

FRANCHISE DISCLOSURE DOCUMENT



FAT SHACK AMERICA, LLC
(a Delaware limited liability company)
706 South College Avenue, Suite 102
Fort Collins, Colorado 80524
Telephone: (201) 417-4132
www.fatshack.com
E-Mail: tom@fatshack.com
kevin@fatshack.com

Fat Shack America, LLC is offering franchises for the operation of specialty quick service sandwich restaurants under the name Fat Shack®. A Fat Shack® Restaurant features “Fat Sandwiches,” burgers and wings, together with appetizers, desserts and hot and cold beverages, and related merchandise, for dine in, takeout and delivery. Fat Shack® Restaurants specialize in late night delivery of its products to its customers.

The total investment necessary to begin operation of a single FAT SHACK franchise ranges from \$71,950 to \$228,550. This includes between \$18,000 and \$28,750 that must be paid to the franchisor or its affiliates. The franchisor may offer to qualified candidates the right to develop multiple FAT SHACK Restaurants under the terms of an Area Development Agreement, in which case the total investment stated above will increase by an amount equal to \$5,000 times the number of additional FAT SHACK Restaurants to be developed under the Area Development Agreement, which amounts are paid to the franchisor.

This Disclosure Document summarizes certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

The terms of your contract will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like 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 Franchise Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance date: March 12, 2018

FOR USE IN: AL, AK, AZ, AR, CA, CO, CT, DE, DC, GA, ID, IA, KS, KY, LA, ME, MA, MS, MO, MT, NV, NH, NJ, NM, NC, OH, OK, OR, PA, SC, TN, TX, VT, WA, WV, WY, and U.S. TERRITORIES (see following pages for varying effective dates in certain states.)

NOT FOR USE IN: FL, HI, IL, IN, MD, MI, MN, NE, NY, ND, RI, SD, UT, VA, and WI.

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 Attachment K 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 REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION OR LITIGATION ONLY IN COLORADO. OUT-OF-STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE OR LITIGATE WITH US IN COLORADO THAN IN YOUR OWN STATE.

2. THE FRANCHISE AGREEMENT STATES THAT COLORADO 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. YOU MUST MAINTAIN MINIMUM SALES PERFORMANCE LEVELS. YOU MAY BE REQUIRED TO PAY MINIMUM ROYALTY, MARKETING AND OTHER FEES REGARDLESS OF YOUR SALES LEVELS. FAILURE TO MAINTAIN MINIMUM SALES PERFORMANCE LEVELS MAY ALSO BE A DEFAULT UNDER THE FRANCHISE AGREEMENT AND GROUNDS FOR TERMINATION OF THE FRANCHISE.

4. ALL OF THE OWNERS OF THE FRANCHISEE ENTITY AND THEIR SPOUSES MAY BE REQUIRED TO SIGN A PERSONAL GUARANTEE. THE GUARANTEE WILL PLACE THEIR PERSONAL AND MARITAL ASSETS AT RISK, PERHAPS INCLUDING YOUR HOUSE, IF YOUR FRANCHISE FAILS. IF YOU LIVE IN A COMMUNITY PROPERTY STATE, YOUR SPOUSE MAY BE LIABLE FOR YOUR FINANCIAL OBLIGATIONS EVEN IF HE OR SHE HASN'T SIGNED ANYTHING.

5. YOU WILL NOT RECEIVE AN EXCLUSIVE TERRITORY. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM OUTLETS THAT WE OWN, OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS THAT WE CONTROL.

6. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

The Effective Dates of this Disclosure Document for the following states are:

CA: _____

WA: _____

INFORMATION FOR PROSPECTIVE FRANCHISEES IN MICHIGAN

The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (A) A prohibition on the right of a franchisee to join an association of franchisees.
- (B) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (C) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of franchisee to comply with any lawful provisions of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (D) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating franchisee by repurchase or other means for the fair market value at the time of expiration, of franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five years; and (ii) franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or franchisee does not receive at least six months advance notice of franchisor's intent not to renew the franchise.
- (E) A provision that permits franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (F) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state. (The above language has been included in this Disclosure Document as a condition to registration. We and you do not agree that the parties are restricted from choosing to conduct arbitration outside of Michigan and believe that each of the provisions of the Franchise Agreement, including each of the arbitration provisions, is fully enforceable. We and you intend to rely on the federal pre-emption under the Federal Arbitration Act.)
- (G) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed franchisee to meet franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of franchisor or subfranchisor.

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