyer(s) at their expense shall undertake to remodel your store and said undertaking shall be secured by your and your Buyer(s) as required by us; and your Buyer(s) must satisfy our then current qualifications for new franchises (or in the event that we are not then granting new franchises, your Buyer(s) must satisfy those qualifications and requirements for the franchise under your existing *Franchise Agreement.*

The minimum required steps which must be taken to transfer a ***Pizza Guys®*** store are discussed below and it is important for you, your Buyer and your Escrow Agent to understand that nothing can move forward until such time as these steps are completed:

(1) Transfer Request and Transfer Packet. Upon your request, we will provide you with our franchise transfer documents ("Transfer Packet") which we may revise from time to time.

(2) Personal Meeting; Buyer's Franchise Application with Financial Statement; Franchise Disclosure Document. We must meet your proposed Buyer(s). You must arrange for the personal meeting **at** our corporate offices at a mutually convenient time. Each of your proposed Buyers must be present at the meeting. Your Buyer(s) must bring their completed Franchise Application(s) with financial statement to the personal meeting if they have not previously submitted the same to us. At the meeting, we will provide your proposed Buyer(s) with Franchise Application(s) and, if we are then granting new franchises, our current franchise disclosure document. Your proposed Buyer(s) must thereupon sign and deliver to us the franchise disclosure document receipt.

[Note: Under our transfer process, if we are then granting new franchises, the proposed transfer is generally treated as the sale of a new franchise to your Buyer (except for Phase I of the Initial Training Program). So, while the Buyer may be purchasing your existing business and goodwill, the Buyer will generally be signing a new *Franchise Agreement* and *Telephone Number Lease* and related documents with us and a new store premises lease with the landlord of the store premises. Accordingly, if we are then granting new franchises, we will provide your Buyer(s) our current franchise disclosure document and the Buyer must comply with all the procedures applicable to new franchisees. On the other hand, if we are not then granting new franchises, we will *not* provide your Buyer with a franchise disclosure

document, the transfer will *not* be treated as the sale of a new franchise but merely as the transfer of your existing *Franchise Agreement* and our involvement will be limited to approving the qualifications of your Buyer and you will be required to provide *both* Phase I and Phase II initial training to your Buyer.

(3) **Transfer Fee**. If; after the personal meeting and reviewing your proposed Buyer(s) Franchise Application(s) and financial information, we preliminarily approve your proposed Buyer(s), you must provide us with your cashier's check (the "Transfer Fee") payable to us in the amount of one-half(½) our then current Initial Franchise Fee (or if we are not then granting new franchises, then $7,500). The Transfer Fee is nonrefundable even in the event of a failure to close escrow.

(4) Sales Contract, Bulk Sales Notice and Other Actions and Documents. ALL PERSONS WHO SIGNED YOUR *PIZZA GUYS*® FRANCHISE AGREEMENT MUST SIGN THE SALES CONTRACT AS A "SELLER" OR A DOCUMENT MUST BE OBTAINED FROM EACH NON- SIGNING PERSON ACKNOWLEDGING THAT HE OR SHE HAS NO OWNERSHIP OR OTHER INTEREST IN THE FRANCHISE, THE STORE OR THE SALE PROCEEDS. THE BULK SALES NOTICE MUST NAME ALL PERSONS WHO SIGNED YOUR *PIZZA GUYS*® FRANCHISE AGREEMENT. FAILURE TO DO SO MAY EXPOSE THE BUYER TO THE LIABILITIES OF THE PERSON NOT NAMED IN THE BULK SALES NOTICE. THIS MUST BE DONE EVEN if THE BUYER HAS SEPARATELY OBTAINED FROM EACH PERSON NOT SIGNING THE SALES CONTRACT AN ACKNOWLEDGMENT THAT HE OR SHE HAS NO OWNERSHIP IN THE FRANCHISE, THE STORE OR THE SALE PROCEEDS.

We will not review your sales contract. Preparing the actual sales contract and related documents is the responsibility of Seller and Buyer, not ours. We strongly advise you to consult with your attorney and accountant about the preparation of additional documents required by law or needed to protect your interests in the transaction. Such additional documents include, but are not limited to, a Promissory Note, Security Agreement, UCC- 1 Financing Statement, Bulk Sales Notice, UCC-3 Financing Search Report, and Tax and Wage Clearances. Neither us nor our affiliates or representatives are permitted to negotiate or prepare the sales contract or other documents for you. And as we have stated before in this letter, we strongly advise that you and your Buyer separately retain the services of an experienced attorney and an accountant to protect your interests in the transaction.

(5) Escrow; *Pizza Guys*® Escrow Instructions. We may require that the transfer of a ***Pizza Guys*®** store be handled by an Escrow Agent or attorney licensed in the state in which the store is located. A licensed Escrow Agent or an attorney is the *only* acceptable Escrow Agent! All documents must be completed, signed and deposited into escrow with the Escrow Agent who must thereafter deliver a true, correct and complete copy of each to us before we will give our consent to transfer. We require that the Seller, Buyer and Escrow Agent indicate their agreement to the terms of our transfer process by signing a copy of these ***Pizza Guys*®** Escrow Instructions and then depositing the same into escrow at the time escrow is opened.

(6) Store Premises Lease; Landlord's Estoppel Agreement. Your Buyer must sign a new **a new store** premises lease with the landlord of the store premises. We strongly recommend that you and your Buyer review the store premises lease with an attorney so that the Buyer fully understands the extent of his or her rights and obligations thereunder. Since many of the Buyer's rights and obligations derive from the store premises lease, we require that you obtain a notarized *Landlord's Estoppel Certificate* from the landlord stating, among other things, there are no. past due amounts due under the store premises lease, confirming that the lease is valid and in force, and that there are no other defaults under the lease. We also require that you obtain the written consent of the landlord to the assignment or lease to the Buyer if such consent is required under the lease. Escrow Agent must update the *Landlord's Estoppel Certificate* at close of escrow.

(7) Equipment Lease Assignment Agreement; Equipment Lessor's Estoppel Certificate. If you lease the store oven, kitchen equipment, telephone system or other equipment, you will generally assign the rights to your Buyer and your Buyer generally will assume the obligations under the existing lease(s). The equipment lessor may or may not relieve you of your obligations under the equipment lease. In either case, we strongly recommend that you and your Buyer review any equipment lease and any equipment lease assignment agreement with an attorney to fully understand the rights and obligations thereunder. For example, the Buyer may be responsible to the equipment lessor for a transfer fee and unpaid past due rent or other charges even though they were incurred by you *prior* to Buyer's possession of the equipment. We require that you obtain a notarized estoppel certificate from the equipment lessor stating, among other things, there are no past due amounts due under the equipment lease, confirming that the equipment lease is valid and in force, that there are no other defaults under the equipment lease and granting equipment lessor's written consent to the transfer. (Note: Since the taxing authorities may consider the purchase or transfer of an equipment lease a "sale" upon which sales tax may be due, while writing the sales contract, Seller and Buyer should consult with their respective attorneys as to whether or not Seller or Buyer is responsible for payment of any Sales and/or Use Taxes and Personal Property Taxes for all equipment and other personal property purchased or assumed by Buyer as part of the transfer.)

(8) Buyer's Pre-Authorized Bank Deduction Procedure Documents. Buyer must provide *Authorization to Honor Checks Drawn by and Payable to Pizza Guys Franchises, Inc.* with Buyer's voided check as required in the *Franchise Agreement.*

(9) Release & Indemnification Agreement. You will not be released by a transfer. You shall **remain personally bound and liable to us for all monetary and nonmonetary obligations of the Buyer(s) under your** *Franchise Agreement* for a period of two (2) years after the closing date of such transfer transaction. As a condition of transfer, we, you and your Buyer must sign a *Release & Indemnification Agreement* which, among other things, holds us and our affiliates and representatives harmless from any claim relating to the sale and/or operation of the store and the franchise. You and your Buyer also acknowledge that neither we nor our affiliates or representatives had any part in bringing about or negotiating the sale and you acknowledge and agree that all *Telephone Number Lease* deposits are to be credited to Buyer.

(10) Initial Training Program; Training & Release Agreement. The Seller must provide Phase I of the Initial Training Program training to Buyer prior to close of escrow. In the case of a transfer, Phase I consists of Buyer's employment at the Seller's store for three (3) months, eight (8) hours per day during which Seller must train Buyer in all areas of store operations ("Phase I"). After close of escrow, our representative shall train the Buyer for an additional three (3) days, three (3) hours per day at the Seller's (then Buyer's) store ("Phase II") if required. The foregoing shall be collectively referred to as our "Initial Training Program." The Buyer must personally attend and participate in the Initial Training Program. As a condition of transfer, we, you and your Buyer must sign a *Training and Release Agreement* which, among other things, holds us and our affiliates and representatives harmless from any claim relating to the adequacy of Seller's Phase I training of Buyer. Also, if Franchisor is not satisfied with the Phase I initial training by seller to buyer, Franchisor, in its sole discretion, has the right to make the buyer go through Phase I training again.

(11) Escrow Demand - Store Compliance & Remodeling. Before your store will be considered ready for transfer, the store and its operations must be in compliance with the *Franchise Agreement.* You must arrange time for a ***Pizza Guys@*** representative to inspect the store, its records and its operations. At that time the a ***Pizza Guys®*** representative will prepare an *Escrow Demand - Store Compliance & Remodeling* setting forth the compliance and remodeling items which must be completed within a year of purchasing the store. In general, if your store has been recently constructed or has been well maintained, significant remodeling will not be necessary. However, if remodeling

is necessary, before we will consent to transfer, your and/or your Buyer must assure to our satisfaction

that the remodeling will be done in a proper and timely manner. (Note: Your store will not be considered in compliance until you have submitted all past due reports and other information required by your *Franchise Agreement.)*

(12) Escrow Demand - Pizza Guys Franchises, Inc. Pizza Guys Franchises, Inc. will prepare an *Escrow Demand - Pizza Guys Franchises, Inc.* specifying any delinquent franchise, advertising, and other fees which must be paid to Pizza Guys Franchises, Inc. prior to or at close of escrow before the store may be transferred. Escrow Agent must update this demand at close of escrow.

(13) Escrow Retention Agreement. We require that you agree to allow the retention of funds in escrow pursuant to an *Escrow Retention Agreement* **if a payment** will not be made or a promise will not be performed until after the close of escrow. The funds are retained to ensure that the payment or performance will occur. The amount of monies to be retained, the payments to be made and the performance required will be specified in the *Escrow Retention Agreement.* For example, we generally require that you agree that some monies be retained in escrow until the landlord completes his annual common area maintenance reconciliation and billing.

(14) 6-Month Deadline. If for any reason, your proposed Buyer(s) fail to satisfy all of our then current qualifications and requirements for new franchises (or in the event that we are not then granting new franchises, those qualifications and requirements for the franchise under your existing *Franchise Agreement),* or you or your Buyer fail to perform all things required by the transfer process, within six (6) months of our receipt of the Transfer Fee, the proposed transfer shall be deemed withdrawn and all the provisions of the transfer process shall again become fully applicable as if such transfer had not been proposed and our right of first refusal shall apply to any subsequent request for transfer but we shall not refund any part of the Transfer Fee.

(15) 30-Day Final Review Period. The Escrow Agent will notify us in writing when all documents are deposited and all promises performed as required by the various escrow instructions including the a ***Pizza Guys®*** Escrow Instructions. We shall then have thirty (30) days to determine if your proposed Buyers have satisfied all of our then current qualifications and requirements for new franchises (or in the event that we are not then granting new franchises, those qualifications and requirements for the franchise under your existing *Franchise Agreement)* and you have performed all things required by the Transfer Packet, and to provide you written notice of our:

(a) Consent to Transfer Letter; 60-Day Deadline. If we approve the transfer, we will deposit a *60-Day Consent to Transfer Letter* into escrow. The transfer may thereafter occur, but only between the identical Seller(s) and Buyer(s) on the identical terms set forth in the sales contract and other documents deposited into escrow and provided to us by Escrow Agent.

(b) Denial of Transfer. The *Franchise Agreement* provides that we have the right to deny the transfer. If we do deny the transfer, we will deposit a *Denial of Transfer Letter* into escrow stating our reasons for denial in writing but we will not refund any part of the Transfer Fee. If the transfer is denied, it will be treated as a "failure to close" as discussed below.

(c) Right of First Refusal. The *Franchise Agreement* gives us the right to purchase the store on the same terms and conditions set forth in the sales contract. If we exercise our right of first refusal to purchase, we will deposit a *Exercise of Right of First Refusal Letter* into escrow shall refund to you the entire amount of the Transfer Fee and we will purchase the interest in the same escrow on the same terms which you made with your Buyer.

(16) Closing - Not Later than 60 Days after Deposit of the *60-day Consent to Transfer Letter* or *Exercise of Right of First Refusal* into Escrow. "Closing" refers to the disbursement of documents and monies from escrow. Generally, subject to any retention of funds (discussed below), the transfer of possession of the store premises and equipment to Buyer, the assignment of the store premises lease, do not occur until the escrow is "closed." Escrow cannot close until all required items are entirely completed, signed and deposited in escrow, and all of the monetary obligations for franchise fees, transfer fees, advertising fees, *Store Premises Sublease* or lease, and other charges owed as of the date of closing are either paid in full or payment is secured and provided for by retention. The Escrow Agent shall not close escrow later than sixty (60) calendar days after deposit of the *60-Day Consent to Transfer Letter* or *Exercise of Right of First Refusal Letter* into escrow.

(17) Failure to Close. If; for any reason, the closing does not occur within sixty (60) days of the deposit into escrow of our *60-Day Consent to Transfer Letter,* the Escrow Agent shall return each item deposited into escrow to the person who deposited it, and all the provisions governing transfer in the *Franchise Agreement* shall again become fully applicable as if such transfer had not been attempted and our right of first refusal shall continue to apply to any subsequent request for transfer.

(18) Terms of the Franchise After Close of Escrow. After the close of escrow, the terms of the franchise including, but not limited to, the amount of the franchise fees and advertising fees shall be as set forth in the Buyer's new *Franchise Agreement* with us.

We hope that this explanation letter has helped familiarize you with the transfer process. We reserve the right to require additional documents or revise the transfer process as we deem necessary. After consulting with your respective attorneys and accountants, please do not hesitate to direct questions to me or to your ***Pizza Guys®*** representative.

PIZZA GUYS FRANCHISES, INC.

By:_____

ACKNOWLEDGMENT

The undersigned Seller(s), Buyer(s) and Escrow Agent each acknowledge receiving, reading and understanding the foregoing *Transfer Procedure Explanation* letter.

SELLERS:	BUYERS:
_____	_____
(Signature)	*(Signature)*
_____	_____
(Typed or Printed Name and Title)	*(Typed or Printed Name and Title)*
_____	_____
(Signature)	*(Signature)*
_____	_____
(Typed or Printed Name and Title)	*(Typed or Printed Name and Title)*

ESCROW AGENT:

_____
(Typed or Printed Name of Escrow Agent)

_____ _____
(Signature) *(Typed or Printed Name of Signer and Title)*

Pizza Guys® ESCROW INSTRUCTIONS

TO: ESCROW AGENT: _____
(Name)

_____
(Street)

_____
(City State Zip)

FROM: PIZZA GUYS FRANCHISES, INC.
2731 Citrus Road, Ste. A
Rancho Cordova, CA 95742
TEL.: (916) 852-2222 FAX: (916) 852-5555

RE: ESCROW# _____ FRANCHISE#_____

STORE ADDRESS: _____
(Street)

_____
(City State Zip)

SELLER: _____
(Name(s))

_____

BUYER: _____
(Name(s))

_____

ESCROW AGENT MAY NOT CLOSE ESCROW WITHOUT THE PRIOR WRITTEN CONSENT OF PIZZA GUYS FRANCHISES, INC. THESE INSTRUCTIONS AND THE SPECIFIC INSTRUCTIONS CONTAINED IN THE DOCUMENTS REFERRED TO BELOW, ARE MANDATORY AND MUST BE FOLLOWED WITHOUT DEVIATION OR ESCROW SHALL NOT CLOSE AND ANY CONSENT GIVEN BY PIZZA GUYS FRANCHISES, INC. MAY BE REVOKED.

PIZZA GUYS FRANCHISES, INC. HAS 30 DAYS TO CONSENT, DENY OR EXERCISE ITS RIGHT OF FIRST REFUSAL WITH RESPECT TO THE PROPOSED TRANSFER FROM THE DATE THAT ESCROW AGENT HAS NOTIFIED PIZZA GUYS FRANCHISES, INC. THAT ESCROW AGENT HAS DEPOSITED THE LAST OF THE FOLLOWING ITEMS AND DOCUMENTS.

THE SIGNED ORIGINALS OF THE FOLLOWING ITEMS AND DOCUMENTS MUST BE DEPOSITED INTO ESCROW BY THE FOLLOWING PERSONS. UPON DEPOSIT, ESCROW AGENT SHALL DELIVER, BY FACSIMILE OR MAIL, TO PIZZA GUYS FRANCHISES, INC. A CORRECT AND COMPLETE COPY OF EACH OF THE FOLLOWING DOCUMENTS.

("PGFI" = Pizza Guys Franchises, Inc.)

NOTE: SELLER MUST DELIVER A CASHIER'S CHECK IN THE AMOUNT OF THE TRANSFER FEE TO PIZZA GUYS FRANCHISES, INC. PRIOR TO THE COMMENCEMENT OF THE TRANSFER PROCESS.

	Item No.	Item Description	Deposited Escrow by	Action Required	Disburse on Closing to
___	(1)	This Transfer Procedure Explanation Letter	PGFI	Seller, Buyer and Escrow Agent's Signature	PGFI
___	(2)	***Pizza Guys***® Escrow Instructions	PGFI	Seller, Buyer & PGFI's signatures upon opening escrow	PGFI
___	(3)	Buyer's Franchise Application w/Financial Statement	PGFI	Buyer's notarized signature	PGFI
___	(4)	Buyer's Notarized Receipt acknowledging receipt of the ***Pizza Guys***® Franchise Disclosure Document	PGFI	Buyer's signature	PGFI
___	(5)	Sales Contract	Seller & Buyer	Seller & Buyer's signatures	Seller & Buyer
___	(6)	Receipt of Transfer Fee Acknowledgment	Seller	PGFI	Seller
___	(7)	Franchise Agreement	PGFI	Buyer and PGFI's signatures	PGFI
___	(8)	Authorization to Honor Checks Drawn by and Payable to Pizza Guys Franchises, Inc.; Buyer's Voided Check	Buyer	Buyer's signature	PGFI
___	(9)	Release & Indemnification Agreement	PGFI	Seller, Buyer's & PGFI's signatures	PGFI
___	(10)	Training & Release Agreement	PGFI	Seller, Buyer's & PGFI's signatures	PGFI
___	(11)	Escrow Demand - Store Compliance & Remodeling	PGFI	Seller, Buyer's & PGFI's signatures	PGFI
___	(12)	Escrow Demand - Pizza Guys Franchises, Inc.	PGFI	Seller, Buyer & PGFI signatures Update at closing and pay to PGFI	PGFI
___	(13)	Landlord's Estoppel Certificate	Landlord	Landlord's signature. Update at closing and Seller or Buyer pay deficiency's to Landlord.	Buyer
___	(14)	Equipment Lessor's Estoppel Certificate	Equip. Lessor	Seller, Buyer signatures. Update at closing and pay to Equip. Lessor	Equip. Lessor
___	(15)	Store Premises Lease Assignment	Landlord	Buyer, Seller and Landlord's signatures	Landlord

___	(16)	Store Equipment Bill of Sale - or - Equipment Lease Assignment	Buyer Seller & Buyer	Buyer and Seller's signatures Seller, Buyer & Equip. Lessor signatures	Buyer Equip. Lessor
___	(17)	Other Documents required by law or recommended by Seller or Buyer's attorney & Buyer or advisor (*e.g.*, Bulk Sales Notice, Promissory Note, Security Agreement, UCC-1 Financing Statement, UCC-3 Financing Search Report, Tax and Wage Clearances, Lease Assumption, etc.)	Seller & Buyer	As required thereby	Seller
___	(18)	Purchase Price (if not all cash, Promissory Note and Security Agreement as required by Seller's attorney or advisor)	Buyer	Distributed according to sales contract except for Escrow Retention Agreement discussed below	Seller
___	(19)	Escrow Retention Agreement	Buyer	Funds retained in escrow after closing to ensure performance of Seller's post-closing promise(s), (*e.g.*, payment of Landlord's annual CAM reconciliation)	specified Payee
___	(20)	60-Day Consent to Transfer Letter - or - Denial of Transfer Letter - or - Exercise of Right of First Refusal Letter	PGFI PGFI PGFI	Seller & Buyer Return all documents to the person who deposited them PGFI to execute all documents in place of "Buyer" and to return entire Transfer Fee to Seller	 Seller Buyer Seller
___	(21)	Escrow Agent's Closing Statement	Escrow Agent	Seller, Buyer & PGFI	Seller, Buyer & PGFI

IF PIZZA GUYS FRANCHISES, INC. CONSENTS TO THE TRANSFER, YOU MAY NOT CLOSE ESCROW *EXCEPT* AS BETWEEN THE IDENTICAL SELLER(S) AND BUYER(S) ON THE IDENTICAL TERMS PROPOSED IN THE ITEMS AND DOCUMENTS DELIVERED TO PIZZA GUYS FRANCHISES, INC. PRIOR TO CONSENT.

/////

By their signatures below, the parties acknowledge their agreement with these instructions.

SELLER:

_____	_____
(Signature)	*(Signature)*
_____	_____
(Typed or Printed Name)	*(Typed or Printed Name)*
_____	_____
(Signature)	*(Signature)*
_____	_____
(Typed or Printed Name)	*(Typed or Printed Name)*

BUYER:

_____	_____
(Signature)	*(Signature)*
_____	_____
(Typed or Printed Name)	*(Typed or Printed Name)*
_____	_____
(Signature)	*(Signature)*
_____	_____
(Typed or Printed Name)	*(Typed or Printed Name)*

ESCROW AGENT:

_____
(Typed or Printed Name of Escrow Agent)

_____	_____
(Signature)	*(Typed or Printed Name of Signer and Title)*

PIZZA GUYS FRANCHISES, INC.

By:_____	_____
(Signature)	*(Typed or Printed Name of Signer)*

Pizza Guys® ESCROW DEMAND
STORE COMPLIANCE & REMODELING

TO: ESCROW AGENT: _____
(Name)

_____
(Street)

_____
(City State Zip)

FROM: PIZZA GUYS FRANCHISES, INC.
2731 Citrus Road, Ste. A
Rancho Cordova, California 95742
TEL.: (916) 852-2222 FAX: (916) 852-5555

RE: ESCROW # _____ FRANCHISE #_____

STORE ADDRESS: _____
(Street)

_____
(City State Zip)

SELLER: _____
(Name(s))

_____

BUYER: _____
(Name(s))

_____

EST. CLOSE DATE: _____ *** [Note: Below demand is accurate for close of escrow no later foregoing date. In the event that escrow does not close on or before said date, you must obtain a new escrow demand from Pizza Guys Franchises, Inc.]**

YOU MAY NOT CLOSE ESCROW UNTIL YOU RECEIVE WRITTEN ACKNOWLEDGMENT FROM PIZZA GUYS FRANCHISES, INC. THAT THE FOLLOWING ITEMS ARE COMPLETED OR ARE PROVIDED FOR:

ITEM:*	ACTION REQUIRED:*
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

_____ _____

_____ _____

_____ _____

_____ _____

_____ _____

_____ _____

PIZZA GUYS FRANCHISES, INC.

By:_____ _____
(Signature) *(Typed or Printed Name and Title)*

SELLER: BUYER:

_____ _____
(Signature) *(Signature)*

_____ _____
(Typed or printed name of signer) *(Typed or printed name of signer)*

_____ _____
(Signature) *(Signature)*

_____ _____
(Typed or printed name of signer) *(Typed or printed name of signer)*

BY ITS SIGNATURE BELOW, PIZZA GUYS FRANCHISES, INC. HEREBY ACKNOWLEDGES THAT THE ABOVE-MENTIONED ITEMS ARE COMPLETED OR HAVE BEEN PROVIDED FOR AND THAT THE STORE IS IN COMPLIANCE FOR PURPOSES OF THE PROPOSED TRANSFER OR THAT ARRANGEMENTS TO COMPLETE THE ABOVE-MENTIONED ITEMS HAVE BEEN MADE TO THE SATISFACTION OF PIZZA GUYS FRANCHISES, INC.

PIZZA GUYS FRANCHISES, INC.

By:_____ _____
(Signature) *(Typed or Printed Name and Title)*

Pizza Guys® ESCROW DEMAND
MONETARY OBLIGATIONS

TO: ESCROW AGENT: _____
(Name)

_____
(Street)

_____
(City State Zip)

FROM: PIZZA GUYS FRANCHISES, INC.
2731 Citrus Road, Ste. A
Rancho Cordova, California 95742
TEL.: (916) 852-2222 FAX: (916) 852-5555

RE: ESCROW # _____ FRANCHISE #_____

STORE ADDRESS: _____
(Street)

_____
(City State Zip)

SELLER: _____
(Name(s))

_____

BUYER: _____
(Name(s))

_____

EST. CLOSE DATE: _____ *** [Note: Below demand is accurate for close of escrow no later foregoing date. In the event that escrow does not close on or before said date, you must obtain a new escrow demand from Pizza Guys Franchises, Inc.]**

YOU MAY NOT CLOSE ESCROW WITHOUT DISBURSING THE FOLLOWING TOTAL AMOUNT IN CERTIFIED FUNDS TO PIZZA GUYS FRANCHISES, INC.:

	TYPE OF FEE	DISBURSE TO	AMOUNT
1.	WEEKLY FRANCHISE FEE *	Pizza Guys Franchises, Inc.	$_____
2.	TELEPHONE NUMBER LEASE *	Pizza Guys Franchises, Inc.	$_____
	TOTAL AMOUNT:		$_____*

PIZZA GUYS FRANCHISES, INC.

By:_____ _____
(Signature) *(Typed or Printed Name and Title)*

SELLER'S PERSONAL GUARANTY - FRANCHISE AGREEMENT

SELLER: _____
(Name(s))

_____

BUYER: _____
(Name(s))

_____

RE: ESCROW # _____ FRANCHISE # _____

STORE ADDRESS: _____
(Street)

_____
(City State Zip)

ACTUAL CLOSE DATE:_____
(Insert Date of Actual Close of Escrow)

WHEREAS, each of the undersigned desire to induce Pizza Guys Franchises, Inc. to enter into a new *Franchise Agreement* with Buyer;

WHEREAS, each of the undersigned desire to induce Pizza Guys Franchises, Inc. to release Seller from its obligation to fully perform the *Franchise Agreement* previously entered into by Seller; and

WHEREAS, each of the undersigned desire to induce Pizza Guys Franchises, Inc. to release Seller's legal and beneficial owners, partners, shareholders, officers, and directors from their joint and several personal guaranty to fully perform the *Franchise Agreement* previously entered into by Seller.

In consideration of the agreement by Pizza Guys Franchises, Inc. to the transfer of the above-referenced ***Pizza Guys®*** franchise to the above-referenced Buyer:

Each of the persons signing this Guaranty for Seller warrant and represent that they constitute all of Seller's legal and beneficial owners, partners, shareholders, officers and directors and that, together, they own the entire interest in the business of the above-referenced franchise, the store and in its profits.

Seller and Seller's legal and beneficial owners, partners, shareholders, officers, and directors each represent and warrant that each has read this entire Guaranty and the new *Franchise Agreement* to be signed by Buyer;

Each of the undersigned agrees, represents and warrants that each is directly or indirectly beneficially interested in the transfer of the business to Buyer;

NOW THEREFORE, for a period of two (2) years from the "Date of the Transfer" set forth above, each of the undersigned do jointly and severally guaranty Buyer's full performance of the new *Franchise Agreement* signed by Buyer and jointly and severally guaranty Buyer's full performance of payment and other obligations owed to Pizza Guys Franchises, Inc. including, without limitation, the payment of all sums due thereunder from the date of the Transfer through the second (2d) anniversary date thereof in the event of default, and hereby expressly waive any modification, amendment or extension of this *Franchise Agreement* or any purchase or sales invoice, and this guaranty, and any notice thereof, and waive notice of default. Nothing herein shall be deemed to abrogate or impair any separate instrument of guaranty or subordination which the undersigned may have previously signed except as to the aforementioned agreements or may contemporaneously herewith or hereafter sign. This guaranty shall be considered a continuing guaranty. This Guaranty shall not apply as to any sums which shall come due or other Performances required after the second (2d)

anniversary of the date of the Transfer.

Each of the undersigned agree that Pizza Guys Franchises, Inc. as applicable may proceed against any one or more, or all, of the undersigned Guarantors, directly and independently of the Buyer, and that the cessation of liability of the Buyer for any reason other than for full performance of the obligations, or any extension, renewal, forbearance, or change in the terms of the obligation, or acceptance, release, or substitution of security or of any guarantor, or any impairment or suspension of Pizza Guys Franchises, Inc.'s remedies or rights against Buyer, shall not in any way affect the liability of each of the undersigned Guarantors or remaining Guarantors in the event of the release of one or more undersigned Guarantor. Each of the undersigned hereby expressly waive any right to require Pizza Guys Franchises, Inc. to: (a) proceed against Buyer; (b) proceed against or exhaust any security held from Buyer; or (c) pursue any other remedy in the power of Pizza Guys Franchises, Inc. whatsoever.

Each of the undersigned acknowledge and agree that the benefits of this Guaranty may be assigned by Pizza Guys Franchises, Inc. Each of the undersigned further agree that this Guaranty shall inure to the benefit of, and be binding upon, any heirs, successors or assigns.

Each of the undersigned acknowledge that Pizza Guys Franchises, Inc. are relying on this Guaranty and on each and every representation, warranty and agreement set forth herein.

SELLER AND EACH OF SELLER'S LEGAL AND BENEFICIAL OWNERS, PARTNERS, SHAREHOLDERS, OFFICERS & DIRECTORS *(continue on separate page if necessary)*:

_____	_____
(Signature)	*(Signature)*
_____	_____
(Typed or printed name of signer)	*(Typed or printed name of signer)*
_____	_____
(Signature)	*(Signature)*
_____	_____
(Typed or printed name of signer)	*(Typed or printed name of signer)*
_____	_____
(Signature)	*(Signature)*
_____	_____
(Typed or printed name of signer)	*(Typed or printed name of signer)*
_____	_____
(Signature)	*(Signature)*
_____	_____
(Typed or printed name of signer)	*(Typed or printed name of signer)*
_____	_____
(Signature)	*(Signature)*
_____	_____
(Typed or printed name of signer)	*(Typed or printed name of signer)*

LANDLORD'S ESTOPPEL CERTIFICATE

TO: ESCROW AGENT: _____
(Name)

_____
(Street)

_____
(City State Zip)

FROM: LANDLORD: _____
(Name)

_____
(Street)

_____
(City State Zip)

RE: ESCROW # _____ FRANCHISE # _____

STORE ADDRESS: _____
(Street)

_____
(City State Zip)

LESSEE: _____
(Name)

LEASE DATED: _____
(Insert original date of lease)

LEASE COMMENCEMENT DATE: _____ LEASE TERMINATION DATE: _____

SELLER: _____
(Name(s))

_____

BUYER: _____
(Name(s))

_____

DATE OF THIS ESTOPPEL CERTIFICATE: _____
(Date of this estoppel certificate)

This Estoppel Certificate (hereinafter referred to as "Certificate") is executed by Landlord, or the legal representative of Landlord, in favor of Buyer, Seller and Pizza Guys Franchises, Inc.

Landlord certifies, warrants, and represents to Buyer as follows:

1. Identification of Lessee and Leased Premises. The ab6ve-referenced Lessee is the Lessee

of the above-referenced Leased Premises under the Lease.

2. Lease in Full Force and Effect. As of the date of this Certificate, the Lease is in full force, has not been terminated, and is enforceable in accordance with its terms.

3. Complete Agreement. Landlord represents that the copy of the Lease attached hereto as Exhibit A is true, correct and complete with all exhibits thereto as it currently in effect and, except as set forth therein, there exists no amendments to the Lease either written or oral, or other agreement affecting the Lease or Lessee's right to possess the Leased Premises *(include language and date of any amendments or other agreements):*

_____

_____

4. Lease Term. The term of the Lease commenced on the Commencement Date set forth above and ends on the Termination Date set forth above, subject to the following options to renew or extend the Lease *(describe options to renew or extend Lease with reference to document and paragraph number):*

_____

_____

5. Purchase Rights. The following persons have the following rights, if any, to purchase the Leased Premises:

_____

_____

6. Rent and Other Charges. The monthly rent currently payable under the Lease is as follows *(identify CAM and other charges separately):*

Rent: _____

Other Charges: _____

_____

7. Security Deposit. The payor and amount of any security are set forth below:

Payor's name: _____

Security Deposit: _____

8. Prepaid Rent or Other Charges. The payor and amount of rent or other charges which have been prepaid to Landlord, separate from the security deposit, are set forth below:

Payor's name: _____

Prepaid Rent or Other Charges: _____

9. No Defaults. Landlord further represents that, as the date of this Certificate, the Lease is in full force and effect and no defaults exist under the same either by Seller, Buyer or Pizza Guys Franchises, Inc., nor any acts or events have occurred which, with the passage of time or the giving of notice or both, could become defaults, except the following *(describe in detail and set forth amounts - IF NO DEFAULTS, STATE "NONE" ON THE APPROPRL4TE*

LINE):

Default in Payment of Rent: _____

Default in Payment of Other Charges: _____

Other Defaults: _____

_____

_____

10. No Mechanics Liens or Preliminary Lien Notices. Landlord further represents that, as the date of this Certificate, Landlord has no notice or reason to believe that there exists any mechanics liens or preliminary lien notices with respect to the Leased Premises or the property of which the Leased Premises are a part, except those set forth below:

_____

_____

_____

11. Notification by Landlord. From the date of this Certificate and continuing ninety (90) days, Landlord agrees to notify Escrow Agent, Seller, Buyer and Pizza Guys Franchises, Inc. immediately of any defaults under the Lease either by Seller, Buyer, or Pizza Guys Franchises, Inc. and of any acts or events which, with the passage of time or the giving of notice or both, could become defaults.

12. Reliance. Landlord makes this Certification with the knowledge that it will be relied on by Buyer, Seller and Pizza Guys Franchises, Inc. with respect to the obligations under the Lease.

Landlord has executed this Certificate as of the date set forth above.

_____
(Landlord's Typed or Printed Name)

By: _____ _____
(Signature) *(Typed or Printed Name and Title)*

NOTARY'S CERTIFICATE

STATE OF)
) ss
COUNTY OF)

On this _____ day of _____, 20___, before me,

_____ a Notary Public, personally appeared

_____

_____,
personally known to me (or proved to me to be on the basis of satisfactory evidence) to be the person(s) whose names is/are subscribed to the within instrument an acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal

[Affix notary seal]

_____
Notary's Signature

RELEASE & INDEMNIFICATION AGREEMENT

SELLER: _____
(Name(s))

_____

BUYER: _____
(Name(s))

_____

RE: ESCROW# _____ FRANCHISE #_____

STORE ADDRESS: _____
(Street)

_____
(City State Zip)

EST. DATE
OF TRANSFER _____
(Estimated date for close of escrow)

In consideration of the transfer of the above-referenced ***Pizza Guys®*** franchise:

1. Buyer and Seller and Buyer's and Seller's legal and beneficial owners, partners, shareholders, officers, and directors each jointly and severally acknowledge, represent and warrant that neither Pizza Guys Franchises, Inc. nor any of its affiliates, representatives, directors, officers, agents or employees have made any oral, written or visual representation of projections of actual or potential sales, earnings, net or gross profits or other earnings claims regarding franchise operations at the store being transferred and acknowledge, represent and warrant that any claims made by the Seller of the store are made without the authorization of Pizza Guys Franchises, Inc. and that Buyer will look to Seller and not look to Pizza Guys Franchises, Inc. in the event of any inaccuracy or omission regarding the same;

2. Buyer and Seller and Buyer's and Seller's legal and beneficial owners, partners, shareholders, officers, and directors each jointly and severally acknowledge, represent and warrant that neither Pizza Guys Franchises, Inc. nor its affiliates or representative brought Buyer and Seller together, that the transfer was not effected by or through Pizza Guys Franchises, Inc. and that Pizza Guys Franchises, Inc.'s approval or disapproval of the transfer of the franchise to Buyer shall not constitute Pizza Guys Franchises, Inc.'s warranty or guaranty of successful or unsuccessful franchise operations at the store being transferred or that the lease for the store premises will be extended or renewed;

3. Buyer and Seller and Buyer's and Seller's legal and beneficial owners, partners, shareholders, officers, and directors each jointly and severally release Pizza Guys Franchises, Inc., its affiliates, representatives, directors, officers, agents and employees from and against any obligation, loss, liability or damage caused by, or related to the transfer.

4. Seller and Seller's legal and beneficial owners, partners, shareholders, officers, and directors each jointly and severally release Pizza Guys Franchises, Inc., its affiliates, representatives, directors, officers, agents and employees from and against any obligation, loss, liability or damage caused by, or related to the sale of the franchise and/or operation of the store mentioned above.

5. Pizza Guys Franchises, Inc. releases Seller and Seller's legal and beneficial owners, partners, shareholders, officers, and directors, officers, agents and employees from and against any obligation, loss, liability or damage caused by, or related to franchise fees, advertising fees and any and all other claims that Pizza Guys Franchises, Inc. may have against Seller under the *Franchise Agreement* between Pizza Guys Franchises, Inc. and Seller. This release shall not impair Pizza Guys Franchises, Inc.'s rights to proceed against Seller on Seller's personal guarantees given in conjunction with the transfer.

6. Seller and Buyer acknowledge and agree that all rebates received by Pizza Guys Franchises, Inc. are the sole and exclusive property of Pizza Guys Franchises, Inc.

7. As to the releases given above, Pizza Guys Franchises, Inc., Buyer and Seller, and Buyer's and Seller's legal and beneficial owners, partners, shareholders, officers, and directors and each jointly and severally waive all rights conferred upon them by the provisions of Section *1542* of the Civil Code of California, which provides as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known to him must have materially affected his settlement with the debtor."

8. Seller and Seller's legal and beneficial owners, partners, shareholders, officers, and directors jointly and severally agree that for five (5) years following the transfer, expiration or termination of the franchise, neither Seller nor Seller's legal and beneficial owners, partners, shareholders, officers and directors of the franchisee may not, directly or indirectly, engage in, acquire any financial or beneficial interest (incl. interests in corporations, partnerships or trusts, unincorporated associations and joint ventures) in, or become an employee of; or a consultant to, or landlord for, any business which is similar to a ***Pizza Guys®*** store or which prepares, serves or sells pizza within a ten (10) mile radius of: the store premises or the location of any existing or former ***Pizza Guys®*** store.

Ownership of less than two percent (2%) of the shares of a company whose shares are listed and traded on a national or regional securities exchange shall not be deemed to violate this covenant so long as neither Seller nor any of Seller's legal or beneficial owners, partners, shareholders, officers or directors are employed in any capacity by such company.

9. Seller and Seller's legal and beneficial owners, partners, shareholders, officers, and directors jointly and severally re-affirm that Pizza Guys Franchises, Inc.'s franchise system in its entirety, including, but not limited to the: Store Operations Manual; store site selection criteria; store design plans and decor specifications; construction methods; fixtures, furnishings and equipment specifications; store operation procedures; inventory and supply standards and specifications; sales techniques and customer relations; employee selection, training, evaluation, relations, counseling and other management practices; print, radio, television and other advertising and promotional techniques; inventory, accounting and other business policies and procedures; all of which we will continue to develop and all other information now or hereafter conveyed in whatever form to you by us, our affiliates or representatives, constitutes our confidential trade secrets and/or unpublished or published copyrights and the same is revealed to you in confidence solely for the purpose of enabling you to establish and operate your store in accordance with the terms of the *Franchise Agreement.* Accordingly, except in accordance with the terms of the *Franchise Agreement,* without our prior written consent you shall not: (a) appropriate or use any of the foregoing in whole or in part; (b) disclose any of the foregoing in whole or in part to anyone; and (c) duplicate, reprint or otherwise copy any of the foregoing in whole or in part for any purpose.

BUYER AND EACH OF BUYER'S LEGAL AND BENEFICIAL OWNERS, PARTNERS, SHAREHOLDERS, OFFICERS & DIRECTORS

_____
(Signature)

_____
(Typed or printed name of signer)

_____
(Signature)

_____
(Typed or printed name of signer)

_____
(Signature)

_____
(Typed or printed name of signer)

PIZZA GUYS FRANCHISES, INC.

By: _____
(Signature)

SELLER AND EACH OF SELLER'S LEGAL AND BENEFICIAL OWNERS, PARTNERS, SHAREHOLDERS, OFFICERS & DIRECTORS

_____
(Signature)

_____
(Typed or printed name of signer)

_____
(Signature)

_____
(Typed or printed name of signer)

_____
(Signature)

_____
(Typed or printed name of signer)

_____
(Typed or printed name of signer)

NOTARY'S CERTIFICATE

STATE OF)
) ss
COUNTY OF)

On this _____ day of _____, 20___, before me,

_____ a Notary Public, personally appeared

_____

_____,
personally known to me (or proved to me to be on the basis of satisfactory evidence) to be the person(s) whose names is/are subscribed to the within instrument an acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal

[Affix notary seal]

_____
Notary's Signature

NOTARY'S CERTIFICATE

STATE OF)
) ss
COUNTY OF)

On this _____ day of _____, 20___, before me,

_____ a Notary Public, personally appeared

_____

_____,
personally known to me (or proved to me to be on the basis of satisfactory evidence) to be the person(s) whose names is/are subscribed to the within instrument an acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal

[Affix notary seal]

_____
Notary's Signature

TRAINING & AND RELEASE AGREEMENT

SELLER: _____
(Name(s))

_____

BUYER: _____
_____
(Name(s))

_____

RE: ESCROW# _____ FRANCHISE #_____

STORE ADDRESS: _____
(Street)

_____
(City State Zip)

EST. DATE
OF TRANSFER: _____
(Estimated date for close of escrow)

In consideration of the transfer of the above-referenced ***Pizza Guys®*** franchise:

1. Buyer and Seller and Buyer's and Seller's legal and beneficial owners, partners, shareholders, officers, and directors each acknowledge that Seller has in fact trained Buyer in all phases of store operations prior to close of escrow consisting of three (3) months of employment of the Buyer(s) for eight (8) hours per day at Seller's store ("Phase I"), and if Pizza Guys Franchises, Inc. is *not* granting new franchises, at the time of this transfer, Seller(s) agree to provide and Phase II initial training to Buyer(s) consisting of three (3)days training for three (3) hours per day at the store and Pizza Guys Franchises, Inc. has no obligation to train Buyer(s).

2. Buyer and Seller and Buyer's and Seller's legal and beneficial owners, partners, shareholders, officers, and directors jointly and severally release Pizza Guys Franchises, Inc., its affiliates, representatives, directors, officers, agents and employees from and against any obligation, loss, liability or damage caused by, or related to the adequacy of Seller's provision of training.

3. As to the releases given above, Pizza Guys Franchises, Inc., Buyer and Seller, and Buyer's and Seller's legal and beneficial owners, partners, shareholders, officers, and directors and each jointly and severally waive all rights conferred upon them by the provisions of Section 1542 of the Civil Code of California, which provides as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known to him must have materially affected his settlement with the debtor."

BUYER AND EACH OF BUYER'S LEGAL AND BENEFICIAL OWNERS, PARTNERS, SHAREHOLDERS, OFFICERS & DIRECTORS

_____
(Signature)

_____
(Typed or printed name of signer)

_____
(Signature)

_____
(Typed or printed name of signer)

_____
(Signature)

_____
(Typed or printed name of signer)

PIZZA GUYS FRANCHISES, INC.

By: _____
(Signature)

SELLER AND EACH OF SELLER'S LEGAL AND BENEFICIAL OWNERS, PARTNERS, SHAREHOLDERS, OFFICERS & DIRECTORS

_____
(Signature)

_____
(Typed or printed name of signer)

_____
(Signature)

_____
(Typed or printed name of signer)

_____
(Signature)

_____
(Typed or printed name of signer)

_____
(Typed or printed name of signer)

ESCROW RETENTION AGREEMENT

SELLER: _____
(Name(s))

_____

BUYER: _____
_____
(Name(s))

_____

RE: ESCROW# _____ FRANCHISE #_____

STORE ADDRESS: _____
(Street)

_____
(City State Zip)

A. In consideration of Pizza Guys Franchises, Inc.'s consent to the transfer of the above-referenced franchise to Buyer, Seller agrees to the retention of $_____ of the purchase price in escrow until Seller performs the following promise(s):

_____

_____

_____

and to pay any franchise fee, advertising fee or other amount due Pizza Guys Franchises, Inc. or its affiliates and Seller hereby authorizes and specifically directs Escrow Agent to pay such amount upon demand from the same.

B. Seller agrees to the retention of $_____ of the purchase price in escrow until Landlord completes its annual common area maintenance reconciliation and to pay each and every obligation under the Lease, upon demand from the Landlord.

SELLER:

_____ _____
(Signature) *(Signature)*

_____ _____
(Typed or Printed Name) *(Typed or Printed Name)*

_____ _____
(Signature) *(Signature)*

_____ _____
(Typed or Printed Name) *(Typed or Printed Name)*

PIZZA GUYS FRANCHISES, INC.

By: _____ _____
(Signature) *(Typed or Printed Name and Title)*

EXHIBIT “7”

DESIGNATION & CONSENT OF PROFESSIONAL ADVISOR

Pizza Guys® DESIGNATION & CONSENT OF PROFESSIONAL ADVISOR

Operating your own business, including a ***Pizza Guys***® franchised takeout and delivery only pizza store, is a big decision involving a significant commitment of time and financial resources and exposure to serious risks. Purchasing and/or constructing the business subjects you to even greater risks.

Before deciding to operate, purchase and/or construct a ***Pizza Guys***® pizza store, we want you to thoroughly evaluate the suitability of our franchise for your particular interests and financial circumstances and to ad vise you of the risks involved. Since we will not generally exclude you from purchasing a ***Pizza Guys***® franchise just because you do not have prior restaurant or pizza experience or have never before owned our own business, it is important for to determine whether or not you are up to the rigors of owning and operating your own takeout and delivery only pizza business before you purchase our franchise and expend the time and money and incur the commitments involved in purchasing, constructing and operating a ***Pizza Guys***® store.

You are required to use the services of Professional Advisor(s) to assist you in evaluating the suitability of our franchise for your particular interests and financial circumstances and to advise you of the risks involved.

A person is not a Professional Advisor unless he or she is designated by you in this document, consents to act as such by signing this document, and is either an attorney certified public accountant or business broker who is licensed in the jurisdiction where you reside or where the store is to be located and who is unaffiliated with, and is not compensated directly or indirectly by Pizza Guys Franchises, Inc., our affiliates or representatives.

You must designate the Professional Advisor(s) you have relied upon in *Part* 1 below, and make the certification set forth therein, and your Professional Advisor(s) must make the certification set forth in *Part I,* below:

I. CERTIFICATION OF PROSPECTIVE FRANCHISEE:

I have considered the advice of the Professional Advisor(s) designated below to help me evaluate the suitability of the franchise for my particular interests and financial circumstances and to advise me of the risks involved.

_____ _____
(Typed or Printed Name or Professional Advisor) *(Typed or Printed Name of Professional Advisor)*

_____ _____
(Typed or Printed Name of Professional Advisor) *(Typed or Printed Name of Professional Advisor)*

I certify that I have provided my Professional Advisor(s) with a copy of the ***Pizza Guys***® *Franchise Disclosure Document* with all exhibits attached and I have fully disclosed to my Professional Advisor(s) my financial resources, my interests and personal circumstances and the manner in which I intend to own and operate the franchised business at least ten (10) business days before signing a binding agreement or making any payment to Pizza Guys Franchises, Inc. I certify that I have provided my Professional Advisor(s) with a copy of the *Franchise Agreement* containing all material terms and all revisions at least five (5) business days before signing a binding agreement. Finally, I certify that I have read the abovementioned documents and that I have consulted with my Professional Advisor(s) who have advised me with respect to this investment and that my Professional Advisor(s) have given me the opportunity to clarify things regarding the franchise and that I have fully considered the advice of my Professional Advisor(s) at least five (5) business days before signing a binding agreement.

I certify that I have personally selected my Professional Advisor(s) and I believe that he, she or they have the business and/or financial experience to advise me with respect to my purchase of the franchise and I understand that neither Pizza Guys Franchises, Inc., its affiliates or representatives have any responsibility to verify the ability, qualifications, certification or license status of Professional Advisor(s). I believe that my Professional Advisor(s) have no past, present or contemplated relationship with Pizza Guys Franchises, Inc., its affiliates or representatives and that my Professional Advisor(s) have not been, and will not be, compensated, directly or indirectly, from Pizza Guys Franchises, Inc., its affiliates or representatives. FURTHER I HEREBY IRREVOCABLY WAIVE THE ATTORNEY-CLIENT COMMUNICATIONS PRIVILEGE AND ANY OTHER APPLICABLE PRIVILEGE BETWEEN ME AND MY PROFESSIONAL ADVISOR(S) IN THE EVENT OF ANY DISPUTE BETWEEN PIZZA GUYS FRANCHISES INC. AND ME REGARDING THE OFFER AND SALE OF THE FRANCHISE.

I further certify that neither Pizza Guys Franchises, Inc., its affiliates or representatives have made any oral, written or visual representation of actual or potential sales, earnings, net or gross profits or other earnings claims.

_____	_____
(Signature of Prospective Franchisee)	*(Signature of Prospective Franchisee)*
_____	_____
(Typed or Printed name of Signer)	*(Typed or printed name of Signer)*
_____	_____
(Signature of Prospective Franchisee)	*(Signature of Prospective Franchisee)*
_____	_____
(Typed or printed name of Signer)	*(Typed or printed name of Signer)*

II. CERTIFICATION OF PROFESSIONAL ADVISOR(S):

I consent to act as Professional Advisor for the above-named prospective franchisee (my client(s)). I have reviewed the *Franchise Disclosure Document* with all exhibits attached thereto and have advised my client(s) regarding the same at least ten 10 business days before signing a binding agreement or making any payment to Pizza Guys Franchises, Inc. I have contacted other franchisees and/or conducted such other research and investigations as I deem necessary to properly advise my client(s) as to the risks involved and to help my client(s) evaluate the suitability of the franchise for his, her or their particular interests and financial circumstances. I have reviewed the *Franchise Agreement* containing all material terms and all revisions thereto and have advised my client(s) regarding the same at least five (5) business days before signing a binding agreement.

I certify that I have no past, present or contemplated relationship with Pizza Guys Franchises, Inc., its affiliates or representatives, and have not been and will not be compensated, directly or indirectly, from Pizza Guys Franchises, Inc., its affiliates or representatives.

I certify that neither Pizza Guys Franchises, Inc., its affiliates or representatives have made any oral, written or visual representation of actual or potential sales, earnings, net or gross profits or other earnings claims to me.

Among other things discussed, I have advised my client(s) that his, her or their success, if any, will depend primarily upon his, her or their personal efforts and abilities as an independent business person and that the purchase of the franchise does not guarantee success and that the business to be operated under this franchise may lose money or even fail.

_____	_____
(Signature of Professional Advisor)	*(Signature of Professional Advisor)*
_____	_____
(Typed or printed name of Professional Advisor)	*(Typed or printed name of Professional Advisor)*
_____	_____
(Profession, License No. and Issuing Authority)	*(Profession, License No. and Issuing Authority)*
_____	_____
(Business Address)	*(Business Address)*
_____	_____
(City State Zip Tel. No.)	*(City State Zip Tel. No.)*

EXHIBIT 8

STORE OPERATIONS MANUAL

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EXHIBIT 9

CALIFORNIA STATE ADDENDUM

CALIFORNIA - The following information is for California residents:

INFORMATION REQUIRED BY THE STATE OF CALIFORNIA

1. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the California Franchise Investment Law, the California Franchise Investment Law will control.

2. The Franchise Agreement may provide for termination upon bankruptcy. Any such provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. SEC. 101 et seq.).

3. The Franchise Agreement contains a covenant not to compete provision which extends beyond the termination of the Franchise. Such provisions may not be enforceable under California law.

4. California Corporations Code Section 31125 requires us to give to you a FDD approved by the Department of Business Oversight before we ask you to consider a material modification of your Franchise Agreement.

5. Neither Franchisor nor any other person listed in Item 2 of the FDD 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.

6. You must sign a general release of claims if you renew or transfer your Franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

7. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Franchise Agreement may not be enforceable.

8. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FDD.

9. 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 www.dbo.ca.gov.

RECEIPT

THIS DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF PIZZA GUYS OFFERS YOU A FRANCHISE, PIZZA GUYS MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU 14 CALENDAR-DAYS BEFORE YOU SIGN A BINDING AGREEMENT WITH, OR MAKE A PAYMENT TO, THE FRANCHISOR OR AN AFFILIATE IN CONNECTION WITH THE PROPOSED FRANCHISE SALE.

IF PIZZA GUYS DOES NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 29580 AND THE STATE AGENCY LISTED IN EXHIBIT 3.

The name, principal business address, and telephone number of each franchise seller offering the franchise is: Shahpour M. Nejad, 2731 Citrus Road, Ste. A-1, Rancho Cordova, California 95742, (916) 852-2222, Reza Kalantari, 2731 Citrus Road, Ste. A-1, Rancho Cordova, California 95742, (916) 852-2222, and Michael Morgan, 2731 Citrus Road, Ste. A-1, Rancho Cordova, California 95742, (916) 852-2222.

ISSUANCE DATE: April 9, 2018

PIZZA GUYS' registered agent authorized to receive service of process is: Shahpour M. Nejad, 2731 Citrus Road, Ste. A-1, Rancho Cordova, California 95742.

I received a Disclosure Document dated April 9, 2018 that included the following Exhibits:

1. Franchise Agreement
2. Financial Statements
3. State Administrators
4. Preauthorized Bank Deduction Procedure
5. Telephone Number Lease
6. Transfer Packet
7. Designation & Consent of Professional Advisor

(Signature) _____ Date Received:_____

(Print Name) _____ Date Signed:_____

individually and as an
officer or partner of
(a_____corporation)
(a_____partnership)
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(a_____partnership)
(a_____ limited liability co.)