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| w. Choice of law | Section 19. I. | Subject to applicable state law, the Franchise Agreement will be interpreted and construed under California law, except for California choice of law rules (subject to state law) and except for the provisions respecting non-competition, which are governed by local law where the breach occurs. |
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### **ITEM 18**

#### **PUBLIC FIGURES**

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

### **ITEM 19**

#### **FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide 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 included in Item 19 may be given 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 performance at a particular location or under particular circumstances.

As of December 31, 2024, there were approximately 57 shops being operated by independent franchised licensees, of those 57 shops, 47 were located within the United States and its territories. Approximately 37 of those 47 Flip Flop Shops Units being operated by franchisees had been open for at least one full calendar year as of December 31, 2024, and had been operated by franchisees during the entire year. The 37 Flip Flop Shops within the United States and its territories that had been open for at least one full calendar year as of December 31, 2024, and their annual sales volumes are the subject of these Financial Performance Representations and discussed below.

In 2024, of the 37 franchised shops located within the United States and its territories that were open for at least one full calendar year, 36 were situated in common retail spaces such as malls and strip malls. Among these 36 locations, the median annual sales volume was \$333,235, while the average was \$473,319. Of these, 12 shops or 33% met or exceeded the average annual sales of \$473,319. The highest reported annual sales among these mall and strip mall locations were \$1,393,510, and the lowest was \$90,673. Approximately 28% of these shops generated less than \$250,000 in annual sales; about 42% had sales between \$250,000 and \$500,000; around 11% earned between \$500,000 and \$750,000; and roughly 22% reported sales exceeding \$750,000.

In 2024, of the 37 franchised shops located within the United States and its territories that were open for at least one full calendar year, 2 were located in regional malls<sup>1</sup>. For these regional mall locations, the median monthly sales volume was \$43,134, and the average monthly sales volume was \$77,021. The highest and lowest monthly sales volumes among these shops were \$116,126 and \$37,915, respectively. On an annualized basis, the average sales volume for these regional mall locations was \$924,247.

In 2024, of the 37 franchised shops located within the United States and its territories that were open for at least one full calendar year, 5 were located in super-regional malls<sup>2</sup>. For these locations, the median

monthly sales volume was \$32,536, while the average monthly sales volume was \$55,885. Among these shops, the highest monthly sales volume was \$1,041,321 and the lowest was \$28,967. On an annualized basis, the average sales volume for these super-regional mall locations was \$670,619.

In 2024, of the 37 franchised shops located within the United States and its territories that were open for at least one full calendar year, 9 were situated in lifestyle centers<sup>3</sup>. Among these locations, the median monthly sales volume was \$32,536, and the average monthly sales volume was \$47,086. The highest monthly sales volume reported was \$83,608, while the lowest was \$14,879. On an annualized basis, the average sales volume for these lifestyle center locations was \$565,033.

In 2024, of the 37 franchised shops located within the United States and its territories that were open for at least one full calendar year, 4 were located in outlet centers<sup>4</sup>. For these locations, the median monthly sales volume was \$30,822, and the average monthly sales volume was \$45,809. The highest reported monthly sales volume was \$67,615, while the lowest was \$32,674. On an annualized basis, the average sales volume for these outlet center locations was \$549,707.

In 2024, of the 37 franchised shops located within the United States and its territories that were open for at least one full calendar year, 2 were located in historic districts<sup>5</sup>. For these locations, the median monthly sales volume was \$35,613, while the average monthly sales volume was \$44,259. The highest monthly sales volume recorded was \$57,719, and the lowest was \$30,800. On an annualized basis, the average sales volume for these historic district locations was \$531,111.

In 2024, of the 37 franchised shops located within the United States and its territories that were open for at least one full calendar year, 1 was located in a free-standing location<sup>6</sup>. This shop reported a median monthly sales volume of \$21,958 and an average monthly sales volume of \$32,012. The highest monthly sales volume recorded was \$44,846, and the lowest was \$15,174. On an annualized basis, the average sales volume for this free-standing location was \$384,143.

In 2024, of the 37 franchised shops located within the United States and its territories that were open for at least one full calendar year, 1 was located in a strip center<sup>7</sup>. This shop reported a median monthly sales volume of \$15,517 and an average monthly sales volume of \$31,351. The highest and lowest monthly sales volumes were both \$31,351. On an annualized basis, the average sales volume for this strip center location was \$376,212.

In 2024, of the 37 franchised shops located within the United States and its territories that were open for at least one full calendar year, 3 were located in specialty retail centers<sup>8</sup>. For these locations, the median monthly sales volume was \$22,570, and the average monthly sales volume was \$33,973. The highest monthly sales volume reported was \$68,517, and the lowest was \$10,858. On an annualized basis, the average sales volume for these specialty locations was \$400,437.

In 2024, of the 37 franchised shops located within the United States and its territories that were open for at least one full calendar year, 4 were located in mixed-use developments<sup>9</sup>. For these locations, the median monthly sales volume was \$11,476, while the average monthly sales volume was \$17,303. The highest reported monthly sales volume was \$21,384, and the lowest was \$11,326. On an annualized basis, the average sales volume for these mixed-use locations was \$207,631.

In 2024, of the 37 franchised shops located within the United States and its territories that were open for at least one full calendar year, 6 were located in neighborhood or community shopping centers<sup>10</sup>. For these locations, the median monthly sales volume was \$13,371, and the average monthly sales volume was \$16,707. The highest monthly sales volume reported was \$35,049, while the lowest was \$10,075. On an annualized basis, the average sales volume for these neighborhood/community locations was \$195,449.

In 2024, of the 37 franchised shops located within the United States and its territories that were open for at least one full calendar year, 1 was located within a hotel or casino<sup>11</sup>. This location reported a median monthly sales volume of \$71,136.16 and an average monthly sales volume of \$68,234.38. The highest monthly sales volume was \$100,889.37 in June, while the lowest was \$32,883.84 in January. The total annual sales volume for this hotel/casino location was \$818,812.51.

During the calendar year ending December 31, 2024, 12 within the United States and its Territories Franchise Shops located on common retail spaces such as malls and strip malls permanently closed, of which 1 had been open for less than 12 months, and 0 domestic Franchise Shops located in hotel/casino spaces permanently closed. 8 stores opened during the reporting period ending December 31, 2024.

This portion of the financial performance representation includes information relating to annual and monthly sales volumes for the periods of January 1, 2024, to December 31, 2024 for the 46 franchised Flip Flop Shops Stores in the United States (including Stores in the U.S. territories) that operated during the entire Reporting Period and were open and operating as of December 31, 2024. Information for Stores outside of the 50 United States, territories, territories, and Canada is not included in this Item 19.

This financial performance representation reflects only revenue of the Franchise Shops and does not reflect any costs of sales, operating expenses, and other costs or expenses that you will incur in operating the Store, including the royalty fees and advertising contribution that you must pay under the terms of the Franchise Agreement. This financial performance representation also does not include debt service or equipment lease costs that may be incurred in the operation of a Flip Flop Shops Store. In addition, this financial performance representation does not include any information about the federal income taxes payable on any net income derived from the operation of the Store or state or local net income or gross profits taxes that may be applicable in the jurisdiction in which your Store is located.

**Some Flip Flop Shops Shops have sold this amount. Your individual results may differ. There is no assurance that you will sell as much.**

Other than the preceding financial performance representation, Flip Flop Shops, LLC does not make any financial performance representations. 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 Braden Richard, c/o Flip Flop Shops, LLC, 7524 Old Auburn Road, Citrus Heights, California 95610; 916-726-4413, the Federal Trade Commission, and the appropriate state regulatory agencies.

**Notes:**

<sup>1</sup> A Regional Mall is defined as follows (400k-1MM sq. ft.): A large-scale retail facility typically anchored by one or more department stores, supplemented by a diverse mix of smaller retail stores, movie theaters, and food courts. Regional malls are designed to serve a trade area within a 10 to 50-mile radius, offering a wide variety of shopping, dining, and entertainment experiences under one roof.

<sup>2</sup> A Super-Regional Mall is defined as follows (1MM+ sq. ft.): An expansive retail center comprising multiple major department stores and a substantial number of specialty and high-end retailers. Super-regional malls provide an extensive range of shopping, dining, and

entertainment options and are intended to attract customers from a broader geographic area, typically exceeding a 50-mile radius.

<sup>3</sup> A Lifestyle Center is defined as follows (150k-500k sq. ft.): An open-air retail center focused on upscale specialty retailers, a variety of dining establishments, and entertainment venues. Lifestyle centers emphasize leisure, ambiance, and pedestrian-friendly design, targeting affluent consumers seeking a more experiential shopping environment.

<sup>4</sup> A Outlet Center is defined as follows (50k-500k sq. ft.): A retail facility consisting primarily of manufacturer and brand outlet stores offering discounted merchandise. Outlet centers are often located in tourist destinations or off-highway locations and are designed to attract value-driven shoppers.

<sup>5</sup> A Historic District is defined as follows (varies): A designated area characterized by its historic significance and architectural preservation, featuring locally owned retail shops, vintage stores, boutique businesses, and tourism-driven enterprises. Retail in historic districts typically caters to both residents and tourists, enhancing the area's cultural and economic vitality.

<sup>6</sup> A Free Standing is defined as follows (varies): An individual retail establishment not connected to a shopping center or mall, often located in high-traffic tourist areas. These sites are typically selected based on visibility, accessibility, and proximity to major tourist attractions or high-footfall destinations.

<sup>7</sup> A Strip Center is defined as follows (30k+ sq. ft.): A linear retail development consisting of small-scale, convenience-oriented shops and services. Typical tenants include quick-service restaurants, dry cleaners, salons, and specialty stores. Strip centers primarily serve the immediate local community and benefit from easy access and surface parking.

<sup>8</sup> A Specialty is defined as follows (150k+sq.ft): A retail center with a unique or themed orientation, featuring niche-oriented stores and attractions. Specialty centers often cater to specific market segments or interests, such as art, fashion, home furnishings, or cultural experiences, providing a distinctive shopping destination.

<sup>9</sup> A Mix Use is defined as follows (varies): An integrated property that combines residential, retail, office, hospitality, and entertainment components into a single cohesive development. Mixed-use projects promote walkability, urban density, and live-work-play environments, contributing to vibrant community spaces.

<sup>10</sup> A Neighborhood/Community is defined as follows (30k-150k): A convenience-oriented retail center anchored by essential service providers such as supermarkets, drugstores, and discount retailers. Neighborhood and community centers primarily serve the daily needs of nearby residential populations within a three to five-mile radius.

<sup>11</sup> Hotel Casino (varies): A large-scale hospitality and entertainment complex combining lodging accommodations with extensive gaming operations. Hotel casinos typically feature a broad array of amenities, including slot machines, table games, poker rooms, sports rooms, and high-limit gaming areas.

**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**Table No.1**

**Systemwide Outlet Summary**  
**For years 2022 to 2024**

| Column 1<br>Outlet Type | Column 2<br>Year | Column 3<br>Outlets at the Start<br>of the Year | Column 4<br>Outlets at the End<br>of the Year | Column 5<br>Net Change |
|-------------------------|------------------|---|---|------------------------|
| Franchised              | 2022             | 49  | 56  | +7                     |
|                         | 2023             | 56  | 49  | -7                     |
|                         | 2024             | 49  | 47  | -2                     |
| Company-Owned           | 2022             | 0   | 0   | 0                      |
|                         | 2023             | 0   | 0   | 0                      |
|                         | 2024             | 0   | 0   | 0                      |
| Total Outlets           | 2022             | 49  | 56  | +7                     |
|                         | 2023             | 56  | 49  | -7                     |
|                         | 2024             | 49  | 47  | -2                     |

**Table No. 2**

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For years 2022 to 2024**

| Column 1<br>State | Column 2<br>Year | Column 3<br>Number of Transfers |
|-------------------|------------------|---------------------------------|
| California        | 2022             | 0                               |
|                   | 2023             | 0                               |
|                   | 2024             | 1                               |
| Hawaii            | 2022             | 0                               |
|                   | 2023             | 1                               |
|                   | 2024             | 0                               |
| Florida           | 2022             | 0                               |
|                   | 2023             | 0                               |
|                   | 2024             | 2                               |
| Total             | 2022             | 0                               |
|                   | 2023             | 1                               |
|                   | 2024             | 3                               |