

FRANCHISE DISCLOSURE DOCUMENT

Flip Flop Shops Franchise Company, LLC
a Delaware limited liability company
5990 Sepulveda Boulevard, Suite 600
Sherman Oaks, California 91411
818-908-9868
flipflopshops.com
twitter.com/flipflopshops
facebook.com/FlipFlopShops
instagram.com/flipflopshops
linkedin.com/company/flip-flop-shops
www.youtube.com/user/FlipFlopShops
www.pinterest.com/flipflopshops



The franchise is for the establishment and operation of retail stores that specialize in the sale of flip flops, sandals, casual footwear and related footwear and accessories (“Flip Flop Shops Store” or “Store”).

The total investment necessary to begin operation of a Flip Flop Shops Store ranges from \$165,800 to \$310,500, including \$35,000 that must be paid to the franchisor. The total investment necessary to begin operation of a Flip Flop Shops Floating Retail Shop ranges from \$136,300 to \$204,000, including \$35,000 that must be 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.**

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 Hugh Henley at 5990 Sepulveda Boulevard, Suite 600, Sherman Oaks, California 91411 and 818-908-9868 ext. 314. 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 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. 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.

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STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Attachment A 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 MEDIATION ONLY IN LOS ANGELES, CALIFORNIA AND BY LITIGATION ONLY IN LOS ANGELES COUNTY, CALIFORNIA (SUBJECT TO STATE LAW). OUT OF STATE MEDIATION AND LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO MEDIATE WITH US IN LOS ANGELES, CALIFORNIA AND TO SUE US IN LOS ANGELES COUNTY, CALIFORNIA THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT STATES THAT DELAWARE LAW GOVERNS THE FRANCHISE AGREEMENT (SUBJECT TO STATE LAW), AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS
3. IF THE FRANCHISEE IS AN INDIVIDUAL, THE FRANCHISEE'S SPOUSE MUST SIGN A PERSONAL GUARANTY UNDER WHICH THE SPOUSE WILL BE JOINTLY AND SEVERALLY LIABLE FOR OBLIGATIONS OF THE FRANCHISEE WHETHER OR NOT THE SPOUSE IS INVOLVED IN THE OPERATION OF THE FRANCHISED BUSINESS. THIS REQUIREMENT PLACES THE PERSONAL AND MARITAL ASSETS OF THE FRANCHISE OWNER AND THE SPOUSE AT RISK.
4. THE FRANCHISEE WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM \$136,300 TO \$310,500. THIS AMOUNT EXCEEDS THE FRANCHISOR'S STOCKHOLDERS EQUITY AS OF FEBRUARY 3, 2018 WHICH IS (\$4,361,521).
5. THE FRANCHISOR'S AUDITED FINANCIAL STATEMENTS FOR OUR FISCAL YEAR ENDING FEBRUARY 3, 2018, REFLECT THAT CURRENT LIABILITIES EXCEED CURRENT ASSETS. THIS MEANS THAT THE FRANCHISOR MAY NOT HAVE THE FINANCIAL RESOURCES TO PROVIDE SERVICES OR SUPPORT TO YOU.
6. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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