FRANCHISE DISCLOSURE DOCUMENT

UHSI FRANCHISE, LLC, a Delaware limited liability company
300 Hukilike Suite 2-I, Kahului, Hawaii 96732
Phone: (808) 877-3700 / Email: BradUHSIFranchise@gmail.com
www.ululanishawaiianshaveice.com

We are UHSI FRANCHISE, LLC, a Delaware limited liability company. We offer franchises to qualified individuals and entities to own and operate an Ululani's Hawaiian Shave Ice franchise under our service marks, trade names, programs, and systems under the name "Ululani's Hawaiian Shave Ice" and our related trademarks, services and logos (collectively the "Marks"). Our franchisees offer high quality shave ice and related products and services to the public under the Marks and the Ululani's Hawaiian Shave Ice programs and systems (the "Method of Operation").

The approximate total investment necessary to begin operation of an Ululani's Hawaiian Shave Ice franchise is **$132,640** to **$258,442**. This includes **$25,000** payable to the franchisor or its affiliate(s).

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 our Chief Financial Officer, Brad Edgerton, at 300 Hukilike Suite 2-I, Kahului, Hawaii 96732, (360) 903-5236, BradUHSIFranchise@gmail.com.

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 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 30, 2017

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 C 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, ARBITRATION, AND LITIGATION ONLY IN HAWAII. OUT-OF-STATE LITIGATION AND MEDIATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO SUE OR MEDIATE WITH US IN HAWAII THAN IN YOUR OWN STATE.

2. THE FRANCHISE AGREEMENT STATES THAT HAWAII 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. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We may 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.

Effective Date: [See the following page]

This Franchise Disclosure Document is effective as of:

General FTC (for states not requiring registration) – **March 30, 2017**

States Requiring Registration (registration not approved if blank):

California:	pending
Florida:	May 9, 2016
Hawaii:	pending
Illinois:	
Indiana:	
Kentucky:	
Maryland:	
Michigan:	
Minnesota:	
Nebraska:	
New York:	
North Dakota:	
Rhode Island:	
South Dakota:	
Texas:	May 10, 2016 *(no annual renewal requirement)*
Utah:	
Virginia:	
Washington:	
Wisconsin:	

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EXHIBITS

Item 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

We are UHSI FRANCHISE, LLC, a Delaware limited liability company (called "we," "us," or "our" in this disclosure document). We do business under the name "Ululani's Hawaiian Shave Ice" and the Ululani's Hawaiian Shave Ice logos. We do not intend to do business under any other names. "You" means the prospective purchaser of an Ululani's Hawaiian Shave Ice franchise, and includes owners or partners of a corporation, partnership, or other legal entity that purchases an Ululani's Hawaiian Shave Ice franchise.

We are the franchisor of the Ululani's Hawaiian Shave Ice franchise system. We license our franchisees to own and to operate franchises under the "Ululani's Hawaiian Shave Ice" names and marks. We authorize our franchisees to offer high quality shave ice and related products and services to the public and to use our Method of Operation and our Marks in the operations of the franchisee's business.

In this disclosure document, the location of the franchised operation is referred to as the "Franchise Premises".

Our principal office address is 300 Hukilike Suite 2-i, Kahului, Hawaii 96732. Our telephone number is (808) 877-3700. We have offered franchises since 2016. We do not have any other business activities. We have never offered franchises in any other line of business. We do not operate any businesses of the type being franchised. We may sell products and services to our franchisees. These may include advertising materials, branded merchandise and other products and services. We and our affiliates may attempt to negotiate group discount rates for the benefit of our franchisees for products and services and marketing and sales materials.

Our registered agents for service of process are outlined in Exhibit C to this Disclosure Document.

We have no predecessors that are required to be disclosed in this Disclosure Document. We have parent and affiliate companies as described below. Our parent company is UHSI International, LLC, a Delaware limited liability company (our "Parent"). Its principal business address is the same as ours. Our parent company licenses certain intellectual property to us as described in this disclosure document. Our parent does not have any other business activities.

Ululani's Hawaiian Shave Ice, LLC, a Washington limited liability company, is an affiliate of ours (our "Affiliate"). Its principal address is the same as ours. Our affiliate currently owns and operates several shave ice operations at various locations in Maui, Hawaii. It began operations in 2008. In addition, our affiliate currently operates the following additional businesses in Maui: Sugar Beach Bake Shop (selling baked goods and related items) since 2013; and Lahaina Luna Café (café-related food and beverages) since 2013. Ululani's Hawaiian Shave Ice, LLC has never offered franchises in this or any other lines of business.

UHSI Food, LLC, a Delaware limited liability company, is an affiliate of ours (our "Affiliate"). Its principal address is the same as ours. Its Parent company is the same as ours. Ululani's Hawaiian Shave Ice, LLC anticipates assigning its additional food-related businesses listed in the above-paragraph to UHSI Food, LLC. UHSI Food, LLC has never offered franchises in this or any other lines of business.

Our founder, Charlotte "Ululani" Yamashiro, began creating delicious recipes and selling shave ice at farmer's markets and similar venues in 2003.

We and our affiliate(s) retain the right to own or operate additional Ululani's Hawaiian Shave Ice franchises.

The market for high quality shave ice and related products and services is developing. The principal sources of direct competition for your franchise are other shave ice shops, including some franchise systems. Sources of indirect competition may include other food and dessert shops of all varieties.

The business concept is seasonal, with sales typically peaking during warmer months. However, sales may not be seasonal for shops within closed environments, such as indoor shopping malls.

We are not aware of legal regulations that relate specifically to our industry apart from those that apply to all food related and restaurant businesses. It is your responsibility to identify and comply with any and all laws applicable to your franchise, and we urge you to investigate these laws and regulations before becoming an Ululani's Hawaiian Shave Ice franchisee.

Most jurisdictions have laws and regulations that apply to all businesses generally, these may include:

> Federal. Examples of federal laws are wage and hour, occupational health and safety, equal employment opportunity, communication to employees, environmental, and the Americans With Disabilities Act.
>
> State. State laws may cover the same topics as federal laws. Examples of state laws include environmental, occupational health and safety, fire, health, and building and construction laws.
>
> Local. Local laws may cover the same topics as federal and state laws. Examples of local laws include health and sanitation, building codes, fire codes, and waste disposal.

You must pay special attention to federal and state wage and hour laws with respect to your employees. You must comply with all such laws and pay your employees properly. You should investigate these and other laws applicable to your business with your own independent legal counsel before signing the Franchise Agreement.

This Disclosure Document contains a summary of some material provisions of the franchise agreement. However, the Franchise Agreement expresses and governs the actual legal relationship between us and you.

The Franchise Agreement does not make you our agent, legal representative, joint venturer, partner, employee, or servant for any purpose. You will be an independent contractor and will not be authorized to make any contract, agreement, warranty or representation or to create any obligation, express or implied, for us.

Item 2
BUSINESS EXPERIENCE

Charlotte "Ululani" Yamashiro – Founder and Managing Member

Ms. Yamashiro is the original founder of the Ululani's Hawaiian Shave Ice concept. She has been one of our Managing Members since our inception. She has been a Managing Member for our affiliate, Ululani's Hawaiian Shave Ice, LLC, since its inception in 2008.

David Yamashiro – Chief Executive Officer and Managing Member

Mr. Yamashiro has been our CEO and one of our Managing Members since our inception. He has been a Managing Member for our affiliate since its inception in 2008.

Bradly Edgerton, Ph.D. – Chief Financial Officer and Managing Member

Mr. Edgerton has been our CFO and one of our Managing Members since our inception. He has been a Managing Member for our affiliate since its inception in 2008. Mr. Edgerton has founded and managed businesses in the field of medical equipment development, product testing, and retail sales of hearing technology. In 1984, Mr. Edgerton founded and currently operates Health Trends, Inc., a hearing conservation and wellness company that operates in Washington, Oregon, and California. Since 1996 he has been the Director of Audiology for The Ear, Nose, and Throat Clinic of the Northwest, a multi-office ear clinic that provides services to Southwest Washington.

Iris Lin – Managing Member

Ms. Lin has been one of our Managing Members since our inception. She has been a Managing Member for our affiliate since 2013. Ms. Lin has founded, managed and/or operated several businesses. Some of these include the following: Trinity LLC (Partner and President) in Gardena, CA since 2007; Iris Lin Consulting (Owner) in Rancho Palos Verdes, CA since 2000; Makana International (Partner) in Rancho Palos Verdes, CA since 2012; Rilin LLC (Sole Member) in Rancho Palos Verdes, CA since 2013; Enquire LLC (Investment Partner) in Torrance, CA since 2010.

Item 3
LITIGATION

No litigation is required to be disclosed in this Item.

Item 4
BANKRUPTCY

One of our Managing Members, Iris Lin, filed a bankruptcy petition under the liquidation provisions of Chapter 7 of the U.S. Bankruptcy Code on or about July 12, 2007. Case NO. 2:07-bk-15880-BR, United States Bankruptcy Court Central District of California. The bankruptcy related to a different business matter. On November 8, 2007, the bankruptcy court entered a discharge.

Except as provided above, no bankruptcy is required to be disclosed in this Item.

Item 5
INITIAL FEES

Initial Franchise Fees – Unit Franchises

Currently, the Initial Franchise Fee for your first Franchise is $25,000. If you already own and operate one or more Franchises and are purchasing an additional Franchise, then the Initial Franchise Fee is reduced to $20,000. The Initial Franchise Fee is paid in consideration of our sales expenses, administrative overhead, return on investment, and start-up costs related to the execution of the Franchise Agreement and the opening of the Franchise and for our lost or deferred opportunity to sell franchises in the Franchise Territory to others.

Initial Franchise Fees – Multiple Unit Franchises

If you purchase multiple Franchises *simultaneously*, then the Initial Franchise Fee for the first Franchise is $25,000, and the Initial Franchise Fee for each additional Franchise is reduced to $15,000.

If you desire to purchase a protected area in which to develop your multiple franchises, then you may purchase a “Development Area” at the time you simultaneously purchase such franchises. The standard fee to purchase a Development Area is $5,000 times the number of Franchises to be developed (the “Development Fee”). However, the Development Fee is subject to change in our discretion based on factors we deem appropriate, including population density in the Development Area; population demographics (including whether a franchise services primarily a local population or a tourist population); growth trends; traffic flow; affluence of nearby population; topography; and geography. The Development Fee is payable in full up front. (See Exhibit 4 to Franchise Agreement).

Timing for Payment of Initial Franchise Fees

Simultaneous with the execution of the Franchise Agreement for your first Franchise, you will pay to us the entire Initial Franchise Fee. The Initial Franchise Fees for additional Franchises (purchased subsequently or simultaneously) are payable one-half upon signing the Franchise Agreement and one-half before you open each additional Franchise. We do not finance any portion of the Initial Franchise Fee (see Item 10, below).

Refund

If you do not pass the mandatory Initial Training Program (see Item 11, below) to our exclusive satisfaction, we may terminate the Franchise Agreement by refunding 75% of the Initial Franchise Fee. This refund is only available for your First Franchise.

You must commence business operations within 120 days of effective date of the Franchise Agreement. If you fail to meet the opening deadline, then we may terminate the Franchise Agreement upon refunding 50% of the Initial Franchise Fee. If you purchase multiple Franchises simultaneously, then we will not refund any portion of the Initial Franchise Fees you will have paid for your additional Franchises purchased under Multiple Franchise Purchase Addenda.

Site Selection

You are responsible for finding the location of the Franchise Premises. If you request assistance in selecting a site for the Franchise Premises, we may provide reasonable assistance in finding a location acceptable to you. If requested, you will pay for all reasonable out-of-pocket expenses related to any such site selection assistance, including travel and lodging expenses we incur to help you locate sites. Any on-site assistance is subject to our discretion and availability. You will bear all other site selection and lease negotiation expenses.

Transfer Fee

If you obtain a franchise by purchasing the business of one of our existing franchisees, you or the existing franchisee must pay us a transfer fee of **$5,000**. In addition, you must pay our then-current fee for our initial training programs (currently **$5,000**). In the event that you sell your franchised operation, a separate transfer fee may apply. Payment of the transfer fee covers reasonable legal, accounting, credit check, and investigation expenses that result from the transfer and relieves you of your obligation to pay the initial franchise fee.

Miscellaneous

You will be responsible for paying all other fees required under the applicable franchise agreements as provided in those agreements. These fees are not refundable under any circumstances.

The initial fees are uniform except as described in this Item 5. We intend to raise the initial franchise fee after certain growth levels have been attained. The increased franchise fee and timing have not been determined as of this date.

We may offer franchises at a reduced rate to prospective franchisees who in our opinion possess the knowledge and experience to conduct business with minimal assistance from us or who are purchasing multiple franchises. Occasionally, we may grant new franchises to our owners and employees and their family members with reduced or no initial fees.

No initial fees are refundable or transferable in whole or in part except under the specific circumstances listed above.

Item 6
OTHER FEES

Type of Fee	Amount	Date Due	Remarks
Monthly Royalty Fee	First year of this Agreement: 3% of Gross Revenue; 2nd year of this Agreement: 4.5% of Gross Revenue; 3rd year of this Agreement and thereafter: 6% of Gross Revenue[1]	Payable monthly by the 5th day of each month for the prior month	
Monthly Advertising Fee	None	N/A	N/A
Local Advertising Contribution	2% of Your Monthly Gross Revenue	You must spend this money each month on local advertising and promotion	These expenditures will be made directly by you, subject to our approval. It may be used in regional cooperative advertising efforts.
Regional Advertising Fund Contribution	Up to 2% of your gross revenue pursuant to a vote of the franchisees in the region	As voted and approved by your local advertising cooperative (only if franchisees in an advertising region vote to establish a Regional Advertising Fund).	See Note 3.
Software Maintenance and Support Fee	None	N/A	N/A
Additional Training at Franchisee's Request	Then-current rates, currently $500 per day. You must also reimburse us for our reasonable out of pocket costs (travel, accommodations, etc.).	Before opening or after you open your franchise for business.	See Note 5.
Additional Training Required by Franchisor Based on Franchisee	Then-current rates, currently $500 per day. You must also	Before training	We may require you to participate in additional training and to pay our

Type of Fee	**Amount**	**Date Due**	**Remarks**
Default or Sales Performance	reimburse us for our reasonable out of pocket costs (travel, accommodations, etc.).		then-current training fees if you fail to comply with any material requirement in your Franchise Agreement or our Operations Manual (or other written standards and specifications) or if we deem, in our discretion, that such training is needed based on your sales performance.
Additional Training or Conventions Required or Recommended by Franchisor	We do not impose a training fee for training we require or recommend unless the training is required based on your default or sale performance (as described above). However, you are responsible for your travel, meals, lodging and employee wages during training.	Before opening or after you open your franchise for business.	In our discretion, we may use funds from the Advertising Fund to cover our reasonable expenses related to periodic franchisee conventions.
Transfer Fee[6]	Currently $5,000	Before transfer	Paid to us if you transfer your franchise. This amount covers our legal, accounting, credit check, and investigation expenses that result from the transfer.
Renewal Fee	You will reimburse us for our reasonable out-of-pocket costs related to the renewal.	Upon renewal	
Relocation	You will reimburse us for our reasonable out-of-pocket costs related to the relocation.	Before relocation	
Late Charge	12% per annum	Each month that amounts owed remain	You will not be compelled to pay late charges at a rate greater

Type of Fee	Amount	Date Due	Remarks
		unpaid	than the maximum allowed by applicable law.
Late Payment Penalty	5% of the amount due	As incurred	You will not be compelled to pay late payment penalty in an amount greater than the maximum allowed by applicable law.
Proposed Source Testing Costs	As incurred	As incurred	You must reimburse us for our out of pocket expenses and costs we incur to test new products or sources you request for approval (See Item 8 and Franchise Agreement Section 5.1).
Audit[7]	Our reasonable costs for the audit if you understate revenue by more than 2% or fail to deliver to us required reports on time	Immediately upon demand	See notes below.

*All fees are imposed by and payable to us (unless specified otherwise). All fees are non-refundable.

Notes

1) Gross Revenue and Reporting. "Gross Revenue" means the entire amount of the actual sales price or fee charged for the sale of all Ululani Branded Products, Other Products, and gift certificates, whether for cash or otherwise, arising out of the Franchise business, excluding, however, the following:

A. The selling price of all merchandise returned by customers and accepted for full credit or the amount of discounts and allowances made thereon where such price is or has been included in Franchisee's computation of Gross Sales, or where such merchandise was purchased at other Ululani stores or venues, including merchandise purchased from Ululani mail order catalogs and Internet websites;

B. Goods returned to sources, or transferred to another store or warehouse owned by or affiliated with Franchisee;

C. Sums and credits received in the settlement of claims for loss of or damage to merchandise, to the extent previously reported as Gross Sales;

D. Delivery charges or any service charge rendered on a non-profit basis at Franchisee's cost for the convenience of customers;

E. Hawaii general excise taxes, or other sales taxes, so-called luxury taxes, gross receipts taxes and other similar taxes now or hereafter imposed upon the sale of products and merchandise, but only if collected separately from the selling price of merchandise or services and collected from customers;

F. Sales of fixtures, equipment or property which are not stock in trade; and

G. Gift certificate or like vouchers until such time as the same shall have been converted into a sale by redemption.

Except as set forth above, credit transactions will be included in Gross Revenue as of the date of the transaction without deduction for uncollected credit accounts. The proceeds from any business interruption insurance or eminent domain recovery you receive will be included in "Gross Revenue" if such proceeds are paid in compensation for lost sales. "Gross Revenue" means the total Revenue for any calendar month.

You will deliver to us, as outlined in the Operations Manual, an itemized report of your Gross Revenue for such periods as we require, which shall not be more frequently than weekly. The report must be in the form we designate. All Royalty Fee and other fee payments based upon the Gross Revenue for the preceding month must be submitted with the report.

2) INTENTIONALLY LEFT BLANK

3) Regional Advertising Cooperative. Subject to our prior written approval, if at any meeting of the franchisees in an advertising region, 75% of the franchisees vote to contribute to a regional advertising program, all franchisees within that region will be obligated to make a contribution to a regional advertising fund in the amount established by the vote. No advertising region may require any franchisee in that region to make a contribution to a Regional Advertising Fund in excess of 2% of that franchisee's Gross Revenue. Your contributions to a Regional Advertising Fund will be credited towards your Local Advertising Contribution.

4) INTENTIONALLY LEFT BLANK

5) Additional Training. You must give us not less than 30 days' prior written notice of your desire to receive additional training. The duration of training is negotiable depending upon your needs. You will not receive any compensation for services rendered by the trainee during this or any other training. We may designate qualified franchisees or master franchisees to conduct some or all of your training.

6) Transfer Fee. The Transfer Fee is payable by you or the transferee if you transfer your franchise (see Franchise Agreement, Section 7.1). If you obtain a franchise by purchasing the business of one of our existing franchisees, then you may also incur certain costs associated with bringing your Franchised Operation into compliance with our requirements.

7) Audits. Once each calendar year, we may audit your reports, books, statements, business records, and cash control devices, profit and loss statements, and other records of the Gross Revenues of the Franchise, at any time during normal business hours, upon at least five (5) business days prior written notice. Audits will be conducted at our expense unless you understate the Gross Revenue for any reported period or periods by more than 2% or unless you fail to deliver any required report of Gross Revenue or any required financial statement in a timely manner. These will include, among other things, the charges of any independent accountant and the reasonable travel

expenses, room, board, and compensation of our employees incurred in connection with the audit. You will immediately pay all Royalty Fees and all other fees and late payment charges that the audit determines are owed. If the audit determines you have overstated the Gross Revenues and you have overpaid the royalties due, we will credit you the overpayment of royalties against the next royalty payment then due. These payments will not prejudice any other remedies we may have under this Agreement or by law. Our right to audit will not include the right to examine the books, tax returns and records of other businesses that you own or operate, in whole or in part. We will not use a third party auditor whose fee is based upon a contingency of recoveries. We will not audit any period of time more than once nor will any audit cover a period of longer than three (3) calendar years. These payments will not prejudice any other remedies we may have under this Agreement or by law.

Item 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	**AMOUNT**	**METHOD OF PAYMENT**	**WHEN DUE**	**TO WHOM PAYMENT IS MADE**
Initial Franchise Fee[1]	$25,000	Cash, Certified Check or Wire Transfer	Upon execution of the Franchise Agreement (unless otherwise provided in State Addenda to the Franchise Agreement).	Us
Rent and Security Deposit[2]	$6,000 to $16,000 first 3 months ($1,500 to $4,000 per month plus deposit)	As Incurred	As Incurred	Landlord
Construction, Remodeling and Leasehold Improvements[3]	$15,000 to $75,000	As Arranged	As Incurred	Vendors or Contractors
Utility Deposits and Fees	$ 1790 to $5,442 first 3 months ($596 to $1814 per month)	As Incurred	As Incurred	Suppliers
Computer Hardware and Software[4]	$ 5,200 to $ 7,200	As Arranged	Before Opening	Approved Suppliers
Fixtures and	$5,000 to $10,000	As Incurred	Before Opening	Approved

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Furnishings[5]				Suppliers
Equipment and Supplies[6]	$10,450 to $17,600	As Incurred	Before Opening	Approved Suppliers
Initial Inventory[7]	$12,000 to $15,000	As Incurred	As Incurred (Before Opening)	Approved Suppliers
Signage[8]	$3,000 to $7,500	As Incurred	Before Opening	Approved Suppliers
Payroll	$36,000 to $42,000 ($12,000 to $14,000 per month)	As Incurred	As Incurred	Employees
Out-of-Pocket Expenses During Training[9]	$ 3,500 to $4,900	As Incurred	During Training	Transportation Suppliers, Hotel, Restaurants, etc.
Initial Advertising[10]	$2,500 to $10,000	As Incurred	Before Opening	Us, Our Affiliate and/or Suppliers
Licenses and Permits	$500 to $2,500	As Incurred	As Incurred	Government agencies, etc.
Professional Fees	$1,500 to $3,500	As Incurred	As Incurred	Professionals (such as Accountant or Lawyer)
Insurance	$750 to $1,200 first 3 months ($250 to $400 per month)	As Incurred	Before Opening	Insurers
Bank Fees (Automatic Payment Processing)	$450 to $600 first 3 months ($150 to $200 per month)	As Incurred	As Incurred	Bank
Miscellaneous Opening Costs	$1,000 to $3,000	As Incurred	As Incurred	Suppliers, Utilities, etc.
Additional Funds – 3 months[11]	$3,000 to $12,000	As Incurred	As Incurred	Employees, Suppliers, Utilities, etc.
TOTAL	**$132,640** to **$258,442**			

You should anticipate the preceding initial expenditures in connection with the establishment of an Ululani's Hawaiian Shave Ice franchised business and your first three months of operations. Additional factors related to each expenditure category are described in the following notes.

Financing sources may reduce your initial cash requirements, and the availability and terms of financing to any individual franchisee will depend upon factors like the availability of financing in general, your credit worthiness, the collateral security that you may have and policies of lending institutions concerning the type of business to be operated by you. The investment and expenditures required of actual franchisees may vary considerably from the projections outlined below, depending on many factors, including geographical area, the amount of space leased by you, if any, and the capabilities of any particular management and service team. If you are purchasing multiple franchises, you will incur the estimated initial expenditures for each franchise you operate.

Notes:

[1] Initial Franchise Fees. See Item 5 for more information about the Initial Franchise Fee.

[2] Rent and Security Deposit. The disclosed low-high range includes estimated costs to lease a premises, but not the purchase of land and building (because we do not require you to purchase your premises). You must lease appropriate space if you do not own adequate space. The Franchise Premises will be approximately 350 square feet or more. It is difficult to estimate lease acquisition costs because of the wide variation in these costs between various locations. Lease costs will vary based upon square footage, cost per square foot and required maintenance costs.

[3] Construction. Construction and remodel costs vary widely depending on the condition of your site and its size and, in the case of new construction, the amount of tenant improvements allowed by the landlord, and other factors.

[4] Computer Hardware and Software. Computer hardware and software is required as outlined in the Operations Manual. The low end of the estimate assumes you already have certain computer hardware and software that meets our criteria. You must have or purchase a computer, printer and scanner and have access to a facsimile machine, telephone and high speed internet consistent with minimum requirements and standards that may be outlined in the Franchise Agreement and the Operations Manual.

[5] Fixtures and Furnishings. You may be required or recommended to purchase additional fixtures and furnishings as outlined in the Operations Manual.

[6] Equipment and Supplies. You must purchase equipment and office supplies consistent with the operational needs of your franchised business and as may be required in our Operations Manual.

[7] Initial Inventory. You must purchase inventory as outlined in the Operations Manual.

[8] Signage. You may be required or recommended to purchase additional signage as outlined in the Operations Manual.

[9] Training. The costs of training are included in your Initial Franchise Fee. The estimates in the above table cover out-of-pocket expenses that you incur associated with the training. These estimates are based on one or two people attending training. We will have no obligation to provide initial training at our expense except for your first franchise. Additional training is outlined in Item 11, below.

[10] Initial Advertising. We recommend that you conduct a marketing campaign, especially before and during the initial phase of your franchise operations. Market conditions vary widely, both in terms of competition, familiarity with our franchise system and in terms of media availability and costs.

[11] Initial Start-Up Phase and Working Capital. We estimate that the initial phase covered by the additional funds estimate to be approximately 3 months. Additional funds are provided only as estimates and apply only to your initial three months of operations of your first Franchise. The high and low range estimates are based on our affiliate's experience in opening and operating similar businesses in Hawaii. WE BELIEVE THAT THESE FIGURES PROVIDE AN ACCURATE MINIMUM ESTIMATE OF THE ADDITIONAL FUNDS NECESSARY FOR THE INITIAL THREE-MONTH PHASE OF OPERATIONS FOR YOUR FIRST FRANCHISE ONLY. HOWEVER, ONGOING COSTS OF OPERATION BEYOND THE INITIAL PHASE, OR ABNORMALLY HIGH COSTS DURING THE INITIAL PHASE, MAY REQUIRE THE INVESTMENT BY YOU OF MORE ADDITIONAL FUNDS. YOU SHOULD NOT ASSUME THAT THE ESTIMATED ADDITIONAL FUNDS WILL BE SUFFICIENT FOR CONTINUED OPERATIONS BEYOND THE INITIAL PHASE. THIS IS ONLY AN ESTIMATE AND WE CANNOT GUARANTEE THAT THE AMOUNTS SPECIFIED WILL BE ADEQUATE.

Your actual costs will depend on how much you follow our methods and procedures; your management skills, experience and business acumen; local economic conditions; the local market for your products and services; location and condition of your franchise premises; the prevailing wage rate; competition; and the sales level reached during the initial phase. We have made certain assumptions based on revenue, operating costs, and payments and costs for rents in reaching this estimate.

Additional funds will be required to finance operations until a positive cash flow is produced. You should plan on other sources of income to cover your living expenses.

You will have the other usual expenses involved in establishing a business. These expenses vary greatly. They may include, but are not limited to, attorneys' fees, license fees, deposits, sales tax, pre-opening advertising and recruiting expenses, employee wages, utility costs, and supply expenses.

You must pay all taxes required by local, state or federal laws related to the services furnished or used in connection with the operation of your franchise. You must obtain all permits, certificates or licenses necessary for the full and proper conduct of the franchise (other than those relating to the Marks).

Except as provided in Section 5, above, any fees paid to us are not refundable. Amounts paid to any third parties may be refundable, depending upon the contracts between them and you.

We do not finance any of these initial expenses (see Item 10, below). The availability and terms of financing will depend on various factors including the availability of financing generally, your credit worthiness, security available to you, lending institution policies concerning the type of business to be operated by you, and other comparable elements.

We require no other payments.

We cannot estimate how long it may take for your revenues to exceed your expenses, if ever. YOU SHOULD NOT INFER THAT YOUR REVENUES WILL EXCEED YOUR EXPENSES AT THE END OF THE THREE-MONTH INITIAL PHASE OR BY THE TIME YOUR ADDITIONAL FUNDS HAVE BEEN COMPLETELY EXPENDED. We make no projections or estimate of the amount of additional funds you may need for the operation of your Franchise beyond the initial phase.

You should review these estimates with your business advisors before you decide to purchase the franchise or to make any expenditure.

Item 8
RESTRICTIONS ON SOURCES OF PRODUCTS & SERVICES

Products, Equipment and Services

We will lend to you a copy of our Operations Manual at the mandatory training program described in Section 11, below. The Operations Manual may be provided through password protected intranet access. We may amend the Operations Manual, including changes that may affect minimum requirements for your franchise operations. You will strictly follow the requirements of the Operations Manual as we amend it. You will carry out immediately all changes at your cost, unless we otherwise specify. We reasonably may designate minimum standards for operations and designate guidelines, as specified in the Operations Manual. The Operations Manual is confidential and our exclusive property.

The Operations Manual contains the Ululani's Hawaiian Shave Ice System and related specifications, which may include standards, build-out and furnishing requirements, operating procedures, accounting and bookkeeping methods, marketing programs and ideas, advertising layouts, advertising guidelines, operation requirements, public relations guidelines, service guidelines and other rules that we may prescribe.

We may designate a single supplier (including us and/or our affiliates) or exclusive suppliers for any products or services and may approve a supplier only as to certain products or services.

Specific Requirements for Supplies and Suppliers

We may require you to purchase advertising materials and all other items that bear the Ululani's Hawaiian Shave Ice names or logos from us or designated or approved suppliers. You must purchase branded merchandise (such as t-shirts, hats, and gift items) from exclusively designated suppliers.

You must purchase your hardware and software for your point of sale system and financial accounting, merchant processing, database management, inventory tracking, and reporting software from suppliers we exclusively designate, which may include us or our affiliates. Notwithstanding the foregoing, if you operate a hotel and will locate the Franchise Premises within the hotel, then you may use any credit card program and accept any credit card for payment that is used at the hotel. You will not be required to accept credit cards that are not accepted for the hotel operation.

You must have an iPad; computer, keyboard and monitor; up-to-date Microsoft Office software; printer; scanner; router; modem; and high speed internet; all of which must comply with our specifications.

You must use merchant account provider(s) we exclusively designate.

You must purchase certain food items (including our proprietary shave ice syrups, purees, and sugar); certain small wares and supplies (including spoons, straws and cups); and certain equipment (including ice production machines and ice shaving machines) from exclusively designated suppliers, which may include us or our affiliates.

Your Franchise Premises build-out construction must meet our specifications. You must send us drawings for pre-approval.

You must purchase all other products and services for the operation of your franchise from approved suppliers, which may include us or our affiliates, unless otherwise provided in the Operations Manual. As of the issuance date of this disclosure document, you may acquire certain items from suppliers of your choosing (including your purchase or lease of the water filtration system and the purchase of napkins and certain small wares). However, you must always comply with our minimum standards and specifications.

The actual amount purchased may vary. The amount that you pay to any approved supplier is refundable only to the extent negotiated with such approved supplier.

All specifications that we require of you and lists of equipment and designated and approved suppliers will be included in the Operations Manual. We will upon request provide our minimum specifications to approved suppliers and suppliers seeking approval. We will use our best judgment to set and modify specifications to maintain the integrity and quality of our franchise system.

Notwithstanding the foregoing, if you currently operate a high quality full service food and beverage operation such as at a hotel, and will locate the Franchise Premises within the hotel, then except for specialty equipment strictly necessary to preserving the quality of the Ululani brand, including but not limited to the ice makers, ice shavers, syrup dispensing bottles, and water filtration systems, we will not withhold our approval for use of the equipment you would typically use for a food service operation at the hotel.

Seeking Approval of Alternate Suppliers

Except for products and services you must purchase from us or exclusively designated suppliers, with advance written notice, you may request our approval to obtain products, equipment, supplies or materials from sources that we have not previously approved. We may require you to give us sufficient information, photographs, drawings, samples, and other data to allow us to determine whether the items from these other sources meet our specifications and standards for any product that bears our Marks or is reflective of the quality standards for the franchise or is reflective of uniformity of products and services among outlets within our system (in our reasonable discretion). These specifications and standards will relate to quality, taste, durability, value, cleanliness, texture, composition, strength, finish and appearance, and the suppliers' capacity and facility to supply your needs in the quantities, at the times, and with the reliability necessary for efficient operation. We may require a Confidentiality and Non-Disclosure Agreement signed by the proposed supplier prior to release of any confidential information. We will not unreasonably withhold approval of a supplier you propose (unless we have previously designated a single supplier or exclusive suppliers for certain products or services). We will notify you in writing of the approval or disapproval of any supplier you propose within 30 days of our receipt from you of your written notice of request for approval.

We or our agents may inspect any approved manufacturer’s, supplier’s or distributor’s facilities and products to assure proper production, processing, packaging, storing, and transportation. If such inspection is made because a manufacturer, supplier or distributor has not been previously approved by us and you have requested such approval, then we will provide you with an estimate of the reasonable out of pocket costs and expenses we expect to incur in undertaking such inspection, and if thereafter you desire us to proceed with such inspection, then you will reimburse us for the costs and expenses incurred in making the inspection. Permission for inspection will be a condition of our continued approval of any manufacturer, supplier or distributor. If we find from any inspection that a manufacturer, supplier or distributor fails to meet our specifications and standards, we will give written notice describing this failure to you and to the manufacturer, supplier or distributor, with a notice that unless the failure or deficiency is corrected within 30 days, the manufacturer, supplier or distributor will no longer be approved.

Deriving Revenue; Supplier Rebates

We estimate that purchases from us, our affiliates or approved suppliers will be from 35% to 55% of the total purchases you make to establish your franchise.

We estimate that purchases from us, our affiliates or approved suppliers will be from 35% to 55% of the total purchases you make to operate your franchise.

We and our affiliate may derive revenue from providing products and services directly to our franchisees. During our last fiscal year, we received such revenue in the amount of $0 (which was 0% of our total revenue). During our last fiscal year, our affiliate received such revenue in the amount of $0 (which was 0% of our affiliate's total revenue).

We and our affiliate may receive rebates, price adjustments, or discounts on products or services sold to our franchisees by recommended or approved suppliers. As of the Issuance Date of this Disclosure Document, we had not received any such rebates. However, we anticipate receiving rebates in the future from suppliers of the following items: ice-making equipment, ice-shaving machines and supplies, logo-related merchandise, shave ice cups, and cleaning tools. We anticipate that rebates will be based on franchisee purchases and will range from 3% to 10% of the purchase price.

Miscellaneous

There are no other obligations for you to purchase or lease according to specifications or from approved suppliers. Except as explained above, we have no required specifications, designated suppliers or approved suppliers for goods, services, or real estate related to your franchise business. Except as explained above, we will not derive revenue from your purchases or leases.

We currently provide material benefits to franchisees based on use of designated or approved sources including the right to renew your franchise rights and to obtain additional franchises.

We intend to negotiate purchase arrangements with suppliers, including price terms, for the benefit of our franchisees. We have not yet entered into any formal purchasing or distribution cooperatives related to our franchise system, but we reserve the right to do so. In the future, we hope to create and augment the effectiveness of cooperatives for the purchase of materials and the provision of advertising, for the benefit of the Ululani's Hawaiian Shave Ice franchise system.

You may not sell any products, services or activities other than those specifically recognized and approved by us as part of our franchise system without our prior written approval.

You are required to follow our customer service and warranty requirements outlined in the Operations Manual.

Insurance

You must maintain at your own expense the insurance coverage that we periodically require from acceptable underwriters and brokers we have approved. Insurance policies are subject to our approval. Our requirements for insurance coverage are in the franchise agreements and our Operations Manual.

Item 9
FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	**SECTION IN FRANCHISE AGREEMENT ("FA")**	**DISCLOSURE DOCUMENT ITEM**
a. Site selection and acquisition or lease	FA Section 1.1, 1.2, 1.3, 4.2 & Exhibit 2	Items 5, 6, 12, 14 & 17
b. Pre-opening purchases and leases	FA Sections 4.1, 5.1 & 8.2	Items 7, 8 & 11
c. Site development and other pre-opening requirements	FA Sections 1.3, 1.4, 3.1, 4.1 & 5.1	Items 5, 7, 8 & 12
d. Initial and ongoing training	FA Sections 3.1, 3.2 & 3.3	Items 5, 6, 7 & 11
e. Opening	FA Sections 4.1 and 5.1	Item 11
f. Fees	FA Sections 2, 6.1, 6.3.3, 7.1 & Exhibit 4	Items 5, 6, 11 & 17
g. Compliance with standards & policies/Operations Manual	FA Sections 5 & 6.3, 9.8-E	Items 11 & 17
h. Trademarks and proprietary information	FA Sections 1.1, 1.7-A, 5.1, 5.3, 5.4, 5.5, 5.6, 5.8, 5.9, 6.5, 9.2 & 9.10	Items 12, 13, 14, 17 & 19
i. Restrictions on products and services offered	FA Sections 1.1, 1.2, 2.6 F-7, 5.1, 5.2, 5.3, 5.4, 5.5, 5.8, 5.9, 6.3 & 6.5	Items 8, 12, 13, 16 & 17
j. Warranty and customer service requirements	FA Sections 5.1, 5.2, 5.5 & 5.14	Item 11
k. Territorial development and sales quotas	FA Section 1 & Exhibit 4	Items 7 & 12
l. Ongoing product & service purchases	FA Sections 2.11, 5.1, 5.2, 5.5, 5.10, 5.13, 8.2 & 9.14-K	Items 7 & 8
m. Maintenance, appearance and remodeling requirements	FA Sections 1.4, 1.5, 5.1, 5.2, 5.5 & 6.5	Items 7, 11 & 17
n. Insurance	FA Section 8.2	Items 7 & 8
o. Advertising	FA Sections 2.5, 5.1, 5.2, 5.3, 5.4, 5.5 & 6.5	Items 9 & 11
p. Indemnification	FA Sections 6.7, 7.1-D & 8.1	Item 6

OBLIGATION	**SECTION IN FRANCHISE AGREEMENT ("FA")**	**DISCLOSURE DOCUMENT ITEM**
q. Owner's participation/ management/ staffing	FA Sections 2.11, 3, 4.1, 5, 6.5, 6.8, 7, 9.3, 9.10, 9.12 & 9.14	Items 11, 15 & 17
r. Records and reports	FA Sections 2.9, 2.10, 5.1, 5.2 & 5.5	Items 6, 11 & 17
s. Inspections and audits	FA Sections 2.10, 5.1, 5.2 & 5.5	Items 6, 11 & 17
t. Transfer	FA Section 7	Items 5 & 17
u. Renewal	FA Section 6.1	Item 17
v. Post-termination obligations	FA Sections 2.6 F-8, 5.8, 5.9, 6.5, 6.6, 6.8, 9.6, 9.9 & 9.10	Item 17
w. Non-competition covenants	FA Sections 5.8, 5.9, 6.5, 6.6, 6.8, 9.9, 9.10	Item 17
x. Dispute resolution	FA Sections 9.7 & 9.8	Item 17

Item 10
FINANCING

Except for installment payments described in Item 5 of this disclosure document, we do not provide direct or indirect financing and do not assist in providing financing for you. We do not guarantee any notes or financial obligations you may incur in setting up and operating your franchise.

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

Except as listed below, we are not required to provide you with any assistance.

Pre-Opening Obligations

Before you open your franchise, we will:

1) Designate your Franchise Territory in the Franchise Agreement before the Franchise Agreement is executed. (Franchise Agreement, Section 1.1) The exact determination of the Franchise Territory will depend upon your approval and our market analysis, market penetration plans and franchise placement strategies. Among the factors we consider to determine the feasibility of possible franchise territories are population demographics and other businesses in the area pursuant to census and chamber of commerce information.
2) Approve or disapprove of proposed sites for the Franchise Premises and the lease(s) for the Franchise Premises. (Franchise Agreement, Section 1.3).

3) If requested, we may choose to provide reasonable advice and input related to your selection of a site(s) for the Franchise Premises. You will pay for all our reasonable expenses related to any such requested services, including our travel and lodging expenses. Our rendering such services is based upon our availability. (Franchise Agreement, Section 1.3).
4) Provide initial orientation and training to you and your designated manager(s). (Franchise Agreement, Section 3.1).
5) Loan you a copy of the confidential Operations Manual. (Franchise Agreement, Section 5.1).
6) Give you a list of approved or designated suppliers. (Franchise Agreement, Section 5.1)

Time to Open

The typical length of time between the signing of the Franchise Agreement or first payment of consideration for the Franchise and the opening of the Franchise for business is about 90 to 120 days. You must commence business operations within 120 days of effective date of the Franchise Agreement. The store opening deadlines are revised if you purchase multiple franchises simultaneously. (See Exhibit 4 to

Franchise Agreement). If you fail to meet this opening deadline, then we may terminate the Franchise Agreement upon refunding 50% of the Initial Franchise Fee.

Operations Manual Table of Contents

The Operations Manual is confidential and remains our property. It contains mandatory and suggested specifications, standards and procedures. We may modify the Operations Manual, but the modifications will not alter your basic status and rights under the franchise agreement. The revisions may include advancements and developments in services, supplies, equipment, sales, marketing, operational techniques, and other items and procedures used for the operation of the franchise. As of the date of this disclosure document, the current version of the Operations Manual consists of approximately 55 pages. The Table of Contents is found in Exhibit I.

Mandatory Initial Training

Before you commence your franchised business operations, we will provide you a mandatory initial training program that lasts approximately seven to ten days. The initial training program is held at our headquarters (currently in Kahului, Hawaii). (Franchise Agreement, Section 3.1). The initial training program is included in the Initial Franchise Fee. Accommodations, travel, room, board, and wage expenses for any of your personnel during this period are borne by you. If the franchise is managed by any persons other than you, you must notify us of the identity of the manager(s). The training program must be completed by all franchisees and their designated manager(s) (if any) unless, at our reasonable discretion, based upon a franchisee's or a designated manager's experience, it is deemed unnecessary.

As of the date of this disclosure document, the current agenda for the training includes:

INITIAL TRAINING PROGRAM

Subject	***Hours Of Class Room Training***	***Hours Of On The Job Training***	***Location***
Shop lay out and operating efficiency, POS operation	*4*	*8*	*Our Headquarters (currently in Kahului, Hawaii)*
Ice equipment set-up, trouble shooting, simple repair, and maintenance	*4*		
Ice production and storage and syrup and topping preparation	*4*	*6*	
Ice shaving, syrup pouring, making Ululani's shave ice	*8*	*32*	
Daily shop opening and closing	*4*	*6*	
Customer care and management	*4*	*4*	
Reporting, inventory management, ordering	*4*	*2*	
Approximate Total	***32***	***58***	

** The Training Schedule may be amended.*

Our trainers are Charlotte “Ululani” Yamashiro, David Yamashiro, Bradly Edgerton, and Iris Lin. Their experience with the subjects taught and with the franchisor is described in Item 2 of this disclosure document.

Training is scheduled and held on an “as needed” basis depending on the number of franchisees requesting training in a particular time frame and the franchisor’s training personnel’s availability. The initial training program must be completed no later than two weeks before the scheduled date of the opening of the franchise.

You and any designated full-time manager must complete the initial mandatory training program to our reasonable satisfaction or we may terminate the Franchise Agreement upon refunding 75% of the Initial Franchise Fee we collected. You are encouraged to participate in the training session as soon as possible after executing the Franchise Agreement and before incurring any costs or expenses related to the opening of the Franchise. We will not be liable for your costs or expenses if we terminate the Franchise Agreement because you or the manager fails to complete the mandatory training to our reasonable satisfaction.

The initial training is included in the Initial Franchise Fee. However, you are responsible for all expenses you and your employees may incur to participate in the initial training, including wages or benefits.

We will offer the initial training program, and you and any designated manager must complete the course, no later than two weeks prior to opening the Franchise for business. You and any designated manager must complete initial training within 60 days of the date of the Franchise Agreement (subject to our availability).

If you desire to have more than three individuals receive initial training, these additional individuals will be accommodated at our convenience. We reserve the right to charge a reasonable fee for the provision of the training for these additional individuals.

We may at any time during initial training inform you that an individual attending training on your behalf is not suitable due to criminal activities, disruptive behavior or other reasons. Upon that notice, our obligations to train that individual will be deemed to have been discharged.

Grand Opening Assistance

One or more of our trainers will spend up to five days at your location before and in conjunction with the grand opening of your franchise. The expenses of this assistance are included in your Initial Franchise Fee. (Franchise Agreement, Section 3.4).

Our Obligations During the Operation of Your Franchise Business

After you open your franchise, we will:

1) At your option and upon not less than 30 days' prior written notice to us, you may receive additional training at our training center or at other agreed upon locations. This training is subject to our availability. All expenses of this training will be borne by you, including but not limited to your travel, lodging, meals, compensation, and our reasonable costs and expenses including a reasonable training fee at our then-current rates. The duration of training is negotiable depending upon your needs. You will not receive any compensation for services rendered by the trainee during this or any other training. (Franchise Agreement, Section 3.2).

2) We may provide refresher training programs or seminars and may require that you or your managers attend and complete them to our satisfaction. These programs and seminars will be held at locations we designate and will be provided without charge to you. These programs and seminars may be held be on the internet or intranet. You will be exclusively responsible for paying all travel, living and other expenses and compensation of attending these programs and seminars (if applicable). We will not require you to participate in more than 40 hours of such trainings during any calendar year. (Franchise Agreement, Section 3.3).
3) We may require you to participate in additional training at our then-current training fees if you fail to comply with any material requirement in your Franchise Agreement or our Operations Manual (or other written standards and specifications) or if we deem, in our discretion, that such training is needed based on your sales performance. (Franchise Agreement, Section 3.3).
4) Administer our advertising program and formulate and conduct national and regional promotion programs. (Franchise Agreement, Section 2).
5) In our discretion, we may inspect the Franchise and conduct activities to ensure compliance with the terms of the Franchise Agreement and Operations Manual to assure consistent quality and service throughout our franchise system. (Franchise Agreement, Sections 2.11 and 5).
6) In our discretion, we may inspect the facilities of your manufacturers, suppliers and distributors and notify you and the manufacturers, suppliers, and distributors in writing of any failure to meet our specifications and standards. (Franchise Agreement, Sections 2.11 and 5).
7) We may provide other supervision, assistance or services although we are not bound by the Franchise Agreement or any related agreement to do so. These may include, among other things, advertising materials, literature, additional assistance in training, promotional materials, bulletins on new products or services, and new sales and marketing developments and techniques.

Advertising

Currently we may promote our franchises through print, internet (including social media marketing), and public relations. This may be done locally and regionally through advertising cooperatives. We may use in-house advertising departments and may use regional or national advertising agencies. We may provide to you advertising materials and point of sales aids for you to use in your local advertising and promotional efforts.

Advertising Funds

We will administer the funds we receive for Advertising Fees (if applicable) and direct all regional and national advertising programs with sole discretion over the creative ideas, materials, endorsements, placement and allocation of overhead expenses. We may promote our franchises through any medium we choose, such as print, internet (including website and social media) and public relations. We may use in-house advertising departments and may use regional or national advertising agencies.

We may use the Advertising Fees to maintain, administer, direct, prepare, and review national, regional, or local advertising materials and programs and public relations efforts, as we, in our sole discretion, deem proper. We are under no obligation to administer the use of Advertising Fees to ensure that expenditures are proportionate to contributions of franchisees for any given market area or that any franchise benefits directly or proportionately from the development or placement of advertising. We shall not be obligated to expend all or any part of the Fees we receive during any specific period. (Franchise Agreement, Section 2.6)

Our company or affiliate-owned Ululani's Hawaiian Shave Ice operations offering products and services similar to our franchisees do not make advertising fee contributions to the advertising fund.

Any Advertising Fees not used in the fiscal year in which they were contributed will be applied and used for advertising and marketing expenses in the following year.

Summary of Advertising Fee Contributions and Expenses for Fiscal Year 2016

Expenses:	Corporate overhead	$0	0%
	Production of commercials and market research	$0	0%
	Market level advertising	$0	0%
Total expenses:		**$0**	**100%**
Advertising fund contributions:		$0	100%
Excess of expenses over contributions:		$0	0%

The Advertising Fees are administered by us. The Advertising Fees are not audited. You may obtain an accounting of the Advertising Fees and expenditures upon written request to us.

While advertising materials may note that franchises are available from us, no advertising fees or assessments we collect form our franchisees are used for advertising that is principally a solicitation for the sale of franchises.

Notwithstanding the foregoing, if you operate a hotel and will locate the Franchise Premises within the hotel, then you will not be required to pay Advertising Fees to an advertising fund.

Promotional Materials / Webpage / Social Media Marketing

You will submit to us all advertising copy and other advertising and promotional materials before you use them in your local advertising program. You will not use any advertising copy or other promotional material until we approve it. You specifically acknowledge and agree that any web site will be deemed "advertising" under this Agreement and will be subject to (among other things) our approval and restrictions and requirements outlined in the Operations Manual. We will allow you to establish a webpage as part of our website subject to our prior approval of its content and format. (The term "web site" means an interactive electronic document, contained in a network of computers linked by communications software that you operate or authorize others to operate and that refers to the franchised business, proprietary marks, us or the Method of Operation. The term web site includes, but is not limited to, Internet and World Wide Web home pages.)

Your use of social media internet marketing to promote your franchise must be in strict compliance with our standards as outlined in our Operations Manual. We reserve the right to require you to get our prior approval of any social media internet marketing (including in respect to proposed venues and content).

Notwithstanding the foregoing, if you operate a hotel and will locate the Franchise Premises within the hotel, then the portions of your hotel website(s) that are unrelated to the franchise or the display of our Marks will not be subject to our approval.

Advertising Cooperatives

We have the power to require cooperatives to be formed, changed, dissolved, or merged. We may designate local, regional or national advertising coverage areas to develop cooperative local or regional advertising and promotional programs. We will promptly notify you and our other franchisees, of the establishment, modification and geographical boundaries of regional advertising regions. We may require all franchisees located within each geographic region to meet periodically for the purpose of creating and establishing regional advertising programs. Each franchise and each operation we, our parent, or our affiliates own and operate will be entitled to one vote at these meetings. For the purpose of this subsection, each operation we own will be deemed to be a franchise.

If at any meeting of the franchisees in an advertising region, 75% of the franchisees vote to contribute to a regional advertising program, all franchisees within that region will be obligated to make a contribution to a regional advertising fund in the amount established by the vote (the "Regional Advertising Fund"). No advertising region may require any franchisee in that region to make a contribution to a Regional Advertising Fund in excess of 2% of that franchisee's Gross Revenue. "Advertising coverage area" is defined as the area covered by a particular advertising medium (television, radio, or other medium) as recognized in the industry. At the time a cooperative local or regional advertising or promotional program is developed, we will provide to you a list of all open Ululani’s Hawaiian Shave Ice franchises within your advertising coverage area.

We will administer each Regional Advertising Fund in the same manner and upon the same terms and conditions as the Advertising Fee (if applicable) outlined in this Item 11. (Franchise Agreement, Section 2.5). There are no other written governing documents that govern any cooperative advertising program. No Regional Advertising Fund will be audited. However, we will prepare annual financial statements that you may obtain upon written request to us.

Your contributions must be paid to the cooperative administrator we designate, when and in the same manner as the Royalty Fee and Advertising Fee (if applicable) payments are paid to us. Please refer to Items 6, 8 and 9 for more information about our advertising programs.
Notwithstanding the foregoing, if you operate a hotel and will locate the Franchise Premises within the hotel, then you will cooperate with such regional advertising, marketing and promotional programs, but will not be required to contribute to an advertising fund for the same.

Computer Systems

We will require you to have computer equipment and systems that meet our specifications.

You must purchase certain point of sale software and hardware and financial accounting, merchant processing, database management, inventory tracking, and reporting software from suppliers we exclusively designate.

We also require you to use specific financial accounting software (approximately $25 to $30 per month) that we designate.

You must lease, purchase or otherwise acquire, from sources of your choice and at your expense, other software and hardware that strictly conforms to our specifications. You must have an iPad, computer, keyboard and monitor; up-to-date Microsoft Office software; printer; scanner; router; modem; and high speed internet; all of which must comply with our specifications.

We will give you at least 30 days' written notice, describing the hardware, software, and upgrading requirements of the system before you are obligated to initially install the computer systems. If you do not already have the computer systems that we require before you purchase a franchise, the estimated cost of purchasing the computer systems that we require is approximately $5,200 to $7,200.

If we require, you must record and transmit all financial information using our designated systems and our designated ISP or other communication vendors. We may at our discretion change standards for reporting to provide effective technology for the entire system. We will have full ability to poll your data, computer system and related information by means of direct access whether in person or by electronic means. We will have independent access to the information that will be generated and stored in your information processing and communication system. We will have access to all of your data and there will be no contractual limitation on our right to access your information or data.

Neither we nor our affiliates will have any obligation to provide any ongoing maintenance, repairs, upgrades or updates related to your computer software and hardware. However, you must upgrade or update your computer hardware and software as we may direct during the term of the franchise agreement. There are no contractual limitations on the frequency and cost of this obligation. We estimate that these updates or upgrades will be approximately $0 to $350 per year.

Notwithstanding the foregoing, if you operate a hotel and will locate the Franchise Premises within the hotel, then we may review and approve your point of sale system before you sign the Franchise Agreement.

Item 12
TERRITORY

Franchise Premises and Protected Territory

You will operate your Franchise from a location approved by us (the "Franchise Premises") and will be given a specific territory for each franchised business (the "Franchise Territory" or "Territory"). Ordinarily, the Franchise Territory will be based on a mileage radius from your Franchise Premises based on driving miles using software we select in our reasonable discretion. Franchise territories for our franchisees may vary in size and dimensions based on various factors, including population density; population demographics (including whether a franchise services primarily a local population or a tourist population); growth trends; traffic flow; affluence of nearby population; topography; and geography. For a suburban area, we anticipate a Franchise Territory with a radius of approximately five driving miles from the Franchise Premises, and for an urban area, we anticipate a Franchise Territory with a radius of approximately 3/4 driving mile from the Franchise Premises.

The exact description of your Franchise Territory will be indicated in Exhibit 1 of the Franchise Agreement. We will designate your Franchise Territory when you sign the Franchise Agreement if you have found a Franchise Premises that is approved by us before you sign the Franchise Agreement. Otherwise, the Franchise Territory will be designated upon our approval of your Franchise Premises.

Except as provided in the paragraphs under the heading "Our Use of the Service Marks and Ululani's Hawaiian Shave Ice Products and Services", below, so long as the Franchise Agreement is in force and you are not in default in any material provision of the Agreement, we will not establish or allow others to establish an Ululani's Hawaiian Shave Ice shop located within your Franchise Territory or any retail storefront, food truck, kiosk or cart operation using any of our authorized products within the Franchise Territory. You may not establish or operate any other Ululani's Hawaiian Shave Ice establishment without signing a separate franchise agreement for that facility.

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. However, as stated above, we will not place or authorize anyone else to place an Ululani's Hawaiian Shave Ice franchise shop location within your Franchise Territory.

Development Area

If you desire to purchase a protected area in which to develop your multiple franchises, then you may purchase a Development Area at the time you simultaneously purchase such franchises. We do not have a minimum Development Area size. The size and dimensions of the Development Area will be based on various factors, including population density in the Development Area; population demographics (including whether a franchise services primarily a local population or a tourist population); growth trends; traffic flow; affluence of nearby population; topography; and geography.

Upon the earlier of the opening of your last franchise or the deadline for opening your last franchise under your Development Schedule (described in Exhibit 4 to the Franchise Agreement), your rights with respect to the Development Area will automatically terminate. Thereafter, we and our affiliates will have the right to operate or grant to others the right to operate outlets within the Development Area. However, your Franchise Territory (defined above) for each of your operating franchises will remain in force.

Marketing and Providing Services

You may not establish or operate any other Ululani's Hawaiian Shave Ice establishment without signing a separate franchise agreement for that facility. You may operate only one Franchise in your Franchise Territory. You may not use alternative distribution channels to make sales outside or inside your Franchise Territory, except as otherwise allowed by us in the Operations Manual.

Except with our prior written permission, you may not do business, operate or place advertisements using our trade names or service marks in or originating from any area other than the Franchise Territory. This includes, but is not limited to, internet, catalog sales, telemarketing or other direct marketing. You may not advertise in any media whose primary circulation is outside the Franchise Territory, except with our prior written permission and the prior written consent of any of our franchisees whose territory is reached by that media. Notwithstanding the foregoing, if you operate a hotel and will locate the Franchise Premises within the hotel, then you may market and advertise the Franchise and Franchise location together with marketing and advertising material for the hotel wherever the hotel marketing and advertising is originated or distributed within or outside of the Franchise Territory.

All Internet marketing is part of our marketing programs described in the Operations Manual and defined in the Franchise Agreement, and must be coordinated through us and approved by us. You may not acquire an independent Internet domain name or web site.

Relocation

You must receive our written permission before you relocate your franchise. Any relocation will be at your sole expense. You must satisfy our then-current franchise placement and demographics criteria, as expressed in the Operations Manual.

First Right of Purchase and Right of First Refusal

You do not receive the right and you have no options, rights of first refusal or similar rights to acquire additional franchises or grant sub franchises within the Franchise Territory or in contiguous territories.

Our Use of the Service Marks and Ululani's Hawaiian Shave Ice Products and Services

We retain all rights not specifically granted to you in the Franchise Agreement. This includes our right to use or license the use of our service marks and trademarks or any other trademarks or service marks. Neither we nor our affiliates are restricted from participating in other distribution methods, whether or not within your Franchise Territory, under marks and product or service configurations different than those offered through your franchise. We will have no obligation to compensate you for any such sales made within your Franchise Territory.

For example, we may place Ululani's Hawaiian Shave Ice establishments in airports, stadiums, and similar limited access environments in your Franchise Territory and regardless of the location of other Ululani's Hawaiian Shave Ice operations. We may place present and future Ululani's Hawaiian Shave Ice products (such as shave ice syrup) for sale in grocery stores and food markets at any location, whether or not within the Franchise Territory. We may offer branded merchandise (such as apparel and gift items) within the Franchise Territory, including through online sales.

Except for the business operations of our affiliate, Ululani's Hawaiian Shave Ice, LLC (see Item 1) we have not established other franchises or company-owned outlets selling similar products or services under a different trademark. We are not contractually restricted from doing so.

We may purchase or be purchased by, or merge or combine with, competing businesses, wherever located.

Item 13
TRADEMARKS

Our affiliate registered our principal "Ululani's Hawaiian Shave Ice" mark on the Principal Register of the U.S. Patent and Trademark Office ("USPTO") as follows:

Mark:	Ululani's Hawaiian Shave Ice (standard characters)
Registration Number:	3736157
Registration Date:	January 12, 2010

Our Affiliate assigned the registration to our Parent on January 1, 2016. We signed a license agreement (the "License Agreement") with our Parent dated January 1, 2016 for the license right to use, and to grant to our franchisees the right to use, the marks in our franchise system. The License Agreement is for 10-year renewable terms and may only be terminated for good cause. We do not anticipate any issue with your use of the marks stemming from the License Agreement because our Parent's owners are officers of ours.

We applied to register the following mark on the Principal Register of the USPTO:

Mark:	Ululani's Hawaiian Shave Ice (words plus design)
Application Serial Number:	86812423
Application Date:	November 6, 2015

We and our Parent and Affiliate also claim common law rights to the **"Ululani's Hawaiian Shave Ice"** names and all related marks, logos, designs, trade dress, and slogans, including without limitation the following logo:

We will allow you to use these and all other trade names, trademarks, service marks, and logos we now own or may in the future develop for our franchise system.

All goodwill associated with the trademarks, including any goodwill that might be deemed to have arisen through your activities, will accrue directly and exclusively to our benefit (or the benefit of our Parent), except as otherwise provided by applicable law.

You will immediately notify us of any infringement of, or challenge to, your use of the trademarks or any marks identical to or confusingly similar to the trademarks, including any claims of infringement or unfair competition, when you learn of the same. While we will make reasonable efforts to protect your rights to use the trademarks, we will have sole discretion to take or not to take action, as we deem appropriate. If we undertake the defense or prosecution of any litigation or administrative action involving you or any litigation or administrative action involving the trademarks, you agree to execute any and all documents and to do all acts and things that in the opinion of our counsel are reasonably necessary or advisable to carry out the defense or prosecution. The Franchise Agreement does not require us to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the trademarks or if the proceeding is resolved unfavorably to you.
We may change or discontinue any part of the trademarks at any time in our sole discretion. You will modify or discontinue use of any franchise names or trademarks, or will use one or more substitute names or marks, if we so direct in writing at any time. Under no circumstances will we be liable to you for any damages, costs, losses, rights, or detriments related to any modification, discontinuance, or substitution. All obligations or requirements imposed upon you relating to the trademarks will apply with equal force to any modified or substituted names or marks.

There are no presently effective determinations of the USPTO, the trademark administrator of any state or any court, any pending interference, opposition or cancellation proceeding and any pending material litigation involving the trademarks in any state.

Our Affiliate entered into a Settlement and Coexistence Agreement with Ululani Coffee Company, Inc. in October 2009. The parties agreed that our Affiliate may use the mark "Ululani's Hawaiian Shave Ice" in conjunction with the shave ice cone logo and pursuant to the sale of shave ice. Other than the Settlement and Coexistence Agreement and License Agreement, there are no other currently effective agreements that significantly limit our rights to use or license the use of the marks listed in this Item 13 in a manner material to the franchise.

You must follow our rules when you use the trademarks. You may not use the trademarks in any manner we have not authorized in writing. You may not use or give others permission to use the trademarks, or any colorable imitation of them, combined with any other words or phrases.

Item 14
PATENTS, COPYRIGHT & PROPRIETARY INFORMATION

We intend to affix a statutory notice of copyright to our Operations Manual, to certain of our advertising materials, training materials, websites, proprietary software, and to all modifications and additions to them. There are no determinations, agreements, infringements or obligations currently affecting these notices or copyrights. You have no rights to the copyrighted material. You are granted the right and are required to use the copyrighted items only with your operation of the franchise during the term of your franchise agreement.

The Operations Manual is described in Item 11. Although we have not filed applications for copyright registration, all copyrighted materials are our property. Item 11 describes limits on use of the copyrighted materials by you and your employees. You are only permitted to use our proprietary processes and systems in accordance with the Franchise Agreement and only as long as you are a franchisee. Your failure to comply with the confidentiality requirements of the Franchise Agreement may result in your payment of liquidated damages to us as specified in the Franchise Agreement. You must contact us immediately if you learn of any unauthorized use of our proprietary information. You must also agree to not contest our rights to, and interest in, our copyrights and other proprietary information.

We have no patents material to your franchise.

We claim proprietary rights to certain confidential information and trade secrets related to our business processes and supplier relationships that you will learn during training and through online tutorials. We consider such processes and modifications to be our trade secrets.

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

We strongly recommend that you (or one of your owners if you are a corporation or partnership), participate fully in the actual day-to-day operation of the franchise business at least for the first 30 days of operations. However, you may designate a manager to assume responsibility for day-to-day operations. Any managers you employ to help you to operate the franchise must successfully complete the mandatory training program described in Item 11. The manager is not required to have any equity interest in your franchise business entity. The manager and all of your owners must agree to be bound by the confidentiality and non-competition provisions of the franchise agreement.

Each of your owners must assume and agree to discharge all of your obligations under the franchise agreement.

Item 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require that you use, offer and sell only those products and services that we approve in writing. You must offer all products and services that we designate as required by our franchisees. We reserve the right, without limitation, to modify, delete and add to the authorized products and services.

Item 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This 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 Agreement ("FA")**	**Summary**
a. Length of the franchise term	FA Section 1.1	10 years
b. Renewal or extension of term	FA Section 6.1	If you are not in breach, you may renew the franchise for successive single periods that match any period of extension of your lease of the Franchise Premises (with 4-year minimum and 10-year maximum) for each renewal period.
c. Requirements for franchisee to renew or extend	FA Section 6.1	"Renewal" means that you, upon the expiration of the original term of the franchise agreement, have the right to enter into a new agreement according to our then-current franchise agreement forms that may have materially different terms and conditions than your original contract. You must give notice at least three and not more than 6 months before expiration of the initial term; faithfully perform under the initial agreement; refurbish the

Provision	**Section in Franchise Agreement ("FA")**	**Summary**
		Franchise and replace obsolete equipment; sign general release; sign a new agreement that may contain materially different terms and conditions from the original contract; reimburse us for our costs related to the renewal; and go through retraining (if needed). Upon renewal, the Franchise Territory may be modified and its geographic area may be reduced or expanded to meet our then-current franchise market penetration and demographic standards, though you will have the first option to open any other franchise location in the Franchise Territory.
d. Termination by franchisee	FA Section 6.2	Upon 30 days' notice for material breach by us. You may also terminate this Agreement upon 10 days' notice to us (a) if you do not exercise any option to extend the lease of the Franchise Premises; (b) if, despite your reasonable and diligent efforts to operate the Franchise, sales at the Franchise Premises do not exceed $250,000 for any period of 12 consecutive months; (c) we cease to have at least 5 total locations (including location(s) operated by you and company-owned, affiliate-owned, and/or franchisee-owned locations) operating under the Ululani name in the State of Hawaii; and (d) our principals, Charlotte Yamashiro, David Yamashiro, and Bradly Edgerton, cease to be our owners (directly or indirectly) or cease to be active in the management, operation

Provision	**Section in Franchise Agreement (“FA”)**	**Summary**
		and quality control of the Ululani franchise (except as a result of death or disability) during the first 5 years of your franchise operations under this Agreement. Post-termination covenants still apply.
e. Termination by franchisor without cause	None	
f. Termination by franchisor with cause	FA Section 6.3	We can terminate only if you default. Any material violation or breach of the Franchise Agreement is deemed a material breach of any other franchise or other agreement between you and us. The non-breaching party then will be entitled to enforce the penalties of or to terminate the Franchise Agreement and any relevant addenda and any or all of such other franchise agreements.
g. "Cause" defined – curable defaults	FA Section 6.3(A)	You have 30 days to cure any default not listed in Section 6.3.
h. "Cause" defined – non-curable defaults	FA Section 6.3(B)	Bankruptcy and insolvency, abandonment, repeated default, misrepresentations, levy of execution, criminal conviction, noncompliance with laws, non-payment of fees, repeated under reporting of sales, disclosure of confidential information, and other defaults described in FA Section 6.3(B).
i. Franchisee’s obligations on termination or nonrenewal.	FA Section 6.5 & 6.8	De-identification, return of manuals, release of phone numbers and listings, de-identification of your franchise equipment and premises,

Provision	**Section in Franchise Agreement ("FA")**	**Summary**
		payment of sums owed, confidentiality, and non-competition.
j. Assignment of contract by franchisor	FA Section 7.1	There are no restrictions on our right to transfer.
k. "Transfer" by franchisee – defined	FA Section 7.1	Restrictions apply if you sell, transfer, assign, encumber, give, lease, or sublease (collectively called "transfer") the whole or any part of: the franchise agreement, substantial assets of the franchise, or ownership or control of you.
l. Franchisor's approval of transfer by franchisee	FA Section 7.1	We have the right to approve all transfers.
m. Conditions for franchisor approval of transfer	FA Section 7.1	The transferee must qualify as a franchisee, assume your obligations, and successfully pay for and complete the mandatory training. You may not be in default, must release us, and you or the transferee must pay the Transfer Fee. Exceptions apply if you operate a hotel and will locate the Franchise Premises within the hotel.
n. Franchisor's right of first refusal to acquire franchisee's business	FA Section 7.3	If you receive an offer, we will have the right to purchase on the same terms and conditions as offered to you, 30-day notice and right to decide.
o. Franchisor's option to purchase franchisee's business	FA Section 7.3	You will give us the right of first purchase before soliciting offers from a third party if you choose to sell your franchise business. You agree to notify us in writing if you desire to sell or transfer any interest in you or in your franchised business. We

Provision	**Section in Franchise Agreement ("FA")**	**Summary**
		will elect to exercise our option to purchase within 30 business days after our receipt of your written notification and required information. If we offer you an amount that you do not agree to, you may try to sell to a third party. You are obligated before any transfer to a third party to comply with all criteria outlined in the paragraphs related to First Right of Refusal.
p. Death or Disability of franchisee	FA Section 7.2	Within 180 days, your heirs, beneficiaries, devisees or legal representatives may apply to continue to operate the franchise, or transfer Franchise interest.
q. Non-Competition Covenants During the Term of the Franchise	FA Sections 5.8 & 5.9	You may not disclose confidential information or compete.
r. Non-Competition Covenants After the Franchise is Terminated or Expires	FA Sections 5.9 & 6.8	No competition is allowed for 3 years within the Territory, within a 25-mile radius of the Territory, and within a 15-mile radius of any location where we operate or have granted the franchise to operate an Ululani's Hawaiian Shave Ice business in the State of Hawaii, and within a 25-mile radius of any location where we operate or have granted the franchise to operate an Ululani's Hawaiian Shave Ice business outside of the State of Hawaii.
s. Modification of the Agreement	FA Sections 5.5 and 9.7	We may modify the Operations Manual. Modifications to the language of the Franchise Agreement require the signed written agreement of the parties.

Provision	**Section in Franchise Agreement ("FA")**	**Summary**
t. Integration/Merger Clause	FA Sections 5.1, 5.5, & 9.7	Only the terms of the Franchise Agreement and Operations Manual are binding. Any other promises may not be enforceable. Nothing in the Franchise Agreement is intended to disclaim the representations we made in the franchise disclosure document that we delivered to you.
u. Dispute Resolution by Arbitration or Mediation	FA Section 9.8	Before taking any other legal action, the parties agree to mediate most types of disputes in Kahului, Hawaii.
v. Choice of Forum	FA Section 9.8	Mediation must be in Kahului, Hawaii and litigation must be in the Second Circuit Court of the State of Hawaii, in Kahului, Hawaii, or in the Federal District Court for the District of Hawaii, in Honolulu, Hawaii. Some states do not allow franchisees to give up their right to bring or defend lawsuits in the courts of their state. See the State Law Addendum to the Franchise Agreement and this Disclosure Document for state-specific addenda to this Item.
x. Choice of Law	FA Section 9.8	Hawaii law applies except as otherwise provided in the Franchise Agreement. See the State Law Addendum to the Franchise Agreement and this Disclosure Document for state-specific addenda to this Item.

See State and Provincial Law Addendum for disclosures related to specific states and provinces.

Item 18

PUBLIC FIGURES

No public figure is involved in our franchise program.

Item 19
FINANCIAL PERFORMANCE REPRESENATIONS

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 if the information is included in the Disclosure Document. Financial performance information that differs from that included in Item 19 may only be given 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 possible performance at a particular location or under particular circumstances.

A. Historical Gross Sales Data for Our Affiliate

The following representations are historical financial performance representations of our Affiliate's operations. The following table provides gross sales information for all six of our Affiliate's current locations from January 1, 2012 to December 31, 2016. As of the issuance date of this disclosure document, all of our Affiliate's location are in Maui County, Hawaii. There is no assurance that you will do as well, and you must accept the risk of not doing as well. The table does not include any financial performance information for any of our franchisees.

Ululani's Hawaiian Shave Ice, LLC

Location #1: 819 Front Street, Lahaina

Began operations December 2008

	2012 Gross Sales	2013 Gross Sales	2014 Gross Sales	2015 Gross Sales	2016 Gross Sales
Annual Gross Sales:	$369,590	$354,462	$349,585	$237,252	$157,381

Ululani's Hawaiian Shave Ice, LLC

Location #2: 333 Dairy Road, Kahului

Began operations December 2009

	2012 Gross Sales	2013 Gross Sales	2014 Gross Sales	2015 Gross Sales	2016 Gross Sales
Annual Gross Sales:	$181,449	$234,661	$276,308	$233,159	$158,582

Ululani's Hawaiian Shave Ice, LLC

Location #3: 790 Front Street, Lahaina

Began operations June 2011

	2012 Gross Sales	2013 Gross Sales	2014 Gross Sales	2015 Gross Sales	2016 Gross Sales
Annual Gross Sales:	$391,835	$531,082	$772,016	$862,037	$1,108,350

Ululani's Hawaiian Shave Ice, LLC

Location #4: 61 S. Kihei Road, Kihei

Began operations May 2012

	2012 Gross Sales	2013 Gross Sales	2014 Gross Sales	2015 Gross Sales	2016 Gross Sales
Annual Gross Sales:	$150,598*	$368,278	$530,117	$648,456	$735,216

** 8 months operation*

Ululani's Hawaiian Shave Ice, LLC

Location #5: 50 Maui Lani Parkway, Wailuku

Began operations December 2014

	2012 Gross Sales	2013 Gross Sales	2014 Gross Sales	2015 Gross Sales	2016 Gross Sales
Annual Gross Sales:	N/A	N/A	N/A	$313,446	$241,838

Ululani's Hawaiian Shave Ice, LLC

Location #6: 200 Nohea Kai Drive, Kaanapali

Began operations December 2014

	2012 Gross Sales	2013 Gross Sales	2014 Gross Sales	2015 Gross Sales	2016 Gross Sales
Annual Gross Sales:	N/A	N/A	N/A	$323,300	$378,982

B. Historical Income and Expenses Data for Our Affiliate

The following tables provides historical income and expense information for all six of our Affiliate's operations from January 1, 2012 to December 31, 2016. There is no assurance that you will do as well, and you must accept the risk of not doing as well. It should be noted that because Maui is an international tourist destination with a limited labor pool, the cost of labor may be considerably higher than many other areas of the United States. The tables do not include any financial performance information for any of our franchisees.

[TABLES APPEAR ON THE FOLLOWING PAGES.]

Ululani's Hawaiian Shave Ice
Income Statement by Location

	Poi Location					Market Place Location				
	120 sq foot kiosk location, closed 12/31/2016 due to Market Place Location in close proximity					600 sq foot free standing shop				
Income	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
Shave Ice Sales	369,590	354,462	349,585	237,252	158,150	391,835	531,082	772,016	862,037	1,079,880
Total Income	$369,590	$354,462	$349,585	$237,252	$158,150	$391,835	$531,082	$772,016	$862,037	$1,079,880
per sq ft sales	*$3,080*	*$2,954*	*$2,913*	*$1,977*	*$1,318*	*$653*	*$885*	*$1,287*	*$1,437*	*$1,800*
Cost of Goods Sold			(closed 148 days in 2015 and 180 in 2016)							
Syrup & Ice Cream	28,087	31,699	32,092	26,237	17,086	61,759	69,702	70,567	100,820	107,147
Dry Goods	6,249	6,367	7,253	7,447	3,301	12,741	12,982	14,789	29,194	23,168
Total Cost of Goods Sold	$34,335	$38,066	$39,345	$33,684	$20,387	$74,500	$82,684	$85,356	$130,014	$130,315
Gross Profit	$335,255	$316,396	$310,240	$203,568	$137,763	$317,335	$448,398	$686,660	$732,023	$949,565
	91%	89%	89%	86%	87%	81%	84%	89%	85%	88%
Expenses										
Payroll Totals										
Wages	72,278	95,495	101,264	37,683	27,123	143,931	190,165	201,655	211,274	232,373
Payroll Taxes	8,821	9,799	13,909	4,676	3,134	16,573	18,409	26,132	28,283	26,946
Employee Benefit*	344	140	434	1,020	457	20	8	683	3,412	3,318
Total Payroll	$81,443	$105,434	$115,607	$43,379	$30,715	$160,525	$208,583	$228,470	$242,970	$262,637
Rent	64,375	64,842	80,157	79,376	79,375	56,658	63,234	74,931	83,709	98,720
Insurance	2,703	2,664	1,695	657	587	3,616	3,564	2,268	2,386	3,910
Utilities		Included in Rent				7,162	21,768	19,350	25,325	12,354
Supplies	548	599	675	1,241	428	1,859	2,032	2,289	5,438	6,640
Repairs & Maintenance	590	1,182	741	3,538	97	2,768	5,545	3,479	5,276	2,910
Marketing	1,780	2,510	3,155	5,918	4,501	1,993	2,810	3,532	6,739	5,361
Credit Card Fees	2,196	1,356	2,487	2,568	1,535	6,194	3,825	7,015	10,314	12,245
Computer Expenses	763	1,383	2,125	314	42	786	1,425	2,190	427	306
General Expenses	111	315	363	1,278	1,199	840	2,380	2,746	2,168	1,785
Total Expenses	$154,509	$180,285	$207,006	$138,268	$118,479	$242,401	$315,167	$346,270	$384,751	$406,869
Net Ordinary Income	$180,746	$136,112	$103,234	$65,301	$19,284	$74,934	$133,231	$340,390	$347,272	$542,696
	49%	38%	30%	28%	12%	19%	25%	44%	40%	50%

* Health Insurance deducted from Employee Benefit because it required by law in Hawaii that employeer pay full amount less 1.5%.

* Depreciation and Amortization expense not included as it will vary based on build out cost and choice of depreciation schedule.

Ululani's Hawaiian Shave Ice
Income Statement by Location

	Dairy Road Location					Kihei Location				
	110 sq foot kiosk location					363 sq ft free standing location, open since May 2012.				
Income	2012	2013	2014	2015	2016	*2012	2013	2014	2015	2016
Shave Ice Sales	181,449	234,661	276,308	233,159	155,502	252,833	368,278	530,117	648,456	715,675
Total Income	$181,449	$234,661	$276,308	$233,159	$155,502	$252,833	$368,278	$530,117	$648,456	$715,675
per sq ft sales	*$1,650*	*$2,133*	*$2,512*	*$2,120*	*$1,414*	*$697*	*$1,015*	*$1,460*	*$1,786*	*$1,972*
Cost of Goods Sold					(closed 50 days in 2016)					
Syrup & Ice Cream	29,533	33,332	33,745	25,633	17,579	57,479	64,871	65,676	70,965	75,742
Dry Goods	4,726	4,816	5,486	7,121	4,651	9,062	9,234	10,520	20,275	14,292
Total Cost of Goods Sold	$34,259	$38,147	$39,231	$32,754	$22,230	$66,541	$74,105	$76,196	$91,241	$90,033
Gross Profit	$147,190	$196,514	$237,077	$200,404	$133,272	$186,292	$294,173	$453,921	$557,216	$625,641
	81%	84%	86%	86%	86%	74%	80%	86%	86%	87%
Expenses										
Payroll Totals										
Wages	62,822	83,002	88,017	80,900	72,081	97,634	128,996	136,790	156,640	161,870
Payroll Taxes	7,370	8,186	11,620	9,458	8,478	11,274	12,523	17,776	19,932	19,179
Employee Benefit*	9	4	308	291	505	0	4	327	2,528	1,202
Total Payroll	$70,201	$91,192	$99,945	$90,649	$81,063	$108,908	$141,523	$154,893	$179,100	$182,250
Rent	14,976	13,728	14,976	17,280	17,280	25,080	48,741	34,904	39,115	42,509
Insurance	1,348	1,329	846	645	587	4,099	4,040	2,571	1,795	2,542
Utilities	Included in Rent until 2016				2,267	6,316	19,196	17,064	14,533	14,035
Supplies	735	803	905	1,734	1,302	1,597	1,746	1,967	2,880	2,944
Repairs & Maintenance	33	65	41	896	712	1,361	2,726	1,711	3,333	1,759
Marketing	1,799	2,537	3,188	5,378	4,410	1,896	2,673	3,360	5,750	4,407
Credit Card Fees	2,148	1,326	2,432	2,358	1,852	3,870	2,390	4,383	6,707	7,174
Computer Expenses	669	1,212	1,862	593	0	662	1,200	1,843	889	14
General Expenses	98	278	321	770	1,011	345	976	1,126	817	850
Total Expenses	$92,006	$112,470	$124,516	$120,303	$110,484	$154,132	$225,211	$223,820	$254,920	$258,486
Net Ordinary Income	$55,184	$84,044	$112,561	$80,101	$22,788	$32,159	$68,962	$230,101	$302,296	$367,155
	30%	36%	41%	34%	15%	13%	19%	43%	47%	51%

* Health Insurance deducted from Employee Benefit because it required by law in Hawaii that employeer pay full amount less 1.5%.

* Depreciation and Amortization expense not included as it will vary based on build out cost and choice of depreciation schedule.

* 2012 Kihei extrapliated January through April to Annualized Figures as shop opened in May 2012.

Company Confidential

Printed on 3/17/2017

Ululani's Hawaiian Shave Ice

Income Statement by Location

	Maui Lani Location 445 sq ft free standing location, opened December 2014		Hyatt Location 140 sq foot kiosk location, opened December 2014	
Income	2015	2016	2015	2016
Shave Ice Sales	313,446	235,745	323,300	378,309
Total Income	$313,446	$235,745	$323,300	$378,309
per sq ft sales	*$704*	*$530*	*$2,309*	*$2,702*
Cost of Goods Sold				
Syrup & Ice Cream	38,242	32,250	29,473	28,187
Dry Goods	10,540	7,055	9,304	8,225
Total Cost of Goods Sold	$48,781	$39,305	$38,777	$36,413
Gross Profit	$264,665	$196,440	$284,522	$341,896
	84%	83%	88%	90%
Expenses				
Payroll Totals				
Wages	120,601	102,557	109,659	99,958
Payroll Taxes	14,119	12,262	12,376	11,317
Employee Benefit*	636	774	4,436	905
Total Payroll	$135,356	$115,593	$126,471	$112,179
Rent	51,703	57,027	37,339	45,583
Insurance	733	880	787	1,271
Utilities	8,220	13,379	2,413	2,463
Supplies	1,796	1,928	4,554	2,015
Repairs & Maintenance	621	2,855	2,478	2,524
Marketing	5,882	4,224	5,250	4,552
Credit Card Fees	3,837	2,707	2,042	2,300
Computer Expenses	438	0	54	0
General Expenses	5,975	1,430	1,196	1,451
Total Expenses	$214,561	$200,024	$182,584	$174,337
Net Ordinary Income	$50,104	($3,585)	$101,938	$167,559
	16%	-2%	32%	44%

* Health Insurance deducted from Employee Benefit because it required by law in Hawaii that employeer pay full amount less 1.5%.

* Depreciation and Amortization expense not included as it will vary based on build out cost and choice of depreciation schedule.

Company Confidential

Printed on 3/17/2017

Notes to Tables:

1. The above tables in Section A do not reflect any of the costs of sales, operating expenses or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. The tables in Section B represent typical ongoing costs, however these tables do not reflect all costs and expenses you may incur. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees, listed in the disclosure document (if any), may be one source of this information.

2. Characteristics of the included operations may differ substantially from your Franchise depending on your previous business and management experience, competition in your area, length of time that the included operations have operated as compared to your Franchise, and the services or goods sold through your Franchise as compared to the included operations. The sales, profits and earnings of an individual franchisee may vary greatly depending on these and a wide variety of other factors, including the location of the franchise territory, population demographics, economic and market conditions, labor and product costs, and other factors.

3. The income statements in Section B do not include some of the expenses that will be incurred by franchisees, such as the Monthly Royalty Fee and Monthly Advertising Fee (if applicable).

4. **A new franchisee's individual financial results may differ from the results stated in this financial performance representation.**

5. Some operations have sold the amounts disclosed in the above table. Your individual results may differ. There is no assurance you'll sell as much.

6. Written substantiation for this financial performance representation is available to you upon reasonable written request.

Item 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
SYSTEMWIDE OUTLET SUMMARY
For Fiscal Years Ending December 31, 2014, 2015 and 2016

Column 1 Outlet Type	**Column 2 Year**	**Column 3 Outlets at the Start of the Year**	**Column 4 Outlets at the End of the Year**	**Column 5 Net Change**
Franchised	2014	0	0	0
	2015	0	0	0
	2016	0	0	0
Company or Affiliate Owned*	2014	4	4	0
	2015	4	6	+2
	2016	6	6	0
Total Outlets	**2014**	**4**	**4**	**0**
	2015	**4**	**6**	**2**
	2016	**6**	**6**	**0**

* Owned and operated by our Affiliate, Ululani's Hawaiian Shave Ice, LLC

Table No. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(other than the Franchisor)
For Fiscal Years Ending
December 31, 2014, 2015 and 2016

Column 1 State	**Column 2 Year**	**Column 3 Number of Transfers**
All States	2014	0
	2015	0
	2016	0
Total	**2014**	**0**
	2015	**0**
	2016	**0**

Table No. 3
STATUS OF FRANCHISED OUTLETS
For Fiscal Years Ending
December 31, 2014, 2015 and 2016

Column 1 State	**Column 2 Year**	**Column 3 Outlets at the Start of the Year**	**Column 4 Outlets Opened**	**Column 5 Terminations**	**Column 6 Non-Renewals**	**Column 7 Reacquired by Franchisor**	**Column 8 Ceased Operations – Other Reasons**	**Column 9 Outlets at End of the Year**
Hawaii	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
All Other States	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
Total	**2014**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2015	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2016	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Table No. 4
STATUS OF COMPANY-OWNED OUTLETS*
For Fiscal Years Ending
December 31, 2014, 2015 and 2016

Column 1 State	**Column 2 Year**	**Column 3 Outlets at the Start of the Year**	**Column 4 Outlets Opened**	**Column 5 Outlets Reacquired from Franchisees**	**Column 6 Outlets Closed**	**Column 7 Outlets Sold to Franchisees**	**Column 8 Outlets at End of Year**
Hawaii*	2014	4	0	0	0	0	4
	2015	4	2	0	0	0	6
	2016	6	0	0	0	0	6
All Other States	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
Total	**2014**	**4**	**0**	**0**	**0**	**0**	**4**
	2015	**4**	**2**	**0**	**0**	**0**	**6**
	2016	**6**	**0**	**0**	**0**	**0**	**6**

* Owned and operated by our affiliate company Ululani’s Hawaiian Shave Ice, LLC

Table No. 5
PROJECTED OPENINGS
As of December 31, 2016

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlets in the Current Fiscal Year
Arizona	0	1	0
California	0	3	0
Florida	0	2	0
Hawaii	0	1	0
New Mexico	0	0	0
Nevada	0	2	0
Texas	0	5	0
TOTALS	**0**	**14**	**0**

* NOTE: These are projections of the number of new franchises we expect will open in the next fiscal year. It is, however, only a projection. The chart shows those states which we consider priority states, however, we do not plan to sell franchises in all of those states in the upcoming year. We continue to look for new franchisees throughout the United States and will open locations in any state in which we find qualified purchasers. Therefore, the actual number of new franchisees in any state that open in the next fiscal year could vary from the number described above.

The following is a complete listing of all of our current franchisees and the addresses and telephone numbers of all of their operations as of **December 31, 2016:**

Name	**Address**	**Phone**
N/A	N/A	N/A

The following is a complete listing of all of our current company-owned and affiliate-owned outlets and the addresses and telephone numbers of all of their operations as of **December 31, 2016:**

Name	**Address**	**Phone**
Ululani's Hawaiian Shave Ice, LLC	819 Front St. Lahaina, Hawaii 96761 (closed January 2017)	(808) 877-3700
	61 South Kihei Rd. Kehei, Hawaii 96753	
	790 Front St. Lahaina, Hawaii 96761	
	333 Dairy Rd. Kahului, Hawaii 96753	
	200 Nohea Kia Drive Kaanapali, Hawaii 96761	

Name	Address	Phone
	50 Maui Lani Parkway Unit E1 Wailuku, HI 96793	

Currently, we have no area developers or master franchisees.

No franchisee had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or has not communicated with us within 10 weeks of the date of this Disclosure Document.

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

During the last three fiscal years, we have not signed confidentiality clauses with any of our current or former franchisees, which restrict such franchisees from communicating with prospective franchisees concerning their experience in the franchise system. However, we may sign agreements with current and former franchisees that include confidentiality clauses that protect our intellectual property and our proprietary information. The confidentiality clauses in these agreements may also relate to specific negotiated franchise agreement terms and conditions.

We have not created, sponsored or endorsed any trademark-specific franchisee organization associated with the franchise system being offered.

No independent franchisee organizations have asked to be included in this disclosure document.

Item 21
FINANCIAL STATEMENTS

We have not been in business for three years or more and cannot include all of the financial statements otherwise required under this Item. Attached in Exhibit A to this Disclosure Document are our audited financial statements as of December 31, 2015 and December 31, 2016. Our fiscal year-end is December 31.

Item 22
CONTRACTS

The following agreements are exhibits:

1. Franchise Agreement (including State Law Addendum and other exhibits and schedules) - Exhibit B
2. Conditional Assignment of Telephone and Directory Listings - Exhibit D
3. Abandonment, Relinquishment, & Termination of Assumed Business Name - Exhibit E
4. Authorization for Electronic Funds Transfer - Exhibit F
5. Franchisee Closing Questionnaire - Exhibit G

The standard form release agreement that you will be required to sign in certain instances, such as for a transfer or renewal, is found in the section of the Franchise Agreement entitled "Other Agreements".

Item 23
RECEIPTS

Attached to this Disclosure Document are two Receipt pages. They are duplicates that evidence your receipt of this Disclosure Document – the first is to be retained by you, the other by us (Exhibit I).

EXHIBIT A to Ululani's Hawaiian Shave Ice Franchise Disclosure Document

FINANCIAL STATEMENTS

Audited Financial Statements

UHSI Franchise, LLC
(A Delaware Limited Liability Company)

Financial Statements

For the Year Ended December 31, 2016

Kawahara+Hu, LLC
CERTIFIED PUBLIC ACCOUNTANTS

USHI Franchise, LLC
Table of Contents
December 31, 2016

awahara+Hu, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors and Member of
UHSI Franchise, LLC
Kahului, Maui, Hawaii

We have audited the accompanying financial statements of UHSI Franchise, LLC (a Delaware Limited Liability Company), which comprise the balance sheet as of December 31, 2016, and the related statements of income, member's deficit, 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 audit. We conducted our audit 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 financial statements referred to above present fairly, in all material respects, the financial position of UHSI Franchise, LLC 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.

Kawahara + Hu, LLC

Kahului, Maui, Hawaii
March 30, 2017

UHSI Franchise, LLC
Balance Sheet
December 31, 2016

Assets				
Cash in Bank	$	4,902		
Total Assets			$	4,902
Liabilities and Member's Deficit				
Liabilities				
Due to Affiliate	$	13,316		
Member's Deficit		(8,414)		
Total Liabilities and Member's Deficit			$	4,902

See accompanying notes and independent auditor's report.

UHSI Franchise, LLC
Income Statement
For the Year Ended December 31, 2016

Revenue	$	-
Start-Up Costs		14,414
Net Loss	$	(14,414)

See accompanying notes and independent auditor's report.

UHSI Franchise, LLC
Statement of Member's Deficit
December 31, 2016

Member's Equity - Beginning	$	-
Net Loss		(14,414)
Member's Contribution		6,000
Member's Deficit - Ending	$	(8,414)

See accompanying notes and independent auditor's report.

UHSI Franchise, LLC
Statement of Cash Flows
For the Year Ended December 31, 2016

Cash Flows from Operating Activities:	
Net Loss	$ (14,414)
Net Cash Used by Operating Activities	(14,414)
Cash Flows from Financing Activities:	
Advances from Affiliate	13,316
Member's Contribution	6,000
Net Cash Provided by Financing Activities	19,316
Net Increase in Cash	4,902
Cash - Beginning	-
Cash - Ending	$ 4,902

See accompanying notes and independent auditor's report.

Note 1 - Nature of Operations and Organizational Structure

Nature of Operation

UHSI Franchise, LLC (the "Company") was organized in March 2015 under the laws of the State of Delaware for the purpose of developing and operating a franchising system, as franchisor, for a shaved ice business. The Company's headquarters is located in Kahului, Maui, Hawaii.

As of December 31, 2016, the Company had not commenced its franchising operation. All activities through December 31, 2016 were related to the Company's formation and the filing of its required registration statements with the Federal Trade Commission and various States including California, Florida, Hawaii, Texas and Washington.

Organizational Structure

The Company is a limited liability company with one single Member, UHSI International, LLC, a Delaware limited liability company headquartered in Kahului, Maui, Hawaii. As a limited liability company, members are not personally liable for company debts.

Profit and Loss Allocation

According to the Operating Agreement, net profit or loss from the operation is to be allocated 100% to the Member.

Capital Contribution

As of December 31, 2016, total capital contribution from UHSI International, LLC amounted to $6,000.

Cash Distribution

No cash distribution may be made to the Member if, after giving effect to the distribution in the judgment of the Member either (a) the Company would not be able to pay its debts as they become due in the ordinary course of business, or (2) the fair value of the total assets of the Company would not at least equal its total liabilities.

Subject to the foregoing limitation, the Company will make distribution to the Member in such amounts and such times as the Member determines.

No cash distribution was made for the year ended December 31, 2016.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements were prepared in conformity with generally accepted accounting principles in the United States ("US GAAP").

Method of Accounting

The Company uses the accrual method of accounting in accordance with accounting principles generally accepted in the United States. Under this method, revenues are recorded when earned and expenses are recorded when the obligation is incurred.

Management's Use of 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.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is probable. Revenue generally is recognized net of discounts and allowances for returns. For the year ended December 31, 2016, the Company did not generate any revenue.

Cost of Revenue

Cost of revenue includes product development costs, operating costs, and costs incurred to support and maintain products and services, as well as costs associated with the delivery of products and services.

Income Taxes

Federal and State income taxes are not payable by, or provided for, the Company. For income tax purposes, the Company is a disregarded entity and as such, does not file its own income tax return. The income tax return is filed by its sole Member, UHSI International, LLC. Accordingly, all tax effects of the Company's income or loss is to be passed through to the members of UHSI International, LLC.

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and cash in demand deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less. The Company has not experienced significant losses in such accounts and believes it is not exposed to significant risks on its cash in bank accounts.

Property and Equipment

Purchased property, furniture, fixtures and equipment will be carried and recorded at cost. Those that have a cost of over $1,500 and a useful life for a year or more will be capitalized. Depreciation will be computed using the straight-line method over the useful life of the asset. As of December 31, 2016, the Company did not have any fixed assets.

Start-Up Costs

Under FASB ASC 720-15 start-up costs are those costs that are defined as one-time activities related to opening a new business. Costs of start-up activities are referred to as preopening, pre-operating, organizational, and start-up costs which are expensed to operations as incurred. For the year ended December 31, 2016 start-up costs totaled $14,414.

Inventory

Inventories will be stated at the lower of cost or market determined by the weighted-average method. At December 31, 2016, the Company did not have any inventory.

Advertising

Advertising costs will be expensed when incurred. For the year ended December 31, 2016, the Company did not incur any advertising expenses.

Note 3 – Risks and Uncertainties

The Company is subject to risks from, among other things, competition associated with the industry in general, other risks associated with liquidity demand, government regulatory requirements, changing in customer requirements, changing in technology and economic conditions, and limited operating history.

In addition, the Company's activities are subject to risks and uncertainties including failing to file a Franchise Disclosure Document (FDD) designed to fulfill the requirements of the Federal Trade Commission Rule on Franchising, or failing to register or obtain exemption for the franchise offering in states that require registration or exemption.

Note 4 – Restatement of Member's Equity Beginning Balance

A short year audit was conducted for the period from April 8, 2015 to December 31, 2015. The Company was not in operation at the time but had incurred costs which were paid by its affiliate Ululani Hawaii Shave Ice, LLC. Such costs were subsequently reversed and recorded in 2016, resulting in the restatement of the Company's beginning member's equity to zero.

Note 5 – Related Party Transactions

Due to Affiliates consisted advances in the amount of $13,316 made by Ululani's Hawaiian Shave Ice, LLC, a company controlled by the members of UHSI International LLC, the Company's sole Member.

Note 6 – Management's Review of Subsequent Events

In preparing the financial statements, management has evaluated subsequent events and transactions for potential recognition or disclosure through March 30, 2017, the date the financial statements were available to be issued. Management has identified the following subsequent events, see Note 7.

Note 7 – Subsequent Events

1) The Company is currently in the process of updating FDD filings in the States of California, Florida, Hawaii, Texas and Washington.

2) The Company is in discussions with four prospective franchisees. Three are in California and are currently working on site selection. The Company expects to finalize California store locations in the coming months. The fourth prospective franchisee will be located at the Marriott King Kamehameha's Kona Beach Hotel in Kona, Hawaii. The Company is working with this prospective franchisee in finalizing tenant improvement/build-out.

UHSI Franchise, LLC

A Delaware Limited Liability Company

Audited Financial Statements

December 31, 2015

LEVIN & HU, LLP

CERTIFIED PUBLIC ACCOUNTANTS

77 Ho'okele Street, Third Floor, Kahului, Hawaii 96732
(808) 270-1077 Fax: (808) 270-1072

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LEVIN & HU
certified public accountants

Levin & Hu, LLP
Certified Public Accountants
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808-270-1072 fax
www.levinhu.com

To the Management
UHSI Franchise, LLC
Kahului, Maui, Hawaii

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of UHSI Franchise, LLC (a Delaware Limited Liability Company), which comprise the balance sheet as of December 31, 2015, and the related statements of operations and member's deficit and cash flows for the period from inception March 20, 2015 to December 31, 2015, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statement 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 audit. We conducted our audit 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 Company'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 Company'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 financial statements referred to above present fairly, in all material respects, the financial position of UHSI Franchise, LLC as of December 31, 2015, and the results of its operations and its cash flows for the period from inception March 20, 2015 to December 31, 2015 in accordance with accounting principles generally accepted in the United States of America.

Levin & Hu, LLP
Kahului, Maui, HI
June 9, 2016

Levin & Hu, LLP

UHSI Franchise, LLC
(A Delaware Limited Liability Company)
Balance Sheet
December 31, 2015

ASSETS		
Cash in Bank	$ -	
TOTAL ASSETS		$ -
LIABILITIES AND MEMBER'S DEFICIT		
Liabilities		
Due to Affiliate	$ 18,265	
Member's Deficit	(18,265)	
TOTAL LIABILITIES AND MEMBER'S DEFICIT		$ -

See accompanying notes and independent auditor's report.

UHSI Franchise, LLC
(A Delaware Limited Liability Company)
Statement of Operations and Member's Deficit
For the Period from Inception March 20, 2015 to December 31, 2015

Revenue		$ -
General and Administrative Expenses		
Legal and Professional	18,000	
Filing Fees	265	
Total General and Adminstrative Expenses		18,265
Net Loss		(18,265)
Beginning Member's Equity		-
Ending Member's Deficit		$ (18,265)

See accompanying notes and independent auditor's report.

UHSI Franchise, LLC
(A Delaware Limited Liability Company)
Statement of Cash Flows
For the Period from Inception March 20, 2015 to December 31, 2015

Cash Flows from Operating Activities:	
Net Loss	$ (18,265)
Net Cash Used by Operating Activities	(18,265)
Cash Flows from Financing Activities:	
Advances from Affiliates	18,265
Net Cash Provided by Financing Activities	18,265
Net Change in Cash	-
Cash at Beginning of the Period	-
Cash at End of the Period	$ -

See accompanying notes and independent auditor's report.

UHSI Franchise, LLC
(A Delaware Limited Liability Company)
Notes to Financial Statements
December 31, 2015

Note 1 - Nature of Operations and Company Organization

a. Nature of Operations

UHSI Franchise, LLC (a Delaware Limited Liability Company) was organized in March 2015 whose planned principal operations are to own and operate a franchise system, as franchisor, for a shave ice business. The Company's headquarters is located in Kahului, Maui, Hawaii.

At December 31, 2015 the Company had not yet commenced any operations. All activity from March 20, 2015 (date of inception) through December 31, 2015 relates to the Company's formation and the filing of its effective registration statement.

The Company's activities are subject to significant risks and uncertainties, including failing to draft a Franchise Disclosure Document (FDD) designed to fulfill the requirements of the Federal Trade Commission Rule on Franchising or failing to register or obtain exemption for the franchise offering in states that require registration or exemption.

b. Organization Structure

The Company consists of a single member, UHSI International, LLC which is a Delaware Limited Liability Company whose headquarters is located in Kahului, Maui, Hawaii.

c. Profit and Loss Allocation

According to the Operating Agreement, net profit or loss from the operation is to be allocated 100% to the Member.

d. Capital Contribution

As of December 31, 2015, no capital contributions were made.

UHSI Franchise, LLC
(A Delaware Limited Liability Company)
Notes to Financial Statements
December 31, 2015

Note 1 - Nature of Operations and Company Organization *continued*

e. Cash Distribution

No cash distribution may be made to the Member if, after giving effect to the distribution in the judgment of the Member either (a) the Company would not be able to pay its debts as they become due in the ordinary course of business, or (2) the fair value of the total assets of the Company would not at least equal its total liabilities.

Subject to the foregoing limitation, the Company will make distribution to the Member in such amounts and such times as the Member determines.

No cash distribution was made as of December 31, 2015.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying financial statement is prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

b. Use of 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 the 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. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined.

UHSI Franchise, LLC
(A Delaware Limited Liability Company)
Notes to Financial Statements
December 31, 2015

Note 2 - Summary of Significant Accounting Policies *continued*

c. Revenue Recognition

The Company's revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is probable. Revenue generally is recognized net of allowances for returns and any taxes collected from customers and subsequently remitted to governmental authorities.

For the period ended December 31, 2015, there were no sales.

d. Property and Equipment

Property and equipment, if any, will be stated at cost and depreciated using the straight-line method over the shorter of the estimated useful life of the asset or the lease term.

As of December 31, 2015, the Company has not acquired property or equipment.

e. Organization Costs

Organization costs, including legal fees, are expensed as incurred. Organization costs charged to operations totaled $18,265.

f. Federal and State Income Taxes

Federal and State income taxes are not payable by, or provided for, the Company. For income tax purposes, the Company is a disregarded entity of UHSI International LLC and does not file a separate income tax return. The members of UHSI International LLC are taxed on his/her share of Company earnings. Accordingly, all tax effects of the Company's income or loss will be passed through to the members of UHSI International LLC.

UHSI Franchise, LLC
(A Delaware Limited Liability Company)
Notes to Financial Statements
December 31, 2015

Note 3 - Related Party Transactions

a. *Due to Affiliate*

The payable to affiliate consists of advances made by Ululani's Hawaiian Shave Ice, LLC, a company controlled by the members of UHSI International LLC, the Company's sole member.

Note 4 - Disclosure of Evaluation of Subsequent Events

On March 31, 2016, the Member contributed the initial capital of $5,100. Additional capital contributions will be made from time to time in such amounts as the Member deems necessary.

EXHIBIT B to Ululani's Hawaiian Shave Ice Franchise Disclosure Document

FRANCHISE AGREEMENT

UHSI FRANCHISE, LLC

300 Hukilike Suite 2-i
Kahului, Hawaii 96732

(808) 877-3700

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F R A N C H I S E   A G R E E M E N T

THIS AGREEMENT has been entered this _____ day of ________________, 20_____. It is by and between **UHSI FRANCHISE, LLC**, a Delaware limited liability company, ("we, us") and ______________________________and __________________and ____________________ (jointly and severally "you").

RECITALS

For purposes of this Agreement “you” may include an individual, corporation, partnership, limited liability company or other legal entity. “You” includes any corporation, partnership, limited liability company, individual, combination of individuals, or other legal entity that owns a majority interest of you, or in which you own a majority interest. The term “you” will include all persons who succeed to your interest by transfer or by operation of law.

We have certain rights to, have registered in various jurisdictions, and intend to continue to develop names, trademarks, service marks, logos, commercial symbols, and styles. These include, but are not limited to, “ULULANI’S HAWAIIAN SHAVE ICE” and related logos (the “Service Marks”). We own valuable goodwill and have valuable expertise, confidential information, methods, procedures, techniques, uniform standards, operations manuals, inventory control guidelines, systems, layouts, merchandise, and materials. These are connected with the operation, promotion, and advertising of businesses that offer high quality shave ice and related products and services to the public under the Service Marks (the “Method of Operation”).

You desire us to train you and to authorize you to operate a high-caliber Ululani’s Hawaiian Shave Ice franchise and to use our Method of Operation and Service Marks. We are willing to grant you such a franchise on the terms and conditions set forth in this Agreement.

You acknowledge that this Agreement was accompanied by a Franchise Disclosure Document, which you received at the earlier of (1) the first personal meeting with us (in Maryland, New York and Rhode Island); or (2) 14 calendar days before signing any franchise or related agreement or making any payment with the franchisor or an affiliate in connection with the franchise sale (10 business days in Maryland, Michigan, New York, Rhode Island, Washington and Wisconsin).

In addition, you acknowledge either:

- receipt of this Agreement containing all substantive terms at the time of delivery of the Franchise Disclosure Document; or

- if we unilaterally or materially altered the terms and conditions of our standard franchise agreement or any related agreements attached to the Franchise Disclosure Document, you acknowledge that you received a complete and final copy of this Agreement and its exhibits not less than 7 calendar days before you signed this Agreement.

You have read this Agreement and our Franchise Disclosure Document. You understand and accept the terms, conditions and covenants contained in this Agreement. They are necessary to maintain our high standards of quality, service and uniformity at all franchises. They protect and preserve the goodwill of the Service Marks and the confidentiality and value of the Method of Operation.

You acknowledge that the terms of our prior franchise offerings may have materially differed from the terms of this Agreement.

You realize that entering into this Agreement will obligate you to operate your franchise in strict accordance and conformity with the standards, specifications and procedures as set forth in the Operations Manual that we will loan to you. You furthermore realize that there is a risk in owning any business venture including this one and that running a business can be very hard work. If you operate your Ululani's Hawaiian Shave Ice Franchise below the standards we require, customers who patronize that Ululani's Hawaiian Shave Ice franchise location will be less likely to patronize other Ululani's Hawaiian Shave Ice store locations. This would damage the business of others. It will be difficult for us to obtain new franchisees if a prospective purchaser observes that you do not maintain the required standards.

We expressly disclaim the making of and you acknowledge that you have not received or relied upon, any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Franchise Agreement, except those representations specifically disclosed in our Franchise Disclosure Document. You acknowledge that you have read this Agreement and our Franchise Disclosure Document and that you have no knowledge of any representations by us, or our officers, directors, shareholders, employees or agents that are contrary to the statements made in our Franchise Disclosure Document or to the terms of this Agreement. We do not furnish nor do we authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of any Ululani's Hawaiian Shave Ice operation that is inconsistent with disclosures in our Franchise Disclosure Document. Actual results vary from unit to unit and we cannot estimate the results of any particular franchise.

AGREEMENT

THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the parties agree as follows:

2 GRANT OF FRANCHISE AND FRANCHISE TERRITORY

2.1 **Grant of Franchise and Franchise Territory**. We grant to you, and you accept from us, the franchise, license, and privilege to use the Service Marks, the Method of Operation, and merchandise bearing the Service Marks, until the Expiration Date of this Agreement as will be indicated in Exhibit 1 (the "Franchise"). The term is based upon and will be ten (10) years, subject, however, to termination as set forth in Sections 6.2 and 6.3.

A. Franchise Premises and Franchise Territory. This grant solely is for the operation by you of one Ululani's Hawaiian Shave Ice franchise in the geographical territory identified in the attached Exhibit 1 (the "Franchise Territory") unless otherwise provided in an addendum to this Agreement. For purposes of this Agreement and its exhibits, "Franchise Premises" means that specific space identified in Exhibit 1 from which you will operate your Ululani's Hawaiian Shave Ice franchise.

B. Territorial Protection. Except as otherwise provided in this Agreement or its attachments, during the term of this Agreement, we agree not to locate, or license anyone else to locate, any business using the Service Marks or the Method of Operation within the Franchise Territory, without your prior written consent. However, we may purchase or be purchased by, or merge or combine with, competing businesses, wherever located.

C. Marketing Within Territory. Except with our prior written permission, you may not do business, operate or place advertisements using our trade names or service marks in or originating from any area other than the Franchise Territory. This includes, but is not limited to, internet, catalog sales, telemarketing or other direct marketing. You may not advertise in any media whose primary circulation is outside the Franchise Territory, except with our prior written permission and the prior written consent of any of our franchisees whose territory is reached by that media. [Notwithstanding the foregoing, you may market and advertise the Franchise and Franchise location together with marketing and advertising material for the [DESCRIPTION OF HOTEL PROPERTY] (the "Hotel") wherever the Hotel marketing and advertising is originated or distributed within or outside of the Franchise Territory.]

D. Additional Locations. You may not establish or operate any other Ululani's Hawaiian Shave Ice establishment without executing a separate Franchise Agreement for that operation.Among other things, we may require as a condition to our approval of your purchase of additional franchises (from our existing franchisees or affiliates, or from us) that you sign a general release in a form we prescribe, following applicable law, to release us from any claims you may have against us.

E. Co-Branding. Some Ululani's Hawaiian Shave Ice franchises may be placed at a location where another, separate business is operated under another business name. If the Franchise Premises is at that type of location, it will be deemed "co-branded" for the purposes of this Agreement. If the Franchise Premises is located in a co-branded location, the calculation of Gross Revenue will be based only on the sale of Ululani Branded Products (defined below) and any other items we authorize you to sell at or from your Franchise Premises and are typically sold in other Ululani store locations, including but not limited to beverages ("Other Products"). If the Franchise Premises is in a co-branded location, you will obtain and keep, or make arrangements for us to have access to, a complete and accurate set of books and records reflecting the sale of all Ululani Branded Products and Other Products at the co-branded location. The Operations Manual may contain additional information about co-branded locations, but this Agreement shall govern in the event the Operations Manual is in conflict with this Agreement. "Ululani Branded Products," as used in this Agreement, shall mean shave ice or snow cones, all products bearing or displaying the Service Marks, any product or merchandise depicting shave ice or snow cones, syrups and flavorings customarily used on shaved ice, and any products that are uniquely designed and intended for serving or consuming of shave ice and snow cones.

2.2 **One Location for Franchise**. You will operate the Franchise only at the Franchise Premises. If not determined when this Agreement is executed, you are responsible for selecting the site for the Franchise Premises within the location search area outlined in Exhibit 1 and in accordance with this Agreement. [We acknowledge and consent to the location of the Franchise Premises at the Hotel in the space designated and shown on the map attached to Exhibit 1.]

2.3 **Assistance in Site Location**. You are responsible for finding the location of the Franchise Premises. If you request assistance in selecting a site for the Franchise Premises, we may provide reasonable assistance in finding a location acceptable to you. If requested, you will pay for all reasonable out-of-pocket expenses related to any such site selection assistance, including travel and lodging expenses we incur to help you locate sites. Any on-site assistance is subject to our availability. You will bear all other site selection and lease negotiation expenses.

We do not guarantee success for any location you select. We will not be liable for any consequences of your choice of any franchise site. Any site recommendation or approval we make is not a representation that any particular site is available or legally appropriate for use as a franchise site. It is your responsibility to investigate all applicable zoning, licensing, leasing and other requirements for any proposed site. You must ensure that the site you select complies with these requirements.

[The Franchise Premises meets our minimum acceptable criteria for a Franchise location.] You are responsible for reviewing and determining the appropriateness and desirability of the lease for the Franchise Premises. Our approval of the location or any lease for the Premises, is not a representation or warranty that the location will be successful.

The Lease for the Franchise Premises must include the terms set forth in the Franchise Premises Lease Agreement Rider attached in Exhibit 2.

2.4 **Franchise Development**. You will be responsible to furnish and equip the Franchise.

A. We will furnish to you a schedule of equipment packages for the Franchise. Any modifications you propose must be approved in writing by us. All approvals will be solely within our discretion to maintain a uniform image consistent with Ululani's Hawaiian Shave Ice franchise system concepts. [We understand, however, that you currently operate a high quality full service food and beverage operation at the Hotel, so, except for specialty equipment strictly necessary to preserving the quality of the Ululani brand, including but not limited to the ice makers, ice shavers, syrup dispensing bottles, and water filtration systems, we will not withhold our approval for use of the equipment you would typically use for a food service operation at the Hotel.]

B. You will comply with the standards and specifications we establish for design, layout, equipment, and furnishings for the Franchise Premises relating to the sale of the Ululani Branded Products and Other Products. Modifications or variations require our prior written consent, not to be unreasonably withheld, conditioned or delayed.

C. All specialized equipment necessary for the sale of the Ululani Branded Products or Other Products will conform to our equipment specifications. If we require any changes in or additions to equipment, you will modify, replace or add to your existing equipment at your sole expense.

2.5 **Relocation of the Franchise**. You will not relocate the Franchise or your Franchise Premises, if any, [anywhere (including within the Hotel property),] without our prior written approval, which will not be unreasonably withheld. Any relocation will be at your sole expense. This Agreement will govern your operations at any replacement Franchise location. You may decide to relocate the Franchise for the following reasons:

- in your and our judgment there is a change in character of the location of the Franchise sufficiently detrimental to your business potential to warrant its relocation, or

- you reasonably decide to relocate the Franchise for cause.

If so, you may relocate the Franchise to another location, if:

A. you are not in breach of this Agreement;

B. you evidence to our satisfaction your ability to obtain and commence operations at the new location within a time we deem reasonable after you vacate the original location;

C. you develop, furnish, and equip, at your sole expense, the new location according to our then-current specifications and standards;

D. you pay all reasonable out-of-pocket expenses we incur because of the relocation. The terms "Franchise Territory" and "Franchise Premises" will include the relocated business site; and

E. you satisfy our then-current franchise placement and demographics criteria, as expressed in the Operations Manual.

2.6 **Existence of Divergent Forms of Franchise Contracts**. You acknowledge that we have offered franchises to others in the past the terms of which may have varied materially from those set forth in this Agreement.

2.7 **Rights We Reserve**. We retain all rights relating to the Franchise and the Ululani Branded Products not specifically granted to you under this Agreement. Without limiting the generality of the preceding sentence, and unless otherwise provided in this Agreement, we retain the right (in our sole discretion and without granting any right to you):

A. to use or license the use of the Service Marks or any other trademarks, service marks, logos or commercial symbols in connection with the sale of any services or products other than those directly contemplated being used, offered, or sold by you under this Agreement.

B. to sell products or services anywhere, including within the Franchise Territory, through channels of distribution other than the Ululani's Hawaiian Shave Ice franchise currently reserved to you in the Franchise Territory or any retail storefront, food truck, kiosk or cart operation using any of the Ululani Branded Products within the Franchise Territory. We will have no obligation to compensate you for any such sales made within your Franchise Territory. For example, we may place Ululani's Hawaii Shave Ice establishments in airports, stadiums, and similar limited access environments in your Franchise Territory and regardless of the location of other Ululani's Hawaiian Shave Ice operations. We may place present and future Ululani's Hawaiian Shave Ice products for sale in grocery stores and food markets at any location, whether or not within the Franchise Territory or within close proximity to an Ululani's Hawaiian Shave Ice franchise. The Internet is a channel of distribution reserved exclusively to us, and you may not independently market on the Internet or conduct e-commerce except as otherwise allowed by us in the Operations Manual.

C. to locate Ululani's Hawaiian Shave Ice business locations anywhere outside of your Franchise Territory.

We will not permit the use of Ululani Branded Products in any other shave ice storefront or any food truck, kiosk or cart within the Franchise Territory.

2.8 **Pricing**. We will be permitted, to the extent permitted by relevant law, to establish price ceilings or minimum or maximum allowable prices on the products and services you offer and sell, though we will not require you to sell products and services below your wholesale costs. We may provide suggested pricing. Except as so specified by us or as otherwise required in this Agreement and in the Operations Manual, you may determine the prices at which you sell products and services, as well as the terms and conditions of sale.

3 **PAYMENT OF FEES AND OTHER FINANCIAL REQUIREMENTS**

3.1 10.1 **Initial Franchise Fee**. The Initial Franchise Fee is **$25,000**. Contemporaneously with the execution of this Agreement, you have paid to us the entire Initial Franchise Fee. [It is payable upon opening your franchise for business.] The Initial Franchise Fee is paid in consideration of our sales expenses, administrative overhead, return on investment, and start-up costs related to the execution of this Agreement and the opening of the Franchise and for our lost or deferred opportunity to sell franchises in the Franchise Territory to others.

Except as provided in Sections 3.1 and 4.1 below, none of the Initial Franchise Fee is refundable.

3.2 **Monthly Royalty Fee**. You will pay to us by the 5th day of each month a Royalty Fee based on a percentage of your Gross Revenue for the preceding month as follows:

- First year of this Agreement

  (from its effective date): 3% of Gross Revenue

- Second year of this Agreement: 4.5% of Gross Revenue

- Third year of this Agreement

  (and thereafter): 6% of Gross Revenue

3.3 **Monthly Software Fees**. [INTENTIONALLY OMITTED]

3.4 **Monthly Advertising Fee**. [INTENTIONALLY OMITTED]

3.5 **Automatic Withdrawal**. [INTENTIONALLY OMITTED]

3.6 **Advertising Standards**.

A. Establishment of Advertising Programs. At any time, we will have the right to create or modify advertising regions for the purpose of establishing regional advertising, marketing and promotional programs. We will promptly notify you and our other franchisees, of the establishment, modification and geographical boundaries of regional advertising regions. We may require all franchisees located within each geographic region to meet periodically for the purpose of creating and establishing regional advertising programs. Each franchise unit, and each unit we own and operate, will be entitled to one vote at these meetings. For the purpose of this subsection, each unit we own will be deemed to be a franchise. You will cooperate with such regional advertising, marketing and promotional programs, but will not be required to contribute to an advertising fund for the same.

B. We May Advertise "Suggested Retail Prices". In national or regional advertising programs, we may include "suggested retail prices" for the goods or services sold by you and our other franchisees. We will include within all our advertising the phrase "available at participating locations only" or other cautionary language to advise the consumer that the suggested retail prices may not be adhered to by all our franchisees. We may compel you to charge "suggested retail prices" to the extent permitted by state and federal laws and regulations.

C. Discount Programs. We may develop and market special discount or free coupon programs. You will have the right, but not the obligation, to participate in these programs. We will notify you of the creation and provisions of a discount or coupon program. Within five days after receipt of the notice, you will advise us whether or not you wish to participate in that program. If you notify us that you wish to participate, you will adhere to all provisions of the program. If you elect to be excluded from a program, we will have the right to advise consumers, by advertising, sales solicitation or otherwise, that you are not a participant. You will not be entitled to the benefits of that program. We will establish the discount or coupon programs in our sole discretion, and will not have any obligation to consult or confer with you or any other of our franchisees with respect to the nature, content or amount of any discount or coupon established pursuant to any program.

D. Your Obligation to Advertise Locally. You recognize the value of advertising and the importance of the standardization of advertising and promotion to the furtherance of the goodwill and the public image of the Ululani's Hawaiian Shave Ice system and the Method of Operation.

Each month you, or your affiliated company, will expend in your local market at least 2% of your Gross Revenue to advertise and promote the Franchise (the "Local Advertising Contribution"). You will report the nature, extent and amount of these local expenditures, in the form and at the times we require in the Operations Manual.

E. Approval of Your Local Advertising. You will submit to us all advertising copy and other advertising and promotional materials, public relations programs and press releases, radio and television advertising, and branded specialty and novelty items, before you use them in your local advertising program for the Franchise. You will not use any advertising copy, public relations program, press release or other promotional material for the Franchise until we approve it. Your failure to conform to our provisions or requirements and subsequent non-action by us to require you to cure or remedy your failures and defaults will not be deemed a waiver of future or additional failures and defaults by you under this provision or any other provision of this Agreement.

F. Approval of Your Internet and Social Media Marketing. Your use of social media internet marketing to promote your franchise must be in strict compliance with our standards as outlined in our Operations Manual. We reserve the right to require you to get our prior approval of any social media internet marketing (including in respect to proposed venues and content). [Advertising the Franchise on the Hotel website or social media sites, or through the internet to Hotel guests, shall not require our prior approval but will be subject to Franchisor's reasonable standards and specification regarding the same.]

You specifically acknowledge and agree that any website will be deemed "advertising" under this Agreement and, other than websites operated by you that are unrelated to the Franchise, will be subject to (among other things) our approval. (As used in this Agreement, the term "website" includes an interactive electronic document, contained in a network of computers linked by communications software that you operate or authorize others to operate and that refers to the franchise, proprietary marks, us or the Method of Operation. The term website includes, but is not limited to, Internet and World Wide Web home pages.) In connection to any website, you agree to the following:

1. We will establish (or allow you to establish) a webpage as part of our website.

2. You will not establish or use any other website or webpage for the Franchise without our prior written approval[, other than portions of the Hotel webpage containing no references to the Franchise or the Service Marks.]

3. Before establishing a webpage or any other website referencing the Franchise or displaying the Service Marks, you will submit to us a sample of the content, format and information in the form and manner we may reasonably require.

4. In addition to any other applicable requirements, you will comply with our standards and specifications for the website content [(but only to the extent of references to the Franchise or display of the Service Marks with respect to the Hotel website)] and placement and posting of our Service

Marks on websites as we may prescribe in the Operations Manual or otherwise in writing or on a franchisee forum intranet system.

5. If you propose any material revision to the webpage or site or any of the information contained in the website, you will submit the revision to us for our prior written approval. [With respect to the Hotel website, the requirement of Franchisor's prior written approval shall only apply to revisions to content regarding the Franchise.]

6. You will use only approved key words, meta tags and titles pertaining to our industry[, except that with respect to the Hotel website, this requirement shall only apply to content regarding the Franchise]. We will e-mail or respond via facsimile approved key words, meta tags and titles upon your request by e-mail or facsimile.

7. You may only offer approved products or services on your webpage or site[, excluding co-branded products and services offered at the Hotel]. Any website changes [with respect to reference to the Franchise or use of the Service Marks] made without our approval will put you in default of this Franchise Agreement.

8. You will turn ownership and control of your Franchise exclusive webpage or site, if any, over to us upon expiration or termination of this Agreement, regardless of the reason for the expiration or termination[, and remove any Service Marks or other references to the Franchise on the Hotel website].

9. We retain the sole right to market on the Internet, including all use of websites, domain names, URL's, linking, meta-tags, advertising, auction sites, e-commerce, and co-branding arrangements. We also retain the sole right to use the Service Marks on the Internet, including on websites, as domain names, directory addresses, meta-tags, and in connection with linking, advertising, co-branding, and other arrangements. We retain the right to approve any linking or other use of our website. You may not establish a presence on or market using the Internet except as we may specify, and only with our prior written consent.

10. If you want to independently advertise or promote in any media (including the Internet), you must obtain our prior written approval, except when using materials and media previously approved by us[, and other than the Hotel website].

11. Subject to the terms of use on our website, we may gather, develop and use in any lawful manner information about any visitor to our website, including but not limited to your customers, franchisees or prospective franchisees who view our website regardless of whether they were referred to you via the website or were otherwise in contact with you.

12. We have established or may establish in the future an intranet or comparable on-line facility. You must use it in the manner we require if consistent with the reporting requirement of this Agreement. You

understand and agree that we may elect to provide certain assistance, deliver information and materials or otherwise communicate with you via the Internet or the intranet. At your sole expense, you will maintain and update as needed all computer system requirements and services necessary to access the Internet and the intranet in the manner we require[, so long as such systems do not interfere with the regular operation of the Hotel, do not link to the Hotel POS system or accounting software, and are consistent with the reporting obligations of this Agreement]. You are required to have high speed Internet service to your business or home office where you will be able to access downloads from us of advertising materials, operations manual revisions, training materials and corporate news.

G. Trademark and Copyright Notices. You will use the Service Marks in strict conformity to the Operations Manual, and will include in any advertisement, or promotional materials which use the Service Marks, trademark notices as are required by the Operations Manual. All copyrighted materials we supply to you or otherwise used by you in connection with the Franchise will contain copyright notices as required by the Operations Manual.

3.7 **"Gross Revenue" Defined**. "Gross Revenue" means the entire amount of the actual sales price or fee charged for the sale of all Ululani Branded Products, Other Products, and gift certificates, whether for cash or otherwise, arising out of the Franchise business, excluding, however, the following:

A. The selling price of all merchandise returned by customers and accepted for full credit or the amount of discounts and allowances made thereon where such price is or has been included in Franchisee's computation of Gross Sales, or where such merchandise was purchased at other Ululani stores or venues, including merchandise purchased from Ululani mail order catalogs and Internet websites;

B. Goods returned to sources, or transferred to another store or warehouse owned by or affiliated with Franchisee;

C. Sums and credits received in the settlement of claims for loss of or damage to merchandise, to the extent previously reported as Gross Sales;

D. Delivery charges or any service charge rendered on a non-profit basis at Franchisee's cost for the convenience of customers;

E. Hawaii general excise taxes, or other sales taxes, so-called luxury taxes, gross receipts taxes and other similar taxes now or hereafter imposed upon the sale of products and merchandise, but only if collected separately from the selling price of merchandise or services and collected from customers;

F. Sales of fixtures, equipment or property which are not stock in trade; and

G. Gift certificate or like vouchers until such time as the same shall have been converted into a sale by redemption.

Except as set forth above, credit transactions will be included in Gross Revenue as of the date of the transaction without deduction for uncollected credit accounts. The proceeds from any business interruption insurance or eminent domain recovery you receive will be included in "Gross Revenue" if such proceeds are paid in compensation for lost sales. "Gross Revenue" means the total Revenue for any calendar month.

3.8 **You Will Pay Taxes and Indebtedness**. You will pay all taxes, assessments, liens, encumbrances, accounts, and other debts, regardless of their nature, assessed against you, the Franchise Premises, or inventory, materials, fixtures, and equipment used in the Franchise. Payment will be made when due and before delinquent except when being contested in good faith by appropriate proceedings.

You will pay us, together with each royalty payment or any other payment required hereunder which is subject to the State of Hawaii general excise tax on gross income, as it may be amended, and all other taxes imposed on or assessed against Franchisor on account of the receipt of said royalty or other actual receipts or constructive receipts in the nature of a gross receipts tax, sales tax, privilege tax, or the like (excluding federal, state or any county net income taxes) whether imposed by the United States of America, State of Hawaii, the County of Maui, or the County of Hawaii, an amount, which when added to such fee or other payments, shall yield to us, after deduction of all such tax payable by us with respect to all such payments, a net amount equal to that which we would have realized from such payments had no such tax been imposed or assessed. The present rate for such taxes is 4.16%.

You expressly agree to promptly make all product purchase payments on invoices and statements rendered to you in accordance with the terms of the invoices and statements and to make timely remittances of rent as required on your lease.

3.9 **Royalty Fees and Other Sums to Be Paid Promptly**. You will not set off any claim for damages or money due to you from us against any payments to be paid by you to us under this Agreement or any related agreement between the parties. No endorsement or statement on any check or payment of any sum less than the full sum due from you to us will be construed as an acknowledgment of payment in full or as an accord and satisfaction. We will have the right to accept any check or payment without prejudice to our rights to recover the balance due or to pursue any other remedy available to us.

Interest at the rate of twelve percent (12%) per annum will be added to any sums to be paid under this Agreement that remain unpaid for more than ten (10) days after the date due. In addition, late payments will be subject to a late payment penalty of five percent (5%) of the amount due if not paid within ten (10) days of the due date. These interest charges and late payment penalties will not exceed any limits placed upon late charges and late payment penalties by applicable local laws.

Our acceptance of interest and late charges will not constitute a waiver of the breach created by your non-payment of any amount when due. Notwithstanding the payment of any late charges, we may exercise any rights or remedies granted by this Agreement upon your breach or any rights or remedies otherwise granted by law.

Nothing contained in this Agreement obligates us to accept any payments after due or to commit to extend credit to or otherwise finance your operation of the Franchise. You acknowledge that failure to pay all amounts when due will constitute grounds for termination of this Agreement.

Upon your failure to pay us as and when due, we may, at our election, deduct the unpaid sums from any monies or credit we hold for your account. You agree that you will not withhold payment of any amounts due to us on the grounds of any alleged non-performance by us, or in the event of any dispute or a claim by you, or for any other reason whatsoever.

3.10 **Records**. You will keep a complete and accurate set of books and records of the operation of the Franchise, produce monthly financial statements in accordance with generally accepted accounting principles and practices for each calendar month and furnish copies of these statements to us within 30 days after the end of each quarter.

You will furnish to us as outlined in the Operations Manual, an itemized report of the Gross Revenue for such periods as Franchisor requires, which shall not be more frequently than weekly. This report must be certified by you to be true and correct. The report will be in the form and will include such supporting documentation as we may reasonably demand. All Royalty Fees and any other fees due based upon the Gross Revenue for the preceding month will accompany the report (unless otherwise provided in the Operations Manual).

You will keep records of all business done and Gross Revenue received through the Franchise. These records will include, but are not limited to, order sheets, sales and rental agreement forms, daily sales summaries, financial statements, and invoices relating to the sale of Ululani Branded Products, Other Products, and related services. You will date, file in consecutive order, retain for a period of three (3) years, and make available to us for inspection and audit all of your records as set forth in Section 2.11 below. Notwithstanding the foregoing, you are not required to provide us with copies of your tax returns, unless you or your entity is a single purpose entity for the Franchise exclusively selling Ululani Branded Products, Other Products, and related services, in which case upon our written request you will provide your Hawaii general excise tax return.

3.11 **Audits**. Once each calendar year, we may audit your reports, books, statements, business records, and cash control devices, profit and loss statements, and other records of the Gross Revenues of the Franchise, at any time during normal business hours, upon at least five (5) business days prior written notice. Audits will be conducted at our expense unless you understate the Gross Revenue for any reported period or periods by more than 2% or unless you fail to deliver any required report of Gross Revenue or any required financial statement in a timely manner. These will include, among other things, the charges of any independent accountant and the reasonable travel expenses, room, board, and compensation of our employees incurred in connection with the audit. You will immediately pay all Royalty Fees and all other fees and late payment charges that the audit determines are owed. If the audit determines you have overstated the Gross Revenues and you have overpaid the royalties due, we will credit you the overpayment of royalties against the next royalty payment then due. These payments will not prejudice any other remedies we may have under this Agreement or by law. Our right to audit will not include the right to examine the books, tax returns and records of other businesses that you own or operate, in whole or in part. We will not use a third party auditor whose fee is based upon a contingency of recoveries. We will not audit any period of time more than once nor will any audit cover a period of longer than three (3) calendar years.

3.12 **You are to Pay all Franchise Costs**. All the costs of the Franchise, including opening and operating costs, will be your sole obligation. We will have no other costs, liability or expense whatsoever with respect to your opening and operation of the Franchise. You will not use or employ the Service Marks in performing any activity or incurring any obligation or indebtedness in a manner that could result in making us liable for them. You are responsible for any employee wages and compensation, payroll taxes and other required withholding, worker's compensation and benefits. You will control your own employees and contractors. You will take all steps necessary to maintain a safe and healthy environment for your workers and customers.

3.13 **Application of Payments**. We have the right, in our sole discretion, to apply any payment from you to any past due indebtedness you owe to us or our affiliates, whether from monthly fee payments, purchases, late payment charges, or for any other reason. This section will apply regardless of how you may designate a particular payment is to be applied.

4 **TRAINING**

4.1 **Mandatory Training**. We will provide a mandatory training course for you or your franchise manager at our headquarters (currently in Kahului, Hawaii). This training course will cover various aspects of the operation of the Franchise, which may include topics such as financial controls, marketing techniques, service methods, and maintenance of quality standards.

Training is scheduled and held on an "as needed" basis depending on the number of franchisees requesting training in a particular time frame and our training personnel's availability. The initial training program will be offered prior to, and must be completed no later than two weeks before, the scheduled date of the opening of the franchise. You and any designated manager must complete initial training within 60 days of the date of the Franchise Agreement (subject to our availability).

You and any designated manager must complete this mandatory training program to our reasonable satisfaction or we may terminate this Agreement upon refunding 75% of the Initial Franchise Fee (less reasonable expenses we incur related to your franchise, including our expenses related to training, if applicable). Such termination shall not be regarded as an event of default under this Agreement, but rather a contractual termination right pursuant to the terms of this Section 3.1. You are encouraged to participate in the training before incurring any costs or expenses related to the planned opening of the Franchise. We will not be liable for any costs or expenses you incur if we terminate this Agreement because you or your manager fails to satisfactorily complete the mandatory training course.

You will pay the transportation, board and lodging expenses you and any designated manager incur related to this training. Depending upon our analysis of your training needs, generally the training course will be approximately seven to ten days long. Training and training materials may be delivered in the formats or media we choose (which may include digital and online media). You will participate in and pay for the costs of training, including costs of computer equipment and internet services needed to participate.

If the Franchise is managed by any persons other than you, you will notify us of these managers. Each manager you hire must successfully complete the mandatory training program prior to assuming management duties in the Franchise Premises. You will bear all costs of the training, including a reasonable training fee at our then-current rates. Each of your employees will complete a training program as prescribed in the Operations Manual. All training programs for your employees will be conducted under the direction of you or your designated manager who has successfully completed the mandatory training course. Some of these employee training programs may involve online instructional content.

At all times, your franchise must be operated and supervised by an individual who has passed our mandatory initial training program.

4.2 **Additional Training Requested by You**. At your option and upon not less than 30 days' prior written notice to us, you may receive additional training at our training center or at other agreed upon locations (subject to our availability). All expenses of this training will be borne by you, including but not limited to your travel, lodging, meals, compensation, and our reasonable costs and expenses including a reasonable training fee at our then-current rates.

The duration of training is negotiable depending upon your needs and our availability. You will not receive any compensation for services rendered by the trainee during this or any other training. We may designate qualified franchisees or master franchisees to conduct some or all of your training.

4.3 **Additional Training Required or Offered by Us**. We may provide refresher training programs or seminars and may require that you and your managers attend and complete them to our satisfaction. These programs and seminars will be held at locations we designate. They will be provided without charge to you (except as provided in the following paragraph). You will be exclusively responsible for paying all travel, living and other expenses and compensation of attending these programs and seminars. We will not require you to participate in more than 40 hours of such trainings during any calendar year.

We may require you to participate in additional training if you fail to comply with any material requirement in your Franchise Agreement or our Operations Manual (or other written standards and specifications) or if we deem, in our reasonable discretion, that such training is needed based on your sales performance. In this case, all expenses of this training will be borne by you, including but not limited to your travel, lodging, meals, compensation, and our reasonable costs and expenses including a reasonable training fee at our then-current rates.

4.4 **Grand Opening Assistance**. One or more of our trainers will spend up to five days at your location before and in conjunction with the grand opening of your franchise. The expenses of this assistance are included in your Initial Franchise Fee.

5 COMMENCEMENT OF OPERATIONS

5.1 **Time to Complete Training and Commence Operation**. You and any designated manager will complete to our exclusive satisfaction the mandatory training defined above, find a site location that is acceptable to you and approved by us, and commence full and continuous operation of the Franchise within 120 days after execution of this Agreement.

Before commencing operations, you will procure all necessary licenses, permits and improvements and purchase initial equipment, supplies and inventory (as applicable). Any failure to commence operation caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond your reasonable control will be excused for a period of time that is reasonable under the circumstances.

If you fail to meet these opening deadlines, then we may terminate the Franchise Agreement upon refunding 50% of the Initial Franchise Fee.

5.2 **Lease Assumption and Real Property Security Assignments**. Unless otherwise agreed in writing, any lease you enter into will provide that in the event of early termination of this Agreement, we will have an option, exercisable within 30 days after termination or expiration, the lease may be assigned to us at our option and in such case we will be substituted for you in all respects under the lease and we will have the right to sublease the Franchise Premises to another franchisee; provided, however, that in such event, the rental under the lease may be reset to a fair market rental for the Franchise Premises and we will be obligated to pay the same, regardless of the current rental terms under the lease, if we elect to exercise our option to assume the lease under this paragraph. You will deliver to us a true copy of the lease and any additions or amendments to it promptly after they are executed.

Upon early termination of this Agreement, you will give us a reasonable and good faith opportunity to purchase the leasehold improvements, trade fixtures and related equipment, signs, equipment leases and personal property used in the business. The fair value of and fair terms for the lease and for all related equipment, fixtures, signs, equipment leases and personal property will be determined by appraisal, by a mutually acceptable appraiser. The appraiser will value the fair market value of the assets only, and must exclude from their decision any amount or factor for the "goodwill" or "going concern" value. If we cannot agree upon an appraiser, one will be appointed for us by Dispute Prevention & Resolution, Inc. pursuant to their rules on selection of commercial arbitrators. Any time within 30 days after receiving the appraiser's decision, at our option we may proceed with the purchase at the price determined by the appraiser.

Any lease or sublease of the Franchise Premises will contain provisions substantially similar to those included in the Franchise Premises Lease Rider attached in Exhibit 2, but will be subject to payment of a fair market rent for the Franchise Premises upon Franchisor's exercise of its right to assume the lease under the Rider.

If we cure any breach by you under the lease or sublease, the total amount of all costs and payments we incur in effecting the cure will be immediately due and owing by you to us.

6 **<u>FRANCHISE STANDARDS OF OPERATION</u>**

6.1 **<u>Operations Manual, Equipment, Plans and Specifications, and Public Relations</u>**. The continuous development of the Method of Operation in this manner is an important and beneficial aspect of the relationship you want to have with us. We agree to lend to you a copy of the Ululani's Hawaiian Shave Ice Operations Manual (the "Operations Manual") once you have paid to us the Initial Franchise Fee, in full. The Operations Manual describes the Method of Operation, which may include specifications, standards, operating procedures, accounting and bookkeeping methods, marketing ideas, equipment requirements and control techniques, plans, specifications, and requirements, public relations guidelines and other rules that we may prescribe periodically and identify as part of the Operations Manual. The Operations Manual will not affect your fundamental status and rights as a franchisee under this Agreement.

The Operations Manual includes materials in whatever form (including electronic) we provide to you that describe the guidelines, advice, and requirements regarding the operation of your franchise, including user manuals and related instruction materials. It includes amendments, supplements, and new documents made and identified by us as part of the Operations Manual. The Operations Manual may be delivered to you by hard paper copy; digital copy; or by any other medium we choose in our discretion.

The Operations Manual is and will remain confidential and our exclusive property. You will not disclose, copy or duplicate any part of the Operations Manual for any reason, unless required to do so by due process of law or the information, through no fault of Franchisee, was already in the public domain. You agree that if you (or your employees or agents) are served with any subpoena or other compulsory judicial or administrative process calling for production of the Operations Manual or any other Confidential Information, then you will immediately notify us so that we may take such action as we deem necessary to protect our interests. Nothing in this Agreement may be construed as an incorporation of the terms of the Operations Manual or as making the Operations Manual part of this Agreement. The Operations Manual, in part, may consist of confidential:

A. manual or manuals, and

B. any Intranet or password protected portion of an Internet site, and

C. any other embodiment of the Methods of Operation, including notices of new standards and techniques including all media identified by us as part of the Operations Manual, and

D. any amendments, supplements, derivative works, and replacements; whether embodied in electronic or other media.

We may develop minimum requirements for equipment, services, business forms, advertising, plans and specifications, among other things. These requirements are outlined in the Operations Manual. You will purchase all initial equipment, supplies and inventory items and additional items specified periodically in the Operations Manual. We may amend the Operations Manual, including changes which may affect minimum requirements for your franchise operations. You will strictly adhere to the requirements of the Operations Manual as we amend it periodically. You will implement immediately all changes at your cost, unless we otherwise specify. We reasonably may restrict you from producing, stocking, and selling certain services and goods as may be specified in the Operations Manual.

You must purchase items used in the Franchise that bear the Service Marks from us or suppliers we approve or exclusively designate. Proprietary items and supplies may be private labeled by us. We retain the right to make a reasonable profit on any items, supplies and materials you buy from us or our affiliates. We may also make a reasonable profit on supplies we purchase in bulk quantities and sell to you. What we charge to you, however, will not be in excess of the general market price for the same goods were you to obtain them from other sources in your market area.

We may obtain money, goods, services, or other benefits from persons and entities with whom you do business, on account of that business with you. These may include rebates, refunds, commissions, co-operative payments, or discounts.

There are no required quotas as to quantity of purchases you must make from us or from approved vendors. You must only have enough equipment and supplies on hand to meet customer demand. If we are not able to supply equipment and supplies to reasonably meet customer demand, you may obtain products of similar quality from other sources. If you elect to purchase products or services from us at our then-current prices, then payment must be made when you place your order. The items we offer may include among other things equipment, merchandise, and supplies that bear the Service Marks.

Any products and goods sold, licensed, or leased by or through us to you will be sold, licensed, or leased in accordance with the terms expressly set forth in the Operations Manual or as otherwise provided for in writing by us or the manufacturer of the products and goods. **EXCEPT AS EXCLUSIVELY SET FORTH IN WRITING AND SIGNED BY US, WE MAKE NO EXPRESS OR IMPLIED WARRANTIES WITH RESPECT TO THE PRODUCTS AND GOODS, AND ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT RESTRICTED TO, THE IMPLIED WARRANTY OF TITLE AND THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, ARE EXPRESSLY DISCLAIMED. UNDER NO CIRCUMSTANCES WILL OUR LIABILITY IN CONNECTION WITH ANY PRODUCTS OR GOODS EXCEED THE DOLLAR AMOUNT OF THE PURCHASE PRICE OR LICENSE FEE PAID BY YOU FOR THE PRODUCTS OR GOODS. IN NO EVENT WILL WE BE LIABLE TO ANY PARTY, INCLUDING BUT NOT LIMITED TO, YOU AND YOUR CUSTOMERS, FOR ANY TORT DAMAGES OR INDIRECT, SPECIAL, GENERAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS OR ANTICIPATED PROFITS AND LOSS OF GOODWILL, ARISING IN CONNECTION WITH THE USE (OR INABILITY TO USE) THE PRODUCTS OR GOODS FOR ANY PURPOSE WHATSOEVER, EVEN IF WE ARE AWARE OR HAVE BEEN ADVISED OF THE POSSIBILITY OF POTENTIAL LOSS OR DAMAGES**.

We will not be liable to you if we are unable to deliver equipment, inventory or supply items to you because of any loss, damage, or delay caused by strikes, riots, fire, insurrection, war, elements, embargoes, failure of carriers, inability to obtain transportation facilities, forces majeure, acts of God or of the public enemy, or any other cause beyond our control.

You will purchase all products, supplies, materials and services required for the operation of the Franchise in compliance with this Agreement and our specifications (and from designated and approved suppliers if we so designate, which may include us and/or our affiliates). All specifications that we require of you and lists of approved and exclusively designated suppliers will be included in the Operations Manual. We will use our best judgment to set and modify specifications in order to maintain the integrity and quality of the franchise system.

You must sell, offer for sale, distribute or deliver only such services or products that meet the specifications and standards of quality and quantity in the Operations Manual. You must sell or offer to sell all approved items and services. You must refrain from deviating from our standards and specifications and must discontinue selling or offering for sale any such items as we may, in our discretion, disapprove in writing at any time.

You are required to maintain an inventory of authorized and approved equipment and supplies sufficient in quantity to satisfy customer demand.

Except for products and services that must be purchased from us or our *exclusively designated* suppliers: With advance written notice, you may request our approval to obtain products, supplies or materials from sources that we have not previously approved. We may require you to give us sufficient information, photographs, drawings, samples, and other data to allow us to determine whether the items from these other sources meet our specifications and standards for any product that bears our Service Marks or is reflective of the quality standards for the Franchise or is reflective of uniformity of products and services among outlets within our system (in our reasonable discretion). These specifications and standards will relate to quality and the suppliers' capacity and facility to supply your needs in the quantities, at the times, and with the reliability necessary for efficient operation. We may require a Confidentiality and Non-Disclosure Agreement signed by the proposed supplier prior to release of any confidential information. We will not unreasonably withhold approval of a supplier you propose. We will notify you in writing of the approval or disapproval of any supplier you propose within 30 days of our receipt from you of your written notice of request for approval.

We or our agents may inspect any proposed or approved manufacturer's, supplier's or distributor's facilities and products to assure proper production, processing, storing, and transportation. If such inspection is made because a manufacturer, supplier or distributor has not been previously approved by us and you have requested such approval, then we will provide you with an estimate of the reasonable out of pocket costs and expenses we expect to incur in undertaking such inspection, and if thereafter you desire us to proceed with such inspection, then you will reimburse us for the costs and expenses incurred in making the inspection. Permission for inspection will be a condition of our continued approval of any manufacturer, supplier or distributor. Should we determine from any inspection that a manufacturer, supplier or distributor fails to meet our specifications and standards, we will give written notice describing this failure to you and to the manufacturer, supplier or distributor, together with a notice that unless the failure or deficiency is corrected within 30 days, the manufacturer, supplier or distributor will no longer be approved.

You expressly agree to promptly pay all invoices and statements of any manufacturer, supplier or distributor providing product directly to you in accordance with their terms.

6.2 **Standards to Be Maintained**. You will follow the Method of Operation and maintain standards of product and service that we prescribe.

A. You will operate the Franchise in a clean, orderly, and respectable manner in strict compliance with this Agreement and the Operations Manual. You will only use signs, equipment, materials, products, inventory, and services that conform to our specifications to conduct the franchise.

B. If you maintain any signs at the Franchise Premises, these signs must comply with local sign ordinances, regulations and laws and must be approved by us.

C. We may enter the Franchise Territory at reasonable times to verify your compliance with the terms of this Agreement. To do so, we may:

1. Inspect the Franchise;

2. Observe your operation of the franchise business for any consecutive or intermittent periods we deem necessary;

3. Select items, products and other materials, services, equipment, operations and supplies for test of content and evaluation purposes to make certain that they are satisfactory and meet our quality control provisions and performance standards;

4. Interview your personnel, customers, and vendors; and

5. Inspect and copy any books, records and documents related to the operation of the franchise and any other franchise information we may require, pursuant to Sections 2.10 and 2.11.

You and anyone acting as your agent will cooperate fully with us and our agents in connection with these inspections, observations, and interviews. We will agree, however, to keep all business records and information we inspect strictly confidential and will not disclose the same to any other party, unless required to do so by due process of law after notice to you. Notwithstanding the foregoing, Franchisor shall have the right to disclose in its franchise disclosure documents all of the personal identification information (such as name, address, and phone number) required to be disclosed under applicable franchise disclosure laws, and Franchisee hereby consents to the disclosure of such information. For clarity, this paragraph does not restrict Franchisor's right to disclose financial performance information regarding the Franchise in Franchisor's franchise disclosure documents, and Franchisee hereby consents to the disclosure of such information in Franchisor's disclosure documents. Franchisee agrees to provide such information to Franchisor promptly upon request.

D. You will comply with all applicable ordinances, regulations, bylaws, laws, and statutes. You will not permit unlawful activities in the Franchise and will not sell, exchange, offer, hold, show, rent, or permit to be sold, exchanged, offered, held, shown, or rented any material or service you know or reasonably suspect to have been obtained in violation of law or to be otherwise illegal.

You will secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchise (other than those relating to the Service Marks) and will operate the Franchise in full compliance with all applicable ordinances and regulations, including without limitation, all government laws and regulations relating to occupational hazards and health, EEOC laws, Americans with Disabilities Act, copyright laws protecting owners of artistic works, consumer protection, trade regulations, workers compensation, unemployment insurance and withholding, and payment of federal and state income taxes, social security taxes and sales, use and property taxes.

E. You will not offer, sell or dispense any products or services or Ululani Branded Products other than those we specifically recognize and approve in writing.

F. You, at your expense, will maintain the Franchise and equipment and furnishings in good repair, attractive appearance, and sound operating condition in compliance with the Operations Manual. At our request, you will make necessary repairs in order to protect the reputation of the Service Marks. You will commence all repairs and changes within a reasonable time after notice from us, and you will proceed with due diligence until completion.

If you do not maintain the Franchise as required, after notice to you, we at our option, may terminate this Agreement.

G. You will keep your Franchise open for business during the same hours and days that a majority of other Ululani locations in the State of Hawaii are open, or such other days and hours of operation as we may hereafter mutually agree to.

H. At all times you will insure that your copy of the Operations Manual and any other manuals given to you are kept current and up to date with the amendments and updates we provide to you. In the event of any dispute as to the contents of the Operations Manual, the terms and conditions of the last complete copy of Operations Manual or written amendments specific as such that were provided to you will be controlling.

6.3 **Service Marks, Operations Manual, and Method of Operation Are Our Exclusive Property**. You agree that the Service Marks, Operations Manual, and Method of Operation are our sole and exclusive property. Except for the Franchise granted to you by this Agreement, nothing in this Agreement or any other agreement will give you or others any right, title, or interest whatsoever in or to the Service Marks, Operations Manual, or Method of Operation. Your license to use the Service Marks is non-exclusive, as described in Section 1.7 entitled “Rights We Reserve”. Subject to the terms and conditions of this agreement, we, in our sole discretion, may operate under the Service Marks and may grant licenses to others to use the Service Marks on any terms and conditions we deem appropriate. In those states and nations where applicable, you agree to execute on request all documents necessary to record you as a registered user of the Service Marks. Except as otherwise set forth in this Agreement, you will not use the Service Marks as part of any electronic mail address or in any electronic mail message except in accordance with the Operations Manual and only for purposes of the franchise.

You will immediately notify us of any infringement of, or challenge to, your use of the Service Marks or any marks identical to or confusingly similar to the Service Marks, including any claims of infringement or unfair competition, when you learn of the same. While we will make reasonable efforts to protect your rights to use the Service Marks, we will have sole discretion to take or not to take action, as we deem appropriate. If we undertake the defense or prosecution of any litigation or administrative action involving you or any litigation or administrative action involving the Service Marks or the Method of Operation, you agree to execute any and all documents and to do all acts and things that in the opinion of our counsel are reasonably necessary or advisable to carry out the defense or prosecution. At any time, you will modify or discontinue use of any franchise names or Service Marks, or will use one or more substitute names or marks, if we so direct in writing at any time at your sole expense. Under no circumstances will we be liable to you for any other damages, costs, losses, rights, or detriments related to any modification, discontinuance, or substitution. All obligations or requirements imposed upon you relating to the Service Marks will apply with equal force to any modified or substituted names or marks.

You will not contest, directly or indirectly: our ownership, title, right, or interest in the Service Marks, the Operations Manual, or the Method of Operation; or our exclusive right to register, use, or license others to use the Service Marks, Operations Manual, and Method of Operation. You will not advertise or use the Service Marks without following our then-current guidelines and requirements. These may include, but will not be limited to, the placement of appropriate © or ® copyright and registration marks, or the designations TM or SM, where applicable.

Any and all goodwill associated with the Service Marks, including any goodwill that might be deemed to have arisen through your activities, will accrue directly and exclusively to our benefit, except as otherwise provided by applicable law. You appoint us as your agent and attorney-in-fact to amend or cancel any registered user or business name filings obtained by you or on your behalf that involve or pertain to the Service Marks.

You will not use the Service Marks on products or services that come from any source other than us or sources we approve in writing except for products you prepare or produce pursuant to the Operations Manual and the Method of Operation.

We hereby represent and warrant to you that our parent company, UHSI International, LLC has good right, title and interest in and to the Service Marks and that as a result of a license agreement we signed with out parent company, we have the right to license the use of the same to you. Notwithstanding anything in this Agreement to the contrary, our representations in this Agreement and your use of the Service Marks are subject to the Settlement and Coexistence Agreement attached as Exhibit 5 (including Section 2.3 of that agreement).

We and you will use commercially reasonable efforts to continuously improve the products, processes and services used in the Method of Operation and to develop new products, processes and services for use as part of the Method of Operation. All the improvements, inventions and developments you make, develop or create for use in the Method of Operation will be our property and we alone will hold any patent, trademark registration or other form of protection for those improvements, inventions, developments, processes, methods and practices.

6.4 **<u>You Will Not Use Names or Marks in Combination</u>**. Except as provided in this Agreement, you will not use or give others permission to use the Service Marks, or any colorable imitation of them, combined with any other words or phrases. You and your owners, officers, and agents will not form or participate in the formation of any company, firm, corporation, or other entity having a name containing the words of the Service Marks. You may not combine or associate any name or symbol of the Service Marks with any other name or word in any advertising or sign. The Service Marks must be used in exact conformity with specifications we set in the Operations Manual.

6.5 **<u>Service Marks, Operations Manual, and Method of Operation May Be Changed</u>**. You acknowledge that the Service Marks, Operations Manual, and Method of Operation, including any future amendments or modifications to them, have substantial value, and that the conditions, restrictions, covenants not to compete, and other limitations imposed by this Agreement are necessary, equitable, and reasonable for the general benefit of you, us, and others enjoying any lawful economic interest in the Service Marks, Operations Manual, and Method of Operation.

We may change or modify any part of the Service Marks, Operations Manual, or Method of Operation periodically at our sole discretion. You will accept, use, and protect, for the purposes of this Agreement, all changes and modifications as if they were a part of the Service Marks, Operations Manual, and Method of Operation at the time this Agreement is executed. You will bear all costs and expenses which may be reasonably necessary as a result of such changes or modifications. Under no circumstances will we be liable to you for any damages, costs, losses, or detriments related to of these changes or modifications.

Complete and detailed uniformity of the Service Marks, Operations Manual, and Method of Operation under the varying conditions to be experienced by our franchisees may not be possible or practicable. Therefore we reserve the right, at our discretion, to accommodate your special needs, or those of any other of our franchisees. These needs may result from the peculiarities of a particular site or location, density of population, business potential, populations of trade area, existing business practices, requirements of local law or local customers, Franchisor requirements, or any other condition which we deem to be important to the successful operation of the franchisee's business. We may allow certain franchisees to depart from normal system standards and routines to experiment with or test new products, equipment, designs, and procedures. In no event will any variance or testing be deemed a waiver of any of our rights, or an excuse for you to not perform any of your duties under this Agreement. We may require you at any time to commence full compliance with the Operations Manual and the Method of Operation. We will not be required to grant any variance to you under any circumstances. You will not require us to disclose or grant to you a like or similar variation.

6.6 **You Will Not Communicate or Use Confidential Information**. You specifically acknowledge that you will receive valuable specialized and confidential information, including information regarding our operational, sales, promotional and marketing methods and techniques, operating procedures, processes, practices, lists of suppliers, customer lists, manuals, suggested hiring practices, communications methods, accounting and reporting methods, use of proprietary software, marketing and sales techniques and strategies that are not generally known to third parties or the public (collectively referred to as "confidential information" or "proprietary information" in this Agreement), and the Method of Operation. Unless required by court order or applicable law, you agree not to copy, download to internet, intranet, modem, fax, e-mail, mail or send any confidential material or divulge any material directly or indirectly to any other person or enterprise outside of the Ululani's Hawaiian Shave Ice system, except as permitted by this Agreement.

During the term of this Agreement and forever after it expires or is terminated, you will never:

- communicate, fax, e-mail, post on an internet electronic bulletin board, or
- divulge or use in any other manner (either for your benefit or the benefit or any other person, persons, partnerships, associations, companies or corporations, except for the benefit of your Ululani's Hawaiian Shave Ice franchise during the term of this Agreement)

any confidential or proprietary information, knowledge or know-how concerning the Method of Operation or any information we have communicated to you in written, verbal or electronic form, (including intranet passwords) for the operation of your franchise, except as permitted by this Agreement.

The Method of Operation includes valuable proprietary and confidential information. Unless required by court order or applicable law, you agree to not communicate or divulge the contents of our Operations Manuals or any other information related to the Method of Operation or to the operation of the Franchise or our franchise system to any person or entity except those we authorize in writing to receive the information. You agree that these contents and information are confidential. They include information that is our exclusive property, and you may only use them in the Franchise subject to the provisions and duration of this Agreement. You agree to fully and strictly adhere to all commercially reasonable security procedures we prescribe for maintaining the confidentiality of the information. You agree to disclose information to your employees only to the extent necessary to perform the franchise business. You will not reverse engineer, decompile or disassemble any items embodying the Method of Operation or our confidential information.

The Method of Operation is a technologically advanced program of accounting, identification procedures, management systems, techniques and business operations and systems that would, if used by other persons, firms or entities, give a substantial competitive advantage which we presently enjoy. Any and all information, knowledge and know how, not generally known about the Method of Operation and our products, services, standards, specifications, systems, procedures and techniques, including information, manuals, contracts, customer data, supplier data, financial data, price lists, methods, techniques, processes, compilations, programs or patterns related to the operation of an Ululani's Hawaiian Shave Ice franchise and its products and services and any other information or material that we may designate as confidential, will be deemed confidential for purposes of this Agreement. This will not apply to information which you can demonstrate came to your attention prior to disclosure by us, or which is or has become a part of the public domain through publication or communication by others. Our confidential information is licensed, not sold, to you. You will not reverse engineer, decompile or disassemble any item that embodies confidential information. The Operations Manual may contain guidelines to protect confidential information and trade secrets, including limited access to the information on a need to know basis, locking of offices and computer files, placement of appropriate legends on materials, limited access for copying and scanning, pass-word protection, and encryption. You will conduct periodic meetings with your managers and employees to instruct them on their responsibilities to maintain the confidentiality of our information, including severance interviews with terminated employees in which they acknowledge in writing their post-employment confidentiality obligations.

You will require as a condition of the employment of your employees and anyone else providing services to you that they maintain and protect our confidential and proprietary information, including (1) the signing of a confidentiality agreement, and (2) the signing of a non-competition agreement with terms substantially similar to those provided in Section 6.8 of this Agreement to the extent permitted by applicable law.

You must follow our security procedures, which may include the execution of approved nondisclosure agreements, and Intranet and Internet usage agreements, but will be commercially reasonable. You will be responsible to enforce these covenants and agreements by your employees. These covenants are for the benefit of us and the Ululani's Hawaiian Shave Ice franchise system and are enforceable by us. If you become aware of any actual or threatened violations of these covenants by any of your employees and anyone else providing services to you, you will promptly and fully advise us in writing of all related facts known to you. You will cooperate with us in all ways we reasonably request to prevent or stop any violation. This may include institution or permitting to be instituted in your name any demand, suit or action that we determine is advisable. The demand, suit or action may be maintained and prosecuted by us and you at your expense.
You will assure that you and all your agents, employees, consultants, partners, owners, members, officers, directors, and shareholders and other persons in your control, to whom any information is communicated, will keep, preserve, and protect all confidential information.

This section contains prohibitions based upon an understanding that you, your key employees, your officers, your partners, your employees, members and owners (as applicable) will possess knowledge of business and operating methods and confidential information, disclosure of which would prejudice our interests and our other franchisees.

Notwithstanding the foregoing, any information in the Method of Operation or other confidential information that:

1. is or becomes generally available to the public or a third party other than as a result of a disclosure by you, your employees, agents or contractors;

2. you demonstrate was within your possession prior to its being furnished to you by or on behalf of Franchisor; or

3. you received on a non-confidential basis from a source other than Franchisor, or its representatives, so long such source is not bound by a confidentiality agreement with, or other contractual, legal or fiduciary obligation of confidentiality to, Franchisor or any other party with respect to such information;

shall not be deemed confidential information under this Agreement.

6.7 **Conflicting or Competing Interests**. You will diligently, faithfully, and honestly perform your obligations pursuant to this Agreement. You will use your commercially reasonable best efforts to develop, promote, and enhance your franchise. You will not engage in any activity or business enterprise that conflicts with these obligations. [We understand, however, that you or your affiliate will be running a Hotel and Hotel food and beverage operation that does not offer shaved ice products, concurrently with the franchise, and we do not deem that to be a conflicting or competing interest.]

At all times the Franchise must be under your direct supervision. You will devote a substantial enough amount of time and energy to properly operate the Franchise. In your absence, the Franchise must be under the direct supervision of a manager who has successfully completed the required training programs and who devotes the necessary time during business hours to the management of the Franchise.

In express consideration for and during the term of this Agreement, neither you nor your owners, shareholders, members, partners, directors, officers, employees, consultants, distributors, or agents, nor the members of your or their immediate families or households (who have access to or knowledge of the Operations Manual or Method of Operation), will directly or indirectly participate as an owner, shareholder, member, partner, director, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any business (including business in formation) directly or indirectly engaged or to be engaged in the offer, sale, internet dissemination, or promotion of shave ice products or services that are part of the Method of Operation. We may waive this covenant only in writing.

You will assure that you and your owners, directors, officers, partners, shareholders, members, employees, consultants, and agents, during the term of this Agreement and for a period of two years after expiration or termination of this Agreement do not employ or seek to employ any person we employ or any other person who is at that time operating or employed by or at any of our franchises or otherwise directly or indirectly induce these persons to leave their employment.

If, for any reason, any provision set forth in this Subsection is determined to exceed any lawful scope or limit as to duration, geographic coverage, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. The duration, geographic coverage and scope allowable by law or court of law shall apply to this Agreement.

You and we stipulate that, in light of all of the facts and circumstances of the relationship between you and us, the covenants, restrictions and agreements referred to in this Section (including without limitation their scope, duration and geographic extent) are fair and reasonably necessary for the protection of our confidential information, goodwill and other protectable interests. If a court of competent jurisdiction should decline to enforce any of those covenants and agreements, you and we request the court to reform these provisions to restrict your use of confidential information, non-solicitation, ability to compete with us, and any other covered topics to the maximum extent, in time, scope of activities, and geography, the court finds enforceable under applicable law.

6.8 **Computer Systems**. [We have reviewed your point of sale system for food and beverage operations and outlets at the Hotel and deem them acceptable for use in the Franchise Premises.]

You are required to have high speed Internet service where you will be able to access downloads from us of advertising materials, operations manual revisions, training materials and corporate news and through which we may have remote access to your computer systems and records.

E-Problem Disclaimer: Computer systems are vulnerable in varying degrees to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders ("E-Problems"). We do not guarantee that information or communication systems that we or others supply will not be vulnerable to E-Problems. It is your responsibility to protect yourself from E-Problems. You should also take reasonable steps to verify that your suppliers, lenders, Franchisors, customers, and governmental agencies on which you rely, have reasonable protection from E-problems. This may include taking reasonable steps to secure your systems (including firewalls, password protection, and anti-virus systems), and to provide backup systems.

6.9 **Working Capital Requirements**. At all times during the term of this Agreement, you will maintain and employ as much working capital as may be required to enable you to properly and fully perform all your duties, obligations, and responsibilities.

6.10 **Notice of Court Action**. You will notify us in writing within five days of the commencement of any action, suit or proceeding, or of the issuance of any order, writ, injunction, award or decree of any court, agency or government instrumentality, which may adversely affect your operation of or the financial condition of the franchise.

6.11 **Credit Card Programs**. You will participate in and cooperate with us in all credit card programs we may establish or adopt periodically to receive credit and debit card payments from your customers. [You may use any credit card program and accept any credit card for payment that is used at the Hotel. You will not be required to accept credit cards that are not accepted for the Hotel operation.]

7 RENEWAL, TERMINATION AND STEP-IN RIGHTS

7.1 Renewal of Franchise.

A. If you are not in breach, you may renew the Franchise for successive single periods that match any period of extension of lease of the Franchise Premises beyond the first ten years of lease term (with a minimum extended term of four years and a maximum term of 10 years for each renewal period. Each successive single renewal will be under the terms of our then-current Franchise Agreement forms. "Then-current," as used in this Agreement and applied to our Franchise Disclosure Document and Area Development Addendum will mean the form then currently provided to prospective franchisees or area developers, or if not then being provided, then the form we select in our sole discretion which previously has been delivered to and executed by a franchisee of ours (with appropriate modifications to reflect the fact that the agreement relates to the grant of a renewal franchise). These forms may vary materially from this Agreement. Royalty Fees, Advertising Fees (as applicable), and other fees will be set at the then prevailing rates and terms. Your failure or refusal to execute the renewal Franchise Agreement forms within 30 days after delivery to you may be regarded as an election by you not to renew. Upon renewal, the Franchise Territory may be modified and its geographic area may be reduced or expanded to meet our then-current franchise market penetration and demographic standards, though you will have the first option to open any other franchise location in the Franchise Territory.

You will exercise your renewal option by giving written notice to us. The notice must be given at least three months, but no earlier than six months, before the end of the franchise term established by this Agreement. You will reimburse us for our reasonable out-of-pocket costs concerning the renewal.

We may condition consent to the renewal upon your execution of a general release, in a form we prescribe, following applicable law, to release us from any claims you may have against us as of that time.

Before renewal, you or your designated manager will attend and successfully complete any retraining program we prescribe in writing, if needed. This will be done at your expense, including travel, meals, lodging, and our then-current training fee.

B. We may refuse to renew this Agreement if you fail to satisfactorily comply with this Agreement. The determination of satisfactory compliance will be within our exclusive discretion in good faith. If we refuse to renew, you must continue to perform under this Agreement until its expiration.

C. Continuation. You have no automatic right to continue operation of the Franchise following expiration or termination of this Agreement. If you continue to operate the Franchise with our express or implied consent, following the expiration or termination of this Agreement, the continuation will be a month-to-month extension of this Agreement. This Agreement will then be terminable by either party upon 30 days written notice. Otherwise, all provisions of this Agreement will apply while operations continue. Upon termination of this Agreement under this section, all post-termination covenants and obligations in this Agreement will apply.

7.2 **Termination by You**. You may terminate this Agreement if you comply with the terms of this Agreement and if we substantially breach any material provision of this Agreement and fail to cure or reasonably to begin to cure that breach within 30 days after receipt of written notice specifying the breach. Termination will be effective 10 days after you deliver to us written notice of termination for our failure to cure within the allowed period. You may also terminate this Agreement at any time, upon 10 days' notice to us, (a) in the event that you do not exercise any option to extend the lease of the Franchise Premises; (b) in the event that, despite your reasonable and diligent efforts to operate the Franchise, sales at the Franchise Premises do not exceed Two Hundred Fifty Thousand Dollars ($250,000) for any period of twelve consecutive months; (c) we cease to have at least five total locations (including location(s) operated by you and company-owned, affiliate-owned, and/or franchisee-owned locations) operating under the Ululani name in the State of Hawaii; and (d) our principals, Charlotte Yamashiro, David Yamashiro, and Bradly Edgerton, cease to be our owners (directly or indirectly) or cease to be active in the management, operation and quality control of the Ululani franchise (except as a result of death or disability) during the first five (5) years of your franchise operations under this Agreement.

7.3 **Termination by Us**.

You agree that it will be a default constituting a substantial breach of a material provision of this Agreement pursuant to relevant law, thus establishing good cause for termination of this Agreement and any other franchise and related agreements between the parties if you (or your owners, officers, or key employees) breach any term or provision of this Agreement and do not cure the breach (or reasonably begin to cure and diligently pursue the cure until the breach is remedied) within 30 days after receipt of our written “Notice to Cure.” Termination will occur immediately upon delivery to you of our written declaration of termination for failure to cure within the allowed time frame.

A. You agree that it will be a default constituting a *substantial breach of a material provision of this Agreement pursuant to relevant law, thus establishing good cause* for us to immediately terminate this Agreement and any other franchise and related agreements between the parties without other cause, and without giving you an opportunity to cure (except as set forth below), if you (or your owners, officers, or key employees):

1. Become insolvent, make a general assignment for the benefit of creditors, have a receiver appointed to administer or take possession of any part of the franchise or your assets, or admit to not being able to meet your obligations as they become due or become bankrupt, or become subject to any chapter of the United States Bankruptcy Code, unless you:

   (i) timely undertake to reaffirm the obligations under this Agreement;

   (ii) timely comply with all conditions as legally may be imposed by us upon such an undertaking to reaffirm this Agreement; and

   (iii) timely comply with such other conditions and provide such assurances as may be required in relevant provisions of the United States Bankruptcy Code; provided, however, that we and you acknowledge that this Agreement constitutes a personal service contract and that we have relied to a degree and in a manner material to this Agreement upon the personal promises of you and/or your directors, officers, shareholders or partners, as the case may be, to participate personally on a full-time basis in the management and operation of the franchise, and, consequently, we and you agree that any attempt by any other party, including the trustee in bankruptcy or any third party, to assume or to accept an assignment of this Agreement will be void;

2. Fail to commence operation of the Franchise within the deadlines prescribed in Section 4.1, above;

3. Fail to operate the Franchise continuously and actively for a period for which it would be reasonable under the facts and circumstances for us to conclude that you do not intend to continue the Franchise, after at least thirty (30) days written notice from us;

4. Receive three of more separate Notices to Cure based on your defaults under this Agreement during any consecutive 12-month period, regardless of whether or not you cure such defaults.

5. On more than two occasions in any 12-month period you fail to report monthly Gross Revenue on time, or understate monthly Gross Revenue by more than 5%**,** or intentionally distort other material information;

6. Make or have made any material misrepresentation or misstatement on the franchise application or with respect to ownership of the Franchise (if you are presently a direct competitor of ours or a direct competitor of an affiliate of ours, we may keep your entire initial franchise fee, cancel training and terminate this Agreement);

7. Allow the Franchise, Franchise Premises or franchise assets to be seized, taken over, or foreclosed by a creditor, lien holder, or lessor; let a final judgment against you to remain unsatisfied for 30 days (unless a supersedeas or other appeal bond is filed); or allow a levy of execution upon the Franchise or upon any property used in the Franchise, that is not discharged by means other than levy within five days of the levy.

8. Are convicted of a felony, or are convicted of any criminal misconduct relevant to the operation of the Franchise.

9. Within a period of ten (10) days after notification of noncompliance (or such period as may be stated in any notice of noncompliance if longer), fail to comply with any federal, state or local law or regulation applicable to the operation of the Franchise.

10. Fail to pay any Franchise Fee, Royalty Fee, or other fees or amounts owed pursuant to this Agreement within ten days after receipt of written notice that the fees or amounts are overdue.

11. Operate the Franchise in a manner that creates an imminent danger to public health or safety.

12. Cause a material breach of the confidentiality provisions of this Agreement, including failure to obtain agreements from your employees to keep confidential information confidential.

13. Attempt to unilaterally repudiate this Agreement or the performance or observance of any of its terms, conditions, covenants, provisions or obligations by any conduct evidencing your intention to no longer comply with or be bound by this Agreement.

7.4 **Time Frames Subject to Applicable Laws**. The provisions of this Agreement may state periods of notice less than those required by applicable law. They may provide for termination, cancellation, non-renewal or the like other than according to applicable law. They will be extended or modified to comply with applicable law.

7.5 **You Will Discontinue Use of Service Marks, Operations Manual, and Method of Operation on Termination of Agreement**. Substantial damages that are difficult to determine at the date of execution of this Agreement will accrue to us if you do not comply with any of the following requirements upon expiration or termination of this Agreement. Upon expiration or termination of this Agreement, you will:

A. Immediately cease using the Service Marks (or any names or marks deceptively similar to them), the Operations Manual and the Method of Operation.

B. Return to us all copies of the Operations Manual. Return to us all records, files, instructions, correspondence, and materials in your possession or control related to the Method of Operation. You will give us a complete and accurate summary of your advertisers, customers and leads, including their names, addresses, telephone numbers and related file records, for the Franchise. You will assist us in every way possible to bring about a complete and effective transfer of your franchise business to us or to our designated franchisee.

C. Authorize business telephone, Internet, email, electronic network, directory and listing entities to transfer all numbers, email addresses, domain names, locators, directories and listings for the Franchise to us or our designee. Notify them of the termination of your right to use the Franchise names and Service Marks. You authorize the transfer of your business telephone number for the Franchise Premises and directory listings and Internet addresses, email addresses, domain names and locators to us or our designated franchisees. You appoint us as your agent and attorney-in-fact to effect the transfer of these telephone numbers and directory listings and domain names and Internet directory listings to us. You agree that we will be treated as the subscriber for the telephone numbers and directory listings. We will have full authority to instruct the applicable telephone, directory and listing companies on the use and disposition of the telephone listings and numbers. You release and indemnify these companies from any damage or loss because they follow our instructions.

D. Pay to us within seven (7) days all Royalty Fees and other sums you owe. These sums will include all damages, costs and expenses, including reasonable attorneys' fees and collection costs, we incur because of your breach. These sums will include all costs and expenses, including reasonable attorneys' fees, we incur in obtaining injunctive, appellate, or other relief to enforce the provisions of this Agreement.

E. Abide by all provisions of the restriction upon communication of confidential information set forth above and the post-termination covenant-not-to-compete set forth below. You will immediately return to us all of our confidential information you have received, including any items that embody the confidential information. You acknowledge that you have no continuing ownership interest in the confidential information.

F. Unless we exercise our option to purchase in subsection G.4, below, you must de-identify the Franchise Premises at your expense upon termination or expiration of this Agreement. If you fail to do so within 10 days of termination or expiration of this Agreement, then we may enter the Franchise Premises (consistent with Section 6.3.A.2, above) to de-identify the Franchise Premises at your expense. You will reimburse us for our costs related to such de-identification activities upon receipt of invoice. De-identification includes removal of all signs; modification or remodeling of all identifying architectural features; repainting as necessary to no longer use the color scheme used by our franchisees and/or company-owned operations; and any other steps necessary (in our sole discretion) to effectively distinguish the formerly leased premises from our proprietary design(s).

G. At our option, do some or all of the following:

1. Remove all equipment, furnishings, and inventory from the Franchise location that is specific to the Franchise use;

2. Sell the equipment and inventory specific to the Franchise use, to us, at fair market value for equipment and furnishings and at your invoice cost for inventory less a 10% restocking charge. We will not be liable for payment to you for intangibles, including, without limitation, goodwill;

3. Assign to us ownership and control of any website you own or control related exclusively to the Franchise;

4. Sell to us your interest in the Franchise, the Franchise Premises, if any, and all related equipment, fixtures, signs, real estate leases, equipment leases and personal property. Unless we state in writing that we do not intend to exercise this right, the parties must agree upon a purchase price and terms within five business days after termination of this Agreement. If not, a fair value and fair terms will be determined by appraisal as set forth in Section 4.2.

H. Upon termination for any reason, you will return to us all proprietary and confidential materials, including customer lists and account information, keys, codes, signage, advertising and marketing materials, uniforms, service agreements and other forms, printed files, security codes, and the like as may be described in the Operations Manual. If you fail to return or cease use of any of these items, we may enter your business premises without being guilty of trespass or any other tort to remove and retain the items. You will pay to us, on demand, any expenses we incur in trying to remove or collect such items or in attempting to have you cease use of them.

7.6 **We May Assign Franchise Territory Upon Termination**. Upon expiration or termination of this Agreement, we may immediately license or franchise the Franchise Territory to another person or may operate Ululani's Hawaiian Shave Ice businesses within the Franchise Territory.

7.7 [INTENTIONALLY OMITTED]

7.8 **You and Your Owners Not to Compete on Expiration, Termination or Transfer of Agreement**. This covenant will apply for three (3) years after termination, expiration or transfer of this Agreement. In express consideration for this Agreement, you will assure that you and your owners, shareholders, partners, directors, officers, employees, and agents, and the members of their immediate families or households, who have actual knowledge of or access to the Operations Manual or Method of Operation, will not directly or indirectly participate as an owner, shareholder, director, partner, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any business engaged directly or indirectly in the offer, sale, rental, internet dissemination, or promotion of shave ice products or services or any business that offers products or services that are essentially the same as, or substantially similar to, the shave ice products and services that are part of the Method of Operation. For purpose of clarity, the following products are not "substantially similar" to shave ice products and services and therefore are not covered by the foregoing covenant: ice cream and ice cream cones, sorbet, popsicles, frozen yogurt and frozen yogurt cones, milk shakes, and slushy frozen drinks (such as for example those that are machine dispensed at a 7-Eleven or made with a blender at a Starbucks or Jamba Juice). This covenant applies within the Franchise Territory, within a 25-mile radius of the Franchise Territory, and within a 15-mile radius of any location or franchise territory where we operate or have granted the franchise to operate an Ululani's Hawaiian Shave Ice business in the State of Hawaii, and within a 25-mile radius of any location or franchise territory where we operate or have granted the franchise to operate an Ululani's Hawaiian Shave Ice business outside of the State of Hawaii.

If, for any reason, any provision set forth in this Subsection exceeds any lawful scope or limit as to duration, geographic coverage, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. The duration, geographic coverage and scope allowable by law or court of law shall apply to this Agreement.

8 TRANSFER

8.1 **Sale or Assignment**.

A. Your rights and obligations under this Agreement are exclusive to you. Whether voluntarily or involuntarily, neither you, your owners, partners nor others claiming an interest in the Franchise will sell, transfer, assign, encumber, give, lease, or sublease, or allow any other person to conduct business in or through (collectively called "transfer") the whole or any part of: this Agreement, the Franchise Premises, substantial assets of the Franchise business, or ownership or control of you or to fractionalize any of the rights granted to you pursuant to this Agreement. Any attempted transfer without our prior written consent will be a breach of this Agreement. Our consent will not be unreasonably withheld. We need not consent to any transfer before the date the Franchise opens for business.

Because we will have a strong and vested interest in the financial viability and ongoing management abilities of the transferee, we need not consent to any transfer if we reasonably believe the purchase price is excessive or if we believe based upon a review of the transferee's operational and business plans that the transferee's business operations might not be beneficial on a cash flow or financial basis.

We need not consent to any transfer to a competitor of ours.

We enter this Agreement, in part, in reliance upon the individual or collective character, skill, attitude, business ability and financial capacity of you (or your shareholders, members or partners, if you are a corporation, limited liability company, partnership or other entity).

You recognize that there are many subjective factors that comprise the process by which we select a suitable franchise owner. Our consent to a transfer by you will remain a subjective determination and will include, but not be limited to the following conditions. Before the effective date of a transfer we approve:

1. The transferee must assume your Franchise obligations. You will remain bound by your covenants in this Agreement to not disclose confidential information and to not compete with us or our franchisees.

2. You will pay all ascertained or liquidated debts concerning the Franchise.

3. You may not be in breach of this Agreement or any other agreement between the parties. Our consent to the transfer will not constitute a waiver of any claims we may have against you.

4. The transferee will pay for and complete to our exclusive satisfaction the training programs we then require of new franchisees or otherwise show to our satisfaction sufficient ability to successfully operate the Franchise.

5. You or the transferee will pay a Transfer Fee according to our then-current Transfer Fee Schedule. This fee will reimburse us for our reasonable legal, accounting, credit check, and investigation expenses that result from the transfer, as well as the mandatory training program for the transferee. The Transfer Fee will not be more than **$7,500**.

6. You will pay us a 10% commission on the gross transfer price (excluding the price of real property), if we obtain the transferee for you.

7. The transferee will execute all documents we then require of new franchisees. This includes a new franchise agreement in the form we then are using. The new franchise agreement may contain economic and general terms that are materially different from those contained in this Agreement. The term of the new agreement will be for the unexpired term of this Agreement or for a new full term as we will elect. You must ask us to provide the prospective purchaser with our current form of disclosure document required by the applicable federal or provincial/state registration and disclosure laws, and a receipt for this document will be delivered to us; provided however, we will not be liable for any representations you make apart from those contained in our disclosure document.

8. The transferee will meet our standards for quality of character, financial capacity, and experience required of a new or renewing franchisee. You will provide information we require to prove the transferee meets our standards.

9. If permitted by applicable law, you and your owners, members, partners, officers, and directors will execute a general release in our favor. The release must be in a form we prescribe, following applicable law, to release, any claims you may have against us and our representatives, subsidiaries and affiliates and our officers, directors, attorneys, shareholders and employees in their corporate and individual capacities. This will include claims arising under federal, state and local laws, rules and ordinances arising out of, or connected with, the offer, sell and performance of this Agreement or any other agreement between the parties.

10. If the Initial Franchise Fee has not yet been paid in full, it must be paid in full despite the due date for payment established by this Agreement.

11. If the lease or sublease for the Franchise Premise requires, the lessor or sublessor must have consented to the assignment or sublease of the Franchise Premises to the transferee. All fixtures and equipment at the Franchise Premises must be inspected and certified by a qualified professional inspector to be in good working order and free of operational defects. It will be your responsibility to bring all fixtures and equipment to proper working order before the transfer takes place.

12. You will enter into an agreement to subordinate, to the transferee's obligations to us (including the payment of all franchise fees), any

obligations of the transferee to make installment payments of the purchase price to you. The form of this subordination is subject to our approval.

13. Upon our granting of approval for the transfer, you will:

(i) ensure that the transfer is effected in compliance with the requirements of all federal, state, and local laws, including applicable tax and bulk sales legislation, and with the applicable requirements of the lease of the Franchise Premises;

(ii) deliver to the purchaser the Operations Manual and all other manuals and materials we provided to you for use in the Franchise, including all materials bearing the Trademarks and our advertising, promotional and training materials, order books and bookkeeping and reporting forms.

B. [Notwithstanding anything herein to the contrary, without our prior consent, you may transfer your rights and obligations under this Agreement and in the Franchise Premises to (1) any entity that owns or will acquire the Hotel and the physical assets of the Hotel, or (2) any entity which directly or indirectly controls, is controlled by, or is under common control with you through ownership of you or your ownership in such entity; provided, such entity must contemporaneously agree in writing to be bound by the terms of this Agreement. You will notify of us the identity of the anticipated owner before consummating the transaction.]

At our request, you will provide to us a current list of all your owners, shareholders, members, directors, officers, partners, and employees, with a summary of their respective interests in you, provided, however, that we will keep such information strictly confidential and shall not disclose such information to any other party unless required to do so by law or if necessary to enforce our rights under this Agreement. We may provide the names of your key officers and/or key operations personnel in Item 20 of our franchise disclosure documents (or one or more exhibits references in such Item) as we reasonably deem necessary or desirable.

C. We may transfer this Agreement. If we do, it will be binding upon and inure to the benefit of our successors and assigns. Specifically, you agree that we may sell our assets, the Service Marks, or the Method of Operation outright to a third party, may go public, may engage in a placement of some or all of our securities, may merge, acquire other entities or be acquired by other entities, or may undertake a refinancing, recapitalization, re-organization, leveraged buyout or other economic or financial restructuring. As for any or all of these sales, assignments and dispositions, you waive any claims, demands or damages arising from or related to the loss of the Service Marks (or any variation of them) or the loss of association with or identification as part of our franchise system.

We will not be required to remain in any particular form of business or to offer to you products, whether or not bearing our Service Marks.

D. You may offer your securities or partnership interests to the public, by private offering, or otherwise, only with our prior written consent. Consent may not be unreasonably withheld. All materials required for the offering by federal or state law will be submitted to us for review before filing with any government agency. Any materials to be used in any exempt offering will be submitted to us for review prior to their use. No offering by you will imply (by use of the Service Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities. You and all other participants in the offering must fully indemnify us concerning the offering. For each proposed offering, you will pay to us the amount necessary to reimburse us for our reasonable costs and expenses associated with reviewing the proposed offering, including, legal and accounting fees. You will give us at least 60 days written notice before the effective date of any offering or other transaction covered by this subsection.

E. You may not grant a sub-franchise or transfer less than all of your rights under this Agreement.

F. Our consent to a proposed transfer will not be a waiver of any claims we may have against you (or your owners), nor will it be a waiver of our right to demand exact compliance with this Agreement. Our consent to a transfer will not constitute or be interpreted as consent for any future or other transfer.

G. You will comply with and help us to comply with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises.

8.2 [Intentionally omitted]

8.3 **First Right of Purchase**. You will give us the right of first purchase before soliciting offers from a third party if you choose to sell your franchise business. You agree to notify us in writing if you desire to sell or transfer any interest in you or in your franchise. You will give us sufficient information and documentation to allow us to analyze the status and value of your business. We will elect to exercise our option to purchase within 30 business days after our receipt of your written notification and due diligence information. If we offer you an amount that you do not agree to, you may try to sell to a third party but on no better terms for the purchaser than we offered to you. If you later receive an offer from a third party purchaser at a price that is lower than the price we previously offered to you, and you intend to accept that offer, you are obligated to re-offer to us pursuant to the subsection entitled "First Right of Refusal". You are obligated before any transfer to a third party to comply with all criteria set forth in the subsections entitled "Sale or Assignment" and "First Right of Refusal." If you do not complete a transaction with a third party within six months, you agree we will again have the right of first purchase before any subsequent contemplated transaction.

We may elect to purchase all of the franchise business regardless of your intent to sell, assign or transfer a lesser interest. We can pay the purchase price in cash up front or by industry-standard monthly payments that amortize the principal amount with interest calculated at prime plus 1% as of the date of purchase. The choice of payment type is in our sole discretion.

8.4 **First Right of Refusal**. If you receive a bona fide offer from a third party acting at arm's length to purchase the Franchise, a majority interest in ownership of you, or substantially all of the assets of the Franchise, which offer is acceptable to you or to your owners, we will have the right to purchase at the bona fide price on the same terms and conditions as offered to you. We may substitute cash for any other form of consideration contained in the offer. Our credit will be deemed to be equal to the credit of any proposed purchaser. We must pay the entire purchase price at closing if the offer received requires the same. Within six days after receipt by you of an acceptable bona fide offer, you will notify us in writing of the terms and conditions of the offer. You will give us sufficient information and documentation to allow us to analyze the status and value of your business. We may exercise this right to purchase within 30 days after receipt of notice from you and due diligence information. If the interest which is the subject of the offer involves less than all of the ownership interest, then in our sole option, our right of first refusal will apply to the entire ownership interest. In such case, the consideration to be received, as set forth in the offer shall be divided by the percentage interest subject to the offer and the resulting quotient shall be the price to be paid for the entire ownership interest. Terms and conditions for the purchase of the entire ownership interest shall be as similar to the terms and conditions set forth in the offer as practicable, except for the substitute provisions noted above in this section.

If we do not exercise our right to purchase within the 30 days, you may make the proposed transfer to a third party. The transfer will not be at a lower price nor on more favorable terms than disclosed to us. Any transfer will be subject to our prior written permission described in the section entitled "Sale or Assignment," above. If the Franchise is not transferred by you within six months from the date it is offered to us, or if any material change is made in the terms of the proposed sale, then you must re-offer to transfer to us before a transfer to a third party.

9 **INDEMNITY, INSURANCE, CONDEMNATION AND CASUALTY**

9.1 **Indemnity**. You will indemnify and hold us harmless from all fines, suits, proceedings, claims, demands, actions, losses, attorneys' fees and damages arising out of or connected with the Franchise and your business activities, or acts or omissions of you and your employees and agents, including those brought against you and us jointly alleging that you and we were negligent or otherwise liable because of your conduct. We will indemnify and hold you harmless from all fines, suits, proceedings, claims, demands, actions, losses, attorneys' fees and damages arising out of or connected with our business activities, or acts or omissions of us and our employees and agents, including those brought against you and us jointly alleging that you and we were negligent or otherwise liable because of our conduct. If it is established that both you and we were jointly negligent or otherwise liable, you and we will contribute to the relevant award, and the obligation to indemnify and hold harmless shall be determined, based upon the adjudicated and assigned respective degree of fault. In the event of a settlement prior to adjudication, you and we will agree to degrees of fault. You and we will contribute to the relevant settlement, and the obligation to indemnify and hold harmless shall be determined, based upon the agreed degree of fault. All provisions of this Section will be subject to these contribution and allocation of indemnification provisions.

You will indemnify us for any loss, cost or expense, including attorneys' fees, that may be sustained by us because of the acts or omissions of your vendors or suppliers or arising out of the design or construction of the Franchise Premises, and we will indemnify you for any loss, cost or expense, including attorneys' fees, that may be sustained by you because of the defects and any product we supply to you or require that you purchase from us, any claim arising from marketing and adverting that we undertake for the Franchise or franchise system over which you have no control and any claim arising out of our failure to have rights in the Service Marks so long as your use of the Service Marks fully complies with this Agreement and our written specifications.

Your indemnification of us will include use, condition, or construction, equipping, decorating, maintenance or operation of the Franchise Premises, including the sale of any products, service or merchandise sold from the Franchise Premises (except as set forth above). Any loss, claims, costs, expenses, damages and liabilities shall include, without limitation, those arising from latent or other defects in the Franchise Premises, whether or not discoverable by us, and those arising from the death or injury to any person or arising from damage to the property of you or us, and our respective agents or employees, or any third person, firm or legal entity.

The defense under the foregoing indemnities will be conducted by attorneys mutually acceptable to each of us. Our respective approvals will not be unreasonably withheld. Each of us will not settle any claim against the other without prior written approval of the other.

All references in this Agreement that provide that you will indemnify or defend us or that you will name us under any insurance policy will also mean that our affiliates, directors, officers, and employees will be also and equally indemnified, defended or named.

9.2 **Insurance**. Upon commencement of franchise operations, and during the term of this Agreement, you will obtain and keep in force by advance payment of premium appropriate fire and extended coverage, vandalism, malicious mischief, general liability, food borne illness and products liability insurance. This insurance will be in an amount sufficient to replace the equipment, the Franchise Premises, if any, and your personal property upon loss or damage. This insurance will be written by a financially responsible insurance company satisfactory to us in accordance with our standards and specifications in the Operations Manual. The insurance will include, at a minimum, the following:

A. Commercial general liability insurance, including food borne illness, products liability, completed operations, property damage, contractual liability, independent contractors liability, owned and non-owned and hired automobile coverage, and personal injury coverage with a combined single limit of at least $1,000,000 per occurrence and $3,000,000 aggregate, including umbrella coverage.

B. Workers' compensation and employer's liability insurance, and other insurance required by statute or rule of the state in which the franchise is located and operated.

C. Business income (interruption) insurance.

D. Employment practices liability insurance.

The insurance will insure us, you, and our respective subsidiaries, owners, officers, directors, partners, members, employees, servants, and agents against any loss, liability, products liability, personal injury, death or property damage that may accrue due to your operation of the Franchise. Your policies of insurance, other than for casualty to the Franchise Premises, will contain a separate endorsement naming us as an additional insured. The insurance will not be limited in any way because of any insurance we maintain. The insurance will not be subject to cancellation except upon 20 days' written notice to us. Certificates of your insurance policies will be kept on deposit with us. Maintenance of the required insurance will not diminish your liability to us under the indemnities contained in this Agreement. The policy or policies will insure against our vicarious liability for actual and (unless prohibited by applicable law) punitive damages assessed against you.

All insurance policies you obtain will contain a blanket waiver of the insurer's rights of subrogation in respect of or against us and our officers, agents, employees and representatives; and will not contain any insured vs. insured exclusion clause, but will contain a severability clause providing that each the policy will be treated as though a separate insurance policy had been issued to each named insured.

We may require you to increase the minimum limits of and types of coverage to keep pace with regular business practice and prudent insurance custom.

If you fail to comply with any of the requirements of this Subsection, we may, but are not obligated to, purchase insurance at your expense to protect our interests. This insurance may, but need not, also protect your interest. The coverage we obtain might not pay any claim you make or any claim made against you. You may later cancel the insurance we obtain by providing evidence that you have obtained proper coverage elsewhere. You are responsible for the cost of any insurance purchased by us pursuant to this paragraph. This coverage may be considerably more expensive than insurance you can obtain on your own and might not satisfy your needs. You will pay us upon demand the premium cost of this insurance with a late payment charge on the unpaid balance at the rate established in this Agreement.

You will promptly report all claims or potential claims against you, the Franchise or us in writing when you become aware of them. You will give immediate written notice to us of any claims or potential claims you make to your insurers.

Nothing contained in this Agreement will be construed as a representation or warranty by us that the insurance coverage we specify will insure you against all insurable risks or amounts of loss which may or can arise out of or in connection with the operation of your franchise business. It is your sole responsibility to ensure that adequate insurance coverage is obtained for your business.

Your procurement and maintenance of the insurance specified above will not relieve you of any liability to us under any indemnity requirement of this Agreement.

9.3 **Condemnation**. You will give us notice of any proposed taking through the exercise of the power of eminent domain. Notice will be given within 10 days of your first knowledge of the proposed taking. If the Franchise Premises or a substantial part of it is to be taken, the Franchise Premises may be relocated within the Franchise Territory or elsewhere with our prior written approval. The relocated premises may not infringe on the protected rights of any other franchise pursuant to our specifications and contractual obligations. Relocation must be completed and franchise business operations recommenced within a reasonable time after the closing of the initial Franchise Premises (but in any event, within one year after closing of the Franchise Premises). The new franchise location will become the Franchise Premises licensed under this Agreement. If a condemnation takes place and a new franchise location does not open, for whatever reason, then this Agreement will terminate upon 30 days written notice from us to you.

9.4 **Casualty**. If the Franchise Premises is damaged by fire or other casualty, you will expeditiously repair the damage. If the damage or repair requires the closing of the Franchise, you will:

A. continue to pay Royalty Fees based upon the monthly average paid for the preceding 12 month period or based upon the proceeds of any Business Interruption recovery you receive, whichever is greater, provided coverage is available under Franchisee's policy of insurance,

B. immediately notify us,

C. repair or rebuild the Franchise Premises following our specifications, and

D. re-open the Franchise for continuous business operations when practicable (but in any event, within one year after closing of the Franchise Premises). You will give us not less than 30 days advance notice of the date of reopening.

If the Franchise Premises does not re-open within one year, this Agreement will terminate upon 30 days written notice from us to you.

9.5 **Proceeds From Insurance or Recovery**. The proceeds from any business interruption insurance or eminent domain recovery you receive that are paid or awarded to compensate you for the loss of gross income will be included in Gross Revenue.

10 NOTICE AND MISCELLANEOUS

10.1 **Notices**. All notices required by this Agreement will be in writing. They may be sent by certified or registered mail, postage prepaid and return receipt requested. They may be delivered by Federal Express, or other reputable air courier service, requesting delivery with receipt on the most expedited basis available. They may be sent by prepaid facsimile or electronic mail (provided that the sender confirms the facsimile or electronic mail by sending an original confirmation copy by expedited delivery service or certified or registered mail within three business days after transmission). Notices will be delivered to you at the Franchise Premises, to us at our headquarters or to other locations specified in writing.

Notices may be delivered and receipted to you personally at any location.

Notices sent by certified or registered mail will be deemed to have been delivered and received three business days following the date of mailing. Notices sent by Federal Express, or other reputable air courier service will be deemed to have been received one business day after placement requesting delivery on the most expedited basis available. Notices sent by facsimile or electronic mail will be deemed to have been delivered upon transmission (provided confirmation is sent by expedited delivery service or registered or certified mail as provided above).

10.2 **Business Name**. You will execute any commercially reasonable documents we may direct, to be retained by us until this Agreement ends, to evidence that you abandon, relinquish, and terminate your right or interest you may claim in or to the Service Marks.

10.3 **We and You Are Not Joint Venturers, Partners, or Agents**.

A. Independent Relationship. You are and will remain an independent contractor. You and we are not and will never be considered joint venturers, partners, employees, or agents one for the other. Neither will have the power to bind nor obligate the other except as otherwise outlined in this Agreement. No representation will be made by either party to anyone that would create any apparent agency, employment, or partnership. Each will hold the other safe and harmless from each other's debts, acts, omissions, liabilities, and representations. You acknowledge that you are not in a fiduciary relationship with us.

B. Display. In all public and private records, documents, relationships, and dealings, you will show that you are an independent owner of the Franchise. You will prominently indicate on your letterheads and business forms that you are our licensed franchisee by using language saying that you operate an independently owned Franchise. You will prominently display, by posting of a sign within public view, on or in the Franchise Premises and on any delivery vehicles that you use, a statement that clearly indicates that your franchise business is independently owned and operated by you as a franchisee and not as our agent.

C. Your Employees.

1. You will control your own employees and contractors. We shall not have the power to hire, fire, direct, supervise or discipline your employees. You will maintain employee records to show clearly that you and your employees are not our employees.

2. You must pay special attention to federal and state wage and hour laws with respect to your employees. You must comply with all such laws and pay your employees properly. You are responsible for any employee wages and compensation, payroll taxes and other required withholding, worker's compensation and benefits.

3. You are responsible for making sure your employees meet the standards, specifications and recommendations outlined in the Operations Manual (as applicable).

10.4 **Waiver**. A waiver of any breach of any provision, term, covenant, or condition of this Agreement will not be a waiver of any subsequent breach of the same or any other provision, term, covenant, or condition.

Any waiver of any provision of this Agreement must be set forth in writing and signed by the party granting the waiver. Any waiver we grant will not prejudice any other rights we may have, and will be subject to our continuing review. We may revoke any waiver, in our reasonable discretion, at any time and for any reason, effective upon delivery to you of 10 days prior written notice. Customs or practices of the parties in variance with the terms of this Agreement will not constitute a waiver of our right to demand exact compliance with the terms of this Agreement. Our delay, waiver, forbearance, or omission to exercise any power or rights arising out of any breach or default by you of any of the terms, provisions, or covenants of this Agreement, will not affect or impair our rights and will not constitute a waiver by us of any right or of the right to declare any subsequent breach or default. Our subsequent acceptance of any payment due to us will not be deemed to be a waiver by us of any preceding breach by you of any terms, covenants or conditions of this Agreement.

By written notice, we unilaterally may waive any obligation of you.

Our consent, whenever required, may be arbitrarily withheld if you are in material breach of this Agreement.

10.5 **Time Is of the Essence**. Time and strict performance are of the essence of this Agreement. ("Time is of the essence" is a legal term that emphasizes the strictness of time limits. In this Agreement, it means it will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement.)

10.6 **Documents**. You agree to execute and deliver any commercially reasonable documents that may be necessary or appropriate during the term and upon expiration or termination of this Agreement to carry out the purposes and intent of this Agreement.

10.7 **Construction**.

A. Entire Agreement. This document, including any exhibits attached to this Agreement and the documents referred to in this Agreement, will be construed together and constitute the entire agreement between the parties. It supersedes all prior or contemporaneous agreements, understandings, communications and negotiations, whether written or oral, with respect to the subject matter of this Agreement. There are no other oral or implied understandings between the parties with respect to the subject matter of this Agreement. Nothing in the Agreement is intended to disclaim the representations we made in the franchise disclosure document that we delivered to you. Except as expressly and otherwise provided in this Agreement, this Agreement may not be modified, nor may any rights be waived or abridged, orally or by course of dealing, but only by a written instrument signed by the parties. The words "this Agreement" include any future modifications unless otherwise suggested by the context. No salesperson, representative, or other person has the authority to bind or obligate us in any way, except our President, Vice President or LLC Manager at our home office by an instrument in writing.

No previous communications, negotiations, course of dealing or usage in the trade as of the date hereof not specifically set forth in this Agreement will be admissible to explain, modify, or contradict this Agreement. The parties intend to confer no benefit or right on any person or entity not a party to this Agreement and no third party will have the right to claim the benefit of any provision of this Agreement as a third party beneficiary of that provision.

Nothing in this Agreement or any related agreement is intended to disclaim the representations we made to you in our franchise disclosure document.

B. Format. All words in this Agreement include any number or gender as the context or sense of this Agreement requires. The words "will" and "must" used in this Agreement indicate a mandatory obligation. This Agreement has been prepared in the "you/we" format to simplify it and to facilitate our compliance with state and federal franchise disclosure laws. The rule of construction that a written agreement is construed against the party preparing or drafting such agreement will specifically not be applicable to the interpretation of this Agreement.

C. Captions and Headings. All captions and headings are for reference purposes only and are not part of this Agreement. The recitals set forth in this Agreement are specifically incorporated into and constitute a part of the terms of this Agreement. If there is any typographical, word processing, printing or copying error in this Agreement, the error will be interpreted and corrected consistent with the following order of interpretation:

1. The content and expressed intent and exhibits of our Franchise Disclosure Document(s) previously delivered to you.

2. The content and expressed intent of franchise agreements we have executed with our other franchises reasonably contemporaneous to this Agreement.

D. Severability. If, any part of this Agreement is declared invalid, that declaration will not affect the validity of the remaining portion which will remain in full force and effect as if this Agreement had been executed with the invalid portion omitted. The parties declare their intention that they would have executed the remaining portion of this Agreement without including any part, parts, or portions which may be declared invalid in the future. Provided, however, that if we determine that the finding of invalidity materially and adversely affects the basic consideration of this Agreement, we may, at our option, terminate this Agreement.

E. Implied Covenants. A covenant of good faith and fair dealing applies to the parties in this Agreement. The parties acknowledge and agree that:

1. This Agreement (and the relationship of the parties which is inherent from this Agreement) grants us the discretion to make decisions, take actions or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may favorably or adversely affect your interests, though we will be at all times reasonable;

2. We will use our business judgment in exercising our discretion based on our assessment of our own interests and balancing those interests against the interests of the owners of other Ululani's Hawaiian Shave Ice businesses generally (including us, our franchisees and parties related to

us) and specifically without considering the individual interests of you or any other particular franchisee, though we will at all times be reasonable;

3. We will have no liability to you for the exercise of our discretion in this manner, so long as our discretion is not exercised in bad faith toward you or is arbitrary and capricious; and

4. In the absence of bad faith, including arbitrary and capricious conduct, no trier of fact in any judicial or arbitration proceeding will substitute its judgment for the business judgment we exercise.

10.8 **Enforcement**.

A. Mediation. If a dispute arises between the parties, before taking any other legal action, the parties agree to participate in at least six hours of mediation in accordance with the Mediation Procedures of Dispute Prevention & Resolution, Inc. or of any similar organization that specializes in the mediation of commercial business disputes. Mediation will take place in Kahului, Hawaii. The party demanding mediation must provide written notice to the other party of the demand for mediation. If the other party does not respond to the mediation demand within 30 days of written notice, or indicates a refusal to participate in mediation, then the party providing notice may proceed with other forms of dispute resolution. The parties agree to equally share the costs of mediation. Injunctive relief and or claims of specific performance sought pursuant to or authorized by this Agreement, are not subject to, nor can be avoided by, the mediation terms of this Agreement, and may be brought in any court of competent jurisdiction.

B. Injunctive Relief and Specific Performance. Either party may obtain in any court of competent jurisdiction specific performance and injunctive relief to restrain a violation by the other party of any term or covenant of this Agreement. Nothing contained in this Agreement will bar us or you to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause you or us loss or damages under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions.

C. Governing Law and Venue. You acknowledge that we have appointed and intend to appoint many franchisees on terms and conditions similar to those set forth in this Agreement. It mutually benefits those franchisees, you and us if the terms and conditions of these license agreements are uniformly interpreted. This Agreement is accepted by us in the State of Hawaii and will be governed by the substantive laws of Hawaii without regard to Hawaii choice of law provisions. Following are exceptions to this choice of laws provision:

1. Hawaii laws will not prevail to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, et seq.).

2. Any law of the State of Hawaii that regulates the sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section.

3. No antitrust, "implied covenant," unfair competition, fiduciary or any other doctrine of law statute, law or regulation of Hawaii or any other state is intended to be made applicable to this Agreement unless it would otherwise apply absent this paragraph.

The foregoing will not be construed as a waiver of any of your rights under any applicable franchise registration, disclosure or relationship law of another territory, state or commonwealth.

Any portion of this Agreement that requires enforcement in any other state, and is enforceable under the laws of that state but not of Hawaii, will be construed and enforced according to the laws of that state.

D. Venue. If any dispute is not resolved by mediation under Section 9.8.A above, then all issues or disagreements relating to this Agreement will be tried, heard, and decided in the Second Circuit Court of the State of Hawaii, in Kahului, Hawaii, or in the Federal District Court for the District of Hawaii, in Honolulu, Hawaii, which we both agree is the most convenient venue for these purposes. You acknowledge and agree that this location for venue is reasonable and the most beneficial to the needs of, and best meets the interest of, all of the members of our franchise system.

E. Remedies. You recognize the unique value and secondary meaning attached to the Method of Operation, the Service Marks and our standards of operation and trade practices. You agree that any noncompliance with the terms of this Agreement or any unauthorized or improper use of the Method of Operation or the Service Marks will cause irreparable damage to us and our franchisees. You agree that if you engage in any unauthorized or improper use, during or after the period of this Agreement, we will be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction in addition to any other remedies prescribed by laws.

No right or remedy conferred upon us is exclusive of any other right or remedy in this Agreement or provided by law or equity. Each will be cumulative of every other right or remedy.

We may employ legal counsel or incur other expense to collect or enforce your obligations or to defend against any claim, demand, action or proceeding because of your failure to perform your obligations. Legal action may be filed by or against us and that action or the settlement of it may establish your breach of this Agreement. If either event occurs, we may recover from you the amount of our reasonable attorneys' fees and all other expenses we incur in collecting or enforcing that obligation or in defending against that claim, demand, action or proceeding if we are the prevailing party. Due to the importance of the confidentiality and non-competition covenants in this Agreement, any claim you have against us is a separate matter and does not entitle you to violate, or justify any violation of such covenants.

You agree that each of the confidentiality requirements and covenants not to compete described in this Agreement will be constructed as independent of any other covenant or provision. If all, parts or any portion of any covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of that covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in this Agreement. Each of the covenants described in this Agreement is a separate and independent covenant in each of the separate counties and states in the United States in which we transact business. To the extent that any covenant may be determined to be judicially unenforceable in any county or state, that covenant will not be affected with respect to any other county or state. You understand and acknowledge that we will have the right, in our sole discretion, to reduce the scope of any of covenants, confidentiality requirements or covenants not to compete set forth in this Agreement that apply to you or to any other of our franchisees. We may do so without your consent, effective immediately upon your receipt of written notice. You agree that you will comply with any covenant that pertains to you as we so modify it, provided such modifications are consistent with the original terms of this Agreement.

You acknowledge we will suffer immediate and irreparable harm that will not be compensable by damages alone if you repudiate or breach any of the provisions of any part of this Agreement that relates to the confidentiality or protection of confidential information and trade secrets or your covenants to not compete against us or our franchise system or your threats or attempts to do so. For this reason, under those circumstances, we, in addition to and without limitation of any other rights, remedies or damages available to us at law or in equity, will be entitled to obtain temporary, preliminary and permanent injunctions in order to prevent or restrain the breach, and we will not be required to post a bond as a condition for the granting of this relief.

You specifically acknowledge the receipt of adequate consideration for the confidentiality and non-competition covenants contained in this Agreement and that we are entitled to require you to comply with these covenants. Those covenants will survive termination or expiration of this Agreement. You represent that if this Agreement expires or is terminated, whether voluntarily or involuntarily, you have experience and capabilities sufficient to enable you to find employment or otherwise earn a livelihood in areas which do not violate this Agreement and that our enforcement of a remedy by way of injunction will not prevent you from earning a livelihood.

F. Attorneys' fees. The prevailing party in any arbitration, insolvency proceeding, bankruptcy proceeding, suit, or action to enforce this Agreement will recover its arbitration, proceeding, and court costs and reasonable attorneys' fees. These will be set by the arbitration, proceeding or court, including costs and attorneys' fees on appeal or review from the arbitration, proceeding, suit, or action. "Prevailing party" means the party who recovers the greater relief in the proceeding.

10.9 **Future Releases**. As a condition of our agreement to a transfer, renewal or purchase of an additional franchise by you, we may require you to enter into a release agreement in substantially the following form:

> You (on behalf of yourself and your owners, members, partners, officers, and directors) agree to the following general release, subject to and following laws applicable in your jurisdiction, to release and discharge us and our respective current and former owners, partners, directors, officers, employees and agents from all obligations, duties, covenants and responsibilities to be performed under the franchise agreement with us related to the Franchise and the Franchise Premises ("your Prior Franchise Agreement").
>
> You release and forever discharge us and our respective current and former owners, partners, directors, officers, members, employees and agents from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the offer of, negotiation of, execution of, performance of, nonperformance, or breach of your Prior Franchise Agreement and any related agreements between you and us and out of any other action or relationship between you and us arising prior to the date of the release agreement.
>
> You represent that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims against us, known or unknown, arising directly or indirectly out of your Prior Franchise Agreement and the relationship between you and us prior to the date of the transfer [renewal] agreement including, but not limited to, economic loss.
>
> It is expressly understood and agreed that this release is intended to cover and does cover not only all known losses and damages but any further losses and damages not now known or anticipated but which may later develop or be discovered, which arise under your Prior Franchise Agreement prior to the date of the transfer [renewal] agreement,

including all effects and consequences.

These releases are intended to waive, release and discharge all claims against us, other than these expressly reserved:

any future claims you may have against us for: [fill in blank as appropriate]

with the express waiver of any statute, legal doctrine or other similar limitation upon the effect of general releases. In particular, the parties waive the benefit of any applicable statutory provision such as by illustration, California Civil Code Section 1542, which states:

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 BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

You waive the benefit of both statute and any other legal doctrine or principle of similar effect in any jurisdiction.

10.10 **Agreement Binding on Successors and Assigns**. This Agreement benefits and binds the respective heirs, executors, administrators, successors, and assigns of the parties.

10.11 **Execution in Counterparts and Our Acceptance**. This Agreement will be binding upon you at the time you sign it and deliver it to us. This Agreement will not be binding upon us until we accept it in writing by one of our principal officers at our home office. If we do not accept it within 30 days, this Agreement will no longer be binding upon you. This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, will constitute an original. Delivery of executed signature pages of this Agreement by facsimile transmission will constitute effective and binding execution and delivery of this Agreement.

10.12 **Approval by Shareholders, Members or Partners**. If you are a corporation, limited liability company, partnership or other entity, we will not be bound until your shareholders, members or partners (or those of your parent or affiliate subject to our approval) read and approve the execution of this Agreement by you and agree to sign the Confidentiality and Non-Competition Agreement attached as Exhibit 6. In addition, each individual who will attend our initial training program will execute a Confidentiality and Non-Competition Agreement in the form attached as Exhibit 6 before attending training. We may request a copy of the Resolution approved by your partners, members, shareholders, owners or directors as confirmation of your fulfillment of this requirement and authorizing your execution of this Agreement.

10.13 **[Entity Guarantee**. This Agreement is conditioned upon [NAME OF ENTITY] ("***Guarantor***") executing the Limited Company Guaranty attached as Exhibit 7.]

10.14 **Representations and Acknowledgements**.

A. **Receipt of Disclosure Documents**. You acknowledge that you have received our Franchise Disclosure Document at the earlier of (1) the first personal meeting with us (in New York and Rhode Island); or (2) 14 calendar days before signing any franchise or related agreement or making any payment with the franchisor or an affiliate in connection with the franchise sale (10 business days in Michigan, New York, Rhode Island and Wisconsin). In addition, you acknowledge either:

1. receipt of this Agreement containing all substantive terms at the time of delivery of the Franchise Disclosure Document; or

2. if we unilaterally or materially altered the terms and conditions of our standard franchise agreement or any related agreements attached to the Franchise Disclosure Document, you acknowledge that you received a complete and final copy of this Agreement and its exhibits not less than seven calendar days before you signed this Agreement.

B. **You Have Read and Understand this Agreement**. You acknowledge that you have had ample time to read and have read this Agreement and our Franchise Disclosure Document. You understand and accept the terms, conditions and covenants contained in this Agreement. They are necessary to maintain our high standards of quality, service and uniformity at all franchises. They protect and preserve the goodwill of the Service Marks and the confidentiality and value of the Method of Operation. You have received advice from advisors of your own choosing regarding all pertinent aspects of this Franchise and the franchise relationship created by this Agreement. You also acknowledge that you believe you have made a good decision for yourself or your partners or your corporation based upon what you believe is your ability to run and control a business of your own.

C. **Varying Forms of Agreement**. You are aware that some present and future Ululani's Hawaiian Shave Ice franchisees may operate under different forms of agreement and, consequently, that our obligations and rights in respect to our various present and future franchisees may differ materially in certain circumstances.

D. **Speculative Success**. The success of your franchise is speculative and depends, to a large extent, upon your ability as an independent businessperson. You recognize that the business venture contemplated by this Agreement involves business risks. We do not make any representation or warranty, express or implied, as to the potential success of the Franchise.

E. **Independent Investigation, No Projections or Representations**. You acknowledge that you have entered this Agreement after conducting an independent investigation of us and of the Franchise. You have not relied upon any representation as to gross revenues, volume, cost savings, potential earnings or profits which you in particular might realize. Except as outlined in Item 19 of our Franchise Disclosure Document, we expressly disclaim the making of, and you acknowledge that you have not received, any representation, warranty, or guarantee, express or implied, concerning the potential revenues, cost savings, volume, profits, or success of the business venture contemplated by this Agreement. You acknowledge that neither we, nor any of our officers, directors, shareholders, employees, agents or servants, made any other representation about the business contemplated by this Agreement or that are not expressly set forth in this Agreement or our Franchise Disclosure Document to induce you to accept this Franchise and execute this Agreement. Any oral representations made by our representatives to you, whether or not set forth in earlier versions of our standard form franchise agreement, have either been ratified by us by including the representations in this document or have been disavowed by excluding them from this Agreement.

F. **No Review of Business Plans, Loan Applications**. Prior to your execution of this Agreement, we have not given you any advice or review of any of your business plans or third party loan applications related to your purchase of and proposed operation of the franchise. We do not receive or review business plans and loan applications before a franchisee signs the relevant franchise agreement. We have strongly recommended that you retain and work with your own independent accountant and financial advisors to fully review all financial aspects of your potential franchise investment for you. You acknowledge that we will not provide financial assistance to you and that we have made no representation that we will buy back from you any products, supplies, or equipment you purchase in connection with your franchise.

G. **Your Location and Market Area**. You acknowledge that we will not provide or designate locations for you. You have investigated the potential of the market area in which you are to establish and operate your franchise business and the laws and applicable regulations (or will do so if you have not yet found a Franchise Premises). You agree and represent that that market area is reasonable, the Franchise Premises will be suitable for the operation of an Ululani's Hawaiian Shave Ice franchise, and the Initial Franchise Fee represents fair consideration for the opportunity to establish and operate an Ululani's Hawaiian Shave Ice franchise.

H. **Health and Full-Time Participation**. You acknowledge that an Ululani's Hawaiian Shave Ice business involves hard work and sometimes long hours, similar to most small businesses that are owner operated. We have not represented that this business is going to be easy for you, your partners, officers or directors. You represent that you or your majority owner are in good health and able to devote your best efforts in the operations of your franchise or that you have the business management skills necessary to successfully hire a general manager to run the day to day operations of your franchise.

I. **Terrorism, Convictions, Immigration Status**. You represent to us, unconditionally without reservation, that:

1. Neither you, nor your spouse, nor your children, nor your parents, nor any employee nor prospective employee of the franchise business, nor anyone who has an interest in or who will manage the franchise, nor any of your partners or affiliates:

(i) supports terrorism;

(ii) provides money or financial services to terrorists, including but not limited to those individual and organizations on the current U.S. government list of persons and organizations that support terrorism as provided by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900 et seq.;

(iii) receives money or financial services from terrorists or institutions that support terrorists, including but not limited to those individual and organizations on the current U.S. government list of persons and organizations that support terrorism as provided by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900 et seq.;

(iv) is engaged in terrorism, or any activity, organization, or plan with or of any person or organization, including but not limited to those individual and organizations on the current U.S. government list of persons and organizations that support terrorism as provided by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900 et seq.; or

(v) is on the current U.S. government lists of persons and organizations that support terrorism as provided for by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900 et seq.

2. Neither you nor your spouse, nor your children, nor your parents, nor anyone who has an interest in or who will manage the franchise, nor any employee or prospective employee of the franchise business, nor any of your partners or affiliates of these persons has engaged in or been convicted of fraud, corruption, bribery, money laundering, narcotics trafficking or other crimes, and each is eligible under applicable U.S. immigration laws to communicate with, lawfully reside in, and travel to the United States to fulfill your obligations under your agreements with us.

3. You, your spouse, your children, your parents, and anyone who has an interest in or who will manage the franchise, and all employees or prospective employees of the franchise business, and all of your partners or affiliates are in the United States lawfully, have legal residence in the United States, and are lawfully permitted to work in the United States.

J. **We May Investigate**. We may conduct investigations and make inquiries of any person or persons we, in our reasonable judgment, believe appropriate concerning the credit standing, character, and professional and personal qualifications of you and your owners, shareholders, members and partners. You authorize us to conduct these investigations and to make these inquiries. We agree to comply with the requirements of laws that apply to these investigations and inquiries.

K. **Supplier Approval**. You acknowledge that while you may propose alternate suppliers for products and services, the proposed suppliers may not qualify. You further acknowledge that our approved suppliers may be the only source of supply for products and services required in the Franchise.

L. **Operations Manual**. You acknowledge that the Operations Manual is loaned to you by us and at all times the Operations Manual and any updated or amended pages remain our property and that the copyright in the Operations Manual and all associated materials is vested in us. You agree to return to us the Operations Manual and any updated or amended pages immediately upon written demand.

M. **NO REPRESENTATIONS, PROJECTIONS, OR WARRANTIES**. EXCEPT AS OTHERWISE SET FORTH IN THIS AGREEMENT, WE HAVE NOT MADE ANY REPRESENTATIONS, PROMISES, GUARANTEES, PROJECTIONS, OR WARRANTIES OF ANY KIND TO YOU, YOUR OWNERS, OR THE GUARANTORS TO INDUCE THE EXECUTION OF THIS AGREEMENT OR CONCERNING THIS AGREEMENT EXCEPT AS SPECIFICALLY SET FORTH IN WRITING IN THIS AGREEMENT AND IN OUR FRANCHISE DISCLOSURE DOCUMENT THAT WE DELIVERED TO YOU. YOU ACKNOWLEDGE THAT NEITHER WE NOR ANY OTHER PARTY HAS GUARANTEED YOUR SUCCESS IN THE BUSINESS CONTEMPLATED BY THIS AGREEMENT.

(Signatures appear on following page)

Franchise Agreement

<u>Signature Page</u>

The parties have executed this Agreement on the day and year first above written.

("we/us"): **UHSI FRANCHISE, LLC**

By: ______________________________________

Print Name: ______________________________________

Title: ______________________________________

(jointly and severally "you"):

<u>IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY OR OTHER ENTITY</u>: THIS AGREEMENT MUST BE SIGNED BY A COMPANY OFFICER OR OWNER AUTHORIZED TO SIGN ON BEHALF OF THE COMPANY. ADDITIONALLY, THE AGREEMENT <u>MUST</u> BE SIGNED BY ALL OFFICERS AND OWNERS OF THE COMPANY AS INDIVIDUALS.

Name of Corporation/LLC/Partnership: ______________________________________

By: __________________________ Title: __________________________

Individual Signature: __________________________________

Print Name: __________________________________

Individual Signature: __________________________________

Print Name: __________________________________

Individual Signature: __________________________________

Print Name: __________________________________

EXHIBIT 1
to
FRANCHISE AGREEMENT

FRANCHISE LOCATION AND FRANCHISE TERRITORY

Franchise Agreement Expiration Date. The Franchise Agreement will expire on the tenth anniversary of the execution hereof (the "Expiration Date"), unless sooner terminated pursuant to its terms.

Franchise Premises. The Franchise Premises is [SPACE], having an area of approximately [#] square feet, located at the following address: **[ADDRESS]** in the location shown on the map shown below.

Franchise Territory. The Franchise Territory is defined as follows: **two-mile radius from the center of the Franchise Premises**.

EXHIBIT 2
to
FRANCHISE AGREEMENT

FRANCHISE PREMISES LEASE AGREEMENT RIDER

THIS RIDER has been entered this ______ day of ________________, 20___. It is by and between ___________________________, ("Franchisor") and ___________________________ (jointly and severally "Franchisee").

RECITALS

On or about ________________, 20___, Franchisor and Franchisee executed a lease agreement (the "Lease Agreement") by which Franchisee leased from Franchisor real property for Franchisee's operations of an Ululani's Hawaiian Shave Ice franchise at the following location: ___________________________ (the "Franchise Premises").

On or about ________________, 20___, Franchisee and UHSI FRANCHISE, LLC (the "Franchisor") executed a franchise agreement (the "Franchise Agreement") for Franchisee to operate an Ululani's Hawaiian Shave Ice franchise at the Franchise Premises.

Franchisor and Franchisee desire to execute this addendum to the Lease Agreement to give Franchisor certain rights to the Franchise Premises as required by the Franchise Agreement.

THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the parties agree as follows:

1. **Use of Franchise Premises**. Franchisor acknowledges and agrees that the Franchise Premises may be used for the operation of an Ululani's Hawaiian Shave Ice facility. Franchisor permits Franchisee to use and display the following service marks, trademarks, and commercial logos: Ululani's Hawaiian Shave Ice and all other marks that Franchisor has developed or develops in the future for an Ululani's Hawaiian Shave Ice facility.

2. **Franchisor Reports and Disclosures to Franchisor**. Franchisee acknowledges and agrees that Franchisor may, upon Franchisor's written request, disclose to Franchisor all reports, information, or data in Franchisor's possession respecting sales made in, upon, or from the Franchise Premises and Franchisee's business operations, to the extent Franchisor is entitled to review the same pursuant to the terms of the Franchise Agreement.

3. **Assignment to Franchisor**. Anything contained in the Lease Agreement to the contrary notwithstanding, Franchisor agrees that without Franchisor's consent, the Lease Agreement and Franchisee's right, title and interest, may be assigned by Franchisee to Franchisor, without cost or penalty, provided, however, that Franchisor must agree to pay a fair market rental for the Premises if at the time of assignment the rental is below market. Franchisor grants to Franchisor the right, at Franchisor's election, to receive an assignment of the Lease Agreement and the leasehold interest in the Franchise Premises, upon termination or expiration of Franchisee's Franchise Agreement.

Franchisor's operation of the Franchise will not operate as an assignment to Franchisor of the lease or any sublease of franchise property unless Franchisor takes an assignment of the lease. Franchisor will have no responsibility for payment of any rent or other charges owing on any lease, unless Franchisor takes an assignment of the lease.

4. **<u>Franchisee's Default; Notice to Franchisor</u>**. Franchisor will give written notice to Franchisor (concurrently with the giving of notice to Franchisee) of any breach by Franchisee under the Lease Agreement. Franchisor will have the right (but not obligation), in Franchisor's sole discretion, to cure any breach at Franchisee's expense within **15** business days after the expiration of the period in which Franchisee had to cure the default. Notice will be sent to the following address, or to the address Franchisor may, from time to time, specify in writing to Franchisor:

UHSI FRANCHISE, LLC
300 Hukilike Suite 2-i
Kahului, Hawaii 97201

5. **<u>Franchise Premises De-identification</u>**. Upon termination, expiration, or non-renewal of the Lease Agreement, Franchisee may de-identify the Franchise Premises. If Franchisee fails to do so, Franchisor gives Franchisor the express right to de-identify. De-identification consists of removal of all signs; modification or remodeling of all identifying architectural features; repainting as necessary to no longer use the color scheme used by Franchisor; and any other steps necessary (in Franchisor's reasonable discretion) to effectively distinguish the Franchise Premises from Franchisor's proprietary designs and marks.

6. **<u>Initial Term and Options; Renewal, Extension, or Cancellation of the Lease Agreement</u>**. The initial term of the Lease shall be four (4) years, and Franchisee shall have two (2) options to extend the term for three (3) years each. Franchisor will not extend, renew, or cancel the Lease Agreement beyond the term covered by the initial lease term and two option periods without Franchisor's prior written consent, which consent will not be unreasonably withheld.

7. **<u>Third Party Beneficiary</u>**. Franchisee and Franchisor acknowledge and agree that Franchisor is a third party beneficiary of this Lease Agreement Rider, and Franchisor is entitled to all rights and remedies conferred upon Franchisor under this Lease Agreement Rider (which Franchisor may enforce directly against Franchisee or Franchisor, with or without the consent or joinder of Franchisee). Notwithstanding anything contained in this Lease Agreement Rider, Franchisor will have no liability under the Lease or this Lease Agreement Rider unless Franchisor expressly enters into a written agreement with Franchisor.

(Signatures on following page)

9. **Signatures**.

IN WITNESS, the parties have executed this Lease Agreement Rider on the day and year first above written.

("Landlord"): ____________________________

By: ____________________________

Title: ____________________________

("Tenant"): ____________________________

By: ____________________________

Title: ____________________________

EXHIBIT 3
to
FRANCHISE AGREEMENT

FRANCHISE AGREEMENT AND FRANCHISE DISCLOSURE DOCUMENT
STATE LAW ADDENDUM

California

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

Our website address is www.UlulanisHawaiianShaveIce.com. **OUR WEBSITE 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.**

FDD Item 17, FA Sections 5, 6, 7 and 9

(1) 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.

(2) The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et. seq.).

(3) 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.

(4) You must sign a general release 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 Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

(5) The Franchise Agreement provides that all issues or disagreements relating to the Franchise Agreement will be mediated, tried, heard and decided in Kahului, Hawaii with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

(6) The Franchise Agreement requires application of the laws of the State of Hawaii. This provision may not be enforceable under California law.

(7) Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form and containing such information as the Commissioner of Business Oversight may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

FDD Item 3

Neither the franchisor nor any person listed in Item 2 of the FDD nor any franchise broker 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 that association or exchange.

FDD Item 5; FA Section 2.1

Payment of all initial fees is postponed until after all of our initial obligations are complete and you are opened for business.

Negotiated Sales

Copies of any notice of negotiated sale of a franchise may be reviewed at any office of the California Department of Corporations. Attached are copies of all notices of negotiated sale filed during the twelve months immediately preceding the effective date of the Disclosure Document.

All negotiated sales in California are subject to the following provisions as outlined in the California Administrative Code, Title 10, Chapter 3, Subchapter 2.6, Section 310.100.2:

1. The initial offer must be registered pursuant to the California Franchise Investment Law.

2. The prospective Franchisee because of its business or financial experience could be reasonably assumed to have the capacity to protect its own interest in the transaction. The income and net worth of the prospective Franchisee or its spouse may be included in determining the total income and net worth required by this paragraph. The net worth and income test may also be satisfied by a prospective franchisee corporation (or by a 50% or more shareholder of such prospective franchisee corporation) or a prospective franchisee partnership (or by a prospective franchisee general partner of such partnership). In making the determination, we may rely on the representations of the prospective franchisee with respect to its net worth and income provided we have no reason to doubt the representations.

3. If a negotiated sale is consummated, Notice of Negotiated Sale of Franchise in the form set forth in the regulations must be filed with the Commissioner within 15 business days after the negotiated sale.

WE CERTIFY AND DECLARE THAT ALL NOTICES HAVE BEEN FILED WITH THE COMMISSIONER AS REQUIRED BY THE NEGOTIATED SALES SECTION OF THE CALIFORNIA ADMINISTRATIVE CODE, TITLE 10, CHAPTER 3, SUBCHAPTER 2.6, SECTION 310.100.2(a).

Georgia

DISCLOSURES REQUIRED BY GEORGIA LAW. The State of Georgia has not reviewed and does not approve, recommend, endorse, or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

If, for any reason, any provision set forth in the Franchise Agreement (including those related to in-term and post-term covenants against competition and non-disclosure and non-use of confidential information) exceeds any lawful scope or limit as to duration, geographic coverage, specificity, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. Indeed, the parties acknowledge their desire and intent that such provisions be modified by a court or arbitrator to comply with Georgia law if needed. The duration, geographic coverage and scope allowable by law or court of law will apply to this Agreement.

Hawaii

THE FRANCHISOR HAS A DEFICIT MEMBERS' EQUITY OF $8,414 AS OF DECEMBER 31, 2016. As a result, for each franchise sold in Hawaii, the State of Hawaii has required us to defer the receipt of initial franchise fees and other payments to us and our affiliates until we have met all of our pre-opening obligations and you have opened your franchise business.

Idaho

FDD Item 17, FA Section 9

Any condition in a franchise agreement executed by a resident of Idaho or a business entity organized under the laws of Idaho is void to the extent it purports to waive venue or jurisdiction of the Idaho court system. Venue and jurisdiction will be in Idaho if the franchisee is an Idaho resident or a business entity organized under the laws of Idaho.

North Carolina

FDD Cover Page

DISCLOSURES REQUIRED BY NORTH CAROLINA LAW. The State of North Carolina has not reviewed and does not approve, recommend, endorse or sponsor any business opportunity (or franchise). The information contained in this disclosure has not been verified by the State. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

Washington

FDD Item 17; FA Section 6 and 7

The state of Washington has a statute, RCW 19.100.180, which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

A release or waiver of rights executed by a franchisee will not include rights under the Washington Franchise Investment Protection Act, except when executed pursuant to a negotiated settlement after the Franchise Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer Fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

FDD Item 17(v) and (x); FA Section 9.8

The choice of forum and choice of law provisions in the FDD and Franchise Agreement are subject to Washington State law.

FDD Item 5; FA Section 2.1

All initial franchise fees will be due and payable only after the franchisor has fulfilled its initial pre-opening obligations and the franchisee is open for business.

The franchisee acknowledges receipt of this Addendum.

It is agreed that the applicable foregoing state law addendum for the state of ____________________________, if any, supersedes any inconsistent portion of the Franchise Agreement (to which this addendum is attached) of this same date, and of the Franchise Disclosure Document. All terms of the Franchise Agreement, including these State Law Addendum provisions for the relevant state, have been agreed to at the time the Franchise Agreement was signed, to the extent that they are valid requirements of an applicable, effective, and enforceable state law. However, this addendum will have effect only if the Franchise Agreement or our relationship with you satisfies all of the jurisdictional requirements of the relevant state's franchise laws, without considering this addendum.

DATED this ___ day of ____________, 20___.

(Signatures on following page)

STATE LAW ADDENDUM

Signature Page

The parties have executed this Agreement on the day and year first above written.

("we/us"): **UHSI FRANCHISE, LLC**

By: ______________________________________

Print Name: ______________________________________

Title: ______________________________________

(jointly and severally "you"):

IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY OR OTHER ENTITY: THIS AGREEMENT MUST BE SIGNED BY A COMPANY OFFICER OR OWNER AUTHORIZED TO SIGN ON BEHALF OF THE COMPANY. ADDITIONALLY, THE AGREEMENT MUST BE SIGNED BY ALL OFFICERS AND OWNERS OF THE COMPANY AS INDIVIDUALS.

Name of Corporation/LLC/Partnership: ______________________________________

By: __________________________ Title: __________________________

Individual Signature: ________________________________

Print Name: ________________________________

Individual Signature: ________________________________

Print Name: ________________________________

Individual Signature: ________________________________

Print Name: ________________________________

EXHIBIT 4
to
FRANCHISE AGREEMENT
[IF APPLICABLE]

MULTIPLE FRANCHISE PURCHASE ADDENDUM
(To Be Signed Separately for Each Franchise Purchased Simultaneously)

This Addendum is for Franchise #___

The following additional provisions are agreed to by the parties with respect to the attached Franchise Agreement dated ______________ __, 20__ (the "Franchise Agreement"), between **UHSI FRANCHISE, LLC**, a Delaware limited liability company ("we/us") and **______________________**, an individual, **_____________________**, an individual, and **_______________** a ________ company (jointly and severally "you") of which this Addendum is a part. In the event of conflict, the provisions of this Addendum supersede the corresponding provisions of the Franchise Agreement.

1. **Simultaneous Multiple Franchise Purchase**. You are purchasing the right to operate more than one Franchise. The parties have contemporaneously executed *[#]* Franchise Agreements (one for each Franchise) including this Addendum.

2. **Development Fee and Development Area**. You are *[ALTERNATIVE: You are not]* granted a protected area in which to develop your multiple franchises. [*IF APPLICABLE: Upon execution of this Addendum and the corresponding Franchise Agreement(s), you shall pay us the following non-refundable "Development Fee" in full: $___________________. Except as provided below, and as long as you are not in default in any material provision of any Franchise Agreement or related agreement, we will not establish or allow others to establish an Ululani's Hawaiian Shave Ice shop located within your "Development Area". Your Development Area is defined as follows:*

____
____
____
____
____

Notwithstanding the foregoing, all rights we reserve in the Franchise Agreement in respect to your Franchise Territory (including, but not limited to, Section 1.7 of the Franchise Agreement), we also reserve in respect to your Development Area.

Notwithstanding the foregoing, if you fail to meet your Development Schedule, then we may immediately terminate your Development Area upon written notice (in addition to other rights and remedies provided in your Franchise Agreements or by law).

Notwithstanding the foregoing, your rights with respect to the Development Area will automatically terminate upon the earlier of: (1) the opening of your last franchise under your Development Schedule (described below), or (2) the deadline for opening your last franchise under your Development Schedule. Thereafter, we and our affiliates will have the right to operate or grant to others the right to operate outlets within the Development Area. However, your Franchise Territory (defined in the Franchise Agreement) for each of your operating franchises will remain in force.

3. **Franchise Premises and Franchise Territory**. The Franchise Territory for each franchise will be designated by us before you open each relevant Franchise Premises. The Franchise

Territory and your Franchise Premises must be in the United States of America, legally available pursuant to state and federal franchise and business opportunity disclosure and registration laws and pursuant to our contractual commitments (including those with our other franchisees) and in compliance with our franchise placement, market development and demographic criteria.

4. **No Other Understandings**. Except as specifically outlined or forbidden in the relevant Franchise Agreement, there are no understandings oral or written concerning the future placement of stores by any party and concerning any territory protections granted to you.

5. **Store Opening Schedule**. You commit to the timely opening of the Franchises in the Development Area in compliance with the following development schedule (the "Development Schedule"):

Franchise #	**Opening Deadline**	**Cumulative Number of Locations to be Opened and Continuously Operated**
First Franchise	6 Months from Execution of Franchise Agreement	One
Second Franchise	9 Months from Execution of Franchise Agreement	Two
Third Franchise	12 Months from Execution of Franchise Agreement	Three

Time is of the essence of this Development Schedule.

In the event that you do not comply with the above store opening and continuous operation requirements, we will have the right to terminate any of your franchise agreements representing franchises that have not yet opened for business (without any obligation to refund initial franchise fees collected). Any failure to commence operation caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond your reasonable control (not including financial circumstances) will be excused for a period of time that we deem reasonable under the circumstances.

6. **Payment of Initial Franchise Fees; Refunds**. If this Addendum is for the second or additional Franchise, then you are paying one-half of the Initial Franchise Fee upon signing this Addendum and one-half before you open the Franchise.

Therefore, upon signing the Franchise Agreement and this Addendum, you have paid $________, which represents *[all][one-half]* of the total Initial Franchise Fee for this Franchise, which is $___________.

The partial refunds described in Sections 3.1 and 4.1 of the Franchise Agreement are available only for your first Franchise to be opened under a Multiple Franchise Purchase Addendum. The refunds are not available for additional Franchises.

7. **Training for First Franchise**. We will have no obligation to provide franchise training to you at our expense except for the first Franchise you open.

8. **Default and Termination**. The parties have executed a number of franchise agreements contemporaneously with the Franchise Agreement as part of a multiple franchise purchase arrangement.

Any material violation or breach (other than failure to open the franchise site by the date set forth in the Development Schedule) of any such agreement, or of any other franchise agreement between the parties or of any other agreement between the parties related to the Ululani's Hawaiian Shave Ice franchise system will be deemed a material violation of the Franchise Agreement and this Addendum, of all such other franchise agreements, and of all such other agreements. The non-breaching party then will be entitled to enforce the penalties of or to terminate the Franchise Agreement and this Addendum and any or all of such other franchise agreements and such other agreements as provided in the Franchise Agreement for enforcement or termination.

You acknowledge and agree that if the franchised operation represented by this Addendum is not opened by the opening date set forth above in the Development Schedule, we will have the right to terminate the Franchise Agreement and this Addendum. We then may establish or license others to establish Ululani's Hawaiian Shave Ice operations in the Franchise Territory. We may also then terminate the Development Area and may establish or license others to establish Ululani's Hawaiian Shave Ice operations in the Development Area.

9. **Defined Terms**. All capitalized terms contained in this Addendum that are not defined in this Addendum will have the meaning ascribed to them in the Franchise Agreement.

(Signatures on following page)

MULTIPLE FRANCHISE PURCHASE ADDENDUM

<u>Signature Page</u>

("we/us"): **UHSI FRANCHISE, LLC**

By: ____________________________________

Print Name: ____________________________________

Title: ____________________________________

(jointly and severally "you"):

<u>IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY OR OTHER ENTITY</u>: THIS AGREEMENT MUST BE SIGNED BY A COMPANY OFFICER OR OWNER AUTHORIZED TO SIGN ON BEHALF OF THE COMPANY. ADDITIONALLY, THE AGREEMENT <u>MUST</u> BE SIGNED BY ALL OFFICERS AND OWNERS OF THE COMPANY AS INDIVIDUALS.

Name of Corporation/LLC/Partnership: _____________________________________

By: _________________________ Title: _________________________

Individual Signature: ______________________________

Print Name: ______________________________

Individual Signature: ______________________________

Print Name: ______________________________

Individual Signature: ______________________________

Print Name: ______________________________

EXHIBIT 5
TO
FRANCHISE AGREEMENT

COPY OF SETTLEMENT AND COEXISTENCE AGREEMENT
as Referenced in Section 5.3 of the Franchise Agreement

(See following pages.)

UNITED STATES PATENT AND TRADEMARK OFFICE
Trademark Trial and Appeal Board
P.O. Box 1451
Alexandria, VA 22313-1451

MT

Mailed: December 4, 2009

Opposition No. 91191563

Ululani Coffee Company, Inc.

v.

Ululani's Hawaiian Shave Ice, LLC

In view of the stipulation filed November 24, 2009, the opposition is dismissed with prejudice.

By the Trademark Trial and Appeal Board

SETTLEMENT AND COEXISTENCE AGREEMENT

Ululani's Hawaiian Shave Ice, LLC, a Washington LLC with an address of 3901 NE 65th Street, Vancouver, WA 98686, Bradly J. Edgerton and Charlotte Yamashiro (collectively, "UHSI"), individuals with the same business address, on the one hand and Ululani Coffee Company, Inc. ("UCC"), a Hawaii corporation with an address of 75-853 Keaolani Drive, Kailua Kona, HI 96740 agree as follows:

UHSI is the owner of United States trademark application number 77/681,013 (the "Application") for "ULULANI'S HAWAIIAN SHAVE ICE" applied to shaved ice confections (the "Shaved Ice Mark") and filed on March 1, 2009. UHSI claims to have first used the Shaved Ice Mark in interstate commerce at least as early as December 5, 2008.

UCC claims to have used the marks "ULULANI" and "ULULANI COFFEE COMPANY" (the "Coffee Marks") in connection with roasted coffee beans and coffee at least as early as November 22, 2002.

UCC has filed opposition number 91191563 (the "Opposition") before the Trademark Trial and Appeal Board in the United States Patent and Trademark Office disputing UHSI's right to obtain a United States trademark registration for the Shaved Ice Mark.

UCC and UHSI (collectively, the "Parties" and each a "Party") came to the conclusion that if used in commerce in accordance with the terms of this agreement, their respective trademarks and goods to which such trademarks are applied are sufficiently different that no likelihood of confusion will arise between UHSI's Shaved Ice Mark and UCC's Coffee marks. This conclusion is based at least upon the following:

A. UHSI's Shaved Ice Mark, taken as a whole, is visually distinguishable from UCC's Coffee Marks as the Shaved Ice Mark contains an apostrophe "S" at the end of "ULULANI" and the additional wording of "HAWAIIAN SHAVE ICE."

B. UHSI's Shaved Ice Mark, taken as a whole, sounds substantially different from UCC's Coffee Marks as the Shaved Ice Mark contains an apostrophe "S" at the end of "ULULANI" and the additional wording of "HAWAIIAN SHAVE ICE."

C. The Shaved Ice Mark and Coffee Marks have different connotations and make different commercial impressions as the Shaved Ice Mark contains an apostrophe "S" at the end of "ULULANI" and the additional wording of "HAWAIIAN SHAVE ICE."

D. The Shaved Ice Mark is used in connection with different goods than the Coffee Marks. In this regard, UHSI's goods are "shaved ice confections", whereas UCC's goods are "roasted coffee beans and coffee."

Therefore, the Parties agree, in exchange for valuable consideration, the receipt and sufficiency thereof being hereby acknowledged, as follows:

1. **Definitions**

In this agreement, unless the context otherwise requires, the following terms shall have the following meanings:

a. "Affiliates" shall mean with respect to either Party, any present or future company or person with legal capacity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with such Party. For the purposes of this definition, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of a company or legal person, whether through ownership of voting securities or otherwise.

"Affiliates" also means with respect to a Party, all present or future licensees and franchisees of that Party and its related companies, or any company, individual or legal person who has entered into an agreement with a Party regarding the Party's trademark(s) or related signs or denominations.

b. All other capitalized terms shall have the meaning defined in the text of this agreement.

2. **UHSI's Undertakings**

a. UHSI recognizes and respects the earlier rights regarding UCC's Coffee Marks and undertakes not to file oppositions, cancellations or other judicial or administrative proceedings against any trademark application or trademark registration or renewals of such trademark registration that UCC may file or maintain for the Coffee Marks provided that UCC complies with the obligations contained in the present agreement.

b. UHSI will also not object to the use, filing and registration of the Coffee Marks by UCC as a corporate name, trade name, or domain name.

c. UHSI shall use the word ULULANI in commerce:

i. only when using the entire mark "ULULANI'S HAWAIIAN SHAVE ICE";

ii. only pursuant to the sale of shaved ice confections; and

iii. only in conjunction with a graphic element depicting a cone of shave ice when using the mark at a point of sale to the public.

3. **UCC's Undertakings**

UCC shall dismiss the Opposition with prejudice and undertakes not to file any other oppositions or other judicial or administrative proceedings against the Application or applications, registrations, extensions or renewals of the Shaved Ice Mark provided that UHSI complies with the obligations contained in the present agreement. UCC agrees that the version of the Shaved Ice Mark attached hereto as Exhibit A satisfies the requirements of sections 2(c)(i) and (iii).

4. **Scope of this Agreement**

a. This agreement, which is grounded on the facts recited above, shall have effect nationwide in the United States only and relates to and is binding upon all Affiliates of the Parties.

b. This agreement shall commence upon execution by both Parties and shall continue in full force and effect without limitation of time, except as provided below.

c. Without prejudice to any other rights or remedies, either Party ("the Terminating Party") may terminate this agreement or any consent hereunder by written notice if the other Party ("the Defaulting Party") is in material breach of any provision of this agreement and has not rectified the situation within thirty days after being notified of such breach in writing.

d. Without prejudice to any other rights or remedies, the Terminating Party may initiate or prosecute any objections to or proceedings against any name, identity, trade mark or domain name of the Defaulting Party or any aspect of such name, identity, trade mark or domain name.

5. **Successors and Assigns**

a. The agreement has been entered into by the Parties and is meant to be binding upon and inure to the benefit of the Parties and their respective successors and assigns. Each Party may assign to or allow the use of their respective mark(s) by an Affiliate so long as the Affiliate acknowledges in writing that it is bound by the terms of this agreement. Each Party may assign their respective mark(s) as part of the sale of all or substantially all of the assets of the party, so long as the assignee acknowledges in writing that it is bound by the terms of this agreement. The Parties may not otherwise assign or allow use of their respective mark(s) without the prior written consent of the other Party.

6. **General Provisions**

a. Any notice to be given hereunder shall be in writing and shall be sent (i) by facsimile or e-mail transmission with a confirmation of receipt; (ii) sent by overnight delivery by courier with a confirmation of receipt; or (iii) when mailed by registered or certified mail return receipt requested and postage prepaid addressed to the address set forth in the preamble to this Agreement or to such other address as either party hereto shall designate in writing to the other party. Such notice shall be deemed given on the date the confirmation of receipt shows that the notice was received.

b. A waiver by either party hereto of any particular default or breach by the other party shall not affect or prejudice the rights of the aggrieved party with respect to any other default or breach whether of the same or different nature.

c. If any provision of this agreement is judicially or administratively declared to be invalid, unenforceable or void by a court or board of competent jurisdiction, such decision shall not have the effect of invalidating or voiding the remainder of this agreement, and the part or parts of this agreement so held to be invalid, unenforceable or void shall be deemed to have been deleted from this agreement, and the remainder of this agreement shall have the same force and effect as if such part or parts had never been included.

d. Each of the parties hereto shall do such further acts and things, including executing appropriate documents, as may reasonably be requested by the other party to carry out the intent of this Agreement.

e. This agreement shall be governed and construed in accordance with the laws of the State of California applicable to agreements made and to be performed wholly within such jurisdiction.

f. The captions heading each section of this agreement are for convenience only and shall have no effect on the interpretation or meaning of this agreement.

g. Each Party hereto agrees to bear its own costs and expenses of the preparation, approval and execution of this agreement.

h. This agreement shall be executed in up to four (4) counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same agreement.

i. This agreement constitutes the entire agreement between the Parties pertaining to the subject matter hereof and supersedes all prior agreements and understandings of the Parties, whether written or oral, in connection therewith. No modification of any of the terms and conditions of this agreement shall be valid unless contained in a written instrument signed by both Parties.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

In witness whereof, each of the Parties has caused this agreement to be executed in its respective name by its duly authorized representative, as of the date set forth below:

Ululani's Hawaiian Shave Ice, LLC

________________________ Date:____________________

By:______________________

Its:______________________

Brad Edgerton

________________________ Date:____________________

Charlotte Yamashiro

________________________ Date:____________________

Ululani Coffee Company, Inc.

________________________ Date: 10/23/09

By: Stephen E. Heiman

Its: President

In witness whereof, each of the Parties has caused this agreement to be executed in its respective name by its duly authorized representative, as of the date set forth below:

Uhulani's Hawaiian Shave Ice, LLC

Date: 10/26/09

By: Bradly Edgerton

Its: Managing Member

Brad Edgerton

Date: 10/26/09

Charlotte Yamashiro

Date: 10/26/09

Uhulani Coffee Company, Inc.

Date:__________

By:__________

Its:__________

ULULANI'S Hawaiian Shave Ice

EXHIBIT 6
TO
FRANCHISE AGREEMENT

In consideration of my being a _________________________ of ____________________ ("Franchisee"), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree that:

1. Pursuant to a Franchise Agreement dated _______________, 20__(the "Franchise Agreement"), Franchisee has acquired the right and franchise from UHSI FRANCHISE, LLC (the "Franchisor") to establish and operate an Ululani's Hawaiian Shave Ice franchise (the "Franchise") and the right to use in the operation of the Franchise the Franchisor's trade names, service marks, trademarks, logos, emblems, and indicia of origin (the "Marks"), as they may be changed, improved and further developed from time to time in the Franchisor's sole discretion, only at the following authorized and approved location: [ADDRESS].

2. The Franchisor, as the result of the expenditure of time, skill, effort and resources has developed and owns a distinctive format and system (the "System") relating to the establishment and operation of businesses that feature and offer for sale to the public high quality shave ice and associated products and services. The Franchisor possesses certain proprietary and confidential information relating to the operation of the System, which includes certain proprietary trade secrets, methods, techniques, recipes, formats, specifications, systems, procedures, methods of business practices and management, sales and promotional techniques and knowledge of, and experience in, the operation of the Franchise (the "Confidential Information"). Notwithstanding the foregoing, "Confidential Information" does not include information which:

(a) is or becomes generally available to the public or a third party other than as a result of a disclosure by you;

(b) you demonstrate was within your possession prior to its being furnished to you by or on behalf of Franchisor or Franchise, or

(c) you received on a non-confidential basis from a source other than Franchiseor, Franchisee, or their respective representatives, so long such source is not bound by a confidentiality agreement with, or other contractual, legal or fiduciary obligation of confidentiality to, Franchisor or Franchisee or any other party with respect to such information.

3. Any and all information, knowledge, know-how, and techniques which the Franchisor specifically designates as confidential and is not generally known to the public shall be deemed to be Confidential Information for purposes of this Agreement.

4. As __________________ of the Franchisee, the Franchisor and Franchisee will disclose the Confidential Information to me in furnishing to me training programs, the Franchisor's Operations Manual and other general assistance during the term of the Franchise Agreement.

5. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchise during the term of the Franchise Agreement, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

6. The Confidential Information is proprietary, involves trade secrets of the Franchisor, and

is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Franchisor as confidential. Unless the Franchisor otherwise agrees in writing, I will disclose and/or use the Confidential Information *only* in connection with my duties as ________________ of the Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement. Notwithstanding the foregoing, you may disclose the Confidential Information to the extent required by applicable law or legal process, but only after giving notice to Franchisor of such obligation so that Franchisor may seek a protective order or other similar or appropriate relief.

7. Except as otherwise approved in writing by the Franchisor, I shall not, while in my position with the Franchisee, either directly or indirectly for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, operate, engage in, act as a consultant for, perform services for, or have any interest in any business engaged directly or indirectly in the offer, sale, rental, internet dissemination, or promotion of shave ice products or services or any business that offers products or services that are essentially the same as, or substantially similar to, any of the products or services offered by the Franchise (a "Competitive Business"); and for a continuous uninterrupted period commencing upon the cessation or termination of my position with Franchisee, regardless of the cause for termination, or upon the expiration, termination, transfer, or assignment of the Franchise Agreement, whichever occurs first, and continuing for two (2) years thereafter, either directly or indirectly, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, operate, engage in, act as a consultant for, perform services for, or have any interest in any Competitive Business that is, or is intended to be, located at or within:

(a) Franchisee's Franchise Territory, as defined in the Franchise Agreement;

(b) Twenty-five (25) miles of Franchisee's Franchise Territory;

(c) Fifteen (15) miles of any franchisee in Hawaii operating under the System and the Marks; or

(d) Twenty-five (25) miles of any franchisee outside of Hawaii operating under the System and the Marks.

For purpose of clarity, the following products are not "substantially similar" to shave ice products and services and therefore are not covered by the foregoing covenant: ice cream and ice cream cones, sorbet, popsicles, frozen yogurt and frozen yogurt cones, milk shakes, and slushy frozen drinks (such as for example those that are machine dispensed at a 7-Eleven or made with a blender at a Starbucks or Jamba Juice).

The prohibitions in this Paragraph 7 do not apply to my interests in or activities performed in connection with the Franchise. This restriction does not apply to my ownership of less than five percent (5%) beneficial interest in the outstanding securities of any publicly held corporation.

8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Franchisor is a party, I expressly agree to be bound by any lesser covenant

subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

9. I understand and acknowledge that the Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

10. The Franchisor may enforce this Agreement solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Franchisor and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Franchisor may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay the Franchisee and the Franchisor all the costs it/they incur(s), including, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Franchisor, any claim I have against the Franchisee or the Franchisor is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

11. This Agreement shall be construed under the laws of the State of Hawaii. The only way this Agreement can be changed is in writing signed by all the parties.

[SIGNATURES ON NEXT PAGE]

____

____
Address

____
Title

____

____
Address

____
Title

ACKNOWLEDGED BY FRANCHISEE:

____

By:___________________________________

Name:_________________________________

Title:________________________________

ACKNOWLEDGED BY FRANCHISOR:

UHSI Franchise, LLC

By:___________________________________

Name:_________________________________

Title:________________________________

EXHIBIT 7
TO
FRANCHISE AGREEMENT

LIMITED COMPANY GUARANTY

[ENTITY] ("***Guarantor***") whose post office address is [ADDRESS], being a related entity of ________________________________ ("***Franchisee***"), the franchisee under that certain Franchise Agreement dated _____________________, 20__, with **UHSI FRANCHISE, LLC**, a Delaware limited liability company, ("***Franchisor***") regarding the franchise, license, and privilege to use the Service Marks, Method of Operation, and merchandise bearing the Service Marks of Ululani's Hawaiian Shave Ice (as those terms are defined in the Franchise Agreement) at the [LOCATION], for the purpose of inducing the Franchisor to enter into the Franchise Agreement, for and in consideration of the benefits accruing under the Franchise Agreement, does hereby, jointly and severally, guaranty to the Franchisor (1) the payment of all royalties and fees owed to Franchisor by Franchisee pursuant to the provisions of the Franchise Agreement, and (2) the reimbursement of all costs and expenses incurred by Franchisor for which Franchisee is liable under the Franchise Agreement, when the same shall become due and payable.

Guarantor's obligation is strictly limited to payments due to Franchisor arising under the Franchise Agreement. Notwithstanding anything to contrary contained herein, (a) Guarantor's liability hereunder shall not exceed Two Hundred Thousand Dollars ($200,000), and (b) Guarantor shall not be liable for any tort damages or indirect, special, general, incidental, consequential, punitive or speculative damages incurred by Franchisor, including, but not limited to, loss of profits or anticipated profits and loss of goodwill, arising in connection with Franchisee's default under the Franchise Agreement. The obligation of Guarantor to Franchisor under this guaranty as to such payments is that of the principal obligor, jointly and severally bound with the Franchisee. Guarantor hereby consents to any and all amendments to the Franchise Agreement, extensions of time for performance of any payment under the Franchise Agreement, and forbearance to enforce any related provision. Upon any default or failure to perform by Franchisee in any payment arising under the Franchise Agreement, Franchisor may proceed directly against Guarantor to recover such payments. Guarantor waives any right to require that Franchisor bring any legal action against Franchisee before, simultaneously with, or after enforcing its rights and remedies hereunder against Guarantor. Guarantor also waives presentment, demand of payment and/or performance, notice of non-payment, and protest and all requirements of notice of default or nonperformance by Franchisee.

Guarantor further agrees to reimburse the Franchisor for all costs and expenses which the Franchisor may incur in the enforcement of any of its rights under this guaranty, including reasonable attorneys' fees. Nothing in this guaranty shall be deemed or taken to be a condition or limitation of any of the rights of the Franchisor against the Franchisee. This guaranty shall continue in full force and effect until all of the obligations of the Franchisee have been satisfied. The terms and provision of this guaranty shall be biding upon and inure to the benefit of the successors and assigns of the Guarantor and Franchisor.

Guarantor will preserve and maintain its legal entity existence and rights (charter and statutory) during the term of this Guaranty. Guarantor will not change its name or principal business address without at least 30 days' prior written notice to Franchisor.

[SIGNATURE ON NEXT PAGE]

Name of Corporation/LLC/Partnership: ____

By: ___________________________ Title: ___________________________

EXHIBIT C to Ululani's Hawaiian Shave Ice FRANCHISE DISCLOSURE DOCUMENT

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

The following table reflects our Agents for Service of Process and the Relevant State Franchise Authorities. We may not be registered to offer and sell franchises in all of these states:

STATE	REGISTERED AGENTS	REGULATORY AUTHORITIES
CALIFORNIA	California Commissioner of Business Oversight: Los Angeles: 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7505 Sacramento: 1515 K Street, Suite 200 Sacramento, CA 95814-4052 (916) 445-7205 San Diego: 1350 Front Street San Diego, CA 92101-3697 (619) 525-4233 San Francisco: One Sansome Street, Suite 600 San Francisco, CA 94105-2980 Toll-Free Number: 1-866-275-2677	Commissioner of Business Oversight Department of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, CA 90013-1105 (213) 576-7505
CONNECTICUT	Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 (860) 240-8233 or (860) 240-8232	Banking Commissioner 260 Constitution Plaza Hartford, CT 06103 (860) 240-8233 or (860) 240-8232
FLORIDA	[Not Applicable]	Senior Consumer Complaint Analyst Department of Agriculture and Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, Florida 32399-0800 (850) 922-2770
HAWAII	Commissioner of Securities of the Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813-2921 (808) 586-2722	Commissioner of Securities of the Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813-2921 (808) 586-2722

STATE	REGISTERED AGENTS	REGULATORY AUTHORITIES
ILLINOIS	Illinois Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Chief, Franchise Bureau Illinois Attorney General 100 W. Randolph Street Chicago, IL 60601 (312) 814-3892
INDIANA	Secretary of State Administrative Offices of the Secretary of State 201 State House Indianapolis, IN 46204 (317) 232-6681	Securities Commissioner Securities Division Room E-111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681
IOWA	[Not Applicable]	Director of Regulated Industries Unit Iowa Securities Bureau 340 East Maple Des Moines, Iowa 50319-0066 (515) 281-4441
MARYLAND	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Commerce, Corporations and Securities Bureau 525 W. Ottowa 670 Law Building Lansing, MI 48913 (517) 373-7117	Franchise Administrator Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 670 Law Building Lansing, MI 48913 (517) 373-7117
MINNESOTA	Minnesota Commissioner of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101-2198 (651) 296-6328	Deputy Commissioner Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101-2198 (651) 296-6328
NEBRASKA	[Not Applicable]	Staff Attorney Department of Banking and Finance 1200 N Street Suite 311 P.O. Box 95006 Lincoln, Nebraska 68509 (402) 471-3445

STATE	REGISTERED AGENTS	REGULATORY AUTHORITIES
NEW YORK	Secretary of State of the State of New York 162 Washington Street Albany, NY 12231	Assistant Attorney General Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor New York, NY 10271 (212) 416-8211
NORTH DAKOTA	North Dakota Securities Commissioner Fifth Floor 500 East Boulevard Bismarck, ND 58505	Franchise Examiner Office of Securities Commissioner 600 East Boulevard, 5th Floor Bismarck, ND 58505 (701) 328-4712
HAWAII	Director of Hawaii Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 97310 (503) 378-4387	Department of Consumer and Franchise Services Division of Finance and Corporate Securities Labor and Industries Building Salem, OR 97310 (503) 378-4387
RHODE ISLAND	Director of Rhode Island Department of Franchise Regulation Division of Securities Suite 232 Providence, RI 02903 (401) 222-3048	Associate Director and Superintendent of Securities Division of Securities 233 Richmond Street, Suite 232 Providence, RI 02903-4232 (401) 222-3048
SOUTH DAKOTA	Director of South Dakota Division of Securities 445 E. Capitol Ave. Pierre, SD 57501 (605) 773-4823	Franchise Administrator Division of Securities 445 East Capitol Avenue Pierre, SD 57501-3185 (605) 773-4823
TEXAS	[Not Applicable]	Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 475-1769
UTAH	Ryan C. Combe Registered Agent 2181 Combe Road Ogden, Utah 84403	Division of Consumer Protection Utah Department of Commerce 160 East Three Hundred South P.O. Box 45804 Salt Lake City, Utah 84145-0804 (801) 530-6601

STATE	REGISTERED AGENTS	REGULATORY AUTHORITIES
VIRGINIA	Clerk of the State Corporation Commission 1300 E. Main Street, 1st Floor Richmond, VA 23219 (804) 371-9733	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9th Floor Richmond, VA 23219 (804) 371-9051
WASHINGTON	Director of Department of Financial Institutions Securities Division 150 Israel Rd. SW Tumwater, WA 98501 (360) 902-8760	Administrator Dept. of Financial Institutions Securities Division 150 Israel Rd. SW Tumwater, WA 98501 (360) 902-8760
WISCONSIN	Wisconsin Commissioner of Securities P.O. Box 1768 345 W. Washington Avenue, 4th Floor Madison, WI 53703 (608) 261-9555	Franchise Administrator Securities and Franchise Registration Wisconsin Securities Commission 345 W. Washington Avenue, 4th Floor Madison, WI 53703 (608) 261-9555
FEDERAL TRADE COMMISSION		Franchise Rule Coordinator Division of Marketing Practices Bureau of Consumer Protection Pennsylvania Avenue at 6th Street, NW Washington, D.C. 20580 (202) 326-3128

EXHIBIT D to Ululani's Hawaiian Shave Ice FRANCHISE DISCLOSURE DOCUMENT

CONDITIONAL ASSIGNMENT

____ ("you") operate your franchise business at ____. In consideration of the granting of a franchise to you and other valuable consideration given by **UHSI FRANCHISE, LLC**, a Delaware limited liability company ("us"), you assign to us all business telephone numbers; business telephone and internet listings; website addresses and domain names; and business email addresses, you use in the operation of the franchise that are solely related to the franchise. We will hold this assignment, and will deliver it to interested third parties only upon termination of the Franchise Agreement between us and you dated _______________, 20__.

DATED this ___ day of ____________________, 20___.

("we/us"): **UHSI FRANCHISE, LLC**

By: ______________________

Title: ______________________

(jointly and severally "you"):___________________________

Signature: ______________________________

Print Name: ______________________________

Signature: ______________________________

Print Name: ______________________________

Name of Corporation/LLC/Partnership: ______________________________________

By: _________________________ Title: _________________________

EXHIBIT E to Ululani's Hawaiian Shave Ice FRANCHISE DISCLOSURE DOCUMENT

Ululani's Hawaiian Shave Ice FRANCHISE AGREEMENT ADDENDUM
ABANDONMENT, RELINQUISHMENT, AND TERMINATION
OF ASSUMED OR FICTITIOUS BUSINESS NAME

Pursuant to the provisions of relevant state laws concerning the registration and use of assumed or fictitious business names, the undersigned applicant, being a franchisee of **UHSI FRANCHISE, LLC**, submits the following to evidence its intent to abandon, relinquish and terminate its right to use the business name "**Ululani's Hawaiian Shave Ice**":

1. Name of Applicant who is Using the Assumed or Fictitious Business Name:

   a(an) individual/partnership/corporation organized and doing business under the laws of the State of

2. Date When Original Assumed or Fictitious Business Name was Filed by Applicant:
   ____

3. Address of Applicant's Registered Office in the State of: __________________

4. Please cancel the Applicant's registration to use the name **Ululani's Hawaiian Shave Ice.**

DATED: ______________________

____
Applicant

By:__________________

Title:_________________

EXHIBIT F to Ululani's Hawaiian Shave Ice Franchise Disclosure Document

AUTHORIZATION FOR ELECTRONIC FUNDS TRANSFER

[Intentionally omitted]

EXHIBIT G to Ululani's Hawaiian Shave Ice Franchise Disclosure Document

FRANCHISEE CLOSING QUESTIONNAIRE
UHSI FRANCHISE, LLC
a Delaware limited liability company
300 Hukilike Suite 2-i, Kahului, Hawaii 96732
(808) 877-3700

Ululani's Hawaiian Shave Ice Franchising LLC ("**Ululani's Hawaiian Shave Ice**"), through the use of this Franchisee Closing Questionnaire, desires to verify certain information about the sales process and to confirm that Ululani's Hawaiian Shave Ice and its employees and agents have complied with applicable franchise disclosure laws. Ululani's Hawaiian Shave Ice further desires to confirm that you fully understand that the purchase of an Ululani's Hawaiian Shave Ice franchise is a business decision involving the evaluation of many risks. Ululani's Hawaiian Shave Ice's policy is to verify and confirm that in making your decision you are not relying upon any oral statement, representation, promise or assurance made during the negotiations for the purchase of an Ululani's Hawaiian Shave Ice franchise by any director, officer, employee, agent or representative of Ululani's Hawaiian Shave Ice (each, a "**Representative**") that is not specifically reported in Ululani's Hawaiian Shave Ice's then-current Franchise Disclosure Document, including all of the exhibits attached to it (the "**Disclosure Document**").

ACKNOWLEDGEMENT

By signing below, you acknowledge that you have personal knowledge of the following facts and that they are all true and correct:

1. You acknowledge that you received the Disclosure Document at least 14 calendar days before you signed a binding agreement with or made a payment to us or our affiliate in connection with the proposed franchise sale, or sooner if required by state law.

2. You acknowledge that you received the Franchise Agreement (if applicable) at least 7 calendar days before signing it.

3. You acknowledge that you have personally and carefully reviewed the Disclosure Document, that you understand all of the information in the Disclosure Document and that you have been advised by a Representative to have professional advisors of your own, including legal counsel, review the Disclosure Document and consult with you regarding the risks associated with the purchase and operation of an Ululani's Hawaiian Shave Ice franchise.

4. You acknowledge that you have made your own independent determination as to whether you have the capital necessary to fund an Ululani's Hawaiian Shave Ice franchise.

5. You recognize and understand that the success or failure of an Ululani's Hawaiian Shave Ice franchise is subject to many variables, including, but not limited to, (a) geographic location; (b) competition from other businesses in the market; (c) advertising effectiveness based on market saturation; (d) whether you assume the sales position or hire a sales manager; (e) your product and service pricing; (f) vendor prices on materials, supplies and inventory; (g) salaries and benefits to non-business personnel; (h) business personnel benefits (life and health insurance, etc.); (i) weather conditions; (j) employment conditions in the market; (k) inflation, and (l) lease terms and costs and other business factors. You acknowledge your willingness to undertake these business risks and that it is your responsibility to manage your Ululani's Hawaiian Shave Ice franchise. You understand that the success or failure of your

Ululani's Hawaiian Shave Ice franchise depends primarily upon your efforts and not those of Ululani's Hawaiian Shave Ice.

6. You acknowledge that you have not received any information from a Representative concerning actual, average, projected or forecasted sales, gross receipts, operating costs, revenues, income, profits or earnings, that is not contained in the Disclosure Document, except as follows (if no exceptions, write "None"):

____
____
____

7. You acknowledge that a Representative has not made any statement, promise or assurance concerning the likelihood of success that you should or might expect to achieve from developing and operating an Ululani's Hawaiian Shave Ice Franchise. If you believe that one of these statements, promises or assurances has been made, please describe the statement, promise or assurance in the space provided below or write "None".

____
____
____

8. You acknowledge that a Representative has not made any statement, promise or assurance concerning the advertising, marketing, training, support services or assistance that Ululani's Hawaiian Shave Ice will furnish you that is contrary to, or different from, the information contained in the Disclosure Document. If you believe that one of these statements, promises or assurances has been made, please describe the statement or promise in the space provided below or write "None".

____
____
____

9. You acknowledge that a Representative has not made any other statement, promise or assurance concerning any other matter related to an Ululani's Hawaiian Shave Ice Franchise that is contrary to, or different from, the information contained in the Disclosure Document. If you believe that one of these statements, promises or assurances has been made, please describe the statement, promise or assurance in the space provided below or write "None".

____
____
____

10. You acknowledge and agree that your decision to purchase an Ululani's Hawaiian Shave Ice franchise is in no manner predicated or in reliance upon any earnings claims, financial performance or other representations concerning actual, average, projected or forecasted sales, gross receipts, operating costs, revenues, income, profits or earnings, that is not contained in the Disclosure Document, or in reliance upon any representations, assurances, warranties, guarantees or promises made by a Representative as to the likelihood of success of an Ululani's Hawaiian Shave Ice franchise.

11. You acknowledge that no rights to any territory or locations whatsoever are granted to you or any other person or entity designated as Franchisee in your Franchise Agreements except as reported in the Disclosure Document or your Franchise Agreements.

Note that under applicable state law, these representations and acknowledgements may not act as a release, estoppel or waiver of any liability incurred.

PROSPECTIVE FRANCHISEE: (Individual)

____
Name

____
Signature

Date:________________________________

PROSPECTIVE FRANCHISEE:
(Corporation, Partnership or Limited Liability Company)

a/an ________________________________ corporation

a/an ________________________________ partnership

a/an ________________________________ limited liability company

____

By: _________________________________

Its: _________________________________

Date:________________________________

EXHIBIT H to Ululani's Hawaiian Shave Ice Franchise Disclosure Document

Operations Manual Table of Contents

EXHIBIT I to Ululani's Hawaiian Shave Ice Franchise Disclosure Document

RECEIPT
UHSI FRANCHISE, LLC

This franchise disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If **UHSI FRANCHISE, LLC** offers you a franchise, it must provide this franchise 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 **UHSI FRANCHISE, LLC** does not deliver this franchise 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. 20580 and the state agency listed in Exhibit C.

The name, principal business address, and telephone number of each franchise seller offering the franchise are:
Charlotte "Ululani" Yamashiro, David Yamashiro, Bradly Edgerton, and Iris Lin, Managing Members, UHSI FRANCHISE, LLC, 300 Hukilike Suite 2-i, Kahului, Hawaii 96732, (808) 877-3700.

Our authorized agents for service of process are identified on Exhibit C to this Franchise Disclosure Document.

Date of Issuance: **March 30, 2017** (and effective as of the individual state registration dates reflected on the cover page).

I have received a disclosure document dated as indicated above that included the following Exhibits:

A. Financial Statements
B. Standard Franchise Agreement (with State Law Addendum)
C. List of State Agents for Service of Process and State Administrators
D. Conditional Assignment of Phone Number
E. Abandonment, Relinquishment, and Termination of Assumed Business Name
F. Electronic Funds Transfer Authorization
G. Closing Questionnaire
H. Receipts

DATED this ___ day of _____________, 20___.

Signatures of All Prospective Franchisees:

Signature: ______________________________ Signature: ______________________________

Print Name: ______________________________ Print Name: ______________________________

Name of Corporation/LLC/Partnership: ____________________________________

By: ________________________ Title: ________________________

ALL INDIVIDUALS WHO WILL SIGN THE FRANCHISE AGREEMENT MUST SIGN THIS ACKNOWLEDGMENT. IF THE FRANCHISE AGREEMENT WILL ALSO BE EXECUTED BY A CORPORATION OR LIMITED LIABILITY COMPANY, AN OFFICER OR OWNER AUTHORIZED TO RECEIVE THIS CIRCULAR ON BEHALF OF THE CORPORATION OR LIMITED LIABILITY COMPANY MUST EXECUTE THIS ACKNOWLEDGMENT. IF THE FRANCHISE AGREEMENT WILL BE EXECUTED BY A PARTNERSHIP, THEN ALL GENERAL PARTNERS MUST EXECUTE THIS ACKNOWLEDGMENT AS GENERAL PARTNERS AND AS INDIVIDUALS.

KEEP THIS COPY FOR YOUR RECORDS.

EXHIBIT I to Ululani's Hawaiian Shave Ice Franchise Disclosure Document

RECEIPT
UHSI FRANCHISE, LLC

This franchise disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If **UHSI FRANCHISE, LLC** offers you a franchise, it must provide this franchise 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 **UHSI FRANCHISE, LLC** does not deliver this franchise 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. 20580 and the state agency listed in Exhibit C.

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DATED this ___ day of _______________, 20___.

Signatures of All Prospective Franchisees:

Signature: ________________________________ Signature: ________________________________

Print Name: ________________________________ Print Name: ________________________________

Name of Corporation/LLC/Partnership: ____

By: ___________________________ Title: ___________________________

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PLEASE SIGN THIS COPY OF THE RECEIPT, DATE YOUR SIGNATURE, AND RETURN IT TO UHSI FRANCHISE, LLC, 300 Hukilike Suite 2-i, Kahului, Hawaii 96732.