

FRANCHISE DISCLOSURE DOCUMENT

Locococo Hawaii Franchise, LLC,
a Hawaii limited liability company
5174 Hoona Road
Koloa, Hawaii 96756
Telephone: 808-651-5169
E-mail: waikomoshaveice@gmail.com
Website: www.waikomoice.com



As a Waikomo Shave Ice Franchisee, you will operate a shaved ice dessert store or mobile truck or trailer with deliciously refreshing, natural, and health-conscious desserts. We offer three models for a Waikomo Franchise: Storefront model, Truck model, and Trailer model.

The total investment necessary to begin operation of a Waikomo Shave Ice Storefront Franchised business ranges from \$51,500 to \$119,150. This includes \$19,900 which must be paid to the franchisor or affiliate. The total investment necessary to begin operation of an Area Development Business for 3 to 5 Storefront outlets is \$71,400 to \$157,150. This includes \$39,800 to \$57,900 which must be paid to the franchisor or affiliate.

The total investment necessary to begin operation of a Waikomo Shave Ice Truck Franchised business ranges from \$46,900 to \$71,690. This includes \$19,900 which must be paid to the franchisor or affiliate. The total investment necessary to begin operation of an Area Development Business for 3 to 5 Truck outlets is \$66,800 to \$109,690. This includes \$39,800 to \$57,900 which must be paid to the franchisor or affiliate.

The total investment necessary to begin operation of a Waikomo Shave Ice Trailer Franchised business ranges from \$45,650 to \$67,500. This includes \$19,900 which must be paid to the franchisor or affiliate. The total investment necessary to begin operation of an Area Development Business for 3 to 5 Trailer outlets is \$65,550 to \$105,500. This includes \$39,800 to \$57,900 which must be paid to the franchisor or affiliate.

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, franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact Thomas Oliver, 5174 Hoona Road, Koloa, Hawaii 96756; 808-651-5169; waikomoshaveice@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, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information.

Call your state agency or visit your public library for other sources of information on franchising. There may be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: March 15, 2023

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit G.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit F includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Waikomo Shave Ice business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Waikomo Shave Ice franchisee?	Item 20 or Exhibit G lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising Generally

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This Franchise*

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Hawaii. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Hawaii than in your own state.

Certain states may require other risks to be highlighted. Check the “State Specific Addenda” (if any) to see whether your state requires other risks to be highlighted.

**MICHIGAN ADDENDUM
TO THE DISCLOSURE DOCUMENT**

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

- A. A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- I A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logo type, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to: (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards; (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor; (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations; (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if

the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision

- B. (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligation to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

Michigan Department of Attorney General
Consumer Protection Division
Franchise Section
525 West Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, Michigan 48913
(517) 373-7117

THIS MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

FRANCHISE DISCLOSURE DOCUMENT

TABLE OF CONTENTS

ITEM 1. THE FRANCHISOR, AND ANY PARENT, PREDECESSORS, AND AFFILIATES	1
ITEM 2. BUSINESS EXPERIENCE	2
ITEM 3. LITIGATION.....	2
ITEM 4. BANKRUPTCY.....	2
ITEM 5. INITIAL FEES.....	2
ITEM 6. OTHER FEES.....	3
ITEM 7. ESTIMATED INITIAL INVESTMENT	8
ITEM 8. RESTRICTIONS ON SOURCES OF SERVICES AND PRODUCTS.....	12
ITEM 9. FRANCHISEE’S OBLIGATIONS	15
ITEM 10. FINANCING.....	16
ITEM 11. FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING	16
ITEM 12. TERRITORY	19
ITEM 13. TRADEMARKS	23
ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION.....	25
ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS	26
ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	27
ITEM 17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION	27
ITEM 18. PUBLIC FIGURES	36
ITEM 19. FINANCIAL PERFORMANCE PRESENTATIONS.....	37
ITEM 20. OUTLETS AND FRANCHISEE INFORMATION.....	40
ITEM 21. FINANCIAL STATEMENTS	42
ITEM 22. CONTRACTS	42
ITEM 23. RECEIPTS.....	42

EXHIBITS:

- A. LIST OF STATE ADMINISTRATORS
- B. STATE AGENTS FOR SERVICE OF PROCESS
- C. FRANCHISE AGREEMENT
 - Schedule 1-General Release
 - Schedule 2-Nondisclosure and Non-Competition Agreement
 - Schedule 3-Unlimited Guaranty and Assumption of Obligations
 - Schedule 4-Collateral Assignment of Lease
 - Schedule 5-ACH Payment Agreement
 - Schedule 6-Holders of Legal or Beneficial Interest in Franchisee; Officers; Directors
 - Schedule 7-State Addenda to the Franchise Agreement

Schedule 8-SBA Addendum

- D. OPERATIONS MANUAL TABLE OF CONTENTS
- E. AREA DEVELOPMENT AGREEMENT
 - Appendix A-Development Territory
 - Appendix B-Development Schedule
 - Appendix C-Owner's Guaranty and Assumption of Developer's Obligations
 - Appendix D-List of Principals
 - Appendix E-State Addenda to the Area Development Agreement
- F. FINANCIAL STATEMENTS
- G. LIST OF CURRENT AND FORMER FRANCHISEES
- H. FRANCHISEE DISCLOSURE QUESTIONNAIRE
- I. STATE ADDENDA TO THE DISCLOSURE DOCUMENT
- J. RECEIPTS

ITEM 1. THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor.

The franchisor is Locococo Hawaii Franchise, LLC. For ease of reference in this disclosure document, Locococo Hawaii Franchise, LLC is referred to as “we,” “us,” or “our” and the person who is considering the franchise is referred to as “you” or “your.” If you are a corporation, limited liability company, partnership, or other legal entity (“legal entity”), certain provisions of the franchise agreement and any related agreements will apply to your shareholders, members, partners, officers, managers, and directors (“principals”).

We are a Hawaii limited liability company formed on March 28, 2018.

We do business under our corporate name WAIKOMO SHAVE ICE.

Our principal business address is 5174 Hoona Road, Koloa, Hawaii 96756.

Exhibit B contains our agents for service of process.

We have not engaged in any other line of business, have not offered franchises in any other line of business, and we began offering franchises in October 2018.

Parents, Predecessors, and Affiliates.

Through common ownership, we are affiliated with, T’s Bees, LLC (“T’s Bees”), which was formed in Hawaii on June 19, 2013 with a principal business address at 5174 Hoona Road, Koloa, Hawaii 96756. T’s Bees has operated a business of the type being franchised since June 2015.

Through common ownership, we are affiliated with, WSIM, LLC, which was formed in Hawaii on February 16, 2022 with a principal business address at 5174 Hoona Road, Koloa, Hawaii 96756. WSIM has operated a Waikomo Shave Ice business in Maui since February 2022.

Neither of our Affiliates have offered franchises in this or any other line of business.

We do not have a parent or predecessors.

The Franchise Offered.

We offer franchises for a shaved ice dessert store or mobile unit (truck or trailer) operating under the trademark and trade name Waikomo Shave Ice. If you purchase a franchise, you will be the owner of the franchised business, with staff to assist in the teaching and operations of the business. Additional staff may be employed as your business grows. You will provide these services through your own leased or purchased facility.

You must operate the franchised business according to our standards and specifications and sign our standard franchise agreement (“Franchise Agreement”).

The Market and Competition.

Your services will be targeted to the general public. The market for frozen desserts is competitive and well-developed. Due to the nature of shaved ice and related products, sales are seasonal with more business activity in the warmer months and less business activity in colder months. You will compete with other local businesses, as well as many local, regional, and national restaurant chains, grocery stores, street vendors, and other food service businesses offering similar products for mobile consumption, take out, delivery, and catering services.

Industry Specific Regulations.

Many states and local jurisdictions have enacted laws, rules, regulations, and ordinances which may apply to the operation of your Waikomo Shave Ice Business, including those which: (a) establish general standards, specifications, and requirements for the construction, design, and maintenance of the Truck; (b) regulate matters affecting the health, safety, and welfare of your customers, such as general health and sanitation requirements; employee practices concerning the storage, handling, and preparation of food; special health, food service, and frozen dessert machine licensing requirements; restrictions on smoking and exposure to tobacco smoke or other carcinogens or reproductive toxicants and saccharin; availability of and requirements for public accommodations, including restrooms; (c) set standards pertaining to employee health and safety; (d) set standards and requirements for fire safety and general emergency preparedness, (e) govern the use of vending machines, (f) regulate the proper use, storage, and disposal of waste, insecticides, and other hazardous materials, (g) establish general requirements or restrictions on advertising containing false or misleading claims, or health and nutrient claims on menus or otherwise, such as “low calorie” or “fat free,” and (h) establish requirements concerning withholdings and employee reporting of taxes on tips. Additionally, most states require a food handler’s license and possibly a hawkers or peddlers license. Certain city or town clerks in the communities you plan to service may have additional licensing requirements.

ITEM 2. BUSINESS EXPERIENCE

CEO – THOMAS OLIVER

Mr. Oliver has been our CEO since our inception in March 2018. Mr. Oliver has been the CEO of our Affiliate, WSIM, LLC, in Hawaii since its inception in February 2022. Mr. Oliver has been the CEO of our Affiliate, T’s Bees, in Koloa, Hawaii since its inception in June 2013.

ITEM 3. LITIGATION

There is no litigation required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

There is no bankruptcy information required to be disclosed in this Item.

ITEM 5. INITIAL FEES

Initial Franchise Fee

You must pay us, upon signing the franchise agreement, a \$19,900 initial franchise fee (“Initial Franchise Fee”) to own and operate a Waikomo Shave Ice Franchised Business. These fees are uniform, are fully earned when the franchise agreement is signed, and are non-refundable.

Area Development Program

If you sign an Area Development Agreement (“ADA”) and become an area developer, you will pay us the Initial Franchise Fee of \$19,900 for your first franchise and a development fee (“Development Fee”) based on the number of Businesses to be developed. The number of Businesses required by the Development Schedule will be determined by a number of factors, such as the size of the Development Area, the population of the Development Area, and your financial capacity and expertise in developing businesses. The Development Fee for each Business you develop will be \$9,950 in addition to a reduced Franchise Fee of \$9,950 when each subsequent franchise agreement is signed. You will be required to sign our then-current Franchise Agreement for each Business. The Development Fee is paid in a lump sum at the time the ADA is signed, is uniform to

all developers currently acquiring development rights, is not refundable and will not be credited against any other fees paid to us or our affiliates. We establish our qualifications on whether or not we will also offer you the opportunity to become an area developer based on your financial resources, experience in the industry, your business experience, as well as your marketing and sales plans.

ITEM 6. OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Continuing Service and Royalty Fee ¹	6% of Gross Revenue	Due monthly by the 10 th of the month for the previous month.	"Gross Revenue" means all of your revenue from operating the Business, but excluding taxes collected from customers and paid to taxing authority, and reduced by the amount of any documented refunds, credits, allowances, and chargebacks the Business in good faith gives to customers. Franchise Agreement ("FA") Secs. 1 and 3.2.
Interest ²	The lesser of 1.5% per month or the highest commercial contract interest rate allowed by law	Amounts not received by us within (5) days after the due date shall incur interest	Due on all overdue amounts. FA Sec. 3.5.
Insufficient Funds ³	\$75	As incurred	Due if you have insufficient funds in your EDTA to cover a payment, or if any other payment instrument you use is rejected for insufficient funds. FA Sec. 3.7.
Management Fee ⁴	\$250 per person per day (plus other costs and expenses)	As incurred	Due when we (or a third party) manage your franchise after your managing owner's death or disability, or after your default or abandonment. FA Secs. 3.8 and 18.6.
National Franchise Convention Fee ⁵	\$500	At time of attendance	You agree to pay this sum to us attend our National Franchise Convention. FA Sec. 3.9
Renewal Fee ⁶	\$4,000	At time of renewal	FA Sec. 4.2.9.

Type of Fee	Amount	Due Date	Remarks
Additional Training or Assistance ⁷	Currently, we charge \$250 per person per day if ongoing training is at our location, or \$250 per person per day (plus hotel, air fare, and other expenses incurred by our trainer) if ongoing training is at your location	When training or assistance begins	We may charge you for training newly-hired personnel; for refresher training courses; for the annual convention; and for additional or special assistance or training you need or request. For all training sessions and conferences, you must pay for your trainees' and representatives' salaries and benefits, and for their travel, lodging, and meal expenses. FA Sec. 8.4.
Refurbishment of the Equipment ⁸	At least \$5,0 ⁰⁰	Every fifth (5th) year after execution of this Agreement, upon Franchisor's request	For purposes of updating Franchisee's equipment. FA Sec. 10.3.
Local Advertising	None for Truck or Trailer Franchise; 2% of Gross Revenue for Store Front Franchise	Monthly	You must spend this amount on local advertising in your region if you acquire a Storefront Model franchised business. FA Sec. 11.1.
Audit Fee ⁹	Cost of inspection plus the amount of the underpayment plus interest from the date such amount was due until received by Franchisor, paid at the rate of the lesser of 1.5% per month or the highest commercial contract interest rate allowed by law	Cost of inspection – when billed; Underpayment and interest – immediately.	Due if the audit or any other inspection should reveal that any payments to us have been underpaid. Further, you shall reimburse us for any and all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). FA Sec. 12.6.
Testing of Products or Approval of new Suppliers ¹⁰	Not to exceed \$1,000	When billed	This covers the costs of testing new products or inspecting new suppliers you propose to us. FA Sec. 13.1.5.

Type of Fee	Amount	Due Date	Remarks
Insurance	You must reimburse our costs	When billed	If you fail to obtain insurance, we may obtain insurance for you and you must reimburse us. FA Sec. 15.5.
Transfer Fee ¹¹	The greater of \$4,000 or 10% of the sale price	At the time of transfer	No charge if Franchise Agreement transferred to an entity you control. FA Sec. 18.2(h).
Indemnification ¹²	Will vary	As incurred	You must reimburse us if we are held liable for claims from your franchise operation. FA Sec. 21.3.
Cost of Enforcement ¹³	All costs and reasonable attorneys' fees	Upon demand	You must reimburse us for all costs and attorney fees if we are the prevailing party in litigation with you. FA Secs. 22.4 and 23.11; Schedule 3; ADA Sec. 6; Appendix E.

We may require that all fees payable to us be paid through an Electronic Depository Transfer Account (“EDTA”). Even if we do not require payment through an EDTA, we reserve the right to charge you an additional fee for the use of any other payment instrument. This additional fee will cover our additional expenses from processing a non-EDTA payment to us or any third party.

Unless otherwise stated, all fees are imposed by, payable to, and collected by us. We mandate several fees for third party services and it is your duty to pay such fees. All fees payable to us are non-refundable. Whether fees paid to third parties are refundable would depend on their policies. Area Developers will not have any additional fees.

NOTES

¹Royalty Fee: As a Franchisee, you are obligated to pay us a percentage of your sales as compensation for your rights as a Franchisee (the “Royalty”). The Royalty rate is currently set at 6% for the entire term of the Franchise Agreement. The Royalty obligation begins immediately on the first month your Business is open for operation. The Royalty is due and payable monthly on the 10th day of each month, to be paid according to our specifications. If you open the Business for operation on the 25th of the month or any time until the 25th of the next month, then your Business will be deemed to have opened during the immediately following calendar month. For example, if you open your Business on January 26th, then we would consider February as your first month in operation and since there are no Royalties due for your first month, your royalty payments would begin in March for your February Royalty obligation. If your Franchise Agreement is terminated, you will be required to continue Royalty payments for the remaining term of your Franchise Agreement.

Royalty fees shall be payable to us by direct deposit from Franchisee’s account. See the Direct Deposit Agreement, attached herein and incorporated as Schedule 5 of the Franchise Agreement. We reserve the right to change the time and manner of payment at any time upon written notice to you. All Royalty fees are non-refundable.

²Interest: Interest and late charges begin to accrue on amounts not received within (5) days after the due date. In addition to any interest and late charges, you must also pay any damages, expenses, collection costs, and reasonable attorney fees we may incur when you do not make the required payments, provided no interest charged shall exceed the maximum legal rate of any local, national, or international authority having jurisdiction over your Business activities. Maximum interest permitted in California is 10% annually.

³Insufficient Funds: We may charge you an insufficient funds fee if any payment you owe is rejected due to insufficient funds in your EDTA, or if any other payment instrument you are authorized to use is rejected for insufficient funds.

⁴Management Fee: Management fees will only be charged when one of our employees, or a third party appointed by us, actively controls the day to day management of your business. The total amount of Management fees that you owe will be determined by the number of days that it is necessary for us to manage your business.

⁵The national convention fees are to attend any annual franchise convention we may hold.

⁶Renewal Fee: Renewal fees are due at the time of renewal of the Franchise Agreement.

⁷Training Fees: Training fees may be imposed on you according to our policies.

⁸Maintenance and Refurbishment: We may charge you certain maintenance and refurbishment fees for any work we perform on your behalf to repair or otherwise improve your franchise location, including any such repairs or improvements made on our own initiative if you refuse to complete any requested maintenance or refurbishment. The total amount of the maintenance and refurbishment fees that you pay us will vary depending on the labor and material costs of any such maintenance and refurbishing, as well as any associated costs or losses we may incur due to your failure to maintain or refurbish the location in accordance with our requests.

⁹Audit Fee: We will assess Audit fees against you if you fail to provide us reports, supporting records, or any other information we require under the Franchise Agreement; or if you understate (or if we have reason to believe you understated) required Continuing Support, Royalty payments, or NADF contributions. The total amount of the audit fees that you pay us will vary depending on the cost of the audit itself (for which you will be entirely liable), and whether you have any unpaid Continuing Support, Royalties, or NADF for which you may be penalized in accordance with the Franchise Agreement.

¹⁰Testing of Products or Approval of New Suppliers: You will be required to obtain our written approval for any product, vendor, supplier, or piece of equipment that you wish to use in the operation of your Business (as described in Item 8) and you will be charged an assessment fee for the examination of any product, vendor, supplier, or piece of equipment submitted to us for approval. This fee is up to, but not in excess of, \$1,000 for any single product, vendor, supplier, or piece of equipment you wish to offer, use, and/or substitute in your operation of the Business. We may waive these fees at our sole and absolute discretion if the equipment, products, vendors and/or suppliers you select meet our requirements and are added to our approved list of equipment, products, vendors and/or suppliers for all franchise locations.

¹¹Transfer Fee: The term “transfer” means any of the following: the sale of 20% or more of the assets of your franchise; the sale, assignment, or conveyance of 20% or more of your stock, membership interest, membership units, or partnership units of your franchise to any third party; or the placement of your assets, stock, membership interest, partnership units, or membership units of your business into a business trust. We have to approve a partner or transferee.

¹²Indemnification: You must protect, defend, indemnify, and hold us harmless against any claims, lawsuits, or losses arising out of your operation of the Franchised Business brought by third parties, or any default under the Franchise Agreement. You must pay for any and all damages, legal fees, enforcement or collection costs, and/or any other costs assessed against us in any proceeding related to your Franchised Business to the extent permitted by law, provided that no indemnification fee shall exceed the actual total amount necessarily expended or costs assessed against us.

¹³Cost of Enforcement: Cost of enforcing the Franchise Agreement fees will be levied against you if we prevail against you in any dispute arising out of the Franchise Agreement or the Area Development Agreement. However, the total amount includes legal fees, expert witness fees, accountant fees, costs to us or our employees in complying or addressing the dispute, and any travel expenses that we deem necessary to resolve the dispute.

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ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

A. FRANCHISE AGREEMENT – STOREFRONT MODEL

Type of Expenditure	Amount (Low-High Range)	Method of Payment	When Due	To Whom Payment is to Be Made
Initial Franchise Fee ¹	\$19,900	Lump sum	Upon signing your Franchise Agreement	To us
Traveling and Living Expenses while Training ²	\$1,500 - \$2,500	As arranged	As incurred	Third parties
Real Property Lease and Pre-Opening Rent (500-700 sq. ft.)	\$2,000 - \$9,000	As arranged	As incurred	Third parties
Grand Opening Advertising ³	\$1,000 - \$2,000	As arranged	As incurred	Third parties
Computer System	\$200 - \$700	As arranged	As incurred	Third parties
Equipment, TV, Cameras, and other Supplies ⁴	\$2,500 - \$6,000	As arranged	As incurred	Third parties
Furniture, Fixtures, and Décor ⁵	\$2,000 - \$4,000	As arranged	As incurred	Third parties
Construction of Leasehold Improvements ⁶	\$10,000 - \$50,000	As arranged	As incurred	Third parties
Inventory and Supplies ⁷	\$3,000 - \$4,000	As arranged	As incurred	Third parties
Licenses, Permits, and Certifications ⁸	\$250 - \$750	As arranged	As incurred, before lease signing	Third parties
Insurance (3 Months) ⁹	\$400 - \$800	As arranged	As incurred	Third parties
Signage	\$1,500 - \$3,000	As arranged	As incurred	Third parties
Architectural and Engineering	\$1,500 - \$3,000	As arranged	As incurred	Third parties
Attorneys and Accountants	\$750 - \$1,500	As arranged	As incurred	Third parties
Additional Funds (3 months) ¹⁰	\$5,000 - \$12,000	As arranged	As incurred	Third parties
Total¹¹	\$51,500 - 119,150			

B. FRANCHISE AGREEMENT – TRUCK MODEL

Type of Expenditure	Amount (Low-High Range)	Method of Payment	When Due	To Whom Payment is to Be Made
Initial Franchise Fee ¹	\$19,900	Lump sum	Upon signing your Franchise Agreement	To us
Traveling and Living Expenses while Training ²	\$1,500 - \$2,500	As arranged	As incurred	Third parties
Equipment and other Supplies ⁴	\$3,000 - \$4,000	As arranged	As incurred	Third parties
Truck (Down Payment) ¹²	\$13,850 - \$28,140	As arranged	As incurred	Third parties
Truck Storage	\$0 - \$1,000	As arranged	As incurred	Third parties
Inventory and Supplies ⁷	\$3,000 - \$4,000	As arranged	As incurred	Third parties
Licenses, Permits, and Certifications ⁸	\$250 - \$750	As arranged	As incurred	Third parties
Computer System	\$200 - \$700	As arranged	As incurred	Third parties
Insurance (3 Months) ⁹	\$450 - \$1,200	As arranged	As incurred	Third parties
Architectural and Engineering	\$1,500 - \$3,000	As arranged	As incurred	Third parties
Attorneys and Accountants	\$750 - \$1,500	As arranged	As incurred	Third parties
Additional Funds (3 months) ¹⁰	\$2,500 - \$5,000	As arranged	As incurred	Third parties
Total¹¹	\$46,900- \$71,690			

C. FRANCHISE AGREEMENT – TRAILER MODEL

Type of Expenditure	Amount (Low-High Range)	Method of Payment	When Due	To Whom Payment is to Be Made
Initial Franchise Fee ¹	\$19,900	Lump sum	Upon signing your Franchise Agreement	To us
Traveling and Living Expenses while Training ²	\$1,500 - \$2,500	As arranged	As incurred	Third parties
Trailer (Down Payment) ¹²	\$15,000 - \$22,000	As arranged	As incurred	Third parties
Truck/Van Lease ¹²	\$2,000-\$10,000	As arranged	As incurred	Third parties
Inventory and Supplies ⁷	\$3,000 - \$4,000	As arranged	As incurred	Third parties

Type of Expenditure	Amount (Low-High Range)	Method of Payment	When Due	To Whom Payment is to Be Made
Insurance (3 Months) ⁹	\$500 - \$600	As arranged	As incurred	Third parties
Attorneys and Accountants	\$750 - \$1,500	As arranged	As incurred	Third parties
Additional Funds (3 months) ¹⁰	\$3,000 - \$7,000	As arranged	As incurred	Third parties
Total¹¹	\$45,650 - \$67,500			

NOTES

¹We describe the Initial Franchise Fee in Item 5.

²We will train you (or your managing owner) and one of your manager-level employees. Additional persons may attend initial training concurrently if you pay our then-current training charge for each additional person. You must also pay for all travel and living expenses which you and your employees incur while training.

³You must expend this amount on Grand Opening prior to the opening of the Franchised Business.

⁴This estimate includes all equipment required for the location, as well as miscellaneous other items required, many of which may be leased. Based on where the location is geographically, this cost will vary.

⁵This estimates all tables, chairs, and other furniture necessary for a storefront Business with approximately 500 to 700 square feet.

⁶This estimate includes equipment for the Storefront model that is required, including shaved ice machine, freezer, and other equipment necessary to operate the Franchised Business.

⁷Opening inventory of products and supplies will vary based on expected volume of business and size of storage areas in the leasehold.

⁸Estimated costs of obtaining required licenses and permits to operate your business. Some costs may vary depending on the location of the Franchised Business.

⁹You must maintain in-force policies of insurance issued by carriers approved by us covering various risks for your Business. We may specify the types and amounts of coverage required under these policies and require different and/or additional kinds of insurance at any time.

¹⁰This is an estimate of the funds needed to cover business (not personal) expenses during the first 3 months of operation of the Business. You will need capital to support ongoing costs of your business. As with most businesses, your costs will depend on factors such as how much you follow our recommended systems, your technical, marketing and general business skills, local economic conditions, the local market for your business, competition, local cost factors, location, and the sales levels achieved by you. This is only an estimate.

¹¹We relied on our Affiliate's experience in the format of the franchise business to compile these estimates. You should review these figures carefully with your business advisor before deciding to acquire the franchise. We do not offer financing directly or indirectly for any part of the initial investment.

¹²This estimates the down payment to purchase or lease a trailer and truck or van for the operation of the Franchised Business. Truck and trailer estimates include all buildout and equipment required inside the vehicles.

D. AREA DEVELOPMENT AGREEMENT

Expenditure ¹	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Area Development Fee ²	\$39,800 - \$57,900	Lump Sum	Upon entering into Area Development Agreement	Us
Initial Investment for Your Initial Franchised Business - Storefront ³	\$31,600 - \$99,250	See Chart 7(A) above.		
Initial Investment for Your Initial Franchised Business - Truck ³	\$27,000 - \$51,790	See Chart 7(B) above.		
Initial Investment for Your Initial Franchised Business – Trailer ³	\$25,750 - \$47,600	See Chart 7(C) above.		
STOREFRONT TOTAL	\$71,400 – \$157,150			
TRUCK TOTAL	\$66,800 - \$109,690			
TRAILER TOTAL	\$65,550 - \$105,500			

NOTES

¹**Generally:** The estimates set forth in this Chart 7(B) assume that you will be entering into an Area Development Agreement for the right to open and operate three to five Franchised Businesses within a Development Area and the cost of opening the first Franchised Business.

²**Development Fee:** The Area Development Fee ranges from \$39,800 to \$57,900 for three to five territories, as explained in Item 5 above. You may purchase additional territories for \$9,950 each.

³**Initial Investment for Franchised Business:** This figure represents the total estimated initial investment required to open your initial Franchised Business under the Franchise Agreement you must enter into with us at the same time as the execution of your Development Agreement.

Other than the Development Fee for three territories, this figure does not include costs associated with opening a second and subsequent locations which will incur additional costs. This range includes all the estimated fees set forth in Chart 7(A, B & C), except for the Initial Franchise Fee because you will not be required to pay an Initial Franchise Fee if you enter into an Area Development Agreement.

These figures do not include royalties, interest expense, depreciation, or taxes. These figures are estimates of your initial expenses covering the first three months of your operation. Your costs will depend on how well you follow our methods and procedures, your management skills, experience and business acumen, local economic conditions, the local market for our services, the prevailing wage rate, and competition. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

ITEM 8. RESTRICTIONS ON SOURCES OF SERVICES AND PRODUCTS

The Goods or Services Required to be Purchased or Leased:

Advertising and Marketing

You must use advertising material from us, a vendor that we designate, or we must approve the advertising in writing, prior to its use.

Architectural and Engineering Services

You must purchase architectural and engineering services to assist in your build out. You may purchase these services from any qualified vendor.

Computer System

You must purchase computer hardware and software designated by us. The required list of hardware and software is more specifically described in Item 11. You will set up, maintain, and utilize e-mail capability with an e-mail service designated by us, for the purposes of receiving electronic correspondence from us, other franchisees, and your customers.

Equipment and Miscellaneous Supplies

You must purchase equipment, fixtures, TV, cameras, and supplies from a supplier that we designate or subject to our specifications.

Furniture and Equipment

You must purchase furniture and equipment from a supplier that we designate, or subject to our specifications.

Insurance

You are required to obtain the requisite insurance as set forth below:

General Liability Insurance	\$1,000,000	Per Occurrence
	\$2,000,000	In the Aggregate
Business Property Insurance	\$75,000	Per Month
Business Income/Extra Expense	\$12,500	Per Month
Electronic Media and Records	\$10,000	Per Occurrence
Money and Securities	\$10,000/Inside \$2,500/Outside	Per Occurrence
Workmen's Compensation	As required by law	Per Employee
Vehicle Insurance	\$1,000,000	In the Aggregate
Optional: Business Interruption Insurance	\$50,000	Not less than Per Month

Inventory and Supplies

You must purchase supplies from an approved supplier or pursuant to our specifications.

Leased Location

If you choose to acquire a Storefront Model, you will need a site in which to operate the franchised business. We furnish site selection guidelines. We require you to send to us any proposed lease and information as required by us to evaluate the site for our approval before you sign the lease. You may lease from any landlord.

Leasehold Improvements

You may purchase leasehold improvements from any supplier but must build out your location pursuant to our specifications.

Signage

You must purchase signage pursuant to our specifications.

Truck

If you choose to acquire a Truck Model, you will need to purchase or lease a 12 foot food truck with complete buildout subject to our specifications from an approved supplier to operate the franchised business. We furnish specifications for the Truck for the operation of the franchised business.

Trailer

If you choose to acquire a Trailer Model, you will need to purchase or lease a 12 foot by 8 foot complete trailer basic for food service with complete buildout subject to our specifications from an approved supplier to operate the franchised business. We furnish specifications for the Truck for the operation of the franchised business.

Whether we or our Affiliates are Approved Suppliers:

We are currently approved suppliers of advertising materials, but not the only approved supplier.

Our officer, Thomas Oliver, owns an interest in us.

Alternative Suppliers:

We do not maintain written criteria for approving suppliers and thus, these criteria are not available to you or your proposed supplier. We do permit you to contract with alternative suppliers if approved by us and they meet our criteria. We charge any costs incurred, up to \$1,000, to test another supplier you propose. If you wish to propose another supplier to us, you must submit the proposed supplier that you wish for us to consider in writing. Your request must include sufficient specifications, photographs, drawings, and other information and samples to enable us to determine whether your proposed supplier meets our specifications. Your request must also provide confirmation that the supplier is financially sound and carries adequate liability insurance. We will examine the quality of the items and the supplier's ability to supply a sufficient quantity in a timely manner and with good customer service to determine whether to add the supplier to our list of approved vendors. We will notify you within 30 days whether your request for alternative supplier is granted. If we revoke approval for a supplier, we will provide written notice to you.

Issuance and Modification of Specifications:

We issue and modify specifications and standards to franchisees or approved suppliers through our Operations Manual or through informational bulletins we issue from time to time.

Revenue from Required Purchases:

We may, but do not currently, derive revenue or other material consideration from required purchases or leases by you.

In our last fiscal year, neither we nor our affiliates earned revenue or other material consideration from required purchases or leases by franchisees.

Required Purchases as a Proportion of Costs:

We estimate that approximately 70% of your expenditures for leases and purchases in establishing your Franchised Business will be for goods and services that must be purchased from us, an Affiliate, an approved supplier, or from another party according to our standards and specifications. We estimate that approximately 30% of your expenditures on an ongoing basis will be for goods and services that must be purchased either from us, an Affiliate, an approved supplier, or another party according to our standards and specifications.

Supplier Payments to Us:

Designated suppliers may make payments to us from franchisee purchases.

In the fiscal year ending on December 31, 2022, we did not receive any supplier rebates and none currently exist, but we anticipate supplier rebates in the future.

Purchasing or Distribution Cooperatives:

At this time, we do not have any purchasing or distribution cooperatives.

Purchase arrangements:

We negotiate purchase arrangements with suppliers, including price terms, for the benefit of our franchisees.

Material Benefits:

We do not provide material benefits to you based on your use of a particular supplier. However, when your franchise is up for renewal, to continue your franchise rights, we require you to be in compliance with your franchise agreement, which includes compliance with any supplier standards that are contained in our Operations Manual.

ITEM 9. FRANCHISEE’S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other Items of this Disclosure Document.

Franchisee’s Obligations	Section In Franchise Agreement	Section in Area Development Agreement	Item in Disclosure document
a. Site selection and acquisition/lease	2 and 5	2, 4	11, 12
b. Pre-opening purchases/leases	5, 13, and 15	2, 4	7, 8, 11
c. Site development and other pre-opening requirements	2, 3, 5, 8, and 10	2, 3, 4	11
d. Initial and ongoing training	8	N/A	11
e. Opening	4, 5, 11, and 13	4	11
f. Fees	3, 4, 8, 10, 11, 12, 13, 15, 18, 21, 22, and 23	3, 8, 9	5, 6, 7, 8, 11
g. Compliance with standards and policies/Manual	6, 7, 9, 10, and 13	2, 4, 6	8, 11, 14, 16
h. Trademarks and proprietary information	6, 7, and 9	6	13, 14
i. Restrictions on products/ services offered	6 and 13	N/A	8, 16
j. Warranty and customer service requirements	13	N/A	16
k. Territorial development and sales quotas	N/A	4	12
l. Ongoing product/service purchases	13	N/A	8, 11
m. Maintenance, appearance & remodeling requirements	3, 10, and 13	N/A	6
n. Insurance	15	N/A	6, 7, 8
o. Advertising	11	N/A	6, 7, 8, 11
p. Indemnification	21	10	6
q. Owner’s participation/ management/staffing	8 and 13	N/A	15

Franchisee's Obligations	Section In Franchise Agreement	Section in Area Development Agreement	Item in Disclosure document
r. Records and reports	12	N/A	11
s. Inspections and Audits	6 and 12	N/A	6, 11, 13
t. Transfer	18 and 19; Schedule 1	9	6, 17
u. Renewal	4; Schedule 1	N/A	17
v. Post-termination obligations	17, Schedule 2	8	17
w. Non-competition covenants	7, 9, and 17; Schedule 2	6, 8	17
x. Dispute resolution	23, Schedules 2, 3	10	17

ITEM 10. FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease, or obligation.

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

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

1. Before you open your Franchised Business, we will:

a. Provide an initial training program. This training does not include any professional licenses, certification, or other training you must possess and/or complete before you can operate the Franchised Business. It does not include training of your employees. (Section 8.1 of the Franchise Agreement).

b. Provide to you opening assistance and guidance to assist you with any questions you may have in operating and establishing the Franchised Business. (Section 8.2 of the Franchise Agreement).

c. Provide to you, on loan, one copy of the confidential Waikomo Shave Ice Operations Manual or provide you with access to an electronic copy of the Operations Manual. The Table of Contents of the Operations Manual, along with number of pages devoted to each section, is included as Exhibit D to this Disclosure Document. (Section 9.1 of the Franchise Agreement). The Operations Manual contains a total of 81 pages.

d. Provide assistance and guidance in establishing prices for products and services. The Company's Operations Manual shall provide you with a list of suggested minimum and maximum prices for the sale of the products and services to be offered by you. (Section 14.1 of the Franchise Agreement).

2. After the opening of the Franchised Business, we will:

a. Offer you guidance and/or training. Our guidance is based on our and our Affiliate's knowledge and experience. We offer you advice and guidance on a variety of business matters, including sales techniques, operational methods, accounting procedures, as well as marketing and sales strategies. (Section 14.1 of the Franchise Agreement).

b. Make periodic visits to the Franchised Business to provide you with consultation, assistance, and guidance in various aspects of the operation and management of the Franchised Business. We may prepare written reports suggesting changes or improvements in the operations of the Franchised Business and detailing deficiencies that become evident during a visit. If we prepare a report, we may provide you with a copy. (Section 14.2 of the Franchise Agreement).

c. Make available operations assistance and ongoing training to you, as we deem necessary. (Sections 8.1, 8.2, and 18.5 of the Franchise Agreement). Ongoing training programs are described later in this Item and in Item 6.

d. Provide you with modifications to the Operations Manual as they are made available to franchisees. (Section 9.2 of the Franchise Agreement).

3. Advertising and Promotion:

Local Advertising

a. If Franchisee acquires a Storefront Model franchised business, Franchisee shall contribute each month the total of two percent (2%) of Gross Revenue from the previous month into local advertising (such advertising to be approved by Franchisor prior to use thereof). Franchisee shall continuously and consistently promote the Franchised Business. Every month, Franchisee shall participate in a variety of marketing and promotions such as door mailings, public relations, online or mobile advertisement, or any other form of marketing within the immediate locality surrounding the Franchisee Business, as well as direct sales support when requested by Franchisor. Franchisees who acquire the Truck or Trailer Model are not required to spend this amount on Local Advertising. (Section 11.1.1 of the Franchise Agreement).

b. Franchisor shall oversee all local advertising/marketing programs, with sole control over creative concepts, materials, and media used in such programs, and the placement and allocation thereof. Franchisor does not warrant that any particular franchisee will benefit directly or pro rata from expenditures by its local advertising program. Franchisor does not warrant the success or effectiveness of any particular advertising/marketing program. (Section 11.1.2 of the Franchise Agreement).

Grand Opening Advertising. If you acquire a Storefront Model franchised business, we require you to spend \$1,000 - \$2,000 prior to your opening for business, pursuant to our guidelines. (Section 11.2 of the Franchise Agreement).

Internet Advertising. You are restricted from either establishing a presence or marketing on the Internet without our written consent. We have an Internet website at the uniform resource locator www.waikomoice.com that provides information about the System and about Waikomo Shave Ice Franchises. We may provide you with a page on our home page, where we will have contact information and pricing for your location. All information posted on the Waikomo Shave Ice website or any linked webpages must be approved by us before it is posted. We retain the sole right to market on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce, and co-branding arrangements. You may be requested to provide content for our Internet marketing and you must follow our intranet and Internet usage rules, policies, and requirements. We retain the sole right to use the Marks on the Internet, including on websites, as domain names, directory addresses, search terms and meta-tags, social media pages and in connection with linking, marketing, co-branding and other arrangements. We retain the sole right to approve any linking to, or other use of, the Waikomo Shave Ice website. (Section 11 of the Franchise Agreement). You are not permitted to use a domain name containing “Waikomo Shave Ice” in the URL. (Sections 6.7 and 11.3 of the Franchise Agreement).

4. Computer:

You must purchase and use any hardware and software programs we designate. (Section 12.5 of the Franchise Agreement). Presently, we require you to purchase the following hardware and software:

Hardware
1 tablet, 1 cash drawer, 1 card reader, 1 printer
Software
Square

The approximate cost of the hardware and software ranges from \$850 - \$1,200.

Neither we nor our affiliates or any third party have any obligation to provide ongoing maintenance, repairs, upgrades, or updates. You must maintain your computer systems in good working order and must replace, update, or upgrade your hardware systems as we require. The estimated annual cost of optional or required maintenance, updating, upgrading, or support contracts to your computer systems is approximately \$600.

Independent Access to Information. You are required to provide independent access to the information that will be generated or stored in your computer systems, which includes, but is not limited to, customer, transaction, and operational information. We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to the Franchised Business and any other operations taking place through your Franchised Business.

5. Methods Used to Select the Target Market(s) and Sales Techniques for your Franchised Business

You will establish a Franchised Business to be run from the Premises, and we will help you decide on the market(s) to target, as well as the sales techniques in offering your services.

6. Typical Length of Time Before Operations

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of the franchise is 90 days. In addition, we expect you to secure an approved location for the Business within 45 days of the signing of the Franchise Agreement; this includes the requirement of obtaining our approval for your selected location. We will generally approve or deny your selected location within 15 days, but we maintain the right to take additional time if circumstances demand it. In addition, you must sign the lease or otherwise secure the legal right to occupy the location, meeting all our state specifications, within 60 days of the signing of the Franchise Agreement. Factors that may affect your beginning operations include ability to secure permits, zoning and local ordinances, weather conditions, and attending training. You must open your franchised business and be operational within 90 days from executing the Franchise Agreement. The foregoing notwithstanding, we reserve the right to grant extensions to the Time Before Operations period at our sole and absolute discretion, we are in no way obligated to consider such extensions in any case.

7. Training

We provide you all training programs that cover material aspects of the operation of the Franchised Business. The topics covered are listed in the chart below. This training is offered on an as needed basis at our headquarters in Koloa, Hawaii, or another franchisor training center we designate. If you request training at your location you must pay for all travel costs and living expenses. You must satisfactorily complete the initial training approximately two (2) weeks before the opening of the Franchised Business. You and up to 2 employees of your choosing may also attend the training. The timeframes provided in the chart are estimates

of the time it will take to complete training. We do not charge for the initial training. You must pay for all travel costs and living expenses for yourself and any of your attendees. These costs are estimated in Item 7. If you replace your helper, he/she must attend our training program. You will be charged for additional training, as provided for in Item 7. This initial training is in addition to the on-site opening assistance we may provide to you. Your franchised business must at all times either be under your day-to-day supervision as the Owner/Operator, or by an approved manager who has satisfactorily completed our training program. Additional training shall be at a cost of \$250 per person per day if completed at our location, or \$250 per person per day if the training is at your location, plus costs of our travel, airfare, and incidentals.

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Introduction to Waikomo Shave Ice	0 hours	2-3 hours	Koloa, HI
Understanding Waikomo Shave Ice & its Services	0 hours	3 hours	Koloa, HI
Permits and Coding Compliance	0 hours	2 hours	Koloa, HI
Billing and Collections Procedures	0 hours	1-2 hours	Koloa, HI
Regulatory Compliance	0 hours	1-2 hours	Koloa, HI
Bookkeeping	0 hours	1-2 hours	Koloa, HI
Do's and Don'ts	0 hours	2-3 hours	Koloa, HI
Marketing and Advertising	0 hours	3-4 hours	Koloa, HI
Totals	0 hours	15-21 hours	

All persons attending the initial training program must complete the program to our satisfaction. If you cannot complete the program to our satisfaction, we may terminate the Franchise Agreement. (Franchise Agreement, Section 8.1). Note, the hours of training on the above chart may overlap and be provided concurrently, at our discretion.

Our CEO currently oversees the trainings. Item 2 contains his experience, including his length of experience in the field and with us.

The principal instructional materials will consist of the Operations Manual.

Periodically, you, your managers, and/or employees must attend refresher-training programs to be conducted at a location we designate or by webinar, at our discretion. Attendance at these programs will be at your expense; however, you do not have to attend more than 2 of these programs in person in any calendar year, and these programs will not collectively exceed 4 full days during any calendar year (including both in person training and webinar training). (Franchise Agreement, Section 8.4).

ITEM 12. TERRITORY

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.

You must operate your Business within the specific location identified in your Franchise Agreement. You are awarded a protected marketing territory (the "Territory") that will include the lesser of a land area with a

population of 100,000 people or a 3-mile radius from your location. We reserve the right to grant each franchisee a territory on a case-by-case basis in order to account for the unique features of each geographic marketplace. You may not conduct business at any other site or sites other than the Territory as described in your Franchise Agreement, or any additional part of the Territory that may be added by an addendum attached to your Franchise Agreement. You may not relocate your business within the Territory without our express written consent. While you must conduct your business at the primary location, you may also conduct additional activities to sell products and/or provide services (for example at promotional events, charity events, etc.), so long as such events are within your Territory. You may conduct business at off-site events in other geographical areas where there is not a Waikomo Shave Ice business only after providing notice to us and after obtaining our explicit written approval; however, you cannot perform Target Marketing, as described below, outside of your Territory. You may sell and deliver products or services to customers located outside your Territory if, and only if, such sales of products or services are made within your Territory.

We shall approve or deny any request to conduct off-site events outside of your Territory within three (3) business days of receipt of your request, such request and our response to same shall be in writing or by email. If we approve your request to conduct business at off-site events outside the Territory, you must be prepared to immediately lose any accounts or operations you have established in the outside geographical area if and when that area is purchased by any other franchisee, and you shall immediately refrain from conducting any business whatsoever is at such off-site events.

We cannot establish either a company-owned Franchise nor license any other person or entity to locate a Franchise within your Territory during the term of the Franchise Agreement. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Your licensed Territory is determined by population, competition, traffic patterns, proximity to major roads, demographics of the surrounding area, available parking, market penetration, and/or other conditions important to the successful operation of a Waikomo Shave Ice Business, as we deem appropriate and as identified in your Franchise Agreement. We retain the right to delineate the exact bounds of your licensed Territory once a primary location is chosen, and such Territory shall not be altered even if there is a population increase or decrease, unless we decide otherwise in our sole and absolute discretion. Your Territory will also not be affected by the number of customers you retain, products or services that you sell, your revenues, or your sales volume. Certain locations, such as major metropolitan areas may have smaller territories due to the relative density of the populated areas. You may not open your primary location in the Territory for your Business until we grant you our explicit written permission. You may not relocate your Business or establish additional locations within your Territory until we grant you our explicit written consent, such consent to be given at our sole and absolute discretion. We will base any such consent on traffic patterns at your proposed new location, a study of the local population, and a review of your lease agreement.

If you want to establish more than one franchise with us, you must submit a separate application for each proposed franchise. You shall pay a fee for each additional acquisition mentioned in Item 5, and you must further be in compliance with all other terms and conditions of the Franchise Agreement. We must also approve the location of any additional Location as contemplated in Items 11 and 12 above.

The Territory described above will affect where you and other franchisees may solicit business. You are encouraged to directly advertise and market for clients located within your Territory. Regardless of any other rights you may have in the Territory, we maintain the right to service clients and sell services and products to anyone from anywhere at our affiliate's location without compensation to you. You are prohibited from soliciting and/or marketing products and services outside of your respective Territory, specifically including Target Marketing within the territory of another Waikomo Shave Ice operation (including competing franchises and/or a company/affiliate owned businesses). Target Marketing means a concerted effort by a franchisee to solicit and obtain clients through any type of advertisement or marketing, directed at all or a

portion of another franchisee's territory ("Target Marketing"). We will use commercially reasonable efforts to enforce this requirement regarding Target Marketing if you or any other franchisee violates it.

If you are asked by any client or organization to conduct business at off-site events in geographical areas outside your Territory in which there is another Franchise or company-owned business, you must immediately refer that request to the Waikomo Shave Ice business that is assigned to such outside territory. However, if such other franchisee or affiliated company business gives you explicit permission, you may conduct off-site activities in that outside territory, so long as you also immediately inform us in writing that such permission has been granted. If there is not a Waikomo Shave Ice business in that geographical area, then you must submit a written request to conduct business at such off-site event to us and upon our written approval you can proceed. We shall approve or deny your request to conduct business at off-site events in other geographical areas not owned by other franchisees, us or our Affiliates, which approval is in our sole discretion, within three (3) business days of your written request. Our response to your request will be made by email or any other form of written communication. Approval may be revoked at our sole discretion. However, you must be prepared to immediately cease conducting such events in that other geographical area when that unassigned area is no longer unassigned as there is a new franchise location or company owned outlet there.

Your license to the Territory is protected as long as you adhere to the terms of the Franchise Agreement. While the Franchise Agreement is in effect, and while you are not in breach thereof, we shall not establish either a company-owned franchise nor license any other person or entity to locate a franchise within your Territory. We sell products and services through alternative channels of distribution (such as online marketplaces). However, we will not permit other franchisees, or company-owned outlets to make sales through alternative channels of distribution in your Territory. We reserve the same right to provide services and sell products (including shipping such items) to anyone from anywhere without compensation to you.

If during the term of the Franchise Agreement you are unable to promptly and properly service any of your customers, you must refer such customers to another franchisee, company-owned business, or directly to us. If you fail to refer off-site events or customers as set forth herein, we reserve the right to immediately terminate the Franchise Agreement. For any default of the Franchise Agreement, as an alternative to termination, we may, at our sole and absolute discretion, unilaterally modify or completely eliminate any rights you may have with respect to the Territory, effective ten (10) days after delivery of written notice to you. In addition, we may modify, or eliminate completely, the Territory. (Franchise Agreement Section 2.4).

We encourage Waikomo Shave Ice businesses, when owned by different individuals or entities, to work out referral relationships and joint advertising strategies or arrangements if they are within close proximity of each other (close proximity to be defined as any two territories which lie within a twenty-five (25) mile radius of each other). We must be notified in writing of all such arrangements before they go into effect.

We have the exclusive right to negotiate and enter into agreements, or approve the forms of agreements, to sell services and/or products to any business or organization which owns, manages, controls, or otherwise does business in more than one geographic area whose presence is not confined within any one particular franchisee's territory, regardless of the contract amount of the products to be provided or services to be performed (a "National Account"). After we sign a contract with a National Account, we may, at our sole discretion, directly provide products or perform services to businesses under the National Account contract, even if such sales or services would occur within your Territory, and without compensation to you. At our sole discretion, we may direct you to provide services and/or products to any National Account and/or direct the National Account to your Franchise for assistance.

We reserve the right to issue binding policies to coordinate marketing councils and/or advertising cooperative programs. For example, we may require that all franchisees within close proximity participate in local advertising programs or cooperatives. We will personally direct and coordinate all online and web advertising for the Waikomo Shave Ice business brand. All advertising programs, whether local, national, international, online or physical, as well as any accompanying policies are our proprietary trade secrets and you shall make

every effort to preserve their confidentiality. Such programs may refer acquired customers to certain Territories or to certain designated franchisees at our discretion.

Any rights not expressly granted to you are reserved to us. Such rights reserved to us include, but are not limited to:

1. Advertise, market, and sell products or services in your Territory;
2. Advertise, offer, and sell similar products and related services through the internet via mobile app and/or other related venues, no matter where the customer is based, to brand the System and/or fulfill the demand in your Territory;
3. Sell, offer, or distribute similar products or related services to anyone from anywhere through any alternative or other channels of distribution other than local facilities providing services and products under the Marks and System, and on any terms and conditions we deem appropriate. We retain this right whether or not we are using the Marks or System, or are acting inside or outside the Territory designated on your Franchise Agreement;
4. Develop, manufacture, and/or distribute any labeled products or services that have been branded with our Mark or logo, or any different brand of products or equipment through any outlet located anywhere (including, by way of illustration, discount warehouses, retail stores, online marketplaces, and/or similar venues) and on any terms and conditions we deem appropriate. If we decide to develop and/or distribute products or services, you will receive no compensation from us for such sales inside your Territory, unless we have agreed otherwise in another signed writing;
5. Implement advertising cooperative programs which may allow us or others to offer products, services, and/or equipment to anyone from any designated franchise or company owned outlet. We also reserve the right to issue mandatory policies to coordinate such advertising cooperative programs;
6. Own and/or operate, or authorize others to own and/or operate, (a) any business located outside the Territory designated in your Franchise Agreement, whether or not such business shall use the Marks and/or System; (b) any business anywhere, whether or not they shall use the Marks and/or System, which is not substantially similar to the business franchised to you under the Franchise Agreement; and/or (c) any business anywhere which does not use the Marks; and
7. Acquire, merge, affiliate with, or engage in any transaction with other businesses (whether competitive or not), located anywhere, including arrangements in which we are acquired and/or us or our franchised businesses (including your own Business) are converted to another format, or if we acquire a similar business which will be maintained under the System or otherwise. You will fully participate in any conversion related to merger or acquisition, whether initiated by us or a third party, and we will reimburse you for reasonable costs directly related to such conversion.

We are not responsible for paying any compensation to you concerning the sale of services over the internet or other similar venues, by alternative means of distribution, advertising cooperative programs, outlets, businesses that are or are not substantially similar to the Franchised Business, or any business that does not use the Marks. For clarity, the Franchise Agreement grants you no rights to offer and/or provide services and products, through any alternative channels of distribution (other than our approved list of channels of distribution) without our express permission or share in any of the proceeds from our activities through alternative channels of distribution.

We have not established, and do not presently intend to establish, other franchises or company-owned businesses, except as disclosed in Item 1 of this Franchise Disclosure Document, that offer similar services or products under a trade name or trademark different than the Marks.

Area Developers:

Under the Area Development Agreement (the “ADA”), you will develop, open and operate multiple Waikomo Shave Ice Businesses within a defined Development Area (the “Development Area”). We determine the Development Area using the same criteria we use in deciding the Territory for a Business. However, the Development Area must be able to support the number of Businesses you intend to establish in that area. As a result, the Development Area generally consists of a portion of a city, county, or designated market area. Your Development Area will be described in the ADA before you sign it.

Subject to your compliance with the ADA and all Franchise Agreements, we will not develop or operate, or grant authority to anyone else to develop or operate a Waikomo Shave Ice business in your Development Area. The reserved rights and limitations described above regarding what we and our affiliates can and cannot do in a franchisee’s Territory for a single Franchise are generally the same for the Development Area under the ADA. In addition, we and our affiliates have the right to continue to own and operate, and allow others to own and operate, currently operating Waikomo Shave Ice businesses existing inside your Development Area as of the date you sign the ADA.

You have no right of first refusal or similar rights to acquire additional franchises or establish additional Businesses that are not in your Development Area. In addition, you will not be entitled to a right of first refusal for any territories that are immediately adjacent to your own which are not in your Development Area. If you wish to obtain an additional location, it must be included in your Development Schedule and you will be required to enter into a separate Franchise Agreement for such location.

Upon expiration or termination of the ADA, we will be entitled to develop and operate, or to franchise to others the right to develop and operate, Waikomo Shave Ice Businesses in your former Development Area, except within any Territory under any Franchise Agreement between us and you that has not been terminated.

We may terminate the ADA if you: (i) fail to comply with the Development Schedule; (ii) make, or attempt to make, a transfer or assignment in violation of the ADA; (iii) fail to comply with any terms and conditions of the ADA; (iv) fail to comply with any terms and conditions of any individual Franchise Agreement or any other agreement to which you and we or our affiliates are parties, and do not cure such failure within the applicable cure period (regardless of whether we in fact terminate such Franchise Agreement or any other agreement). For any default of the ADA, as an alternative to termination, we may, at our sole and absolute discretion: (i) modify or completely eliminate any territorial rights that you may have with respect to your Development Area and either operate or grant others to operate businesses within the Development Area; or (ii) reduce the Development Area and Development Schedule to a size and magnitude that we estimate you are capable of operating otherwise in accordance with the ADA (Area Development Agreement Section 7).

ITEM 13. TRADEMARKS

You receive the right to operate your business under the name “Waikomo Shave Ice” which is the primary Mark used to identify our System per the limitations set forth in the Franchise Agreement and/or Operations Manual. You may also use any other current or future Marks to operate your franchised business that we designate, including the logo on the front of this Disclosure Document and the service mark listed below. By “Mark,” we mean any trade name, trademark, service mark or logo used to identify your business. We have registered the following Mark in the U.S. Patent and Trademark Office (“USPTO”) Principal Register:

MARK	REGISTRATION NUMBER	REGISTRATIONDATE	PRINCIPAL OR SUPPLEMENT REGISTER OF THE USPTO
WAIKOMO SHAVE ICE	5732573	April 23, 2019	Principal

There are currently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or any court; or any pending infringement, opposition, or cancellation proceeding in which we unsuccessfully sought to prevent registration of a trademark in order to protect a trademark licensed by the franchisor. There is no pending material federal or state court litigation regarding our use or ownership rights in a trademark.

We have a license agreement with our CEO, Thomas Oliver, the owner of the mark, to use and sublicense the use of the Mark. The license is for 10 years with automatic renewal terms of 10 years each. The license agreement may be terminated if we are insolvent, if a trustee is appointed to administer our business, if we wind-up or sell our business or if we breach any of our duties or obligations under the license agreement. There are no other agreements currently in effect that significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

There is no registration or pending application for the logo shown on the cover page of this Disclosure Document.

We know of no infringing or prior superior uses that could materially affect the use of the Marks. We cannot prevent anyone who began using the name "Waikomo Shave Ice " before our use of it from continuing their use of that name in the area of prior use. The name "Waikomo Shave Ice" may be in use by other businesses in the United States who are not our franchisees or in any way affiliated with us. You are responsible for finding out whether the name "Waikomo Shave Ice" is already being used in the Territory.

You do not receive any rights to the Marks other than the right to use them in the operation of your Franchised Business. You must follow our rules when you use the Marks. You must use the Marks as the sole trade identification of the franchised business. You cannot use a name or Mark as part of a corporate name or domain name, or with modifying words, designs or symbols except for those which we license to you. You may not use any Mark in connection with the sale of any unauthorized services or products, or in any other manner that we do not authorize in writing. You must obtain a fictitious or assumed name registration if required by your state or local law. Any unauthorized use of the Marks by you is a breach of the Franchise Agreement and an infringement of our rights in the Marks. You must not contest the validity or ownership of the Marks, including any Marks that we license to you after you sign the Franchise Agreement. You must not assist any other person in contesting the validity or ownership of the Marks.

You must immediately notify us when you learn about an infringement of, or challenge to your use of, any Mark, or any claim by any person of any rights in any Marks, and you must not communicate with any person other than us and our counsel regarding any infringements, challenges or claims unless you are legally required

to do so; however, you may communicate with your own counsel at your own expense. We will take the action we think appropriate in these situations; we have exclusive control over any settlement or proceeding concerning any Mark. You must take any actions that, in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Marks.

While we are not required to defend you against a claim arising from your use of our Marks, we will reimburse you for all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark, but only if you notify us of the proceeding in a timely manner and you have complied with our directions with regard to the proceeding. We have the right to control the defense and settlement of any proceeding. We will not reimburse you for your expenses and legal fees for separate, independent legal counsel and for expenses in removing signage or discontinuing your use of any Mark. We will not reimburse you for disputes where we challenge your use of a Mark.

If we require, you must modify or discontinue the use of any Mark and use other trademarks or service marks we designate. We do not have to reimburse you for modifying or discontinuing the use of a Mark or for substituting another trademark or service mark for a discontinued Mark. If we adopt and use new or modified Marks, you must add or replace equipment, supplies and fixtures, and you must make other modifications we designate as necessary to adapt your franchised business for the new or modified Marks. You do not have to spend an amount unreasonably disproportionate to your initial investment during the initial term of the Franchise Agreement to conform your Franchised Business to changes to the Marks and other System modifications. We do not reimburse you for any loss of goodwill associated with a modified or discontinued Mark.

You must notify us if you apply for your own trademark or service mark registrations. You must not register or seek to register as a trademark or service mark, either with the USPTO or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any of our Marks.

You must display in a conspicuous location in or upon the Franchised Business or in a manner that we specify a sign containing the following notice or an alternative notice that we specify: "This business is owned and operated independently by [name of franchisee] who is an authorized licensed user of the trademark "Waikomo Shave Ice", which is a federally registered trademark. You must include this notice or other similar language that we specify on all forms, advertising, promotional materials, business cards, receipts, letterhead, contracts, stationery, and other written materials we designate.

You may not advertise on the Internet using, or establish, create or operate an Internet site or website using any domain name containing, the words "Waikomo Shave Ice" or any variation thereof without our prior written consent.

ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

No patents are material to the franchise. We own copyrights in the Operations Manual, our website, our marketing materials, training manuals or videos, and other copyrightable items that are part of the System. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Register of Copyrights. You may use these items only as we specify while operating the Franchised Business and you must stop using them if we direct you to do so.

We know of no effective determinations of the U.S. Copyright Office or any court regarding any of our copyrighted materials. Our right to use or license copyrighted items is not materially limited by any agreement or known infringing use. We are not required to protect any future patents or patent applications, or copyrights,

nor to defend the franchisee against any claims arising from the franchisee's use of patented or copyrighted items.

We have developed certain trade secrets and other confidential information, including methods of business management, training techniques, sales and promotion techniques, and know-how, knowledge of, and experience in, operating a Waikomo Shave Ice Business. We will provide our trade secrets and other confidential information to you during training, in the Operations Manual and as a result of the assistance we furnish you during the term of the franchise. You may only use the trade secrets and other confidential information for the purpose of operating your Franchised Business. You may only divulge trade secrets and/or other confidential information to employees who must have access to it to operate the Franchised Business. You are responsible for enforcing the confidentiality provisions as to your employees.

Certain individuals with access to trade secrets or other confidential information, including your shareholders (and members of their immediate families and households), officers, directors, partners, members, if you are a corporation, limited liability company or other business entity, and your managers, executives, employees and staff may be required to sign nondisclosure and non-competition agreements in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the right to enforce those agreements.

All ideas, concepts, techniques or materials concerning the franchised business and/or the System, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed our sole and exclusive property and a part of the System that we may choose to adopt and/or disclose to other franchisees, and you agree to assign to us all right, title and interest in any intellectual property so developed without additional compensation to you. Likewise, we will disclose to you concepts and developments of other franchisees that we make part of the System. You must also assist us in obtaining intellectual property rights in any concept or development if requested.

Your use of the Operations Manual, trade secrets or other confidential information in an unauthorized manner is a default of the Franchise Agreement that may result in automatic termination of the Franchise Agreement. Further information about termination of the Franchise Agreement following a default is included in Item 17.

ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

The Franchisee has no obligation to be the direct, full-time, day-to-day Owner Operator of the Business. If you do not choose to run the Business on a personal basis, you have the responsibility to attain and retain the services of a full-time, on-site Manager or Operator. While you have the right to select any Manager or Operator, we retain the right to accept or reject any proposed individual or entity as the Business Manager. You will be responsible for the compensation to any individual or entity you contract to act as the Manager of the Business, and you have the sole legal responsibility for any dispute relating to such individual or entity. We maintain the right to require any approved Manager to attend and satisfactorily complete our initial training program before opening the Business. You must keep us informed at all times of the identity of your Manager. If you must replace the Manager, your replacement Manager must be approved by us within 60 days, such approval not to be unreasonably withheld. We may additionally require such replacement Manager to attend and complete our training program at your expense.

As described in ITEM 14, certain individuals associated with your Franchised Business, including your owners (and members of their immediate families and households), officers, directors, partners, and your managers, executives, employees, and staff may be required to sign nondisclosure and non-competition agreements the same as or similar to the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the independent right to enforce the agreements.

If you are a corporation or other business entity, anyone who owns a 5% or greater interest in the entity must personally guarantee the performance of all of your obligations under the Franchise Agreement and agree to be personally liable for your breach of the Franchise Agreement by signing the Unlimited Guaranty and Assumption of Obligations attached to the Franchise Agreement.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all the services and products we specify. You may not sell any services or products that we have not authorized, and you must discontinue offering any services or products that we may disapprove of. We may take action, including terminating your franchise if you purchase or sell unapproved products or make purchases from unapproved suppliers. We may periodically change required or authorized services or products. There are no limits on our right to do so, except that your investment required to change required or authorized products or services will not be unreasonably disproportionate to your initial investment.

Periodically, we may allow certain services or products that are not otherwise authorized for general use as a part of the System to be offered locally or regionally based on factors, including test marketing, your qualifications, and regional or local differences.

We do not place restrictions on you with respect to who may be a customer of your Franchised Business.

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 agreement attached to this Disclosure Document.

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
a. Length of Franchise Term	FA: Section 4.1 ADA: Section 5	FA: The initial term is 10 years. ADA: Term is the date the last Location is required to be opened pursuant to the Development Schedule.
b. Renewal or Extension of Term	FA: Section 4.2 ADA: N/A	FA: You have the right to renew for additional five (5) year terms. You must pay the renewal fee of \$4,000. If you do not meet the conditions, we may refuse to renew or extend the terms of your Franchise Agreement.
c. Requirements for Franchisee to Renew or Extend	FA: Section 4.2 ADA: N/A	FA: You may renew the Franchise Agreement if you: have fully complied with the provisions of the Franchise Agreement; have made capital expenditures as necessary to maintain uniformity with the System; have satisfied all monetary obligations owed to us or any of our affiliates; are not in default of any provision of the

		Franchise Agreement or any other agreement between you and us; have given timely written notice of your intent to renew; sign a current Franchise Agreement, which may have different terms and conditions than your original Franchise Agreement; comply with current qualifications and agree to comply with any training requirements; sign a general release in a form the same as or similar to the General Release attached to the Franchise Agreement and pay a renewal fee of \$4,000.
d. Termination by you	FA: Section 16.1 ADA: Not Applicable	FA: You may not terminate the Franchise Agreement (Subject to local state law). ADA: Not Applicable
e. Termination by Franchisor without Cause	Not Applicable	Not Applicable
f. Termination by Franchisor with Cause	FA: Section 16.2 ADA: Section 7	FA: We may terminate the Franchise Agreement only if you default. If we terminate the Franchise Agreement following a default, your interest in the franchise will terminate (subject to local state law). ADA: You will be deemed in default under this Agreement if you breach any of the terms of this Agreement, including the failure to meet the Development Schedule, or the terms of any Franchise Agreement or any other agreements between you or your affiliates and us or our affiliates (subject to local state law).
g. "Cause" Defined – Curable Defaults	FA: Section 16.2.2 ADA: Section 7(B)	FA: If a default arises from your failure to comply with a mandatory specification in the Franchise Agreement or Operations Manual, you can avoid termination of the Franchise Agreement if you cure the default within 30 days of

		receiving our notice of default, except for the defaults that require cure in a shorter time and non-curable defaults. If a default arises from your failure to maintain insurance, you can avoid termination of the Franchise Agreement if you cure the default within 10 days of receiving our notice of your failure to maintain insurance. If a default arises from your failure to make payments due to us, you can avoid termination of the Franchise Agreement if you cure the default within 5 days of receiving our notice of default. If we terminate the Franchise Agreement following a default, your interest in the franchise will terminate. ADA: You shall have a 30-day cure period if you are in default of any term of the ADA.
h. "Cause" Defined – Non-Curable Defaults	FA: Section 16.2.1 ADA: Section 7(B)	FA: We have the right to terminate the Franchise Agreement without giving you an opportunity to cure if you: fail to timely establish, equip and begin operations of the franchised business; fail to have your Owner Operator satisfactorily complete training; fail to maintain all required professional licenses, permits and certifications for more than 5 business days; made a material misrepresentation or omission in the application for the franchise; are convicted of or plead no contest to a felony or other crime or offense likely to affect the reputation of either party or the Franchised Business; after notice to cure, fail to refrain from activities, behavior or conduct likely to adversely affect either party or the Franchised Business; use the Operations Manual, trade secrets or other confidential

		information in an unauthorized manner; if required, fail to have your owners (and members of their immediate families and households), officers, directors, managers, other executives, employees and professional staff, and other individuals having access to trade secrets or other confidential information sign nondisclosure and non-competition agreements or, if requested, fail to provide us with copies of all signed nondisclosure and non-compete agreements; abandon the Franchised Business for 5 or more consecutive days; surrender or transfer control of the Franchised Business in an unauthorized manner; fail to maintain the Franchised Business under the supervision of an Owner Operator following your death or disability; submit reports on 2 or more separate occasions understating any amounts due by more than 2%; are insolvent or make a general assignment for the benefit of creditors; misuse or make unauthorized use of the Marks; fail on 2 or more occasions within any 12 months to submit reports or records or to pay any fees due us or any affiliate; violate on 2 or more occasions any health, safety or other laws or operate the Franchised Business in a manner creating a health or safety hazard to customers, employees or the public; take any action reserved to us; fail to comply with applicable law after notice; repeatedly breach the franchise agreement or comply with specifications; or default under any other agreement with us (or an affiliate) so that we (or the
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		affiliate) have the right to terminate the agreement. ADA: We have the right to terminate the ADA if (i) you become insolvent, (ii) a receiver of your property is appointed by a court of competent authority, (iii) you make a general assignment or other similar arrangement for the benefit of your creditors, (iv) a final judgment remains unsatisfied of record for 30 days or longer (unless supersedes bond is filed), (v) execution is levied against your business or property, (vi) suit to foreclose any lien or mortgage against the premises or equipment is instituted against you and not dismissed within 30 days, or is not in the process of being dismissed, (vii) you fail to meet the development obligations set forth in the Development Schedule attached as Appendix B, (viii) failure to start substantial construction of any of the Locations by the date established in Section 4.C (ix) failure to secure financing for the construction of any of the Locations by the date set forth in Section 4.C (x) you fail to comply with any other provision of this Agreement and do not correct the failure within 30 days after written notice of that failure is delivered to you, or (xi) we have delivered to you a notice of termination of a Franchise Agreement in accordance with its terms and conditions.
i. Franchisee's Obligations on Termination/Non-Renewal	FA: Section 17.1 ADA: Section 8	FA and ADA: If the Franchise Agreement is terminated or not renewed, you must: stop operating the Franchised Business; stop using any trade secrets, confidential information, the System and the Marks; cancel or assign to us any assumed

		names; pay all sums owed to us including damages and costs incurred in enforcing the Franchise Agreement; return the Operations Manual, trade secrets and all other confidential information; assign your telephone and facsimile numbers to us; comply with the covenants not to compete and any other surviving provisions of the Franchise Agreement.
j. Assignment of Contract by Franchisor	FA: Section 18.1 ADA: Section 9(A)	FA and ADA: There are no restrictions on our right to assign our interest in the Franchise Agreement.
k. “Transfer” by Franchisee – Definition	FA: Section 18.2 ADA: Section 9(B)	FA: “Transfer” includes transfer of an interest in the franchise, the Franchise Agreement or the Franchised Business’ assets. ADA: “Transfer” means any sale, assignment, gift, pledge, mortgage or any other encumbrance, transfer by bankruptcy, transfer by judicial order, merger, consolidation, share exchange, transfer by operation of law or otherwise, whether direct or indirect, voluntary or involuntary, of this Agreement or any interest in it, or any rights or obligations arising under it, or of any material portion of your assets, or of any interest in you.
l. Franchisor’s Approval of Transfer by Franchisee	FA: Section 18.2 ADA: Section 9(B)	FA and ADA: You may not transfer your interest in any of the items listed in (k) above without our prior written consent.
m. Conditions for Franchisor Approval of Transfer	FA: Section 18.2 ADA: Section 9(E)	FA: We will consent to a transfer if: we have not exercised our right of first refusal; all obligations owed to us are paid; you and the transferee have signed a general release in a form the same as or similar to the General Release attached to the Franchise Agreement; the prospective transferee meets our

		business and financial standards; the transferee and all persons owning any interest in the transferee sign the then current Franchise Agreement; you provide us with a copy of all contracts and agreements related to the transfer; you or the transferee pay a fee of \$4,000 or 10% of the sale price, whichever is greater; the transferee or the owners of transferee have agreed to be personally bound by all provisions of the Franchise Agreement; you have agreed to guarantee performance by the transferee, if requested by us; the transferee has obtained all necessary consents and approvals of third parties; you or all of your equity owners have signed a non-competition agreement in a form the same as or similar to the Nondisclosure and Non-Competition attached to the Franchise Agreement; and the transferee has agreed that its Owner Operator will complete the initial training program before assuming management of the franchised business. ADA: You may only Transfer your rights and interests under this Agreement if you obtain our prior written consent and you transfer all of your rights and interests under all Franchise Agreements for Locations in the Development Territory and provided the transferee meets the conditions set forth in the ADA, including good moral standing and completion of the initial training.
n. Franchisor's Right of First Refusal to Acquire Franchisee's Franchised Business	FA: Section 19 ADA: Sections 8(F) and 9(C)	FA and ADA: We may match an offer for your Franchised Business or an ownership interest you propose to sell.

o. Franchisor's Option to Purchase Franchisee's Franchised Business	FA: Section 17.4 ADA: Section 8(F)	FA: Except as described in (n) above, we do not have the right to purchase your franchised business; however, during the 30-day period after the termination or expiration of the Franchise Agreement, we have the right to purchase any assets of the franchised business for book value. ADA: In the event of termination of the ADA, and provided that you have not developed at least 50% of the required Locations pursuant to the Development Schedule, we have the right to purchase all of your Locations at book value.
p. Death or disability of Franchisee	FA: Section 18.6 ADA: Section 9(D)	FA: After the death or incapacity of an owner of the franchise, his or her representative must transfer, subject to the terms of the Franchise Agreement, the individual's interest in the franchise within 180 days of death or incapacity or we may terminate the Franchise Agreement. ADA: After the death or incapacity of an owner of the developer, his or her representative must transfer, subject to the terms of the ADA, the individual's interest in the ADA within 6 months of death or incapacity.
q. Non-Competition Covenants During the Term of the Franchise	FA: Section 7.3 ADA: N/A	FA: We have the right to require you, your owners (and members of their families and households) and your officers, directors, executives, managers, professional staff, and employees to execute a nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Schedule 2. Upon our request, you shall provide us with copies

		of all nondisclosure and non-competition agreements signed pursuant to this Section. Such agreements shall remain on file at the Franchised Business and are subject to audit or review as otherwise set forth herein. We shall be a third-party beneficiary with the right to enforce covenants contained in such agreements (subject to state law).
r. Non-Competition Covenants After the Franchise is Terminated or Expires	FA: Section 17.2 ADA: N/A	FA: For 2 years after the termination or expiration of the Franchise Agreement, you may not offer competitive business services within 25 miles of any other Business, or planned expansion thereof, or of any other Franchisor owned business; or solicit or influence any of our customers, or business associates to compete with us or terminate their relationship with us (Subject to state law).
s. Modification of the Agreement	FA: Sections 9.2, 22.7, and 22.8 ADA: Section 10(B) and 10(E)	FA: The Franchise Agreement can be modified only by written agreement between you and us. We may modify the Operations Manual without your consent if the modification does not materially alter your fundamental rights. ADA: The ADA can be modified only by written agreement between you and us.
t. Integration/Merger Clause	FA: Section 22.7 ADA: N/A	FA: Only the terms of the Franchise Agreement are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document, the Operations Manual and/or Franchise Agreement may not be enforceable.
u. Dispute Resolution by Arbitration or Mediation	FA: Section 23.9; Schedules 2 and 3 ADA: Section 10(F); Appendix E	FA and ADA: You must mediate and arbitrate claims against us (subject to state law).
v. Choice of Forum	FA: Section 23.2; Schedules 2 and 3	FA and ADA: Any litigation or arbitration must be pursued in

	ADA: Section 10(F); Appendix E	Kauai County, Hawaii (subject to state law).
w. Choice of Law	FA: Section 23.1; Schedules 2 and 3 ADA: Section 10(F); Appendix E	FA and ADA: Except as to claims governed by federal law, Hawaii law applies (subject to state law).

ITEM 18. PUBLIC FIGURES

We do not currently use any public figures to promote our franchise.

[remainder of page intentionally left blank]

ITEM 19. FINANCIAL PERFORMANCE PRESENTATIONS

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 be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular franchised business or under particular circumstances.

HISTORIC FINANCIAL PERFORMANCE REPRESENTATION

The following represents the Profit and Loss Statement of our Affiliate location in Koloa, Hawaii, including its Total Revenue, Gross Profit, Net Profit, Expenses that Franchisee will likely not incur in the operation of a Waikomo Shave Ice Franchised Business (Trailer Model), and the Adjusted Net Profit for the fiscal year 2022. The affiliated business presented is at a minimum one year old. As business maturation can take up to one year, we are reporting only on those units open one year or more. Out of the two affiliate outlets, we are reporting on one outlet. One out of one outlet, or 100%, achieved or surpassed these results. Our Affiliate, for which the financial performance representations are provided, is substantially identical to the Trailer Model Franchised Waikomo Shave Ice concept being offered to you.

In the below chart, Total Revenue represents total sales minus any refunds.

Gross Profit represents gross sales minus cost of goods sold.

Net Profit represents gross profit minus all ordinary and recurring operating expenses, interest, income taxes, depreciation and amortization.

Adjusted Net Profit represents the historic Net Profit shown, plus expenses franchisee will likely not incur in the operation of a Trailer Model Waikomo Shave Ice Franchised Business, minus franchisee expenses as outlined in Item 6. The only material financial and operational differences between this Affiliate owned outlet and a Trailer Model Franchised outlet is the length of time the Affiliate outlet has been open; certain operational expenses as outlined in the chart below and added back to the Net Profit to calculate the Adjusted Net Profit; and the Royalty fees and advertising fees the Trailer Model Franchised outlet will incur, shown in the chart below as additional expenses and reduced from the Adjusted Net Profit.

This financial performance representation is only for a Trailer Model Franchised Business. No financial performance representation is being made for any other Model.

TABLE ON FOLLOWING PAGE

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03/14/23

Accrual Basis

T's Bees, LLC
Profit & Loss
 January through December 2022

	Jan - Dec 22	% of Income
Ordinary Income/Expense		
Income		
40010 • Retail Sales	300,186.44	100.0%
Total Income	300,186.44	100.0%
Cost of Goods Sold		
Food and Beverage Costs		
50900 • Food and Beverage Costs	47,641.16	15.9%
53100 • Restaurant Supplies	17,381.88	5.8%
54005 • Freight	84.15	0.0%
Total Food and Beverage Costs	65,107.19	21.7%
Labor Costs		
56005 • Salaries and Wages	74,281.77	24.7%
56050 • Payroll Taxes	7,354.61	2.5%
56100 • Health Insurance	7,212.18	2.4%
56150 • Worker's Compensation/TDI	2,853.84	1.0%
56500 • Employee Benefits	600.00	0.2%
Total Labor Costs	92,302.40	30.7%
57000 • General Excise Tax Expense	13,560.90	4.5%
Total COGS	170,970.49	57.0%
Gross Profit	129,215.95	43.0%
Expense		
60000 • Accounting	3,314.13	1.1%
60050 • Advertising and Promotion	2,280.37	0.8%
60200 • Automobile Expense	876.52	0.3%
60400 • Bank Service Charges	171.88	0.1%
60405 • Merchant Account Fees	876.04	0.3%
62100 • Contributions	1,650.00	0.5%
62505 • Licenses and Fees	213.50	0.1%
62510 • Leased Equipment	3,759.78	1.3%
62600 • Entertainment - Music	115.06	0.0%
63000 • Insurance Expense		
63310 • General Liability Insurance	500.00	0.2%
Total 63000 • Insurance Expense	500.00	0.2%
63400 • Interest Expense	3,010.87	1.0%
64300 • Meals and Entertainment	529.99	0.2%
64900 • Office Supplies	1,614.86	0.5%
66650 • Payroll Fees	1,693.55	0.6%
67100 • Rent Expense	15,600.00	5.2%
67200 • Repairs and Maintenance	912.64	0.3%
68100 • Telephone Expense	2,576.79	0.9%
68400 • Travel Expense	638.60	0.2%
68450 • Trash Removal	1,009.42	0.3%
Total Expense	41,344.00	13.8%
Net Ordinary Income	87,871.95	29.3%
Net Income	87,871.95	29.3%

Some outlets have earned this amount. Your individual results may differ. There is no assurance that you will earn as much.

Written substantiation of the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Other than the preceding financial performance representation, Locococo Hawaii Franchise, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make such representations either orally or in writing. If you are purchasing an existing outlet; however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting us at Thomas Oliver at 5174 Hoona Road, Koloa, Hawaii 96756, and 808-651-5169, the Federal Trade Commission, and any appropriate state regulatory agencies.

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ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

TABLE 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2020 TO 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Company-Owned*	2020	1	2	+1
	2021	2	1	-1
	2022	1	2	+1
Total Outlets	2020	1	2	+1
	2021	2	1	-1
	2022	1	2	+1

*Company-Owned refers to outlets run by our Affiliates.

TABLE 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
FOR YEARS 2020 TO 2022

State	Year	Number of Transfers
All States	2020	0
	2021	0
	2022	0
Total	2020	0
	2021	0
	2022	0

TABLE 3
STATUS OF FRANCHISED OUTLETS
FOR YEARS 2020 TO 2022

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
Nevada	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	1	0	0	0	0
Total	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	1	0	0	0	0

TABLE 4
STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2020 TO 2022*

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
Hawaii	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
Nevada	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
Total	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	1	1
	2022	1	1	0	0	0	0	2

*Company-Owned refers to outlets run by our Affiliates.

TABLE 5
PROJECTED OPENINGS AS OF DECEMBER 31, 2022

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchise Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
California	0	0	0
Hawaii	0	0	0

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchise Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Nevada	0	0	0
Total	0	0	0

Exhibit G contains a list of the names of all current franchisees and the address and telephone number of each of their outlets.

Exhibit G also contains a list of the names, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who 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 who have not communicated with us within 10 weeks of the Issuance 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, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

We are not aware of any trademark-specific franchisee organizations associated with the franchise system being offered.

ITEM 21. FINANCIAL STATEMENTS

Attached as Exhibit F are our audited financial statements as of December 31, 2022, December 31, 2021 and December 31, 2020. Our fiscal year end is December 31.

ITEM 22. CONTRACTS

The following contracts are attached to this Disclosure Document:

Exhibit C FRANCHISE AGREEMENT

- Schedule 1-General Release
- Schedule 2-Nondisclosure and Non-Competition Agreement
- Schedule 3-Unlimited Guaranty and Assumption of Obligations
- Schedule 4-Collateral Assignment of Lease
- Schedule 5-ACH Payment Agreement
- Schedule 6-Holders of Legal or Beneficial Interest in Franchisee; Officers; Directors
- Schedule 7-State Addenda to the Franchise Agreement
- Schedule 8-SBA Addendum

Exhibit E AREA DEVELOPMENT AGREEMENT

- Appendix A-Development Territory
- Appendix B-Development Schedule
- Appendix C-Owner's Guaranty and Assumption of Developer's Obligations
- Appendix D-List of Principals
- Appendix E-State Addenda to the Area Development Agreement

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any

statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ITEM 23. RECEIPTS

Exhibit J contains our copy and your copy of the Disclosure Document Receipts.

**EXHIBIT A TO THE DISCLOSURE DOCUMENT
LIST OF STATE ADMINISTRATORS**

CALIFORNIA

Department of Financial Protection and Innovation
320 West Fourth Street, Suite 750
Los Angeles, California 90013-2344
(213) 576-7500
Toll-free (866) 275-2677
Email: Ask.DFPI@dfpi.ca.gov
www.dfpi.ca.gov

FLORIDA

Division of Consumer Services
Attn: Business Opportunities
2005 Apalachee Parkway
Tallahassee, Florida 32399-6500

HAWAII

Commissioner of Securities of the State of Hawaii,
Dept. of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS

Chief, Franchise Bureau
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA

Secretary of State, Franchise Section
302 West Washington, Room E-111
Indianapolis, Indiana 46204
(317) 232-6681

MAINE

Department of Professional and Financial
Regulations
Bureau of Banking
Securities Division
121 Statehouse Station
Augusta, Maine 04333

MARYLAND

Office of the Attorney General
Securities Division
200 St. Paul Place

CONNECTICUT

Connecticut Banking Commissioner
Department of Banking
Securities & Business Investments Division
260 Constitution Plaza
Hartford, Connecticut 06103

KENTUCKY

Office of the Attorney General
Consumer Protection Division
Attn: Business Opportunity
1024 Capital Center Drive

NEBRASKA

Nebraska Department of Banking and Finance
Commerce Court
1230 O Street, Suite 400
Lincoln, Nebraska 68509

NEW YORK

Bureau of Investor Protection and Securities
New York State Department of Law
28 Liberty St., 21st Floor
New York, New York 10005
(212) 416-8222

NORTH CAROLINA

Secretary of State
Securities Division
300 North Salisbury Street, Suite 100
Raleigh, North Carolina 27603-5909

NORTH DAKOTA

North Dakota Securities Department
600 Boulevard Avenue, State Capitol
Fourteenth Floor, Dept. 414
Bismarck, North Dakota 58505-0510
(701) 328-4712

RHODE ISLAND

Department of Business Regulation
Securities Division
Bldg. 69, First Floor

Baltimore, Maryland 21202-2020
(410) 576-6360

MICHIGAN

Consumer Protection Division,
Franchise Section
G. Mennen Williams Building
525 W. Ottawa Street, 7th Floor
Lansing, Michigan 48913
(517) 373-7117

MINNESOTA

Commissioner of Commerce
Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101
(651) 296-4026

SOUTH CAROLINA

Office of the Secretary of State
1205 Pendleton Street
Edgar Brown Building, Suite 525
Columbia, South Carolina 29201

UTAH

Utah Department of Commerce
Division of Consumer Protection
160 East Three Hundred South
P.O. Box 146704
Salt Lake City, Utah 84114-6704

John O. Pastore Center
1511 Pontiac Avenue
Cranston, Rhode Island 02920
(401) 462-9585

SOUTH DAKOTA

Department of Labor and Regulation
Division of Insurance and Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

TEXAS

Office of the Secretary of State
Statutory Document Section
1019 Brazos Street
Austin, Texas 78701

VIRGINIA

State Corporation Commission
Division of Securities
and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
(804) 371-9051

WASHINGTON

Department of Financial Institutions
General Administration Building
Securities Division - 3rd Floor
150 Israel Road, S.W.
Tumwater, Washington 98501
(360) 902-8760

WISCONSIN

Office of the Commissioner of Securities
345 West Washington Avenue, Fourth Floor
Madison, Wisconsin 53703
(608) 261-9555

**EXHIBIT B TO THE DISCLOSURE DOCUMENT
LIST OF STATE AGENTS FOR SERVICE OF PROCESS**

CALIFORNIA

Commissioner of Financial Protection and
Innovation
320 West Fourth Street, Suite 750
Los Angeles, California 90013-2344
(213) 576-7500
Toll-free (866) 275-2677
Email: Ask.DFPI@dfpi.ca.gov
www.dfpi.ca.gov

HAWAII

Commissioner of Securities
of the State of Hawaii
Dept. of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA

Indiana Secretary of State
201 State House
Indianapolis, Indiana 46204
(317) 232-6681

MARYLAND

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

MINNESOTA

Commissioner of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101
(612) 296-4026

NEW YORK

Secretary of State
State of New York
One Commerce Plaza
99 Washington Avenue
Albany, New York 12231-0001

NORTH DAKOTA

North Dakota Securities Commissioner
600 Boulevard Avenue, State Capitol
Fifth Floor
Bismarck, North Dakota 58505-0510

RHODE ISLAND

Director of Department of Business Regulation
Department of Business Regulation
Securities Division
Bldg. 69, First Floor
John O. Pastore Center
1511 Pontic Avenue
Cranston, Rhode Island 02920
(401) 462-9585

SOUTH DAKOTA

Department of Labor and Regulation
Division of Insurance and Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

MICHIGAN

Department of the Attorney General
Consumer Protection Division
Attn: Franchise
G. Mennen Williams Building
525 W. Ottawa Street, 7th Floor
Lansing, Michigan 48910
(517) 373-7117

WASHINGTON

Director of Department of
Financial Institutions
General Administration Building
Securities Division - 3rd Floor
150 Israel Road, S.W.
Tumwater, Washington 98501
(360) 902-8760

VIRGINIA

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, First Floor
Richmond, Virginia 23219
(804)371-9051

WISCONSIN

Commissioner of Securities
345 West Washington Avenue, Fourth Floor
Madison, Wisconsin 53703
(608) 261-9555

EXHIBIT C TO THE DISCLOSURE DOCUMENT
LOCOCOCO HAWAII FRANCHISE, LLC
FRANCHISE AGREEMENT



TABLE OF CONTENTS

1. DEFINITIONS	1
2. GRANT OF FRANCHISE; APPROVED FRANCHISED BUSINESS	3
2.1 GRANT	3
2.2 FRANCHISED BUSINESS	4
2.3 SUB-FRANCHISING/AGENTS	4
2.4 TERRITORY	4
3. FEES	8
3.1 FRANCHISE FEE	8
3.2 MONTHLY ROYALTY FEE	9
3.3 TAXES	9
3.4 ELECTRONIC TRANSFER	9
3.5 INTEREST	9
3.6 APPLICATION OF PAYMENTS	10
3.7 INSUFFICIENT FUNDS FEE	10
3.8 MANAGEMENT FEE	10
3.9 NATIONAL FRANCHISE CONVENTION FEE	10
4. TERM AND RENEWAL	10
4.1 INITIAL TERM	10
4.2 SUCCESSOR TERMS	10
5. FRANCHISED BUSINESS	11
5.1 OPERATION OF FRANCHISED BUSINESS	11
5.2 FAILURE TO DEVELOP FRANCHISED BUSINESS	11
5.3 OPENING	11
5.4 FAILURE TO OPEN	12
6. PROPRIETARY MARKS	12
6.1 OWNERSHIP	12
6.2 LIMITATIONS ON USE	13
6.3 NOTIFICATION OF INFRINGEMENTS AND CLAIMS	13
6.4 INDEMNIFICATION FOR USE OF MARKS	13
6.5 DISCONTINUANCE OF USE	13
6.6 RIGHT TO INSPECT	14
6.7 FRANCHISOR’S SOLE RIGHT TO DOMAIN NAME	14
7. TRADE SECRETS AND OTHER CONFIDENTIAL INFORMATION	14
7.1 CONFIDENTIALITY OF TRADE SECRETS AND OTHER CONFIDENTIAL INFORMATION	14
7.2 ADDITIONAL DEVELOPMENTS	14
7.3 EXCLUSIVE RELATIONSHIP	15
7.4 NONDISCLOSURE AND NON-COMPETITION AGREEMENTS WITH CERTAIN INDIVIDUALS	15
7.5 REASONABLENESS OF RESTRICTIONS	15
8. TRAINING AND ASSISTANCE	16
8.1 INITIAL TRAINING	16

8.2	OPENING ASSISTANCE	16
8.3	FAILURE TO COMPLETE INITIAL TRAINING PROGRAM	16
8.4	ONGOING TRAINING	16
9.	OPERATIONS MANUAL	17
9.1	LOAN BY FRANCHISOR.....	17
9.2	REVISIONS	17
9.3	CONFIDENTIALITY	17
10.	FRANCHISE SYSTEM.....	17
10.1	UNIFORMITY	17
10.2	MODIFICATION OF THE SYSTEM.....	18
10.3	REFURBISHMENT OF THE EQUIPMENT	18
10.4	VARIANCE.....	18
11.	ADVERTISING AND PROMOTIONAL ACTIVITIES	18
11.1	LOCAL ADVERTISING.....	18
11.2	GRAND OPENING ADVERTISING.....	19
11.3	INTERNET ADVERTISING.....	19
12.	ACCOUNTING, RECORDS, AND REPORTING OBLIGATIONS	19
12.1	RECORDS	19
12.2	GROSS REVENUE REPORTS	19
12.3	FINANCIAL STATEMENTS	19
12.4	OTHER REPORTS.....	20
12.5	COMPUTER EQUIPMENT	20
12.6	RIGHT TO INSPECT	20
12.7	RELEASE OF RECORDS	20
13.	STANDARDS OF OPERATION	21
13.1	AUTHORIZED PRODUCTS, SERVICES, AND SUPPLIERS	21
13.2	APPEARANCE AND CONDITION OF THE FRANCHISED BUSINESS	22
13.3	OWNERSHIP AND MANAGEMENT	22
13.4	DAYS OF OPERATION	22
13.5	CONTRIBUTIONS AND DONATIONS.....	22
13.6	LICENSES AND PERMITS.....	22
13.7	NOTIFICATION OF PROCEEDINGS.....	22
13.8	COMPLIANCE WITH GOOD BUSINESS PRACTICES	23
13.9	UNIFORMS	23
13.10	CREDIT CARDS.....	23
13.11	E-MAIL	23
13.12	BEST EFFORTS	23
14.	FRANCHISOR'S ADDITIONAL OPERATIONS ASSISTANCE	24
14.1	GENERAL ADVICE AND GUIDANCE	24
14.2	PERIODIC VISITS	24
15.	INSURANCE	24
15.1	TYPES AND AMOUNTS OF COVERAGE	24

15.2	FUTURE INCREASES	25
15.3	CARRIER STANDARDS	25
15.4	EVIDENCE OF COVERAGE.....	25
15.5	FAILURE TO MAINTAIN COVERAGE	25
16.	DEFAULT AND TERMINATION	25
16.1	TERMINATION BY FRANCHISEE	25
16.2	TERMINATION BY FRANCHISOR	25
16.3	REINSTATEMENT AND EXTENSION	28
16.4	RIGHT OF FRANCHISOR TO DISCONTINUE SERVICES TO FRANCHISEE	28
16.5	RIGHT OF FRANCHISOR TO OPERATE FRANCHISED BUSINESS	28
17.	RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION	28
17.1	ACTIONS TO BE TAKEN	28
17.2	POST-TERMINATION COVENANT NOT TO COMPETE.....	29
17.3	UNFAIR COMPETITION	30
17.4	FRANCHISOR’S OPTION TO PURCHASE CERTAIN BUSINESS ASSETS.....	30
17.5	SURVIVAL OF CERTAIN PROVISIONS	30
18.	TRANSFERABILITY OF INTEREST	30
18.1	TRANSFER BY FRANCHISOR	30
18.2	TRANSFER BY FRANCHISEE TO A THIRD PARTY	31
18.3	TRANSFER TO A CONTROLLED ENTITY	32
18.4	FRANCHISOR’S DISCLOSURE TO TRANSFEREE	33
18.5	FOR-SALE ADVERTISING	33
18.6	TRANSFER BY DEATH OR INCAPACITY	33
19.	RIGHT OF FIRST REFUSAL	34
19.1	SUBMISSION OF OFFER.....	34
19.2	FRANCHISOR’S RIGHT TO PURCHASE	34
19.3	NON-EXERCISE OF RIGHT OF FIRST REFUSAL	34
19.4	SALES OR TRANSFERS TO FAMILY EXCEPTED	34
20.	BENEFICIAL OWNERS OF FRANCHISEE	35
21.	RELATIONSHIP AND INDEMNIFICATION	35
21.1	RELATIONSHIP	35
21.2	STANDARD OF CARE	35
21.3	INDEMNIFICATION.....	35
21.4	RIGHT TO RETAIN COUNSEL	36
22.	GENERAL CONDITIONS AND PROVISIONS.....	36
22.1	NO WAIVER	36
22.2	INJUNCTIVE RELIEF.....	36
22.3	NOTICES	36
22.4	COST OF ENFORCEMENT OR DEFENSE.....	37
22.5	UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS	37
22.6	APPROVALS	37
22.7	ENTIRE AGREEMENT.....	37
22.8	SEVERABILITY AND MODIFICATION	37

22.9	CONSTRUCTION	38
22.10	FORCE MAJEURE.....	38
22.11	TIMING.....	38
22.12	WITHHOLDING PAYMENTS.....	38
22.13	FURTHER ASSURANCES.....	38
22.14	THIRD PARTY BENEFICIARIES	39
22.15	MULTIPLE ORIGINALS.....	39
23.	DISPUTE RESOLUTION	39
23.1	CHOICE OF LAW	369
23.2	JURISDICTION AND VENUE	369
23.3	JURY WAIVER.....	369
23.4	CLASS ACTION WAIVER.....	379
23.5	LIMITATION OF DAMAGES	379
23.6	LIMITATION OF ACTIONS	40
23.7	PRIOR NOTICE OF CLAIMS.....	40
23.8	INTERNAL DISPUTE RESOLUTION.....	40
23.9	MEDIATION AND ARBITRATION.....	40
23.10	WAIVER OF BOND.....	40
23.11	ATTORNEY FEES	40
23.12	THIRD PARTY BENEFICIARIES.....	40
24.	ACKNOWLEDGMENTS	41
24.1	TRUE AND ACCURATE INFORMATION	41
24.2	NO VIOLATION OF OTHER AGREEMENTS.....	41
	Schedule 1-General Release	
	Schedule 2-Nondisclosure and Non-Competition Agreement	
	Schedule 3-Unlimited Guaranty and Assumption of Obligations	
	Schedule 4-Collateral Assignment of Lease	
	Schedule 5-ACH Payment Agreement	
	Schedule 6-Holders of Legal or Beneficial Interest in Franchisee; Officers; Directors	
	Schedule 7-State Addenda to the Franchise Agreement	
	Schedule 8-SBA Addendum	

LOCOCOCO HAWAII FRANCHISE, LLC

WAIKOMO SHAVE ICE FRANCHISE AGREEMENT

This Franchise Agreement made this ____ day of _____, 20____, is by and between Locococo Hawaii Franchise, LLC, a Hawaii limited liability company having its principal place of business at 5174 Hoona Road, Koloa, Hawaii 96756 (“Franchisor,” “we,” “us,” or “our”) and _____, an individual/partnership/corporation/trust/limited liability company established in the State of _____ and whose principal address is _____ (“Franchisee,” “you,” or “your”).

RECITALS

WHEREAS, Franchisor has developed, and is in the process of further developing, a System identified by the service mark “Waikomo Shave Ice” and relating to the establishment and operation of a unique shaved ice dessert store, mobile truck, or trailer under a unique proprietary service system; and

WHEREAS, in addition to the service mark “Waikomo Shave Ice” and certain other Marks, the distinguishing characteristics of the System include: uniform standards and procedures for efficient business operations; uniform methods of food preparation, procedures and strategies for marketing, advertising and promotion; customer service and development techniques; other strategies and techniques; and Trade Secrets and other Confidential Information; and the Operations Manual; and

WHEREAS, Franchisor grants to qualified persons and business entities the right to own and operate a Waikomo Shave Ice Business using the System and the Marks; and

WHEREAS, Franchisee desires to operate a Waikomo Shave Ice Business, has applied for the Franchise and such application has been approved by Franchisor in reliance upon all of the representations made herein and therein; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor’s high and uniform standards of quality, operations and service and the necessity of operating the Franchised Business in strict conformity with Franchisor’s System.

NOW, THEREFORE, Franchisor and Franchisee, intending to be legally bound, agree as follows:

1. DEFINITIONS

Whenever used in this Agreement, the following words and terms have the following meanings:

“**Affiliate**” means any business entity that controls, is controlled by, or is under common control with Franchisor;

“**Agreement**” means this agreement entitled “Locococo Hawaii Franchise, LLC Waikomo Shave Ice Franchise Agreement” and all instruments supplemental hereto or in amendment or confirmation hereof;

“**Approved Supplier(s)**” has the meaning given to such term in Section 13.1;

“**Competitive Business**” means any business that offers shaved ice under any service system, or any other mass market dessert restaurant or food truck, or other services the same as or similar to those

provided by Waikomo Shave Ice businesses or in which Trade Secrets or other Confidential Information could be used to the disadvantage of Franchisor, any Affiliate or its other franchisees; provided, however, that the term “Competitive Business” shall not apply to (a) any business operated by Franchisee under a Franchise Agreement with Franchisor, or (b) any business operated by a publicly-held entity in which Franchisee owns less than a five percent (5%) legal or beneficial interest;

“**Confidential Information**” means technical and non-technical information used in or related to the Waikomo Shave Ice Franchise and not commonly known by or available to the public, including, without limitation, Trade Secrets, methods and products, customer services techniques and other techniques and methodologies not generally known to the industry or public, and any other information identified or labeled as confidential when delivered by Franchisor. Confidential Information shall not include, however, any information that: (a) is now or subsequently becomes generally available to the public through no fault of Franchisee; (b) Franchisee can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information;

“**Effective Date**” means the date on which Franchisor and Franchisee fully execute this Agreement, thereby commencing its effectiveness and term;

“**Electronic Depository Transfer Account**” means an account established at a national banking institution approved by Franchisor and providing Franchisor with access to electronically withdraw any funds due Franchisor;

“**Franchise**” means the right granted to Franchisee by Franchisor to use the System and the Marks;

“**Franchise Fee**” has the meaning given to such term in 3.1;

“**Franchised Business**” means the Waikomo Shave Ice Business to be established and operated by Franchisee pursuant to this Agreement;

“**Franchisee**” means the individual or entity defined as “Franchisee” in the introductory paragraph of this Agreement;

“**Franchisor**” means Locococo Hawaii Franchise, LLC, a Hawaii limited liability company;

“**Franchisor Indemnities**” has the meaning given to such term in Section 21.3;

“**Gross Revenues**” means the aggregate of all revenue from the sale of services and products from all sources in connection with the Franchised Business, whether for check, cash, credit or otherwise including, without limitation, all proceeds from any business interruption insurance, but excluding (a) all refunds made in good faith; (b) any sales and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto; (c) the value of any allowance issued or granted to any customer of the Franchised Business that is credited by Franchisee in full or partial satisfaction of the price of any products and services offered in connection with the Franchised Business; and (d) any rebate received by Franchisee from a manufacturer or supplier;

“**Gross Revenues Reports**” has the meaning give to such term in Section 12.2;

“Incapacity” means the inability of Franchisee, or any holder of a legal or beneficial interest in Franchisee, to operate or oversee the operation of the Franchised Business on a regular basis by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation;

“Internet” means any one (1) or more local or global interactive communications media that is now available, or that may become available, including sites and domain names on the World Wide Web;

“Local Advertising” has the meaning given to such term in Section 11.1;

“Marks” means the service mark “Waikomo Shave Ice” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as Franchisor may designate to be used in connection with the Waikomo Shave Ice Business;

“Operations Manual” means the Waikomo Shave Ice Operations Manual, whether in paper or electronic form, and any other items as may be provided, added to, changed, modified or otherwise revised by Franchisor from time to time that contain or describe the standards, methods, procedures and specifications of the System, including other operations, administration and managers’ manuals and all books, computer programs, password-protected portions of an Internet site, pamphlets, memoranda and other publications prepared by, or on behalf of, Franchisor;

“Royalty Fee” has the meaning given to such term in Section 3.2.

“System” means the uniform standards, methods, procedures and specifications developed by Franchisor and as may be added to, changed, modified, withdrawn or otherwise revised by Franchisor for the operation of a Waikomo Shave Ice Business; and

“Trade Secrets” means information in any form (including, but not limited to, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in the operation of a Waikomo Shave Ice Business that is not commonly known by or available to the public and that information: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertained by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. GRANT OF FRANCHISE; APPROVED FRANCHISED BUSINESS

2.1 Grant

Franchisor hereby grants to Franchisee, upon the terms and conditions herein contained and subject to this Agreement, the right, license, and privilege to operate a Waikomo Shave Ice Business, and Franchisee hereby accepts a franchise under the terms and conditions set forth herein to operate a Business that has been assigned a protected territory as set forth in Section 2.4 (referred to as the “Territory”). Along with the right to use solely in connection therewith the Franchisor’s Names and Mark, Services, Products, its advertising and merchandising methods, and Franchisor’s System, as they may be changed or improved and/or further developed from time to time, only at the accepted location of the Franchisee’s Business as set forth in Section 2.2 and provided the Franchisee shall adhere to the terms and conditions hereof.

It is understood and agreed that, except as expressly provided herein or in any other executed agreement, this franchise includes no right of Franchisee to sub franchise.

Except as provided in this Agreement, Franchisee shall be free to use the materials provided by Franchisor in the manner that Franchisee, in Franchisee's sole and absolute discretion, deems most appropriate for the operation of a Waikomo Franchise, provided that Franchisee shall not violate any applicable law, regulation or provision of this Agreement in exercising such discretion.

2.2 Franchised Business

The street address or geographical description of the area for the Franchised Business (the "Accepted Location") is:

2.3 Sub-Franchising/Agents

Franchisee shall not sublicense the use of the System or Marks to any person or entity. Except as permitted in Section 18, Franchisee shall not grant any person or entity the right to perform any part of Franchisee's rights or obligations licensed hereunder.

2.4 Territory

The exclusive territory which is hereby granted to Franchisee shall be _____, at _____ (the "Territory"). Franchisee shall be prohibited from operating a franchise outside of the Territory without the prior written consent of Franchisor.

(a) If the Parties do not select a Territory prior to the signing of this Franchise Agreement, then they shall agree to it at a later date as contemplated under the terms of this Agreement. Failure to agree on a Territory within sixty (60) days of execution of this Agreement, and/or failure of Franchisee to open the Franchised Business within ninety (90) days after the execution of this Agreement (or other such dates as provided in the Area Development Agreement, if applicable) shall permit Franchisor to terminate this Agreement, as provided in Section 16. We reserve the right to grant a Territory that is larger than the territory described above in order to account for more densely or sparsely populated areas. Franchisee may not conduct business at any other location or locations other than the Accepted Location identified above; however, Franchisee may conduct business at off-site events (for example at transportation expos, travel expos, promotional events, charity events, etc.) to sell Services and/or Products as long as such events are within Franchisee's Territory.

(b) The size of the Territory shall be the lesser of a land area containing 100,000 people or a 3-mile radius around the Accepted Franchised Location. The location will be determined by the number of factors, including the population base, demographics of the surrounding area, traffic patterns, proximity to major roads, available parking, competition, availability of appropriate sites, customer demographics, adequate square footage, reasonable rent, or other conditions important to the successful operation of a Franchised Business as we deem appropriate. The Territory is determined once a location is chosen and approved by us and will not be altered even if there is a population increase or decrease during the term of this Agreement, except as provided below. The Territory is not dependent upon achievement of certain revenues, number of customers, customers Franchisee retains, market penetration or any other contingency.

(c) Franchisee shall not relocate a Waikomo Shave Ice Business that has been assigned a Territory, without the express prior written consent of Franchisor. During the term of this Agreement, Franchisor shall not establish, nor license another party or entity to establish, a Waikomo Shave Ice Business within the Territory. If Franchisee seeks to open additional Franchised Businesses and buys the rights to additional Franchises, such sale and purchase to be at our sole and absolute discretion, then those separate franchise agreement(s) will dictate the terms of the applicable territory (a separate Franchise Agreement is required for each additional Franchised Businesses).

(d) Franchisee must operate its Facility within the specific Territory as identified in this Section 2.4. Franchisee may conduct business at off-site events in other geographical areas where there is no existing Waikomo Shave Ice Business only after providing notice to us and after obtaining our written approval; however, Franchisee cannot perform “Target Marketing” outside the Territory as further defined in Section 2.4 (e) below. We shall approve or deny your request in writing or by email, such approval to be in our sole and absolute discretion, within 3 business days of receipt of your written request to conduct business at off-site events in other geographical areas (outside your Territory) that have not been sold to one or more Franchisee(s). If Franchisor later agrees to sell or assign such outside territory to any other franchisee, Franchisor must immediately relinquish and cease all business activities within the outside geographical area. Franchisee may sell and ship products to customers located outside the Territory only if such sales are arranged or otherwise take place within the Territory.

(e) Franchisee cannot perform any “Target Marketing” in any other territory of any other Waikomo Shave Ice Franchisee, or of any business owned by an affiliate of the Franchisor. The term “Target Marketing” means a concerted effort by Franchisee to solicit customers or market products within another franchisee’s territory or in any territory operated directly by the Franchisor. Franchisor shall use commercially reasonable efforts to deal with any franchisee that violates this policy. Franchisee is prohibited from selling similar products and conducting similar services through any alternative channels of distribution (such as Websites as defined below) without our written approval.

(f) If Franchisee is asked by a third party to conduct business outside of the Territory (such as at expos, promotional events, charity events, elementary schools, etc.) in geographical areas in which there is another franchisee or Franchisor affiliate-owned business, Franchisee must immediately refer that request to that Waikomo Shave Ice business which is located in that outside territory, or directly to Franchisor, except that if the other franchisee or Franchisor affiliate-owned business gives Franchisee permission to conduct business at the off-site event within the outside territory, then that Franchisee may do so if, and only if, Franchisee immediately informs Franchisor of such permission in writing. If there is not a Waikomo Shave Ice business located in the outside territory, then the franchisee must submit a request to Franchisor for permission to conduct business within the outside territory. However, Franchisee must be prepared to immediately cease conducting such events in that other geographical area when that unassigned area is purchased by a new Waikomo Shave Ice Franchisee as applicable. Franchisor shall approve or deny Franchisee’s request to conduct business at off-site events in other geographical areas not owned by other franchisees, Franchisor or its affiliates; which approval is in Franchisor’s sole discretion, within three (3) days of Franchisee’s written request.

(g) If, during the term of this Agreement, Franchisee is unable to promptly and properly provide customers services or products due to excessive work or for any other cause, Franchisee must refer that customer to another franchisee, Franchisor affiliate-owned business, or to Franchisor.

(h) If Franchisee fails to: (i) adhere to the rules regarding Target Marketing, or (ii) refer businesses or off-site opportunities to other franchisees as described herein, Franchisor will have the right

to terminate this Agreement immediately without fault, as described in section 16.2.1(u) and 16.2.1(v) of this Agreement. These are not Franchisor's only rights to terminate. For any default of this Agreement which triggers Franchisor's ability to terminate, as an alternative to termination, Franchisor will have the right, in its sole discretion, to modify or completely eliminate any rights Franchisee may have with respect to the Territory, effective ten (10) days after delivery of written notice to Franchisee.

We encourage Waikomo Shave Ice businesses when owned by different individuals to work out a referral and advertising strategy and/or arrangement for both businesses if they are within close proximity of each other (defined as being within a twenty-five (25) mile radius of each other). We must be notified in writing of any consent to all such arrangements.

(i) Franchisor shall have the exclusive right to negotiate and enter into agreements or approve forms of agreements to sell services and products to any business including, but not limited to, large businesses, national organizations, or non-profit organizations with outlets located in multiple territories, or government agencies who on their own behalf or through agents, franchisees, or other third parties owns, manages, controls or otherwise has responsibility for products, buildings, or common-services in more than one location whose presence is not confined within any one particular franchisee's territory (a "National Account"). Franchisor may, at its sole discretion, give Franchisee the option to provide services and products to businesses under the National Account contract, including businesses that would otherwise fall outside the Territory. If we choose, then we may direct the National Account to seek such services, products, equipment, and products from you in your Territory. The National Account program is defined as follows:

(i) The term "National Account" means a special class of customers which may include but are not limited to large businesses, national organizations or non-profit organizations with outlets located in multiple territories and government agencies who on their own behalf or through agents, franchisees or other third parties owns, manages, controls or otherwise has responsibility for products, buildings or common-services in more than one location whose presence is not confined within any one particular franchisee's Territory regardless of the aggregate contract amount of Services and/or Products the Franchisee performs or provides. Any dispute as to whether a particular account is a National Account shall be determined by Franchisor in its sole and absolute discretion, and Franchisor's determination shall be final and binding;

(ii) If Franchisor chooses to grant Franchisee the right to sell services or products to any businesses falling under the National Account, such sales and services shall be provided on the terms and conditions as determined by the Franchisor in its sole and absolute discretion. Franchisee shall have no right to modify the terms or conditions of any service or sales to any business under a National Account, even if such business should give any indication of consent to such modification. Franchisor shall have the exclusive right, unless otherwise specified in writing, on behalf of itself, Franchisee and/or other franchisees utilizing the Marks, to negotiate and enter into agreements or approve forms of agreement to offer Services and Products to National Account customers, including any affiliate, company-owned, or franchised locations within the Territory;

a) Following the execution of a contract with or the acceptance of a bid by a National Account which contemplates the provision of Services or Products to one or more National Account locations within the Territory Franchisor will, if we choose, provide Franchisee the option to perform Services and/or offer Products pursuant to the terms and conditions of the National Account contract or on such terms and conditions as we in our sole discretion determine;

(iii) If Franchisee elects not to provide Services and/or Products to a National Account or a business under such National Account in conformity with the terms and conditions as communicated by Franchisor, or fails to make an election within the time specified by Franchisor, then Franchisor shall have the right, exercisable in its sole discretion, to:

- a) Provide directly, or through any other affiliate utilizing our Mark, Services, and/or Products, to a National Account location(s) within the Territory on the terms and conditions contained in the National Account bid or contract; and/or
- b) Contract with another party to provide Services and/or Products to a National Account business located anywhere within the Territory, on the terms and conditions contained in the National Account bid or contract between Franchisor and the National Account Member, utilizing Franchisor's Marks or any trademarks, service marks, or trade names.

(iv) Neither the direct provision by Franchisor (or an affiliate or agent of Franchisor) of Services or Products to National Account customers as authorized in (a) above, nor if Franchisor contracts with another party to provide Services or Products as authorized in (b) above, shall constitute a violation of Section 2.4 of this Agreement relating to the Franchisee's Territory, even if such Services and/or Products are performed or offered from a location within the Territory. Franchisee disclaims any compensation for Services performed or Products provided by others in the Territory pursuant to this section.

(j) Franchisee's rights in the Territory are solely as expressly set forth in this Section 2.4. Except as expressly provided in this Agreement, Franchisee has no right to exclude, control, or impose conditions on the location, operation, or other management of present or future Waikomo Shave Ice (or any other brand) franchises or Franchisor-owned store units or distribution channels of any type, franchised or company-owned, regardless of their location or proximity to the Territory and whether the offer competing services which may affect Franchisee's operations. Franchisee does not have any rights with respect to other and/or related businesses, services, and/or products, in which Franchisor or any Franchisor-related persons or entities may be involved, now or in the future.

(k) Any territorial rights not expressly granted to the Franchisee are reserved to the Franchisor, whether or not such rights impact the Territory. Such rights reserved to the Franchisor in the Territory include but are not limited to the following:

- (i) the right to advertise, market, and sell similar products and conduct similar services in your Territory;
- (ii) the right to advertise, offer, and sell similar products online or through other electronic venues, no matter where the customer is based;
- (iii) the right to sell, offer, or distribute products or services to anyone from anywhere through any alternative or other channel of distribution, other than through local businesses providing such products under the Marks and System and on any terms and conditions Franchisor deems appropriate. Franchisor maintains this right whether or not the Marks or System used, and regardless of whether Franchisor is acting inside or outside the Territory;

(iv) the right to develop, manufacture, and/or distribute any services or products that have been branded with the Mark, or any separate brand of products or equipment through any outlet located anywhere (including, by way of illustration, discount warehouses, retail stores, online sales and/or similar venues). If Franchisor decides to develop and distribute products or conduct similar services within the Territory, Franchisee will receive no compensation from Franchisor for such sales, unless agreed otherwise by the parties in writing;

(v) implement advertising cooperative programs which may allow us or others to offer services, equipment and/or products to anyone from that franchised or company owned outlet. We also reserve the right to issue mandatory policies to coordinate such advertising cooperative programs;

(vi) own and/or operate ourselves or authorize others to own and/or operate (a) any business located outside the Territory as designated on your Franchise Agreement, whether or not using the Marks and/or System, (b) any business anywhere, whether using the Marks and /or System or not, which is not substantially similar to the business franchised to you under the Franchise Agreement, and/or (c) any business anywhere which does not use the Marks; and

(vii) acquire, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with businesses located anywhere, including arrangements in which we are acquired, and/or company-owned, franchised or other businesses (including your own Business) are converted to another format or we acquire a similar business which will be maintained under the System or otherwise. You will fully participate in any conversion subject to any person/entity merging with, or acquiring us or when we acquire, reimbursing you for reasonable costs directly related to the conversion.

We are not responsible for paying any compensation to you for any of the above, including without limitation, concerning the sale or providing of services over the Internet, World Wide Web, other similar venues, by alternative means of distribution, advertising cooperative programs, outlets, businesses that are or are not substantially similar to the Franchised Business or any business that does not use the Marks. For clarity, the Franchise Agreement grants you no rights to offer and provide services and/or products through any alternative channels of distribution (other than our approved list of channels of distribution) without our permission or share in any of the proceeds from our activities through alternative channels of distribution.

(l) Franchisee's Territory may be altered during the initial term, but only by: (i) mutual consent of the parties as demonstrated in a writing signed by both parties; (ii) at the time of transfer or renewal as a condition to transfer or renew; or (iii) for any default of this Agreement which triggers Franchisor's ability to terminate as described above.

3. FEES

3.1 Franchise Fee

Upon execution of this Agreement, Franchisee shall pay a fee ("Franchise Fee") to Franchisor of NINETEEN THOUSAND NINE HUNDRED U.S. Dollars (\$19,900.00). The Franchise Fee shall be deemed fully earned upon execution of this Agreement and is non-refundable, except under certain conditions set forth under Sections 5.2 and 8.3. The Franchise Fee is payment, in part, for expenses incurred by Franchisor in furnishing assistance and services to Franchisee as set forth in this Agreement and for

costs incurred by Franchisor, including general sales and marketing expenses, training, legal, accounting and other professional fees.

3.2 Monthly Royalty Fee

(a) By the tenth day of every month for so long as this Agreement shall be in effect, Franchisee shall pay to Franchisor without offset, credit or deduction of any nature, a monthly fee (“Royalty Fee”) equal to SIX percent (6%) of Gross Revenue for the previous month period. The Royalty Fee is due on the tenth (10th) day of each month (for the prior month) and begins on the first (1st) month after the Business is open for operation and continues for the duration the term of this Agreement. If Franchisee opens the Business for operation on the twenty-fifth (25th) of the month or anytime thereafter until the 25th of the next month, then Franchisee’s Business will be deemed opened for operation on the month immediately succeeding the month of the 25th. As an example, if Franchisee opens the Business for operation on January 26th, then the business would be considered to have opened on February as Franchisee’s first month in operation, Franchisee’s Royalty payments would begin in March for Franchisee’s February Royalty obligation. The Royalty Fee is nonrefundable. If the Franchise Agreement is terminated, Franchisee is required to continue such Royalty payments to the Franchisor. The Franchisee will provide to Franchisor a Gross Revenues Report, as required by Section 12.2, for each month during the operation of the Franchise. If Franchisor requires Franchisee to pay Royalty Fees through electronic transfer as set forth in Section 3.4, such reports shall instead be submitted to Franchisor via facsimile transmission, e-mail or intranet system.

(b) Any payment or report not actually received by the Franchisor on or before the specified submission date shall be deemed overdue. If any payment or report is overdue, in addition to the right to exercise all rights and remedies available to it under this Agreement, Franchisor shall be entitled to interest on such amount from the date it was due until paid at the rate of 1.5% percent per month or the maximum rate allowed by the laws of the State in which Franchisee’s Business is located or any successor or substitute law (referred to as the “Default Rate”), until paid in full.

3.3 Taxes

Franchisee shall pay its own taxes as related to the Business.

3.4 Electronic Transfer

Franchisor shall require all Royalty Fees, Internet Advertising Program Fees, Marketing Fund Contributions, amounts due for purchases by Franchisee from Franchisor and other amounts due to Franchisor to be paid through an Electronic Depository Transfer Account (“EDTA”). At Franchisor’s request, Franchisee shall open and maintain an Electronic Depository Transfer Account and shall provide Franchisor with continuous access to such account for the purpose of receiving any payments due to Franchisor. Franchisee shall make deposits to the account sufficient to cover amounts owed to Franchisor prior to the date such amounts are due. Franchisee shall execute any documents Franchisor’s or Franchisee’s bank requires to establish and implement the Electronic Depository Transfer Account. Once established, Franchisee shall not close the Electronic Depository Transfer Account without Franchisor’s written consent.

3.5 Interest

All Royalty Fees, Internet Advertising Program Fees, Marketing Fund Contributions, amounts due from purchases by Franchisee from Franchisor and other amounts not received by Franchisor within five (5) days after the due date shall incur interest at the rate of one and one-half percent (1.5%) per month (or the highest rate allowed by the law of the state where Franchisee is located, whichever is lower) from the date payment is due to the date payment is received by Franchisor. Franchisee shall pay Franchisor for all

costs incurred by Franchisor in the collection of any unpaid and past due Royalty Fees, Advertising Program Fees, Marketing Fund Contributions or any other amounts due Franchisor, including reasonable accounting and legal fees. This Section shall not constitute an agreement by Franchisor to accept any payments after the due date or a commitment by Franchisor to extend credit to or otherwise finance Franchisee.

3.6 Application of Payments

Notwithstanding any designation by Franchisee, Franchisor shall have the right to apply any payments by Franchisee to any past due indebtedness of Franchisee for Royalty Fees, Internet Advertising Program Fees, Marketing Fund Contributions, purchases from Franchisor or any other amount owed to Franchisor in any proportion or priority.

3.7 Insufficient Funds Fee

Franchisee agrees to pay to Franchisor \$75 if any payment Franchisee owes is rejected due to insufficient funds in Franchisee's EDTA, or if any other payment instrument Franchisee uses is rejected for insufficient funds.

3.8 Management Fee

Franchisee agrees to pay \$250 per person per day plus other costs and expenses to Franchisor when Franchisor or (a third party) manages your store after your default or abandonment.

3.9 National Franchise Convention Fee

Franchisee agrees to pay \$500 to attend any National Franchise Convention which we may hold.

4. TERM AND RENEWAL

4.1 Initial Term

This Agreement shall be effective and binding for an initial term of TEN (10) years from the Effective Date, unless sooner terminated pursuant to Section 16.2.

4.2 Successor Terms

Subject to the conditions below, Franchisee has the right to obtain a successor franchise at the expiration of the term of this Agreement by entering into a new franchise agreement with Franchisor. Franchisee's right to a successor franchise is for successive terms of FIVE (5) years each. To qualify for a successor franchise, each of the following pre-conditions shall have been fulfilled and remain true as of the last day of the term of this Agreement:

4.2.1 Franchisee has, during the entire term of this Agreement, fully complied with all material provisions of this Agreement;

4.2.2 Franchisee has, at its expense, made such capital expenditures as were necessary to maintain uniformity with any Franchisor-required System modifications such that the Franchised Business reflects Franchisor's then-current standards and specifications;

4.2.3 Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor (or any Affiliate), and has timely met these obligations throughout the term of this Agreement;

4.2.4 Franchisee is not in default of any provision of this Agreement or any other agreement between Franchisee and Franchisor;

4.2.5 Franchisee has given written notice of its intent to operate a successor franchise to Franchisor not less than nine (9) months nor more than twelve (12) months prior to the end of the term of this Agreement;

4.2.6 Franchisee has executed Franchisor's then-current form of franchise agreement (or has executed other documents at Franchisor's election that modify this Agreement to reflect the fact that the Franchise Agreement relates to the grant of a successor franchise), which franchise agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement by requiring, among other things, a different percentage Royalty Fee, Internet Advertising Program Fee or Marketing Fund Contribution; provided, however, that Franchisee shall not be required to pay the then-current Franchise Fee;

4.2.7 Franchisee has complied with Franchisor's then-current qualifications for a new franchisee and has agreed to comply with any training requirements;

4.2.8 Franchisee has executed a general release, in a form the same as or similar to the General Release attached as Schedule 1, of any and all claims against Franchisor, any Affiliate and against their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), except to the extent prohibited by the laws of the state where the Franchised Business is located; and

4.2.9 Franchisee has paid the renewal fee of \$4,000.

5. FRANCHISED BUSINESS

5.1 Operation of Franchised Business

Franchisee shall operate the Franchised Business within the Territory from a fixed location (the "Premises"). Franchisee shall manage and administer the Franchised Business from the Premises and shall maintain and store the books and records of the Franchised Business at its headquarters.

5.2 Failure to Develop Franchised Business

Should Franchisee fail to develop the Franchised Business, in accordance with the other provisions of this Section 5 and within 90 days after this Effective Date, Franchisor has the right to terminate this Agreement and retain all fees paid to Franchisor by Franchisee.

5.3 Opening

Before opening the Franchised Business and commencing business, Franchisee must:

(a) fulfill all of the obligations of Franchisee pursuant to the other provisions of this Section 5;

(b) furnish Franchisor with copies of all insurance policies required by this Agreement, or by the lease, or such other evidence of insurance coverage and payment of premiums as Franchisor may request;

- (c) complete initial training to the satisfaction of Franchisor;
- (d) possess all required state, county, city, and local professional licenses and certifications;
- (e) obtain all necessary state, county, city, and local permits and licenses, including any zoning permits needed to operate the Franchised Business from the principal residence of either Franchisee or the Owner Operator;
- (f) pay in full all amounts due to Franchisor;
- (g) if Franchisee is a business entity, Franchisee has caused each of its stock certificates or other ownership interest certificates to be conspicuously endorsed upon the face thereof a statement in a form satisfactory to Franchisor that such ownership interest is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement; and
- (h) obtain Franchisor's permission and approval of an opening date; Franchisor shall not unreasonably withhold consent to open. Permission to open shall be based on Franchisor's determination that Franchisee is ready to open and satisfactorily prepared to operate.

Franchisee shall comply with these conditions and be prepared to open and continuously operate the Franchised Business within 90 days after the Effective Date. Time is of the essence.

5.4 Failure to Open

Should Franchisee fail to commence operations of the Franchised Business within 90 days after the Effective Date, Franchisor has the right to terminate this Agreement. Franchisee must secure a location within 45 days. Franchisor shall have a period of 15 days to approve such location, and Franchisee must sign the lease within 15 days following our approval of such location. If this Agreement is terminated pursuant to this Section 5.4, Franchisor shall retain the entire Franchise Fee paid by Franchisee. The Franchise Fee retained shall be specifically understood and agreed by the parties to be in consideration of the services provided, time expended, work performed, and other efforts of Franchisor up to the date of Franchisee's failure to timely commence operations of the Franchised Business and shall not be construed as nor considered to be a penalty.

6. PROPRIETARY MARKS

6.1 Ownership

Franchisee's right to use the Marks is derived solely from this Agreement, is exclusive and is limited to the conduct of business by Franchisee pursuant to, and in compliance with, this Agreement and all applicable standards, specifications and operating procedures prescribed from time to time by Franchisor. Any unauthorized use of the Marks by Franchisee is a breach of this Agreement and an infringement of the rights of Franchisor in and to the Marks. Franchisee's use of the Marks, and any goodwill created thereby, shall inure to the benefit of Franchisor. Franchisee shall not at any time acquire an ownership interest in the Marks by virtue of any use it may make of the Marks. This Agreement does not confer any goodwill, title or interest in the Marks to Franchisee. Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of any of the Marks.

6.2 Limitations on Use

Franchisee shall not use any Mark or portion of any Mark as part of any business entity name. Franchisee shall not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give such notices of trademark and service mark registrations as Franchisor specifies and obtain such fictitious or assumed name registrations as may be required under applicable law to do business as a Franchised Business. Franchisee shall not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to Franchisee. Franchisee shall include on its letterhead, forms, cards and other such identification, a prominent notice stating that the Franchised Business is an “Independently Owned and Operated Waikomo Shave Ice Franchise” of Franchisee.

6.3 Notification of Infringements and Claims

Franchisee shall immediately notify Franchisor of any infringement of the Marks or challenge to its use of any of the Marks or claim by any person of any rights in any of the Marks. Franchisee shall not communicate with any person other than Franchisor and Franchisor’s counsel in connection with any such infringement, challenge, or claim; provided, however, Franchisee may communicate with Franchisee’s counsel at Franchisee’s expense. Franchisor has the right to take such action as it deems appropriate and the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge, or claim or otherwise relating to any of the Marks. Franchisee shall execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of Franchisor’s counsel, be necessary or advisable to protect and maintain Franchisor’s interests in any such litigation or other proceeding or to otherwise protect and maintain Franchisor’s interest in the Marks.

6.4 Indemnification for Use of Marks

Franchisor shall reimburse Franchisee for all expenses reasonably incurred by Franchisee in any trademark or similar proceeding disputing Franchisee’s authorized use of any Mark, provided that Franchisee has complied with the provisions of Section 6.3 and has complied with this Agreement and Franchisor’s directions in responding to such proceeding. At Franchisor’s option, Franchisor or its designee may defend and control the defense of any proceeding arising directly from Franchisee’s use of any Mark. This indemnification shall not include the expense to Franchisee of removing signage or discontinuance of the use of the Marks. This indemnification shall not apply to litigation between Franchisor and Franchisee wherein Franchisee’s use of the Marks is disputed or challenged by Franchisor. This indemnification shall not apply to any separate legal fees or costs incurred by Franchisee in seeking independent counsel separate from the counsel representing Franchisor and Franchisee in the event of litigation disputing Franchisor and Franchisee’s use of the Marks.

6.5 Discontinuance of Use

If Franchisor deems it necessary for Franchisee to modify or discontinue use of any of the Marks, and/or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall comply with Franchisor’s directions within ten (10) business days after notice to Franchisee by Franchisor and subject to the limitations in Section 10.2. Franchisor shall not be required to reimburse Franchisee for its expenses in modifying or discontinuing the use of a Mark or any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by Franchisee to promote a modified or substitute Mark.

6.6 Right to Inspect

To preserve the validity and integrity of the Marks and any copyrighted materials licensed hereunder, and to ensure that Franchisee is properly employing the Marks in the operation of the Franchised Business, Franchisor reserves the right to inspect the Franchised Business at any time without advanced notice.

6.7 Franchisor's Sole Right to Domain Name

Franchisee shall NOT advertise on the Internet using, or establish, create or operate an Internet site or website using a domain name or uniform resource locator containing, the Marks or the words "Waikomo Shave Ice" or any variation thereof without Franchisor's written approval. Franchisor is the sole owner of a right, title and interest in and to such domain names. Franchisor shall grant Franchisee a page on its website, www.waikomoice.com, that will provide contact information and pricing for your Franchised Business.

7. TRADE SECRETS AND OTHER CONFIDENTIAL INFORMATION

7.1 Confidentiality of Trade Secrets and Other Confidential Information

Franchisee acknowledges that Franchisor shall disclose Trade Secrets and other Confidential Information to Franchisee during the training program, through the Operations Manual, and as a result of guidance furnished to Franchisee during the term of this Agreement. Franchisee shall not acquire any interest in the Trade Secrets or other Confidential Information, other than the right to use it in the development and operation of the Franchised Business and in performing its duties during the term of this Agreement. Franchisee acknowledges that the use or duplication of the Trade Secrets or other Confidential Information in any other business venture would constitute an unfair method of competition. Franchisee acknowledges that the Trade Secrets and other Confidential Information are proprietary and are disclosed to Franchisee solely on the condition that Franchisee (and all holders of a legal or beneficial interest in Franchisee and all officers, directors, executives, managers and members of the professional staff of Franchisee): (a) shall not use the Trade Secrets or other Confidential Information in any other business or capacity; (b) shall maintain the absolute confidentiality of the Trade Secrets and other Confidential Information during and after the term of this Agreement; (c) shall not make any unauthorized copies of any portion of the Trade Secrets or other Confidential Information disclosed in written or other tangible form; and (d) shall adopt and implement all reasonable procedures prescribed from time to time by Franchisor to prevent unauthorized use or disclosure of the Trade Secrets and other Confidential Information. Franchisee shall enforce this Section as to its employees, agents and representatives and shall be liable to Franchisor for any unauthorized disclosure or use of Trade Secrets or other Confidential Information by any of them.

7.2 Additional Developments

All ideas, concepts, techniques or materials concerning the System or developed, in whole or in part, using Trade Secrets or other Confidential Information, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, shall be promptly disclosed to Franchisor and shall be deemed the sole and exclusive property of Franchisor and works made-for-hire for Franchisor, and no compensation shall be due to Franchisee or its owners or employees therefore, and Franchisee hereby agrees to assign to Franchisor all right, title and interest in any intellectual property so developed. Franchisor has the right to incorporate such items into the System. To the extent any item does not qualify as a "work made-for-hire" for Franchisor, Franchisee shall assign, and by this Agreement, does assign, ownership of that item, and all related rights to that item, to Franchisor and shall sign any assignment or other document as Franchisor requests to assist Franchisor in obtaining or preserving intellectual property

rights in the item. Franchisor shall disclose to Franchisee concepts and developments of other franchisees that are made part of the System. As Franchisor may reasonably request, Franchisee shall take all actions to assist Franchisor's efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not.

7.3 Exclusive Relationship

Franchisee acknowledges that Franchisor would be unable to protect the Trade Secrets and other Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among Waikomo Shave Ice Franchisees if owners of Waikomo Shave Ice and members of their immediate families or households were permitted to hold an interest in or perform services for any Competitive Business. Therefore, during the term of this Agreement and for a two (2) year period following expiration or termination hereof, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee (or any member of their immediate families or households), nor any officer, director, executive, manager or member of the professional staff of Franchisee, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, limited liability company or other business entity, shall:

(a) Divert or attempt to divert any business or customer of the Franchised Business to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System; or

(b) Own an interest in, manage, operate, or perform services for any Competitive Business within a 25-mile radius from any Waikomo Shave Ice Franchise or Affiliate-owned location.

7.4 Nondisclosure and Non-Competition Agreements with Certain Individuals

Franchisor has the right to require any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff of Franchisee to execute a nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Schedule 2, upon execution of this Agreement or prior to each such person's affiliation with Franchisee. Upon Franchisor's request, Franchisee shall provide Franchisor with copies of all nondisclosure and non-competition agreements signed pursuant to this Section. Such agreements shall remain on file at the business of Franchisee and are subject to audit or review as otherwise set forth herein. Franchisor shall be a third-party beneficiary with the right to enforce covenants contained in such agreements.

7.5 Reasonableness of Restrictions

Franchisee acknowledges that the restrictive covenants contained in this Section are essential elements of this Agreement, and that without their inclusion Franchisor would not have entered into this Agreement. Franchisee acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisor, the System and the Marks and Franchisee waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable.

8. TRAINING AND ASSISTANCE

8.1 Initial Training

Franchisor shall make an initial training program available to a total of three (3) employees of Franchisee (if applicable). Approximately two (2) weeks prior to the opening of the Franchised Business, the designated persons must attend and successfully complete, to Franchisor's satisfaction, an initial training program pertaining to the operation and administration of the Franchised Business including, but not limited to, sales and marketing methods; financial controls; maintenance of quality standards; customer service techniques; record keeping; and reporting procedures and other operational issues. Initial training will be comprised of up to one week at the corporate location, and may be followed by on the field training at the franchisee's territory. Franchisor shall conduct the initial training program at its headquarters or at another designated location. If Franchisee requests training at the Franchised Business location Franchisee must pay for all Franchisor's travel costs and living expenses. Franchisor shall not charge tuition or similar fees for initial training; however, all expenses incurred by Franchisee in attending such program including, but not limited to, travel costs, room and board expenses and employees' salaries, shall be the sole responsibility of Franchisee. Franchisee shall be responsible for training its management and other employees.

8.2 Opening Assistance

In conjunction with the beginning of operation of the Franchised Business, Franchisor may make available to Franchisee, at Franchisor's expense, an opening team to be on site of Franchisee's location three (3) days prior and three (3) days after the Grand Opening for the purpose of familiarizing Franchisee's staff with the Waikomo Shave Ice techniques and for the purpose of providing general assistance and guidance in connection with the opening of the Franchised Business. If Franchisee requests additional assistance with respect to the opening or continued operation of the Franchised Business, and should Franchisor deem it necessary and appropriate to comply with such request, Franchisee shall pay Franchisor's then-current standard rates, plus expenses, for such additional assistance.

8.3 Failure to Complete Initial Training Program

If Franchisor determines that the Franchisee is unable to satisfactorily complete the training program described above, Franchisor has the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section 8.3, Franchisor shall return to Franchisee fifty percent (50%) of the Franchise Fee paid by Franchisee upon Franchisor's receipt of a general release, the same as or similar to the General Release attached as Schedule 1, releasing any and all claims against Franchisor, any Affiliate and their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities). If Franchisee is a business entity and the Manager fails to complete the initial training program to Franchisor's reasonable satisfaction, Franchisee may be permitted to select a substitute manager and such substitute manager must complete the initial training to Franchisor's satisfaction. Franchisee will be required to pay Franchisor's then-current rates for additional training or \$250 per day per person, whichever is greater, for providing the substitute manager an initial training program at our location, or our then-current rates for additional training or \$250 per day per person, whichever is greater, for training at Franchisee's location (plus hotel, air fare and other expenses incurred by our trainer).

8.4 Ongoing Training

From time to time, Franchisor may provide and if it does, has the right to require that the Franchisee to attend ongoing training programs or seminars during the term of this Agreement, at

Franchisee's expense of \$250 per person per day if ongoing training is at our location, or \$250 per person per day, plus hotel, air fare and other expenses incurred by our trainer, if ongoing training is at Franchisee's location. Franchisor shall not require the Franchisee to attend more than two (2) sessions in any calendar year. Franchisee shall be responsible for all travel costs, room and board, and employees' salaries incurred in connection with its attendance at such training.

9. OPERATIONS MANUAL

9.1 Loan by Franchisor

While this Agreement is in effect, Franchisor shall lend to Franchisee one (1) copy of the Operations Manual or grant Franchisee access to an electronic copy of the Operations Manual. Franchisee shall conduct the Franchised Business in strict accordance with the provisions set forth in the Operations Manual. The Operations Manual may consist of one (1) or more separate manuals and other materials as designated by Franchisor and may be in written or electronic form. The Operations Manual shall, at all times, remain the sole property of Franchisor and shall promptly be returned to Franchisor upon expiration or termination of this Agreement.

9.2 Revisions

Franchisor has the right to add to or otherwise modify the Operations Manual from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor; provided, however, no such addition or modification shall materially alter Franchisee's fundamental status and rights under this Agreement. Franchisor may make such additions or modifications without prior notice to Franchisee. Franchisee shall immediately, upon notice, adopt any such changes and shall ensure that its copy of the Operations Manual is up-to-date at all times. If a dispute as to the contents of the Operations Manual arises, the terms of the master copy of the Operations Manual maintained by Franchisor at Franchisor's headquarters shall be controlling.

9.3 Confidentiality

The Operations Manual contains Trade Secrets and other Confidential Information of Franchisor and its contents shall be kept confidential by Franchisee both during the term of the Franchise and subsequent to the expiration and non-renewal or termination of this Agreement. Franchisee shall at all times ensure that its copy of the Operations Manual is available at the Franchised Business in a current and up-to-date manner. If the Operations Manual is in paper form or stored on computer-readable media, Franchisee shall maintain the Operations Manual in a secure manner at the Franchised Business. If the Operations Manual is in electronic form, Franchisee shall maintain the Operations Manual in a password-protected file. Franchisee shall only grant authorized personnel, as defined in the Operations Manual, access to the Operations Manual or any key, combination, or passwords needed for access to the Operations Manual. Franchisee shall not disclose, duplicate or otherwise use any portion of the Operations Manual in an unauthorized manner.

10. FRANCHISE SYSTEM

10.1 Uniformity

Franchisee shall strictly comply and shall cause the Franchised Business and its employees to strictly comply, with all requirements, specifications, standards, operating procedures and rules set forth in this Agreement, the Operations Manual or other communications supplied to Franchisee by Franchisor.

10.2 Modification of the System

Franchisee recognizes that from time to time, Franchisor may introduce, as part of the System, other methods or technology which require certain System modifications including, without limitation, the adoption and use of modified or substitute Marks, new computer hardware and software, equipment or signs. Franchisee agrees to make all required upgrades and modifications at its expense as may be required by Franchisor; provided, however, that Franchisee shall not be required to make any expenditures during the first year of the initial term or any expenditures which are unreasonably disproportionate to Franchisee's initial investment to establish the Franchised Business during the initial term. If such additional investment is required to be made in the last year of the initial term, Franchisee may avoid making the investment by providing notice of intent not to renew the Franchise unless the investment is in connection with a modification to the System required by law or court order. Franchisee acknowledges that any required expenditures for changes or upgrades to the System shall be in addition to expenditures for repairs and maintenance as required in Section 13.2 of this Agreement. Notwithstanding the foregoing, Franchisee shall be required to make any and all improvements or modifications whenever such are required by law, regulation, agency decision, or court order.

10.3 Refurbishment of the Equipment

Every fifth (5th) year after execution of this Agreement, Franchisee, upon Franchisor's request, shall expend a minimum of five thousand dollars (\$5,000.00) for purposes of updating Franchisee's equipment. Franchisor shall provide Franchisee with specifications and assistance in such refurbishment. The obligations described herein are exclusive of the obligations described in Section 10.2.

10.4 Variance

Franchisor has the right to vary standards or specifications for any franchisee based upon that particular franchisee's qualifications, the peculiarities of the particular site or circumstances, the demographics of the trade area, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of any particular Waikomo Shave Ice Business. Franchisor shall not be required to disclose or grant to Franchisee a like or similar variance hereunder.

11. ADVERTISING AND PROMOTIONAL ACTIVITIES

11.1 Local Advertising

11.1.1 If Franchisee chooses to acquire a Storefront Model franchised business, Franchisee shall contribute each month the total of two percent (2%) of Gross Revenues from the previous month into local advertising (such advertising to be approved by Franchisor prior to use thereof). Franchisee shall continuously and consistently promote the Franchised Business. Every month, Franchisee shall participate in a variety of marketing and promotions such as door mailings, public relations, online or mobile advertisement, or any other form of marketing within the immediate locality surrounding the Franchisee Business, as well as direct sales support when requested by Franchisor.

11.1.2 Franchisor shall oversee all local advertising/marketing programs, with sole control over creative concepts, materials, and media used in such programs, and the placement and allocation thereof. Franchisor does not warrant that any particular franchisee will benefit directly or pro rata from expenditures by its local advertising program. Franchisor does not warrant the success or effectiveness of any particular advertising/marketing program.

11.2 Grand Opening Advertising

If Franchisee is purchasing a Storefront Model franchised business, Franchisee is required to spend \$1,000 - \$2,000 on Grand Opening Advertising to promote the opening of the Franchised Business per our guidelines.

11.3 Internet Advertising

You are restricted from either establishing a presence or marketing on the Internet without our written consent. We have an Internet website at the uniform resource locator www.waikomoice.com that provides information about the System and about Waikomo Shave Ice Franchises. We may provide you with a page on our home page, where we will have contact information and pricing for your location. All information posted on the Waikomo Shave Ice website or any linked webpages must be approved by us before it is posted. We retain the sole right to market on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce, and co-branding arrangements. You may be requested to provide content for our Internet marketing and you must follow our intranet and Internet usage rules, policies, and requirements. We retain the sole right to use the Marks on the Internet, including on websites, as domain names, directory addresses, search terms and meta-tags, social media pages and in connection with linking, marketing, co-branding and other arrangements. We retain the sole right to approve any linking to, or other use of, the Waikomo Shave Ice website. You are not permitted to use a domain name containing "Waikomo Shave Ice" in the URL.

12. ACCOUNTING, RECORDS, AND REPORTING OBLIGATIONS

12.1 Records

During the term of this Agreement, Franchisee shall maintain full, complete, and accurate books, records, and accounts in accordance with the standard accounting system prescribed by Franchisor in the Operations Manual or otherwise in writing. Franchisee shall utilize an accounting software such as Quickbooks.com (or other Franchisor approved accounting software) to manage its books. Franchisee shall retain during the term of this Agreement, and for three (3) years thereafter, all books and records related to the Franchised Business including, without limitation, purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, bank statements, cancelled checks, deposit receipts, cash receipts and disbursement journals, general ledgers, and any other financial records designated by Franchisor or required by law.

12.2 Gross Revenue Reports

Franchisee shall maintain an accurate record of Gross Revenue and shall deliver to Franchisor electronically a signed and verified statement of Gross Revenue ("Gross Revenue Report") for the month ending each month by the 5th day of each month in a form that Franchisor approves or provides in the Operations Manual. The Gross Revenue Report for the preceding month must be provided to Franchisor by the close of business on the 5th of each month as provided in Section 3.2.

12.3 Financial Statements

Franchisee shall supply to Franchisor on or before the fifth (5th) day of each month, in a form approved by Franchisor, a balance sheet as of the end of the last day of the preceding month and an income statement for the preceding month and the fiscal year-to-date. Franchisee shall, at its expense, submit to

Franchisor within ninety (90) days after the end of each calendar year, an income statement for the calendar year just ended and a balance sheet as of the last day of the calendar year. Such financial statements shall be prepared in accordance with GAAP, applied on a consistent basis. If required by Franchisor, such financial statements shall be reviewed or audited by a certified public accountant. Franchisee shall submit to Franchisor such other periodic reports in the manner and at the time specified in the Operations Manual or otherwise in writing.

12.4 Other Reports

Franchisee shall submit to Franchisor copies of all state sales tax returns that are required to be filed with the appropriate governmental agency and such other records as Franchisor may reasonably request from time to time or as specified in the Operations Manual. Franchisor shall have the right to release financial and operational information relating to the Franchised Business to Franchisor's lenders or prospective lenders. Franchisee shall certify as true and correct all reports to be submitted pursuant to this Agreement.

12.5 Computer Equipment

Franchisor reserves the right to require Franchisee to purchase, install and use computer equipment consisting of hardware and software in accordance with Franchisor's specifications. Franchisor shall have full access to all of Franchisee's computer, data and systems and all related information by means of direct access, either in person or by telephone, modem or Internet to permit Franchisor to verify Franchisee's compliance with its obligations under this Agreement.

12.6 Right to Inspect

Franchisor or its designee has the right, during normal business hours and without notice, to examine, copy, and audit the books, records and tax returns of Franchisee. If the audit or any other inspection should reveal that any payments to Franchisor have been underpaid, then Franchisee shall immediately pay to Franchisor the amount of the underpayment plus interest from the date such amount was due until paid at the rate of one and one-half percent (1.5%) per month (or the rate legally allowed by the law of the state where Franchisee is located, whichever is lower) and Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees) if the underpayment is 2% or more of Franchisee's Gross Revenue. The foregoing remedies shall be in addition to any other remedies Franchisor may have.

12.7 Release of Records

Under Right To Inspect, at Franchisor's request, Franchisee shall authorize Franchisor and/or its direct third party(s), including accounting and legal professionals, to release to Franchisor all accounting and financial records arising from or relating to the operation of the Franchised Business including, but not limited to, records evidencing Gross Revenues, profits, losses, income, tax liabilities, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties' possession, custody or control, and to continue to release such records to Franchisor on a monthly basis for the length of the unexpired term of this Agreement or until such time as Franchisor withdraws its request. Franchisee shall execute all documents necessary to facilitate the release of records referenced herein to Franchisor.

13. STANDARDS OF OPERATION

13.1 Authorized Products, Services, and Suppliers

13.1.1 Franchisee acknowledges that the reputation and goodwill of the System is based in large part on offering high quality products and services to its customers. Accordingly, Franchisee shall provide or offer for sale or use at the Franchised Business only those services, with the greatest diligence and care by Franchisee, that Franchisor approves (and which are not thereafter disapproved) and that comply with Franchisor's specifications and quality standards. If required by Franchisor, any such items or services shall be purchased only from Franchisor. Franchisor shall maintain inventory levels for all supplies offered solely by Franchisor at a level sufficient to ensure prompt delivery to all Franchisees. Franchisee shall NOT offer for sale, sell or provide through the Franchised Business or from the Franchised Business any products or services that Franchisor has not approved. Furthermore, Franchisee must offer for sale all services and products currently offered by Franchisor or which will be offered by the Franchisor in the future.

13.1.2 Notwithstanding anything contrary in this Agreement, Franchisor has the right to review from time to time its approval of any items or suppliers. Franchisor may revoke its approval of any item, service or supplier at any time by notifying Franchisee and/or the supplier. Franchisee shall, at its own expense, promptly cease using, selling or providing any items or services disapproved by Franchisor. The cost to review a new product or service as proposed by Franchisee shall not exceed \$1,000.00 per product or service.

13.1.3 Franchisor has the right to designate certain products and services, not otherwise authorized for general use as part of the System, to be offered locally or regionally based upon such factors as Franchisor determines including, but not limited to, franchisee qualifications, test marketing and regional or local differences. Franchisor has the right to give its consent to one (1) or more franchisees to provide certain products or services not authorized for general use as part of the System. Such consent will be based upon the factors set forth in Section 10.4 and shall not create any rights in Franchisee to provide the same products or services.

13.1.4 Franchisor has the right to retain volume rebates, markups and other benefits from suppliers or in connection with the furnishing of suppliers. Franchisee shall have no entitlement to or interest in any such benefits.

13.1.5 Franchisor shall provide Franchisee, in the Operations Manual or other written or electronic form, with a list of specifications and, if required, a list of Approved Suppliers for some or all of the supplies, furniture, fixtures, inventory, equipment and other approved or specified items and services, and Franchisor may from time to time issue revisions to such list. If Franchisor or an Affiliate is an Approved Supplier, Franchisee shall execute a standard form purchase or supply agreement for the items to be supplied by Franchisor or its Affiliate. If Franchisee desires to utilize any products, services or new technology that Franchisor has not approved (for products and services that require supplier approval), Franchisee shall first send Franchisor sufficient information, specifications and samples for Franchisor to determine whether the service or product complies with its standards and specifications or whether the supplier meets its Approved Supplier criteria. Franchisee shall bear all expenses incurred by Franchisor in connection with determining whether it shall approve an item, service or supplier, not to exceed \$1,000.00. Franchisor will decide within a reasonable time (usually thirty [30] days) after receiving the required information whether Franchisee may purchase or lease such items or services or from such supplier. Approval of a supplier may be conditioned on the supplier's ability to provide sufficient quantity of product; quality of products or services at competitive prices; production and delivery capability; and dependability and general reputation. Nothing in this Section shall be construed to require Franchisor to approve any

particular supplier, or to require Franchisor to make available to prospective suppliers, standards and specifications that Franchisor deems confidential.

13.2 Appearance and Condition of the Franchised Business

Franchisee shall maintain the service equipment, Premises and signage of the Franchised Business in “like new” condition, and shall repair or replace service equipment, the Premises and signage as necessary to comply with the health and safety standards and specifications of Franchisor and any applicable laws or regulations. The expense of such maintenance shall be borne by Franchisee and shall be in addition to any required System modifications, as described in Section 10.2. If Franchisee is purchasing a Truck or Trailer Model franchised business, Franchisee shall maintain the

13.3 Ownership and Management

The Franchised Business shall, at all times, be under the direct supervision of Franchisee or its approved manager. Franchisee and/or its manager shall devote sufficient efforts to the management of the day-to-day operation of the Franchised Business, but not less than forty (40) hours per week, not excluding vacation, sick leave and similar absences. Franchisee shall keep Franchisor informed, in writing, at all times of the identity of its manager. Franchisee must not engage in any business or other activities that will conflict with its obligations under this Agreement.

13.4 Days of Operation

Franchisee shall keep the Franchised Business open for business during normal business hours on the days specified in the Operations Manual.

13.5 Contributions and Donations

In order to protect the Marks, Franchisee must obtain Franchisor’s prior written consent before making any contributions or donations of items, services or funds to any individual or entity, or provide any type of other benefit to any charitable, religious, political, social, civic or other type of organization (or to any individual on behalf of any organization). Franchisor may withhold any such consent in its sole and absolute discretion.

13.6 Licenses and Permits

Franchisee shall secure and maintain in force all required operational and professional licenses, permits and certificates necessary for the operation of the Franchised Business, including all zoning and local permits necessary to operate the Franchised Business from the principal residence of Franchisee or its Owner Operator, and shall operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations. Franchisor makes no representation to Franchisee with regard to any legal requirements that Franchisee must satisfy or comply with in connection with the operation of the Franchised Business. Franchisee shall be solely responsible for investigating and complying with all such laws, ordinances and regulations with regard to the operation of the Franchised Business.

13.7 Notification of Proceedings

Franchisee shall notify Franchisor in writing of the commencement of any action, suit or proceeding involving Franchisee or the Franchised Business, and of the issuance of any order, writ, injunction, judgment, award or decree which may affect the operation or financial condition of the Franchised Business not more than five (5) days after notice of such commencement or issuance. Franchisee

shall deliver to Franchisor not more than five (5) days after Franchisee's receipt thereof, a copy of any inspection report, warning, certificate or rating by any governmental agency relating to any health or safety law, rule or regulation that reflects Franchisee's failure to meet and maintain the highest applicable rating or Franchisee's noncompliance or less than full compliance with any applicable law, rule or regulation.

13.8 Compliance with Good Business Practices

Franchisee acknowledges that the quality of customer service, and every detail of appearance and demeanor of Franchisee and its employees, is material to this Agreement and the relationship created and licenses granted hereby. Therefore, Franchisee shall endeavor to maintain high standards of quality and service in the operation of the Franchised Business, including operating in strict compliance with all applicable rules and regulations. Franchisee shall at all times give prompt, courteous and efficient service to customers of the Franchised Business. The Franchised Business shall in all dealings with its customers, vendors and the general public, adhere to the highest standards of honesty, fair dealing and ethical conduct. If Franchisor deems that Franchisee did not fairly handle a customer complaint or has operated outside of applicable rules and regulations, Franchisor has the right to intervene and satisfy the customer. Franchisor has the right to terminate this Agreement for violation of this Section. Franchisee shall reimburse Franchisor for all costs incurred by Franchisor in servicing a customer of the Franchised Business pursuant to this Section.

13.9 Uniforms

Franchisee shall abide by all uniform and dress code requirements stated in the Operations Manual or otherwise. Uniforms must be purchased from an Approved Supplier, if such is designated, or if none, then a supplier who meets Franchisor's specifications and quality standards for uniforms.

13.10 Credit Cards

Franchisee shall, at its expense, lease or purchase the necessary equipment and/or software through approved vendors and shall have arrangements in place with Visa, MasterCard, American Express and such other credit card issuers as Franchisor may designate, from time to time, to enable the Franchised Business to accept such methods of payment from its customers.

13.11 E-Mail

Franchisee shall, at all times and at Franchisee's expense, maintain an e-mail address and account for communicating with Franchisor. Franchisee may change its e-mail address by giving written notice of such change of address to Franchisor. Alternatively, and at Franchisor's election, Franchisor may set up an email address for Franchisee's benefit, using Franchisor's information, methods, and trade name. Franchisor may charge a maintenance fee, which fee shall be communicated contemporaneous of Franchisor's initiation of the alternative e-mail as mentioned in this section.

13.12 Best Efforts

Franchisee shall use its best efforts to promote and increase the sales and recognition of services offered through the Franchised Business. Franchisee shall require all of Franchisee's employees, managers, officers, agents and representatives to make a good faith effort to enhance and improve the System and the sales of all products and services provided as part of the System.

14. FRANCHISOR'S ADDITIONAL OPERATIONS ASSISTANCE

14.1 General Advice and Guidance

Franchisor shall be available to render advice, discuss problems, and offer general guidance to Franchisee by telephone and/or electronic correspondence, with respect to planning and operating the Franchised Business. Franchisor shall not charge for this service. Franchisor's advice or guidance to Franchisee relative to prices for products and services that, in Franchisor's judgment, constitutes good business practice is based upon the experience of Franchisor and its franchisees in operating Waikomo Shave Ice businesses and an analysis of costs and prices charged for competitive products and services, as well as suggested minimum and maximum prices to charge. Franchisee shall have the right to change/determine the price to be charged for a particular service by the Franchised Business at the time of sale (if necessary). Notwithstanding, Franchisee acknowledges and agrees that Franchisor shall not be held liable for such advice; any decisions made by Franchisee, whether on its own accord or through suggestion from Franchisor is Franchisee's sole and absolute responsibility.

14.2 Periodic Visits

Franchisor or Franchisor's representative shall make periodic visits, which may be announced or unannounced, to the Franchised Business for the purposes of consultation, assistance and guidance with respect to various aspects of the operation and management of the Franchised Business. Franchisor may also accompany Franchisee and/or Franchisee's employees along any job site visits, in order to monitor all business practices and better render any advice or opinions. Franchisor and Franchisor's representatives who visit the Franchised Business or accompany Franchisee and/or Franchisee's employees along job site visits may prepare, for the benefit of both Franchisor and Franchisee, written reports detailing any problems or concerns discovered during any such visit and outlining any required or suggested changes or improvements in the operations of the Franchised Business. A copy of any such written report may be provided to Franchisee. Franchisee shall implement any required changes or improvements as required by Franchisor with time being of the essence.

15. INSURANCE

15.1 Types and Amounts of Coverage

At its sole expense, Franchisee shall procure within ten (10) days of the Effective Date and maintain in full force and effect during the term of this Agreement, the types of insurance listed below, and/or requested by law in their territory/city(s) of operation. All policies (except any workers' compensation insurance) shall expressly name Franchisor as an additional insured or loss payee and all shall contain a waiver of all subrogation rights against Franchisor and its successors and assigns. In addition to any other insurance that may be required by applicable law, or by lender or lessor, Franchisee shall procure the following insurance:

General Liability Insurance	\$1,000,000	Per Occurrence
	\$2,000,000	In the Aggregate
Business Property Insurance	\$75,000	Per Month
Business Income/Extra Expense	\$12,500	Per Month
Electronic Media and Records	\$10,000	Per Occurrence

Money and Securities	\$10,000/Inside \$2,500/Outside	Per Occurrence
Workmen's Compensation	As required by law	Per Employee
Vehicle Insurance	\$1,000,000	In the Aggregate
Optional: Business Interruption Insurance	\$50,000	Not less than Per Month

15.2 Future Increases

Franchisor has the right to reasonably increase the minimum liability protection requirement annually and require different or additional insurance coverage(s) to reflect inflation, changes in standards of liability, future damage awards, or other relevant changes in circumstances.

15.3 Carrier Standards

Such policies shall be written by an insurance company licensed in the state in which Franchisee operates and having at least an "A" Rating Classification as indicated in the latest issue of A.M. Best's Key Rating Guide. Although A.M. Best groups "A" and "A-" in the same classification, Franchisor demands an "A" rating.

15.4 Evidence of Coverage

Franchisee's obligation to obtain and maintain the foregoing policies shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of this obligation relieve it of liability under the indemnity provisions set forth in Section 21.3. Upon issuance of a policy and renewal of said policy, Franchisee shall provide to Franchisor, certificates of insurance showing compliance with the foregoing requirements within fifteen (15) days of Franchisee's receipt of such certificates. Such certificates shall state that said policy or policies shall not be canceled or altered without at least thirty (30) days' prior written notice to Franchisor and shall reflect proof of payment of premiums.

15.5 Failure to Maintain Coverage

Should Franchisee not procure and maintain insurance coverage as required by this Agreement, Franchisor has the right (but not the obligation) to immediately procure such insurance coverage and to charge the premiums to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

16. DEFAULT AND TERMINATION

16.1 Termination by Franchisee

Under no circumstances may Franchisee terminate this Agreement.

16.2 Termination by Franchisor

16.2.1 Franchisor has the right to terminate this Agreement, without any opportunity to cure by Franchisee, if Franchisee:

- (a) fails to timely establish, equip, and commence operations of the Franchised Business pursuant to Section 5;
- (b) fails to have its Owner Operator satisfactorily complete any training program pursuant to Section 8;
- (c) fails to maintain all required professional licenses, permits, and certifications for a period exceeding five (5) business days;
- (d) made any material misrepresentation or omission in its application for the Franchise or otherwise to Franchisor in the course of entering into this Agreement;
- (e) is convicted of or pleads no contest to a felony or other crime or offense that is likely to adversely affect the reputation of Franchisor, Franchisee, or the Franchised Business;
- (f) after notice to cure, fails to refrain from activities, behavior, or conduct likely to adversely affect the reputation of Franchisor, Franchisee, or the Franchised Business;
- (g) discloses, duplicates, or otherwise uses in an unauthorized manner any portion of the Operations Manual, Trade Secrets, or any other Confidential Information;
- (h) if required by Franchisor, fails to have any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff of Franchisee, execute a nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Schedule 2, upon execution of this Agreement or prior to each such person's affiliation with Franchisee or fails to provide Franchisor with copies of all nondisclosure and non-competition agreements signed pursuant to Section 7.4 if requested by Franchisor, or has violated Section 7.3;
- (i) abandons, fails, or refuses to actively operate the Franchised Business for five (5) or more consecutive days (unless the Franchised Business has not been operational for a purpose approved by Franchisor), or, if first approved by Franchisor, fails to promptly relocate the Franchised Business or any other event rendering the Premises unusable;
- (j) surrenders or transfers control of the operation of the Franchised Business without Franchisor's approval, makes or attempts to make an unauthorized direct or indirect assignment of the Franchise or an ownership interest in Franchisee, or fails or refuses to assign the Franchise or the interest in the Franchise of a deceased or incapacitated owner thereof as herein required;
- (k) fails to maintain the Franchised Business under the primary supervision of an approved manager during the one hundred eighty (180) days following the death or Incapacity of Franchisee or any holder of a legal or beneficial interest in Franchisee pursuant to Section 18.6;
- (l) submits to Franchisor on two (2) or more separate occasions at any time during the term of the Franchise any reports or other data, information or supporting records that understate any Royalty Fee or any other fees owed to Franchisor by more than two percent (2%) for any accounting period and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error;
- (m) becomes insolvent, meaning unable to pay bills as they become due in the ordinary course of business; if a receiver of its property or any part thereof is appointed by a court; if it makes a general

assignment for the benefit of its creditors; if a final judgment remains unsatisfied of record for thirty (30) days or longer (unless supersede as bond is filed); if execution is levied against Franchisee's business or property; if a suit to foreclose any lien or mortgage against its Franchised Business, and/or the Premises, or equipment is instituted against Franchisee and not dismissed within thirty (30) days or is not in the process of being dismissed;

(n) misuses or makes an unauthorized use of any of the Marks or commits any other act which can reasonably be expected to impair the goodwill associated with any of the Marks;

(o) fails on two (2) or more separate occasions within any period of twelve (12) consecutive months to submit reports or other information or supporting records when due, to pay any Royalty Fee, Administrative and Support Fee, Marketing Fund Contribution, Advertising Fund, amounts due for purchases from Franchisor and any Affiliate, or other payment when due to Franchisor or any Affiliate, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee;

(p) violates on two (2) or more occasions any health or safety law, ordinance or regulation, or operates the Franchised Business in a manner that presents a health or safety hazard to its customers, employees, or the public;

(q) engages in any activity exclusively reserved to Franchisor;

(r) fails to comply with any applicable law or regulation within ten (10) days after being given notice of noncompliance;

(s) breaches this Agreement 3 times in a 12-month period and/or fails 3 times in a 12 month period to comply with mandatory specifications, customer service standards, or operating procedures prescribed in the Operations Manual, whether or not previous breaches or failures are cured;

(t) defaults under any other agreement between Franchisor (or any Affiliate) and Franchisee, such that Franchisor or its Affiliate, as the case may be, has the right to terminate such agreement or such agreement automatically terminates;

(u) performs Targeted Marketing in any geographic location outside of the Territory, whether or not such geographic location falls within another franchisee's territory or the territory of any other Franchisor-controlled business.

(v) fails to refer business opportunities or offers received by third parties, if such business opportunities or offers would take place in any geographic location which falls under the territory of other franchisees, Franchisor's associated businesses, or which are directly controlled by the Franchisor.

16.2.2 Except as otherwise provided in Section 16.2.1, Franchisor has the right to terminate this Agreement for the following breaches and defaults by giving notice of such termination stating the nature of the default; provided, however, that Franchisee may avoid termination by curing such default or failure (or by providing proof acceptable to Franchisor that Franchisee has made all reasonable efforts to cure such default or failure and shall continue to make all reasonable efforts to cure until a cure is effected if such default or failure cannot reasonably be cured before the effective date of the termination) within the specified period:

(a) within five (5) days of receiving notice of Franchisee's failure to pay any amounts due to Franchisor;

(b) within ten (10) days of receiving notice of Franchisee's failure to maintain insurance as specified in Section 15 of this Agreement; or

(c) within thirty (30) days of receiving notice of any other default by Franchisee or upon Franchisee's failure to comply with any mandatory specification, standard, or operating procedure prescribed in the Operations Manual or otherwise prescribed in writing.

16.2.3 For any default of this Agreement which triggers Franchisor's ability to terminate, Franchisor may as an alternative to termination at its sole and absolute discretion, modify or completely eliminate any rights Franchisee may have with respect to the Territory, effective ten (10) days after delivery of written notice to Franchisee.

16.3 Reinstatement and Extension

If provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation or non-renewal other than in accordance with applicable law, Franchisor may reinstate or extend the term of this Agreement for the purpose of complying with applicable law by submitting a written notice to Franchisee without waiving any of Franchisor's rights under this Agreement.

16.4 Right of Franchisor to Discontinue Services to Franchisee

If Franchisee is in breach of any obligation under this Agreement, and Franchisor delivers to Franchisee a notice of termination pursuant to Section 16.2.2, Franchisor has the right to suspend its performance of any of its obligations under this Agreement including, without limitation, the sale or supply of any products or services for which Franchisor is an Approved Supplier to Franchisee, until such time as Franchisee corrects the breach.

16.5 Right of Franchisor to Operate Franchised Business

Following the delivery of a notice of termination pursuant to Section 16.2.2, if necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume the operation of the Franchised Business until such time as Franchisee corrects the breach. Franchisor may charge a management fee as stated in the Operations Manual from time to time, currently equal to TWO HUNDRED AND FIFTY DOLLARS (\$250.00) per day, and Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the Franchised Business.

17. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION

17.1 Actions to be Taken

Except as otherwise provided herein, upon termination or expiration, this Agreement and all rights granted hereunder to Franchisee shall terminate and Franchisee shall:

(a) immediately cease to operate the Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor;

(b) cease to use the Trade Secrets or other Confidential Information, the System and the Marks, including, without limitation, all slogans, symbols, logos, advertising materials, stationery, forms, and any other items which display or are associated with the Marks;

(c) take such action as may be necessary to cancel or assign to Franchisor, at Franchisor's option, any assumed name or equivalent registration filed with state, city, or county authorities which contains the name "Waikomo Shave Ice" or any other Mark, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement;

(d) pay all sums owing to Franchisor and any Affiliate. In the event of termination for any default of Franchisee, such sums shall include, but not be limited to, all damages, costs, and expenses, including reasonable attorneys' fees, with respect to litigation, arbitration, appellate, or bankruptcy proceedings, unpaid Royalty Fees, loss of future Royalty Fee payments incurred by Franchisor as a result of any early termination of this Agreement, and any other amounts due to Franchisor or any Affiliate;

(e) pay to Franchisor all costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any provision of this Agreement;

(f) immediately return to Franchisor the Operations Manual, Trade Secrets, and all other Confidential Information, including records, files, instructions, brochures, agreements, disclosure statements, and any and all other materials provided by Franchisor to Franchisee relating to the operation of the Franchised Business (all of which are acknowledged to be Franchisor's property);

(g) assign all telephone listings and numbers for the Franchised Business to Franchisor and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone numbers or facsimile numbers associated with the Marks in any regular, classified or other telephone directory listing and shall authorize transfer of same to or at the direction of Franchisor; and

(h) comply with all other applicable provisions of this Agreement.

17.2 Post-Termination Covenant Not to Compete

17.2.1 Franchisee acknowledges that the restrictive covenants contained in this Section and in Section 17 are fair and reasonable and are justifiably required for purposes including, but not limited to, the following:

- (a) to protect the Trade Secrets and other Confidential Information of Franchisor;
- (b) to induce Franchisor to grant a Franchise to Franchisee; and
- (c) to protect Franchisor against its costs in training Franchisee and its officers, directors, executives, professional staff, and Owner Operators.

17.2.2 Except as otherwise approved in writing by Franchisor, neither Franchisee, nor any holder of a legal or beneficial interest in Franchisee, nor any officer, director, executive, manager or member of the professional staff of Franchisee, shall, for a period of two (2) years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly:

- (a) offer Competitive Business services located or operating (i) at or within a twenty-five (25) mile radius of the Franchised Business, or (ii) within a twenty-five (25) mile radius of any other Waikomo Shave Ice Business in existence at the time of termination or expiration;

(b) solicit or otherwise attempt to induce or influence any customer or other business associate of Franchisor to terminate or modify his, her or its business relationship with Franchisor or to compete against Franchisor; or

(c) In furtherance of this Section, Franchisor has the right to require certain individuals to execute standard form nondisclosure or non-competition agreements in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Schedule 2.

17.3 Unfair Competition

If Franchisee operates any other business, Franchisee shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake or deception, or that is likely to dilute Franchisor's rights in the Marks. Franchisee shall not utilize any designation of origin, description or representation that falsely suggests or represents an association or connection with Franchisor. This Section is not intended as an approval of Franchisee's right to operate other businesses and in no way is it intended to contradict Sections 17, 17.1 or 17.2. Franchisee shall make such modifications or alterations to the Franchised Business (including changing telephone and facsimile numbers) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business subsequently operated by Franchisee or others at the Franchised Business. Franchisee shall make such specific additional changes to the Franchised Business as Franchisor may reasonably request for that purpose including, without limitation, removal of all physical and structural features identifying or distinctive to the System. If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor has the right to enter upon the Franchised Business for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee shall pay upon demand.

17.4 Franchisor's Option to Purchase Certain Business Assets

Franchisor has the right (but not the obligation), for a period of thirty (30) days after termination or expiration of this Agreement, to purchase any or all assets of the Franchised Business including improvements, vehicles, service tools and equipment, supplies and other inventory or equipment. The purchase price shall be equal to the assets' fair market value, as determined by an independent appraiser. If Franchisor elects to exercise this option to purchase, it has the right to set off all amounts due from Franchisee under this Agreement, if any, against the purchase price.

17.5 Survival of Certain Provisions

All obligations of Franchisor and Franchisee, which expressly or by their nature survive the expiration or termination of this Agreement, shall continue in full force and effect subsequent to and notwithstanding their expiration or termination and until satisfied or by their nature expire.

18. TRANSFERABILITY OF INTEREST

18.1 Transfer by Franchisor

This Agreement and all rights and duties hereunder are fully transferable in whole or in part by Franchisor and such rights will inure to the benefit of any person or entity to whom transferred; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall assume the obligations of Franchisor hereunder and

Franchisor shall thereafter have no liability for the performance of any obligations contained in this Agreement.

18.2 Transfer by Franchisee to a Third Party

The rights and duties of Franchisee as set forth in this Agreement, and the Franchise herein granted, are personal to Franchisee (or its owners), and Franchisor has entered into this Agreement in reliance upon Franchisee's personal or collective skill and financial ability. Accordingly, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee may sell, assign, convey, give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, the Franchise granted hereby, the assets of the Franchised Business or any part or all of the ownership interest in Franchisee without the prior written approval of Franchisor. Any purported transfer without such approval shall be null and void and shall constitute a material breach of this Agreement. If Franchisee is in compliance with this Agreement, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

- (a) Franchisee has complied with the requirements set forth in Section 19;
- (b) all obligations owed to Franchisor, and all other outstanding obligations relating to the Franchised Business, are fully paid and satisfied;
- (c) Franchisee (and any transferring owners, if Franchisee is a business entity) has executed a general release, in a form the same as or similar to the General Release attached as Schedule 1, of any and all claims against Franchisor, including its officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), including, without limitation, claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the termination of this Agreement or to the transfer of Franchisee's interest herein or to the transfer of Franchisee's ownership of all or any part of the Franchise; provided, however, that if a general release is prohibited, Franchisee shall give the maximum release allowed by law;
- (d) the prospective transferee has satisfied Franchisor that it meets Franchisor's management, business and financial standards, and otherwise possesses the character and capabilities, including business reputation and credit rating, as Franchisor may require transferee to demonstrate ability to conduct the Franchised Business;
- (e) the transferee and, if Franchisor requires, all persons owning any interest in the transferee, have executed the then-current franchise agreement for new franchisees, which may be substantially different from this Agreement, including different Royalty Fee, Internet Advertising Program Fee and Marketing Fund Contribution rates and other material provisions, and the franchise agreement then executed shall be for the term specified in such agreement;
- (f) the transferee has executed a general release, in a form the same as or similar to the General Release attached as Schedule 1, of any and all claims against Franchisor and its officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), with respect to any representations regarding the Franchise or the business conducted pursuant thereto or any other matter that may have been made to the transferee by Franchisee;
- (g) Franchisee has provided Franchisor with a complete copy of all contracts and agreements and related documentation between Franchisee and the prospective transferee relating to the intended sale or transfer of the Franchise;

(h) Franchisee, or the transferee, has paid to Franchisor a transfer fee in the amount of the greater of \$4,000 or 10% of the sale price if the Franchise is being sold, transferred, or assigned to a third party;

(i) the transferee, or all holders of a legal or beneficial interest in the transferee, has agreed to be personally bound jointly and severally by all provisions of this Agreement for the remainder of its term by executing a personal guaranty in such form as prepared by Franchisor;

(j) Franchisee has agreed to be bound to the obligations of the new franchise agreement and to guarantee the full performance thereof by the transferee, if required by Franchisor;

(k) the transferee has obtained all necessary consents and approvals by third parties and all applicable federal, state and local laws, rules, ordinances and requirements applicable to the transfer have been complied with or satisfied;

(l) Franchisee has, and if Franchisee is an entity, all of the holders of a legal and beneficial interest in Franchisee have executed and delivered to Franchisor a nondisclosure and non-competition agreement in a form satisfactory to Franchisor and in substance the same as the nondisclosure and non-competition covenants contained in Sections 7 and 17; and

(m) the transferee agrees that its Owner Operator shall complete, to Franchisor's satisfaction, a training program in substance similar to the initial training described in Section 8.1 prior to assuming the management of the day-to-day operation of the Franchised Business.

18.3 Transfer to a Controlled Entity

18.3.1 If Franchisee wishes to transfer this Agreement or any interest herein to a corporation, limited liability company or other legal entity which shall be entirely owned by Franchisee ("Controlled Entity"), which Controlled Entity is being formed for the financial planning, tax or other convenience of Franchisee, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

(a) the Controlled Entity is newly organized and its charter or articles of formation provides that its activities are confined exclusively to the operation of the Franchised Business;

(b) Franchisee or all holders of a legal or beneficial interest in Franchisee own all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;

(c) all obligations of Franchisee to Franchisor or any Affiliate are fully paid and satisfied; provided, however, that neither Franchisee nor the Controlled Entity shall be required to pay a transfer fee as required pursuant to Section 18.2(h);

(d) the Controlled Entity has entered into a written agreement with Franchisor expressly assuming the obligations of this Agreement and all other agreements relating to the operation of the Franchised Business. If the consent of any other party to any such other agreement is required, Franchisee has obtained such written consent and provided the same to Franchisor prior to consent by Franchisor;

(e) all holders of a legal or beneficial interest in the Controlled Entity have entered into an agreement with Franchisor jointly and severally guaranteeing the full payment of the Controlled Entity's

obligations to Franchisor and the performance by the Controlled Entity of all the obligations of this Agreement;

(f) each stock certificate or other ownership interest certificate of the Controlled Entity has conspicuously endorsed upon the face thereof a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement; and

(g) copies of the Controlled Entity's articles of incorporation or organization, bylaws, operating agreement, federal tax identification number, and other governing regulations or documents, including resolutions of the board of directors authorizing entry into this Agreement, have been promptly furnished to Franchisor. Any amendment to any such documents shall also be furnished to Franchisor immediately upon adoption.

18.3.2 The term of the transferred franchise shall be the unexpired term of this Agreement, including all renewal rights, subject to any and all conditions applicable to such renewal rights.

18.3.3 Franchisor's consent to a transfer of any interest in this Agreement, or of any ownership interest in the Franchised Business, shall not constitute a waiver of any claims Franchisor may have against the transferor or the transferee, nor shall it be deemed a waiver of Franchisor's right to demand compliance with the terms of this Agreement.

18.4 Franchisor's Disclosure to Transferee

Franchisor has the right, without liability of any kind or nature whatsoever to Franchisee, to make available for inspection by any intended transferee of Franchisee all or any part of Franchisor's records relating to this Agreement, the Franchised Business or to the history of the relationship of the parties hereto. Franchisee hereby specifically consents to such disclosure by Franchisor and shall release and hold Franchisor harmless from and against any claim, loss or injury resulting from an inspection of Franchisor's records relating to the Franchised Business by an intended transferee identified by Franchisee.

18.5 For-Sale Advertising

Franchisee shall NOT, without prior written consent of Franchisor, place in, on or upon the area of the Franchised Business, or in any communication media, any form of advertising relating to the sale of the Franchised Business or the rights granted hereunder.

18.6 Transfer by Death or Incapacity

Upon the death or Incapacity of Franchisee (if Franchisee is an individual) or any holder of a legal or beneficial interest in Franchisee (if Franchisee is a business entity), the appropriate representative of such person (whether administrator, personal representative or trustee) shall, within a reasonable time not exceeding one hundred eighty (180) days following such event, transfer such individual's interest in the Franchised Business or in Franchisee to a third party approved by Franchisor. Such transfers, including transfers by will or inheritance, shall be subject to the conditions for assignments and transfers contained in this Agreement. During such one hundred eighty (180) day period, the Franchised Business must remain at all times under the primary management of an Owner Operator who otherwise meets Franchisor's management qualifications.

Following such a death or Incapacity of such person as described in this Section 18.6, if necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume operation of the Franchised Business until the deceased or incapacitated owner's interest is transferred to a third party approved by Franchisor. Franchisor shall be given access to the Franchised Business, even if located within Franchisee's or its Owner Operator's principal residence, and shall not be held liable for trespass or any related tort. Franchisor may charge a management fee as stated in the Operations Manual from time to time, currently equal to two hundred and fifty dollars (\$250.00) per day, and Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the Franchised Business.

19. RIGHT OF FIRST REFUSAL

19.1 Submission of Offer

If Franchisee, or any of its owners, proposes to sell or otherwise transfer (including a transfer by death or Incapacity pursuant to Section 18.6) the Franchised Business (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder, Franchisee shall obtain and deliver a bona fide, executed written offer or proposal to purchase, along with all pertinent documents including any contract or due diligence materials, to Franchisor, except with regards to a sale or transfer to a family member. The offer must apply only to an approved sale of the assets or interests listed above and may not include any other property or rights of Franchisee or any of its owners.

19.2 Franchisor's Right to Purchase

Franchisor shall, for thirty (30) days from the date of delivery of all such documents, have the right, exercisable by written notice to Franchisee, to purchase the offered assets or interest for the price and on the same terms and conditions contained in such offer communicated to Franchisee. Franchisor has the right to substitute cash for the fair market value of any form of payment proposed in such offer. Franchisor's credit shall be deemed at least equal to the credit of any proposed buyer. After providing notice to Franchisee of Franchisor's intent to exercise this right of first refusal, Franchisor shall have up to sixty (60) days to close the purchase. Franchisor shall be entitled to receive from Franchisee all customary representations and warranties given by Franchisee as the seller of the assets or such ownership interest or, at Franchisor's election, such representations and warranties contained in the proposal.

19.3 Non-Exercise of Right of First Refusal

If Franchisor does not exercise its right of first refusal within thirty (30) days from the date of delivery of all such documents, the offer or proposal may be accepted by Franchisee or any of its owners, subject to Franchisor's prior written approval as required by Section 18.2. Should the sale fail to close within one hundred twenty (120) days after the offer is delivered to Franchisor, Franchisor's right of first refusal shall renew and be implemented in accordance with this Section.

19.4 Sales or Transfers to Family Excepted

If Franchisee proposes to sell or otherwise transfer the Franchised Business (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder to a member of Franchisee's (or its owners') family, then the terms and conditions of this Section shall be inapplicable. Nothing in this Section 19.4 shall be construed to relieve Franchisee from full compliance with the terms and conditions of Section 18.2 prior to a sale or transfer to family pursuant to this Section.

20. BENEFICIAL OWNERS OF FRANCHISEE

Franchisee represents, and Franchisor enters into this Agreement in reliance upon such representation, that the individual(s) identified in Schedule 6 is/are the sole holder(s) of a legal or beneficial interest (in the stated percentages) of Franchisee.

21. RELATIONSHIP AND INDEMNIFICATION

21.1 Relationship

This Agreement is purely a contractual relationship between the parties and does not appoint or make Franchisee an agent, legal representative, joint-venturer, partner, employee, servant, or independent contractor of Franchisor for any purpose whatsoever. Franchisee may not represent or imply to third parties that Franchisee is an agent of Franchisor, and Franchisee is in no way authorized to make any contract, agreement, warranty, or representation on behalf of Franchisor, or to create any obligation, express or implied, on Franchisor's behalf. During the term of this Agreement, and any extension or renewal hereof, Franchisee shall hold itself out to the public only as a franchisee and an owner of the Franchised Business operating the Franchised Business pursuant to a franchise from Franchisor. Franchisee shall take such affirmative action as may be necessary to do so including, without limitation, exhibiting a notice of that fact in a conspicuous place on all forms, stationery or other written materials, the content of which Franchisor has the right to specify. Under no circumstances shall Franchisor be liable for any act, omission, contract, debt, nor any other obligation of Franchisee. Franchisor shall in no way be responsible for any injuries to persons or property resulting from the operation of the Franchised Business by Franchisee. Any third-party contractors and vendors retained by Franchisee to convert or construct the premises are independent contractors of Franchisee alone.

21.2 Standard of Care

This Agreement does not establish a fiduciary relationship between the parties. Unless otherwise specifically provided in this Agreement with respect to certain issues, whenever this Agreement requires Franchisee to obtain Franchisor's written consent or permits Franchisee to take any action or refrain from taking any action, Franchisor is free to act in its own self-interest without any obligation to act reasonably, to consider the impact on Franchisee or to act subject to any other standard of care limiting Franchisor's right, except as may be provided by statute or regulation.

21.3 Indemnification

Franchisee shall hold harmless and indemnify Franchisor, any Affiliate, all holders of a legal or beneficial interest in Franchisor and all officers, directors, executives, managers, members, partners, owners, employees, agents, successors and assigns (collectively "Franchisor Indemnities") from and against all losses, damages, fines, costs, expenses or liability (including reasonable attorneys' fees and all other costs of litigation) incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, which arises from or is based upon Franchisee's (a) ownership or operation of the Franchised Business; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee and Franchisor (or an Affiliate); (d) defamation of Franchisor or the System; (e) acts, errors or omissions committed or incurred in connection with the Franchised Business; or (f) infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Trade Secrets or other Confidential Information. The obligations of this Section 21.3 shall expressly survive the termination of this Agreement.

21.4 Right to Retain Counsel

Franchisee shall give Franchisor immediate notice of any such action, suit, demand, claim, investigation, or proceeding that may give rise to a claim for indemnification by a Franchisor Indemnity. Franchisor has the right to retain counsel of its own choosing in connection with any such action, suit, demand, claim, investigation or proceeding. In order to protect persons, property, Franchisor's reputation or the goodwill of others, Franchisor has the right to, at any time without notice, take such remedial or corrective actions as it deems expedient with respect to any action, suit, demand, claim, investigation or proceeding if, in Franchisor's sole judgment, there are grounds to believe any of the acts or circumstances listed above have occurred. If Franchisor's exercise of its rights under this Section causes any of Franchisee's insurers to refuse to pay a third-party claim, all cause of action and legal remedies Franchisee might have against such insurer shall automatically be assigned to Franchisor without the need for any further action on either party's part. Under no circumstances shall Franchisor be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Franchisee.

22. GENERAL CONDITIONS AND PROVISIONS

22.1 No Waiver

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom nor practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by Franchisor and shall not affect nor impair Franchisor's right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

22.2 Injunctive Relief

As any breach by Franchisee of any of the restrictions contained in Sections 6, 7, and 17 would result in irreparable injury to Franchisor, and as the damages arising out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, Franchisor shall be entitled to seek injunctive relief (whether a restraining order, a preliminary injunction or a permanent injunction) against any such breach, whether actual or contemplated, without the necessity of posting security or bond and Franchisee shall be responsible for Franchisor's reasonable attorneys' fees incurred in pursuing the same. Franchisor's right to seek injunctive relief will not affect the parties' waiver of jury trial and covenant to arbitrate all disputes in accordance with Section 23.7. Franchisor's rights herein shall include pursuing injunctive relief through arbitration or in a state or federal court.

22.3 Notices

All notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission by facsimile or other reasonably reliable electronic communication system; (c) two (2) business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five (5) business days after being sent by Registered Mail, return receipt requested. Either party may change its address by a written notice sent in accordance with

this Section 22.3. All notices, payments and reports required by this Agreement shall be sent to Franchisor at the following address, or at such other address as Franchisor may provide:

Locococo Hawaii Franchise, LLC
Attn.: Thomas Oliver
5174 Hoona Road
Koloa, Hawaii 96756

Notices to Franchisees shall be sent to:

22.4 Cost of Enforcement or Defense

If Franchisor is required to enforce this Agreement in a judicial or arbitration proceeding, if it is the prevailing party, it shall be entitled to reimbursement of its costs, and reasonable accounting and attorneys' fees, in connection with such proceeding.

22.5 Unlimited Guaranty and Assumption of Obligations

All holders of a legal or beneficial interest in Franchisee of five percent (5%) or greater shall be required to execute, as of the date of this Agreement, the Unlimited Guaranty and Assumption of Obligations attached as Schedule 3, through which such holders agree to assume and discharge all of Franchisee's obligations under this Agreement and to be personally liable hereunder for all of the same.

22.6 Approvals

Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor for such approval and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. Franchisor makes no warranties or guarantees upon which Franchisee may rely and assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request for approval.

22.7 Entire Agreement

This Agreement, its schedules and the documents referred to herein shall be construed together and constitute the entire, full and complete agreement between Franchisor and Franchisee concerning the subject matter hereof and shall supersede all prior agreements. No other representation, oral or otherwise, has induced Franchisee to execute this Agreement, and there are no representations (other than those within Franchisor's Disclosure Document), inducements, promises or agreements, oral or otherwise, between the parties not embodied herein, which are of any force or effect with respect to the matters set forth in or contemplated by this Agreement or otherwise. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing by both parties.

22.8 Severability and Modification

Except as noted below, each paragraph, part, term and provision of this Agreement shall be considered severable. If any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions,

paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement. If Franchisor determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Franchisor has the right to, at its option, terminate this Agreement.

Notwithstanding the above, each of the covenants contained in Sections 7 and 17 shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of any such covenant is held to be unenforceable, unreasonable or invalid, then it shall be amended to provide for limitations on disclosure of Trade Secrets or other Confidential Information or on competition to the maximum extent provided or permitted by law.

22.9 Construction

All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

22.10 Force Majeure

Whenever a period of time is provided in this Agreement for either party to perform any act, except pay monies, neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God, war, terrorism, governmental regulation or control or other causes beyond the reasonable control of the parties, and the time period for the performance of such act shall be extended for the amount of time of the delay. This clause shall not result in an extension of the term of this Agreement.

22.11 Timing

Time is of the essence. Except as set forth in Section 22.10, failure to perform any act within the time required or permitted by this Agreement shall be a material breach.

22.12 Withholding Payments

Franchisee shall not, for any reason, withhold payment of any Royalty Fees or other amounts due to Franchisor or to an Affiliate. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor. No endorsement or statement on any payment for less than the full amount due to Franchisor will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor has the right to accept and cash any such payment without prejudice to Franchisor's right to recover the full amount due, or pursue any other remedy provided in this Agreement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor deems appropriate. Franchisor shall set off sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor.

22.13 Further Assurances

Each party to this Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

22.14 Third Party Beneficiaries

Except as provided in Section 23.12, anything to the contrary notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee, and their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under this Agreement.

22.15 Multiple Originals

Both parties will execute multiple copies of this Agreement, and each executed copy will be deemed an original.

23. DISPUTE RESOLUTION

23.1 Choice of Law

This Agreement is effective upon its acceptance in Hawaii by our authorized officer. Except as to claims governed by federal law, Hawaii law governs all claims that in any way relate to or arise out of this Agreement or any of the dealings of the parties (“Claims”). However, no laws regulating the sale of franchises or governing the relationship between franchisor and franchisee shall apply unless the jurisdictional requirements of such laws are met independently of this paragraph.

23.2 Jurisdiction and Venue

You and we agree that venue and jurisdiction for any Claims, except those required to be submitted to arbitration, shall be proper solely in the state and federal court nearest to our corporate headquarters, presently located in Kauai County, Hawaii.

23.3 Jury Waiver

In any trial between any of the parties as to any Claims, you and we agree to waive our rights to a jury trial and instead have such action tried by a judge.

23.4 Class Action Waiver

You agree to bring any Claims, if at all, individually and you shall not join such claim with claims of any other person or entity or bring, join or participate in a class action against us.

23.5 Limitation of Damages

Franchisee and Franchisor each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable accounting and legal fees as provided in Section 22.4. Franchisee waives and disclaims any right to consequential damages in any action or claim against Franchisor concerning this Agreement or any related agreement. In any claim or action brought by Franchisee against Franchisor concerning this Agreement, Franchisee’s contract damages shall not exceed and shall be limited to refund of Franchisee’s Franchise Fee and Royalty Fees.

23.6 Limitation of Actions

You agree to bring any Claims against us, if at all, within one (1) year of the occurrence of the facts giving rise to such Claims, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off.

23.7 Prior Notice of Claims

As a condition precedent to commencing an action for a Claim, you must notify us within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

23.8 Internal Dispute Resolution

You must first bring any Claim to our CEO after providing notice as set forth in Section 23.7 above. You must exhaust this internal dispute resolution procedure before you may bring your Claim before a third party.

23.9 Mediation and Arbitration

Before you may bring any Claim against us, you agree to try for a period of 60 days to mediate such claim before a mutually agreed to mediator in the city or county where our headquarters are located. If we cannot mutually agree on a mediator, you and we agree to use the mediation services of the American Arbitration Association (“AAA”), and split any AAA and mediator fees equally.

If mediation is unsuccessful and you decide to pursue a legal claim against us, you agree to bring such claim solely in binding arbitration conducted in the city or county where our headquarters is located, in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. The proceedings will be held by a single arbitrator. The decision of the arbitrator will be final and binding upon the parties. Judgment upon the award rendered by the arbitrator may be entered in any court having personal and subject matter jurisdiction.

23.10 Waiver of Bond

You agree that if we are forced to bring suit to enforce any provision of this Agreement, you agree to waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

23.11 Attorney Fees

If we are the substantially prevailing party as to any Claims, you agree to reimburse our costs and attorney fees incurred in pursuing or defending the Claims.

23.12 Third Party Beneficiaries

Our officers, directors, members, shareholders, agents, and employees are express third party beneficiaries of the terms of the Dispute Resolution provisions contained herein.

24. ACKNOWLEDGMENTS

24.1 True and Accurate Information

Franchisee represents that all information set forth in any and all applications, financial statements, and submissions to Franchisor is true, complete, and accurate in all respects, and Franchisee acknowledges that Franchisor is relying upon the truthfulness, completeness, and accuracy of such information.

24.2 No Violation of Other Agreements

Franchisee represents that its execution of this Agreement will not violate any other agreement or commitment to which Franchisee or any holder of a legal or beneficial interest in Franchisee is a party.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF the parties hereto, intending to be legally bound hereby have duly executed this Agreement.

LOCOCOCO HAWAII FRANCHISE, LLC

[FRANCHISEE]

Signature: _____

Signature: _____

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

**SCHEDULE 1 TO THE FRANCHISE AGREEMENT
GENERAL RELEASE**

THIS GENERAL RELEASE is made and given on this ____ day of _____, 20____
by _____, (“RELEASOR”) an
individual/corporation/trust/limited liability company/partnership with a principal address of, in
consideration of:

_____ the execution by Locococo Hawaii Franchise, LLC, a Hawaii limited liability company
 (“RELEASEE”), of a successor Franchise Agreement or other renewal documents renewing the franchise
 (the “Franchise”) granted to RELEASOR by RELEASEE pursuant to that certain Franchise Agreement
 (the “Franchise Agreement”) between RELEASOR and RELEASEE; or

_____ RELEASEE’S consent to RELEASOR’S assignment of its rights and duties under the
 Franchise Agreement; or

_____ RELEASEE’S consent to RELEASOR’S assumption of rights and duties under the
 Franchise Agreement;

and other good and valuable consideration, the adequacy of which is hereby acknowledged, and accordingly
 RELEASOR hereby releases and discharges RELEASEE, RELEASEE’s officers, directors, shareholders,
 managers, members, partners, owners, employees and agents (in their corporate and individual capacities),
 and RELEASEE’s successors and assigns, from any and all causes of action, suits, debts, damages,
 judgments, executions, claims and demands whatsoever, in law or in equity, that RELEASOR and
 RELEASOR’s heirs, executors, administrators, successors and assigns had, now have or may have, upon
 or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this
 RELEASE arising out of or related to the Franchise or the Franchise Agreement, including, without
 limitation, claims arising under federal, state and local laws, rules and ordinances.

This General Release shall not be amended or modified unless such amendment or modification
 is in writing and is signed by RELEASOR and RELEASEE.

Maryland Residents: This Release shall not apply to any liability under the Maryland Franchise
 Registration and Disclosure Law.

Washington Residents: A release or waiver of rights executed by a franchisee shall 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.

[Signature on following page]

IN WITNESS WHEREOF, RELEASOR has executed this General Release as of the date first above written.

RELEASOR: _____
(type/print name)

By: _____

Name: _____

Title: _____
(or, if an individual)

Signed: _____

Name printed: _____

**SCHEDULE 2 TO THE FRANCHISE AGREEMENT
NONDISCLOSURE AND NON-COMPETITION AGREEMENT**

This "Agreement" made as of the ____ day of _____, 20____, is by and between _____
_____, ("Franchisee") and
_____, ("Individual").

W I T N E S S E T H:

WHEREAS, Franchisee is a party to that certain Franchise Agreement dated _____, 20__ ("Franchise Agreement") by and between Franchisee and the Franchisor, Locococo Hawaii Franchise, LLC ("Company"); and

WHEREAS, Franchisee desires Individual to have access to and review certain Trade Secrets and other Confidential Information, which are more particularly described below; and

WHEREAS, Franchisee is required by the Franchise Agreement to have Individual execute this Agreement prior to providing Individual access to said Trade Secrets and other Confidential Information; and

WHEREAS, Individual understands the necessity of not disclosing any such information to any other party or using such information to compete against Company, Franchisee or any other franchisee of Company in any business (i) that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides shaved ice and similar products and services the same as or similar to those provided by Franchisee or (ii) in which Trade Secrets and other Confidential Information (as defined below) could be used to the disadvantage of Franchisee, or Company, any affiliate of Company or Company's other franchisees (hereinafter, "Competitive Business"); provided, however, that the term "Competitive Business" shall not apply to any business operated by Franchisee under a Franchise Agreement with Company.

NOW, THEREFORE, in consideration of the mutual promises and undertakings set forth herein, and intending to be legally bound hereby, the parties hereby mutually agree as follows:

1. Trade Secrets and Confidential Information

Individual understands Franchisee possesses and will possess Trade Secrets and other Confidential Information that are important to its business.

a) For the purposes of this Agreement, a "Trade Secret" is information in any form (including, but not limited to, materials and techniques, technical or non-technical data, formulas, patterns, recipes, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in the Waikomo Shave Ice Business that is not commonly known by or available to the public and that information: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

b) For the purposes of this Agreement "Confidential Information" means technical and non-technical information used in or related to Waikomo Shave Ice that is not commonly known by or available to the public, including, without limitation, Trade Secrets and information contained in the Operations Manual and training guides and materials. In addition, any other information identified as

confidential when delivered by Franchisee shall be deemed Confidential Information. Confidential Information shall not include, however, any information that: (i) is now or subsequently becomes generally available to the public through no fault of Individual; (ii) Individual can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (iii) is independently developed without the use of any Confidential Information; or (iv) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information.

c) Any information expressly designated by Company or Franchisee as “Trade Secrets” or “Confidential Information” shall be deemed such for all purposes of this Agreement, but the absence of designation shall not relieve Individual of his or her obligations hereunder in respect of information otherwise constituting Trade Secrets or Confidential Information. Individual understands Franchisee’s providing of access to the Trade Secrets and other Confidential Information creates a relationship of confidence and trust between Individual and Franchisee with respect to the Trade Secrets and other Confidential Information.

2. Confidentiality/Non-Disclosure

a) Individual shall not communicate or divulge to (or use for the benefit of) any other person, firm, association, or corporation, with the sole exception of Franchisee, now or at any time in the future, any Trade Secrets or other Confidential Information. At all times from the date of this Agreement, Individual must take all steps reasonably necessary and/or requested by Franchisee to ensure that the Confidential Information and Trade Secrets are kept confidential pursuant to the terms of this Agreement. Individual must comply with all applicable policies, procedures and practices that Franchisee has established and may establish from time to time with regard to the Confidential Information and Trade Secrets.

b) Individual’s obligations under paragraph 2(a) of this Agreement shall continue in effect after termination of Individual’s relationship with Franchisee, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary, and Franchisee is entitled to communicate Individual’s obligations under this Agreement to any future customer or employer to the extent deemed necessary by Franchisee for protection of its rights hereunder and regardless of whether Individual or any of its affiliates or assigns becomes an investor, partner, joint venturer, broker, distributor or the like in an Waikomo Shave Ice Business.

3. Non-Competition

a) During the term of Individual’s relationship with Franchisee and for a period of two (2) years after the expiration or termination of Individual’s relationship with Franchisee, regardless of the cause of expiration or termination, Individual shall not, directly or indirectly, divert or attempt to divert any business or customer of Franchisee or the Company to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Company’s service mark “Waikomo Shave Ice” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as the Company designates to be used in connection with Waikomo Shave Ice or the Company’s uniform standards, methods, procedures and specifications for the establishment and operation of an Waikomo Shave Ice business.

b) During the term of Individual's relationship with Franchisee and for a period of two (2) years thereafter, regardless of the cause of termination, Individual shall not, directly or indirectly, solicit or otherwise attempt to induce or influence any business associate of Franchisee, Company or any other Waikomo Shave Ice Business to compete against, or terminate or modify his, her or its business relationship with, Franchisee, Company or any other Waikomo Shave Ice Business.

4. Reasonableness of Restrictions

Individual acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisee, Company, and Company's Trade Secrets and other Confidential Information, the Company's business system, network of franchises and trade and service marks, and Individual waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Individual shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. It is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought.

5. Relief for Breaches of Confidentiality, Non-Solicitation, and Non-Competition

Individual further acknowledges that an actual or threatened violation of the covenants contained in this Agreement will cause Franchisee and Company immediate and irreparable harm, damage and injury that cannot be fully compensated for by an award of damages or other remedies at law. Accordingly, Franchisee and/or Company shall be entitled, as a matter of right, to an injunction from any court of competent jurisdiction restraining any further violation by Individual of this Agreement without any requirement to show any actual damage or to post any bond or other security. Such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisee and Company may have at law or in equity.

6. Dispute Resolution

a) **Choice of Law.** Except as to claims governed by federal law, Hawaii law governs all claims that in any way relate to or arise out of this Agreement or any of the dealings of the parties ("Claims"). However, no laws regulating the sale of franchises or governing the relationship between franchisor and franchisee shall apply unless the jurisdictional requirements of such laws are met independently of this paragraph.

b) **Jurisdiction and Venue.** You and we agree that venue and jurisdiction for any Claims, except those required to be submitted to arbitration, shall be proper solely in the state and federal court nearest to our corporate headquarters.

c) **Jury Waiver.** In any trial between any of the parties as to any Claims, you and we agree to waive our rights to a jury trial and instead have such action tried by a judge.

d) **Class Action Waiver.** You agree to bring any Claims, if at all, individually and you shall not join such claim with claims of any other person or entity or bring, join or participate in a class action against us.

e) **Punitive Damages Waiver.** As to any Claims, you and we agree to waive our rights, if any, to seek or recover punitive damages.

f) **Limitation of Actions.** You agree to bring any Claims against us, if at all, within one (1) year of the occurrence of the facts giving rise to such Claims, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off.

g) **Prior Notice of Claims.** As a condition precedent to commencing an action for a Claim, you must notify us within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

h) **Internal Dispute Resolution.** You must first bring any Claim to our CEO, after providing notice as set forth in Section 6(g) above. You must exhaust this internal dispute resolution procedure before you may bring your Claim before a third party.

i) **Mediation and Arbitration.** Before you may bring any Claim against us court, you agree to try for a period of 60 days to mediate such claim before a mutually agreed to mediator in the city or county where our headquarters are located. If we cannot mutually agree on a mediator, you and we agree to use the mediation services of the American Arbitration Association (“AAA”) and split any AAA and mediator fees equally.

If mediation is unsuccessful and you decide to pursue a legal claim against us, you agree to bring such claim solely in binding arbitration conducted in the city or county of our headquarters in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. The proceedings will be held by a single arbitrator. The decision of the arbitrator will be final and binding upon the parties. Judgment upon the award rendered by the arbitrator may be entered in any court having personal and subject matter jurisdiction.

j) **Waiver of Bond.** You agree that if we are forced to bring suit to enforce any provision of this Agreement, you agree to waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

k) **Attorney Fees.** If we are the substantially prevailing party as to any Claims, you agree to reimburse our costs and attorney fees incurred in pursuing or defending the Claims.

7. Miscellaneous

a) This Agreement constitutes the entire Agreement between the parties with respect to the subject matter hereof. This Agreement supersedes any prior agreements, negotiations and discussions between Individual and Franchisee. This Agreement cannot be altered or amended except by an agreement in writing signed by the duly authorized representatives of the parties.

b) This Agreement shall be effective as of the date this Agreement is executed and shall be binding upon the successors and assigns of Individual and shall inure to the benefit of Franchisee, its subsidiaries, successors and assigns. Company is an intended third-party beneficiary of this Agreement with the independent right to enforce the confidentiality and non-competition provisions contained herein.

c) The failure of either party to insist upon performance in any one (1) or more instances upon performance of any terms and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of either party with respect thereto shall continue in full force and effect.

d) In the event that any part of this Agreement shall be held to be unenforceable or invalid, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.

e) This Agreement may be modified or amended only by a written instrument duly executed by Individual, Franchisee and Company.

f) The existence of any claim or cause of action Individual might have against Franchisee or Company will not constitute a defense to the enforcement by Franchisee or Company of this Agreement.

INDIVIDUAL CERTIFIES THAT HE OR SHE HAS READ THIS AGREEMENT CAREFULLY AND UNDERSTANDS AND ACCEPTS THE OBLIGATIONS THAT IT IMPOSES WITHOUT RESERVATION. NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO SUCH PERSON TO INDUCE THE SIGNING OF THIS AGREEMENT.

THE PARTIES ACKNOWLEDGE THAT THE COMPANY IS A THIRD-PARTY BENEFICIARY TO THIS AGREEMENT AND THAT THE COMPANY SHALL BE ENTITLED TO ENFORCE THIS AGREEMENT WITHOUT THE COOPERATION OF THE FRANCHISEE. INDIVIDUAL AND FRANCHISEE AGREE THAT THIS AGREEMENT CANNOT BE MODIFIED OR AMENDED WITHOUT THE WRITTEN CONSENT OF THE COMPANY.

IN WITNESS WHEREOF, Franchisee has hereunto caused this Agreement to be executed by its duly authorized officer, and Individual has executed this Agreement, all being done in duplicate originals with one (1) original being delivered to each party as of the day and year first above written.

WITNESS:

FRANCHISEE:

By: _____

Its: _____

INDIVIDUAL:

Signature: _____

Name Printed: _____

**SCHEDULE 3 TO THE FRANCHISE AGREEMENT
UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS**

THIS UNLIMITED GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this day of _____, 20____, by _____.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement dated _____ herewith ("Agreement") by Locococo Hawaii Franchise, LLC ("Franchisor"), each of the undersigned hereby personally and unconditionally guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that _____ ("Franchisee") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement. Each of the undersigned shall be personally bound by, and personally liable for, Franchisee's breach of any provision in the Agreement, including those relating to monetary obligations and obligations to take or refrain from taking specific actions or engaging in specific activities, such as those contemplated by Sections 6, 7, and 17 of the Agreement. Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; (d) any right it may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (e) any and all other notices and legal or equitable defenses to which it may be entitled.

Each of the undersigned consents and agrees that: (a) its direct and immediate liability under this Guaranty shall be joint and several; (b) it shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (c) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person or entity; and (d) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement.

This Guaranty represents the entire agreement and understanding of these parties concerning the subject matter hereof, and supersedes all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.

Successors and Assigns; Death of Guarantor. This Guaranty shall be binding upon Guarantor and his or her heirs, executors, administrators, successors and assigns and shall inure to the benefit of Franchisor and its successors, endorseees, transferees and assigns. Without limiting any other provision hereof, Guarantor expressly agrees that Guarantor's death shall not serve as a revocation of or otherwise affect the guaranty made hereunder and that Guarantor's estate and heirs shall continue to be liable hereunder with respect to any Guaranteed Obligations created or arising after Guarantor's death.

The validity, interpretation and enforcement of this Guaranty and any dispute arising out of the relationship between Guarantor and Franchisor, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of Hawaii (without giving effect to principles of conflicts of law).

Dispute Resolution. You agree to be bound by the Dispute Resolution provisions found in Section 23 of any Franchise Agreement between the parties as if set forth here and as being equally applicable to this Guaranty and the dealings of the parties hereunder.

IN WITNESS WHEREOF, this Guaranty has been entered into the day and year first before written.

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

HOME ADDRESS

TELEPHONE NO.: _____

PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____ %

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

HOME ADDRESS

TELEPHONE NO.: _____

PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____ %

PERSONAL GUARANTOR

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

HOME ADDRESS

TELEPHONE NO.: _____

PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____ %

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

HOME ADDRESS

TELEPHONE NO.: _____

PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____ %

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

HOME ADDRESS

TELEPHONE NO.: _____

PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____ %

Personally and Individually (Printed Name)

Personally and Individually (Signature)

HOME ADDRESS

TELEPHONE NO.: _____

PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____ %

SCHEDULE 4
COLLATERAL ASSIGNMENT OF LEASE
LEASE ADDENDUM

Option to Assume Lease _____

1. If _____ (“Tenant”) defaults under the Lease dated _____, (“Lease”) by and between _____ (“Landlord”) and Tenant for the premises located at _____ (the “Premises”), or if Locococo Hawaii Franchise, LLC (“Franchisor”) terminates the Tenant’s franchise agreement covering the Premises, Landlord and Tenant acknowledge and agree that Franchisor will have the option to assume the Lease pursuant to Paragraph 3 below.
2. Landlord agrees to give Franchisor written notice specifying all default(s) of Tenant under the Lease. Franchisor agrees to give written notice to Landlord if Franchisor terminates Tenant’s franchise agreement and, in such notice, will request that Landlord provide Franchisor with a copy of the Lease and specify any of the Tenant’s defaults thereunder. All notices will be by nationally recognized overnight courier (with tracking capability).
3. Franchisor (or one of its real estate affiliates) may, within 30 days from (i) receipt of notice from Landlord that Tenant has defaulted under the Lease and failed to cure such default(s) as required or permitted by the terms of the Lease, or (ii) sending of notice to Landlord that has terminated Tenant’s franchise agreement covering the Premises, notify Landlord of Franchisor’s decision to assume the Lease. If Franchisor exercises its right to assume the Lease by sending Landlord the required notice as provided in the prior sentence, (i) Landlord will deliver possession of the Premises to Franchisor; and (ii) Franchisor will, immediately upon such delivery, cure all of Tenant’s monetary defaults under the Lease and execute an agreement pursuant to which Franchisor agrees to assume all of Tenant’s rights and obligations under the Lease, subject to the next paragraph.
4. If Franchisor exercises its right to assume the Lease pursuant to Paragraph 3 above, Landlord agrees that Franchisor (i) may, without Landlord’s consent, sublet the Premises to or assign the Lease to, an approved franchisee of Franchisor, provided in either instance that Franchisor remains liable for the payment of rent and the performance of Tenant’s duties under the Lease, (ii) may assign, without recourse, its rights under the Lease upon receiving Landlord’s prior written consent, such consent not to be unreasonably withheld, conditioned or delayed, and subject to the terms of the Lease, (iii) will not be bound by the terms of any amendment to the Lease executed by Tenant without obtaining Franchisor’s prior written approval, (iv) will not be subject to any provision of the Lease that requires Tenant to continuously operate a business in the Premises during any period that the Premises is closed for remodeling or while Franchisor is seeking to obtain and train a new franchisee, provided however, that such period of closure will not exceed 60 days in each instance; and (v) may, if it subleases the Premises to a franchisee as provided above, retain all rent or other consideration payable under such sublease.
5. If Franchisor exercises its right to assume the Lease pursuant to Paragraph 3 above, within 10 days after written demand, Tenant agrees to assign all of its right, title and interest in the Lease to Franchisor and, if Tenant does not do so, Tenant appoints Franchisor as its agent to execute

all documents that may be necessary for Franchisor to take assignment of the Lease. Notwithstanding anything to the contrary contained herein Tenant shall remain liable to Landlord for all of its obligations under the Lease and to Franchisor for all amounts that Franchisor pays to Landlord to cure Tenant's defaults under the Lease, including interest, reasonable collection costs and de-identification costs (the parties acknowledging that Franchisor may enter the Premises without being guilty of trespass or tort to de-identify the Premises). Franchisor may assign this Option and its rights hereunder to any affiliate, subsidiary, parent, successor or assign of Franchisor provided the conditions herein as to assignment are met. The assignee must be an approved licensed franchisee of Franchisor. This Option may be signed in any number of counterparts by facsimile or otherwise, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. A facsimile signature may be used for any purpose in lieu of an original signature.

LANDLORD:

TENANT:

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

FRANCHISOR:

By: _____

Name: _____

Title: _____

Date: _____

**SCHEDULE 5 TO THE FRANCHISE AGREEMENT
ACH PAYMENT AGREEMENT**

ACCOUNT NAME: _____

CUSTOMER NUMBER: _____

FRANCHISE NAME: _____

AUTHORIZATION AGREEMENT FOR ACH Payments

(I/we) do hereby authorize Locococo Hawaii Franchise, LLC, hereinafter named the “Franchisor”, to initiate (debit or credit) entries to (my/our) (Checking Account / Savings Account) as indicated and named below as the depository financial institution, hereafter named FINANCIAL INSTITUTION pursuant to the terms of the Franchise Agreement by and between us and the Franchisor.

(I/we) acknowledge that the origination of ACH transactions to my (my/our) account must comply with the provisions of U.S. law. Furthermore, if any such debit(s) should be returned NSF, (I/we) authorize the Franchisor to collect such debit(s) by electronic debit and subsequently collect a returned debit NSF fee of \$75.00 per item by electronic debit from my account identified below. In the event all funds and interests are not received by Franchisor within 15 days from presentment and intended withdrawal from our account by Franchisor, then we will be deemed in default of the Franchise Agreement. We further agree to pay all reasonable costs of collection including but not limited to reasonable attorney’s fees and court costs incurred by Franchisor. I am a duly authorized check signer on the financial institution account identified below and authorize all of the above as evidenced by my signature below.

CHECK (ACH) INFORMATION ROUTING NUMBER: _____

ACCOUNT NUMBER: _____

DEPOSITORY NAME: _____

BRANCH: _____

CITY: _____ STATE: _____ ZIP: _____

COMPANY NAME: _____

FIRST NAME/LAST NAME: _____

BILLING ADDRESS: _____

CITY _____ STATE _____ ZIP _____

PHONE NUMBER: _____

CUSTOMER NUMBER: _____

SIGNATURE ON FILE: _____

PHONE OR EMAIL APPROVAL AUTHORIZATION NUMBER:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

**SCHEDULE 6 TO THE FRANCHISE AGREEMENT
HOLDERS OF LEGAL OR BENEFICIAL INTEREST
IN FRANCHISEE; OFFICERS; DIRECTORS**

Holders of Legal or Beneficial Interest:

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Officers and Directors:

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

Name: _____
Position/Title: _____
Home Address: _____

Telephone No.: _____
E-mail address: _____
Percentage of ownership: _____%

**SCHEDULE 7 TO THE FRANCHISE AGREEMENT
STATE ADDENDA TO THE FRANCHISE AGREEMENT**

**CALIFORNIA ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

Section 16.2 is deleted and in its place is substituted the following:

16.2.1 Termination by Us Without Right to Cure. We may terminate this Agreement without notice and the opportunity to cure for any of the following reasons:

(a) The franchisee or the business to which the franchise relates has been judicially determined to be insolvent, all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or the franchisee admits his or her inability to pay his or her debts as they come due;

(b) The franchisee abandons the franchise by failing to operate the business for five consecutive days during which the franchisee is required to operate the business under the terms of the franchise, or any shorter period after which it is not unreasonable under the facts and circumstances for the franchisor to conclude that the franchisee does not intend to continue to operate the franchise, unless such failure to operate is due to fire, flood, earthquake, or other similar causes beyond the franchisee's control;

(c) The franchisor and franchisee agree in writing to terminate the franchise;

(d) The franchisee makes any material misrepresentations relating to the acquisition of the franchise business or the franchisee engages in conduct which reflects materially and unfavorably upon the operation and reputation of the franchise business or system;

(e) The franchisee fails, for a period of 10 days after notification of noncompliance, to comply with any federal, state, or local law or regulation, including, but not limited to, all health, safety, building, and labor laws or regulations applicable to the operation of the franchise;

(f) The franchisee, after curing any failure in accordance with Section 16.2.2 engages in the same noncompliance whether or not such noncompliance is corrected after notice;

(g) The franchisee breaches the franchise agreement three or more times in a 12-month period, whether or not corrected after notice;

(h) The franchised business or business premises of the franchise are seized, taken over, or foreclosed by a government official in the exercise of his or her duties, or seized, taken over, or foreclosed by a creditor, lienholder, or lessor, provided that a final judgment against the franchisee remains unsatisfied for 30 days (unless a supersedeas or other appeal bond has been filed); or a levy of execution has been made upon the license granted by the franchise agreement or upon any property used in the franchised business, and it is not discharged within five days of such levy;

(i) The franchisee is convicted of a felony or any other criminal misconduct which is relevant to the operation of the franchise;

(j) The franchisee fails to pay any franchise fees or other amounts due to the franchisor or its affiliate within five days after receiving written notice that such fees are overdue; or

(k) The franchisor makes a reasonable determination that continued operation of the franchise by the franchisee will result in an imminent danger to public health or safety.

16.2.2 Termination by Us with Opportunity to Cure. We may terminate this Agreement, after sending you notice and a 60-day opportunity to cure, for any other breach of this Agreement.

FRANCHISEE:

LOCOCOCO HAWAII FRANCHISE, LLC

By:_____

By:_____

Date:_____

Date:_____

**ILLINOIS ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. Illinois law governs the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Franchisee rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

FRANCHISEE:

LOCOCOCO HAWAII FRANCHISE, LLC

By:_____

By:_____

Date:_____

Date:_____

**MARYLAND ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
2. A general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
3. This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.
4. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

FRANCHISEE:

LOCOCOCO HAWAII FRANCHISE, LLC

By:_____

By:_____

Date:_____

Date:_____

**MINNESOTA ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

- Minn. Stat. § 80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14 Subds. 3, 4, and 5 which require (except in certain specified cases), that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

Also, a court will determine if a bond is required.

Any Limitations of Claims section must comply with Minnesota Statutes, § 80C.17, Subd. 5.

FRANCHISEE:

LOCOCOCO HAWAII FRANCHISE, LLC

By:_____

By:_____

Date:_____

Date:_____

**NORTH DAKOTA ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. You are not required to sign a general release upon renewal of the franchise agreement.
2. The franchise agreement is amended to also provide as follows:

“Covenants not to compete are generally considered unenforceable in the State of North Dakota.”

3. The provisions concerning choice of law, jurisdiction and venue, jury waiver, and waiver of punitive damages are hereby deleted.
4. North Dakota law governs any cause of action arising out of the franchise agreement.
5. Any requirement in the Franchise Agreement that requires you to pay all costs and expenses incurred by us in enforcing the agreement is void. Instead, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

FRANCHISEE:

LOCOCOCO HAWAII FRANCHISE, LLC

By:_____

By:_____

Date:_____

Date:_____

**RHODE ISLAND ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. If the franchise agreement contains any provisions that conflict with the Rhode Island Franchise Investment Act, the provisions of this Addendum shall prevail to the extent of such conflict.

2. Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside of Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

3. Any provision in the franchise agreement requiring the application of the laws of a state other than Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

4. The Rhode Island Franchise Investment Act stipulates that you cannot release or waive any rights granted under this Act. Any provision of this franchise agreement, which constitutes a waiver of rights granted under the Act, is superseded.

FRANCHISEE:

LOCOCOCO HAWAII FRANCHISE, LLC

By:_____

By:_____

Date:_____

Date:_____

**SOUTH DAKOTA ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. The Franchise Agreement is clarified to also indicate that 50% of the initial franchise fee and 50% of royalties are deemed paid for the use of our Marks and 50% are deemed paid for our training, support, and franchise system.

FRANCHISEE:

LOCOCOCO HAWAII FRANCHISE, LLC

By:_____

By:_____

Date:_____

Date:_____

**WASHINGTON ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

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 rights of your franchise. There may also be court decisions that 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 shall 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 shall prevail.

A release or waiver of rights signed by the franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those that 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.

The undersigned does hereby acknowledge receipt of this addendum.

FRANCHISEE:

LOCOCOCO HAWAII FRANCHISE, LLC

By:_____

By:_____

Date:_____

Date:_____

**WISCONSIN ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. If the Franchise Agreement contains any provision that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.
2. The Franchise Agreement is amended to also include the following language:

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, franchise agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days' prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

FRANCHISEE:

LOCOCOCO HAWAII FRANCHISE, LLC

By:_____

By:_____

Date:_____

Date:_____

EXHIBIT D TO THE FRANCHISE DISCLOSURE DOCUMENT

**LOCOCOCO HAWAII FRANCHISE, LLC
OPERATIONS MANUAL TABLE OF CONTENTS**

Chapter 1: Introduction.....	4
How to use this manual.....	4
Confidential Disclosure Agreements.....	5
Chapter 2: Welcome to Waikomo Shave Ice.....	10
History of Waikomo Shave Ice.....	10
Chapter 3: Support Resource.....	13
Franchisee support matrix.....	13
Chapter 4: Pre-opening Timetable & Obligations.....	14
Waikomo Shave Ice pre-opening timetable.....	14
Week One.....	16
Week Two.....	17
Week Three.....	19
Week Four.....	20
Week Six.....	25
Week Seven.....	26
Order store supplies.....	26
Week Eight.....	26
Week Nine.....	27
Chapter 5: Franchisee Training Requirements.....	31
Additional training & refresher courses.....	33
Annual Waikomo Shave Ice national sales meeting.....	34
Chapter 6: Staffing Your Waikomo Shave Ice Franchise.....	35
Chapter 7: Store Policies.....	36
Chapter 8: Store Operation and Maintenance	38
Chapter 9: Store Equipment, Inventory, and Supplies.....	40
Store equipment.....	40
Chapter 10: Administration.....	41
Record keeping	41
Chapter 11: Records and reports.....	49
Chapter 12: Marketing.....	51
Chapter 13: Insurance Requirements & Risk Management.....	55
General insurance coverage.....	55
Franchisee site security.....	58
Chapter 14: Corporate Structure and Financing.....	59
Setting up your entity.....	59
Types of structures.....	61
Sole proprietorship.....	61
Limited liability partnership.....	62

C-corporation.....	63
S-corporation.....	63
Limited liability company (LLC).....	64
Setting up the new corporation.....	65
Chapter 15: Trademarks and Trade Secrets - Protection Policies.....	69
Chapter 16: Resale, Transfer, Renewal and Closing.....	72
Appendix.....	80

**EXHIBIT E TO THE DISCLOSURE DOCUMENT
AREA DEVELOPMENT AGREEMENT**

**LOCOCOCO HAWAII FRANCHISE, LLC
AREA DEVELOPMENT AGREEMENT**

Developer

Effective Date

LOCOCOCO HAWAII FRANCHISE, LLC AREA DEVELOPMENT AGREEMENT

This Area Development Agreement (this “Agreement”) is made this day of _____, 20__ by and between Locococo Hawaii Franchise, LLC, a Hawaii limited liability company with its principal business located at 5174 Hoona Road, Koloa, Hawaii 96756 (“we” or “us”) and _____, a(n) _____ whose principal business address is (“developer” or “you”). If the developer is a corporation, partnership or limited liability company, certain provisions of the Agreement also apply to your owners and will be noted.

RECITALS

A. We have developed, and are in the process of further developing, a System identified by the service mark “Waikomo Shave Ice” and relating to the establishment and operation of a unique shaved ice dessert store, mobile trailer, or mobile truck proprietary service system;

B. Many of the services and products are prepared and undertaken according to specified procedures or made with proprietary formulas, techniques and mixes;

C. We own the rights to the USPTO Mark “Waikomo Shave Ice” Trademark and other trademarks used in connection with the Operation of a Waikomo Shave Ice Business;

D. We have decided to sublicense the right to develop and operate Waikomo Shave Ice Locations;

E. You desire to develop and operate several Waikomo Shave Ice locations and we, in reliance on your representations, have approved your franchise application to do so in accordance with this Agreement.

In consideration of the foregoing and the mutual covenants and consideration below, you and we agree as follows:

DEFINITIONS

1. For purposes of this Agreement, the terms below have the following definitions:

A. “Locations” means the Waikomo Shave Ice locations you develop and operate pursuant to this Agreement.

B. “Products” means the specific services and products set forth in our franchise information packet, or as we may modify, add, or change them from time to time.

C. “Principal Owner” means any person who directly or indirectly owns a 10% or greater interest in the developer when the developer is a corporation, limited liability company, a partnership, or a similar entity. However, if we are entering into this Agreement totally or partially based on the financial qualifications, experience, skills or managerial qualifications of any person or entity who directly or indirectly owns less than a 10% interest in the developer, that person or entity may, in our sole discretion, be considered a Principal Owner for all purposes under this Agreement, including, but not limited to, the execution of the personal guaranty referenced in Section 10.G below. In addition, if the developer is a partnership entity, then each general partner is a Principal Owner, regardless of the percentage ownership interest. If the developer is one or more individuals, each individual is a Principal Owner of the developer. You must have at least one Principal Owner.

D. “System” means the Waikomo Shave Ice System, which consists of distinctive products and services prepared according to special and confidential processes and formulas with unique preparation, service and delivery procedures and techniques, offered in a setting of distinctive exterior and interior layout, design and color scheme, signage, furnishings and materials and using certain distinctive types of facilities, equipment, supplies, business techniques, methods and procedures together with sales promotion programs, all of which we may modify and change from time to time.

E. “Trademarks” means the Waikomo Shave Ice Trademark and Service Mark that is registered with the United States Patent and Trademark Office and the trademarks, service marks and trade names set forth in each Franchise Agreement, as we may modify and change from time to time, and the trade dress and other commercial symbols used in the Locations. Trade dress includes the designs, color schemes and image we authorize you to use in the operation of the Locations from time to time.

GRANT OF DEVELOPMENT RIGHTS

2. The following provisions control with respect to the rights granted hereunder:

A. We grant to you, under the terms and conditions of this Agreement, the right to develop and operate NUMBER (#) Waikomo Shave Ice locations (each a “Location”, and collectively, the “Locations”) within the territory described on Appendix A (“Development Territory”).

B. You are bound by the Development Schedule set forth in Appendix B (“Development Schedule”). Time is of the essence for the development of each Location in accordance with the Development Schedule. Each Location must be developed and operated pursuant to a separate Franchise Agreement that you enter into with us pursuant to Section 4.B below.

C. If you are in compliance with the Development Schedule set forth on Appendix B, we will not develop or operate or grant anyone else a franchise to develop and operate a Waikomo Shave Ice Location business in the Development Territory prior to the earlier of (i) the expiration or termination of this Agreement; (ii) the date on which you must execute the Franchise Agreement for your last Location pursuant to the terms of the Development Schedule or (iii) the date on which the Designated Area for your final Location under this Agreement is determined, except (a) for the Special Sites defined in Section 2.D below; (b) in the event that the Development Territory covers more than one city, county or designated market area, the protection for each particular city, county or designated market area shall expire upon the earliest of (1) any of the foregoing events or (2) the date when the Designated Area for your final Location to be developed in such city, county or designated market area under this Agreement is determined; or (c) as otherwise provided in this Agreement.

Notwithstanding anything in this Agreement, upon the earliest occurrence of any of the foregoing events (i) the Development Territory shall expire and (ii) we will be entitled to develop and operate, or to franchise others to develop and operate, Waikomo Shave Ice Locations in the Development Territory, except as may be otherwise provided under any Franchise Agreement that has been executed between us and you and that has not been terminated. At the time you execute your final Franchise Agreement under the Development Schedule, you must have an Authorized Location for your final Location.

D. The rights granted under this Agreement are limited to the right to develop and operate Locations located in the Development Territory, and do not include (i) any right to sell Products and services identified by the Trademarks at any location or through any other channels or methods of distribution, including the internet (or any other existing or future form of electronic commerce), other than at Locations within the Development Territory; (ii) any right to sell Products and services identified by the Trademarks

to any person or entity for resale or further distribution; or (iii) any right to exclude, control or impose conditions on our development or operation of franchised, company or affiliate owned Locations at any time or at any location outside of the Development Territory. You may not use “Waikomo Shave Ice” or any of the other Trademarks as part of the name of your corporation, partnership, limited liability company or other similar entity.

You acknowledge and agree that (i) we and our affiliates have the right to operate or franchise within the Designated Area one or more facilities selling all or some of the Products, using the Trademarks or any other trademarks, service marks or trade names, without compensation to any franchisee, provided however, that such facilities shall not be mobile facilities but rather from a fixed location if it is confined to your Designated Area; (ii) we and our affiliates have the right outside of the Development Territory to grant other franchises or operate company or affiliate owned Waikomo Shave Ice Locations and offer, sell or distribute any products or services associated with the System (now or in the future) under the Trademarks or any other trademarks, service marks or trade names or through any distribution channel or method, all without compensation to any developer; and (iii) we and our affiliates have the right to operate and franchise others to operate Locations or any other business within and outside the Development Territory under trademarks other than the Waikomo Shave Ice Trademarks, without compensation to any developer, except that our operation of, or association or affiliation with, Locations (through franchising or otherwise) in the Development Territory that compete with Waikomo Shave Ice Locations in the service oriented Location segment will only occur through some form of merger or acquisition with an existing Location chain.

In addition, we and our affiliates have the right to offer, sell or distribute, within the Development Territory, any Products or services associated with the System (now or in the future) or identified by the Trademarks, or any other trademarks, service marks or trade names, except for Prohibited Items (as defined below), through any distribution channels or methods, without compensation to any developer. The distribution channels or methods include, without limitation, grocery stores, club stores, convenience stores, wholesale, hospitals, clinics, health care facilities, business or industry locations (e.g. manufacturing site, office building), military installations, military commissaries or the internet (or any other existing or future form of electronic commerce).

The Prohibited Items are the following items that we will not sell in the Development Territory through other distribution channels or methods: NONE.

Further, you acknowledge that certain locations within the Development Territory are by their nature unique and separate in character from sites generally developed as Waikomo Shave Ice Locations. As a result, you agree that the following locations (“Special Sites”) are excluded from the Development Territory and we have the right, subject to our then-current Special Sites Impact Policy, to develop or franchise such locations: (1) military bases; (2) public transportation facilities; (3) sports facilities, including race tracks; (4) student unions or other similar buildings on college or university campuses; (5) amusement and theme parks; and (6) community and special events.

E. This Agreement is not a Franchise Agreement and you have no right to use in any manner the Trademarks by virtue of this Agreement. You have no right under this Agreement to sublicense or sub-franchise others to operate a business or Location or use the System or the Trademarks.

DEVELOPMENT FEE

3. You must pay a Development Fee as described below:

A. As consideration for the rights granted in this Agreement, you must pay us a “Development Fee” of \$9,950.00 x # of Locations, representing one-half of the Initial Franchise Fee for each Location to be developed under this Agreement. The Initial Franchise Fee for the first Location is \$19,900.00. The Initial Franchise Fee for the second Location and for each subsequent Location is \$19,900.00 less \$9,950.00 paid as deposit, which is \$9,950.00.

The Development Fee is consideration for this Agreement and not consideration for any Franchise Agreement, is fully earned by us upon execution of this Agreement and is non-refundable. The part of the Initial Franchise Fee that is included in the Development Fee is credited against the Initial Franchise Fee payable upon the signing of each individual Franchise Agreement. The balance of the Initial Franchise Fee for the first Location must be paid at the time of execution of this Agreement, together with the execution by you of the Franchise Agreement for the first Location. The total amount to be paid by you at the time of execution of this Agreement pursuant to this Section, including both the Development Fee and the balance of the Initial Franchise Fee for your first Location is \$19,900. The balance of the Initial Franchise Fee for each subsequent Location (\$9,950) is due as specified in Section 3.B.

B. You must submit a separate application for each Location to be established by you within the Development Territory as further described in Section 4. Upon our consent to the site of your Location, a separate Franchise Agreement must be executed for each such Location, at which time the balance of the Initial Franchise Fee for that Location is due and owing. Such payment represents the balance of the appropriate Initial Franchise Fee, as described above in Section 3.A. Upon the execution of each Franchise Agreement, the terms and conditions of the Franchise Agreement control the establishment and operation of such Location.

DEVELOPMENT SCHEDULE

4. The following provisions control with respect to your development rights and obligations:

A. You are bound by and must strictly follow the Development Schedule. By the dates set forth under the Development Schedule, you must enter into Franchise Agreements with us pursuant to this Agreement for the number of Locations described under the Development Schedule. You also must comply with the Development Schedule requirements regarding (i) the Location type to be developed and the opening date for each Location and (ii) the cumulative number of Locations to be open and continuously operating for business in the Development Territory. If you fail to either execute a Franchise Agreement or to open a Location according to the dates set forth in the Franchise Agreement, we, in our sole discretion, may (i) require that you hire a franchise development expert with recognized experience in developing franchises in a similar line of business to ours or (ii) immediately terminate this Agreement pursuant to Section 7.B.

B. You may not develop a Location unless (i) at least 45 days, but no more than 60 days, prior to the date set forth in the Development Schedule for the execution of each Franchise Agreement, you send us a notice (a) requiring that we send you our then current disclosure documents; (b) confirming your intention to develop the particular Location; and (c) sending us all information necessary to complete the Franchise Agreement for the particular Location; and (ii) all of the following conditions have been met (these conditions apply to each Location to be developed in the Development Territory):

1. Your Submission of Proposed Site. You must find a proposed site for the Location which you reasonably believe to conform to our site selection criteria, as modified by us from time to time, and submit to us a complete site report (containing such demographic, commercial, and other information and photographs as we may reasonably require) for such site.

2. Our Consent to Proposed Site. You must receive our written consent to your proposed site. We agree not to unreasonably withhold consent to a proposed site. Prior to granting our consent to a site, you must have the site evaluated by the proprietary site evaluator software that has been developed by MapQuest or any similar mapping software. In approving or disapproving any proposed site, we will consider such matters as we deem material, including demographic characteristics of the proposed site, traffic patterns, competition, the proximity to other businesses, the nature of other businesses in proximity to the site, and other commercial characteristics (including the purchase or lease obligations for the proposed site) and the size of premises, appearance and other physical characteristics. Our consent to a proposed site, however, does not in any way constitute a guaranty by us as to the success of the Location.
3. Your Submission of Information. You must furnish to us, at least 30 days prior to the earliest of (i) the date set forth in the Development Schedule by which you must execute a Franchise Agreement or (ii) the actual date in which the Franchise Agreement would be executed, a franchise application for the proposed Location, financial statements and other information regarding you, the operation of any of your other Locations within the Development Territory and the development and operation of the proposed Location (including, without limitation, investment and financing plans for the proposed Location) as we may reasonably require.
4. Your Compliance with Our Then-Current Standards for Franchisees. You must receive written confirmation from us that you meet our then-current standards for franchisees, including financial capability criteria for the development of a new Location. You acknowledge and agree that this requirement is necessary to ensure the proper development and operation of your Locations, and preserve and enhance the reputation and goodwill of all Waikomo Shave Ice Locations and the goodwill of the Trademarks. Our confirmation that you meet our then-current standards for the development of a new Location, however, does not in any way constitute a guaranty by us as to your success.
5. Good Standing. You must not be in default of this Agreement, any Franchise Agreement entered into pursuant to this Agreement or any other agreement between you or any of your affiliates and us or any of our affiliates. You must also have satisfied, on a timely basis, all monetary and material obligations under the Franchise Agreements for all existing Locations.
6. Execution of Franchise Agreement. You and we must enter into our then-current form of Franchise Agreement for the proposed Location. You understand that we may modify the then-current form of Franchise Agreement from time to time and that it may be different than the current form of Franchise Agreement, including different fees and obligations. You understand and agree that any and all Franchise Agreements will be construed and exist independently of this Agreement. The continued existence of each Franchise Agreement will be determined by the terms and conditions of such Franchise Agreement. Except as specifically set forth in this Agreement, the establishment and operation of each Location must be in accordance with the terms of the applicable Franchise Agreement.

C. You must begin substantial construction of each of the Locations at least 150 days before the deadline to open each of the Locations if the Location will be in a free-standing location or at least 120 days before the deadline to open the Location if the Location will be in a non-free-standing location. In addition, on or before the deadlines to start construction you must submit to us executed copies of any loan documents and/or any other document that proves that you have secured adequate financing to complete the

construction of the Location by the date you are obligated to have that Location open and in operation. In the event that you fail to comply with any of these obligations, we will have the right to terminate this Agreement without opportunity to cure pursuant to subparagraph 7.B.

D. You acknowledge that you have conducted an independent investigation of the prospects for the establishment of Locations within the Development Territory, and recognize that the business venture contemplated by this Agreement involves business and economic risks and that your financial and business success will be primarily dependent upon the personal efforts of you and your management and employees. We expressly disclaim the making of, and you acknowledge that you have not received, any estimates, projections, warranties or guaranties, express or implied, regarding potential Gross Revenues, profits, earnings or the financial success of the Locations you develop within the Development Territory.

E. You recognize and acknowledge that this Agreement requires you to open Locations in the future pursuant to the Development Schedule. You further acknowledge that the estimated expenses and investment requirements set forth in the Franchise Disclosure Document and Franchise Agreement are only estimates and are subject to increase over time, and that future Locations likely will involve different initial investment and operating capital requirements than those stated in the Franchise Disclosure Document or Franchise Agreement provided to you prior to the execution of this Agreement. You are obligated to execute all the Franchise Agreements and open all the Locations on the dates set forth on the Development Schedule, regardless of (i) the requirement of a greater investment; (ii) the financial condition or performance of your prior Locations; or (iii) any other circumstances, financial or otherwise. The foregoing shall not be interpreted as imposing any obligation upon us to execute the Franchise Agreements under this Agreement if you have not complied with each and every condition necessary to develop the Locations.

TERM

5. Unless sooner terminated in accordance with Section 7 of this Agreement, the term of this Agreement and all rights granted to you will expire on the date that your last Waikomo Shave Ice Location is scheduled to be opened under the Development Schedule.

YOUR DUTIES

6. You must perform the following obligations:

A. You must comply with all of the terms and conditions of each Franchise Agreement, including the operating requirements specified in each Franchise Agreement.

B. You and your owners, officers, directors, shareholders, partners, members and managers (if any) acknowledge that your entire knowledge of the operation of a Waikomo Shave Ice Location and the System, including the knowledge or know-how regarding the specifications, standards and operating procedures of the services and activities, is derived from information we disclose to you and that certain information is proprietary, confidential and constitutes our trade secrets. The term “trade secrets” refers to the whole or any portion of know-how, knowledge, methods, specifications, processes, procedures and/or improvements regarding the business that is valuable and secret in the sense that it is not generally known to our competitors and any proprietary information contained in the manuals or otherwise communicated to you in writing, verbally or through the internet or other online or computer communications, and any other knowledge or know-how concerning the methods of operation of the Locations. You and your owners, officers, directors, shareholders, partners, members and managers (if any), jointly and severally, agree that at all times during and after the term of this Agreement, you will maintain the absolute confidentiality of all such proprietary information and will not disclose, copy, reproduce, sell or use any such information in any other business or in any manner not specifically authorized or approved in advance in writing by us.

We may require that you obtain nondisclosure and confidentiality agreements in a form satisfactory to us from the individuals identified in the first sentence of this paragraph and other key employees.

C. You must comply with all requirements of federal, state, and local laws, rules, and regulations.

D. If you at some time in the future desire to make either a public or a private offering of your securities, prior to such offering and sale, and prior to the public release of any statements, data, or other information of any kind relating to the proposed offering of your securities, you must secure our written approval, which approval will not be unreasonably withheld. You must secure our prior written consent to any and all press releases, news releases and any and all other publicity, the primary purpose of which is to generate interest in your offering. Only after we have given our written approval may you proceed to file, publish, issue, and release and make public any said data, material and information regarding the securities offering. It is specifically understood that any review by us is solely for our own information, and our approval does not constitute any kind of authorization, acceptance, agreement, endorsement, approval, or ratification of the same, either expressly or implied. You may make no oral or written notice of any kind whatsoever indicating or implying that we and/or our affiliates have any interest in the relationship whatsoever to the proposed offering other than acting as Franchisor. You agree to indemnify, defend, and hold us and our affiliates harmless, and our affiliates' directors, officers, successors and assigns harmless from all claims, demands, costs, fees, charges, liability or expense (including attorneys' fees) of any kind whatsoever arising from your offering of information published or communicated in actions taken in that regard.

E. If neither you, your Principal Owner, nor any other person in your organization possesses, in our judgment, adequate experience and skills to allow you to locate, obtain, and develop prime locations in the Development Territory to allow you to meet your development obligations under this Agreement, we can require that you hire or engage a person with those necessary skills.

DEFAULT AND TERMINATION

7. The following provisions apply with respect to default and termination:

A. The rights and territorial protection granted to you in this Agreement have been granted in reliance on your representations and warranties, and strictly on the conditions set forth in Sections 2, 4 and 6 of this Agreement, including the condition that you comply strictly with the Development Schedule.

B. You will be deemed in default under this Agreement if you breach any of the terms of this Agreement, including the failure to meet the Development Schedule, or the terms of any Franchise Agreement or any other agreements between you or your affiliates and us or our affiliates. All rights granted in this Agreement immediately terminate upon written notice without opportunity to cure if: (i) you become insolvent, meaning unable to pay bills as they become due in the ordinary course of business; (ii) a receiver (permanent or temporary) of your property is appointed by a court of competent authority; (iii) you make a general assignment or other similar arrangement for the benefit of your creditors; (iv) a final judgment remains unsatisfied of record for 30 days or longer (unless supersedes bond is filed); (v) execution is levied against your business or property; (vi) suit to foreclose any lien or mortgage against the premises or equipment is instituted against you and not dismissed within 30 days, or is not in the process of being dismissed; (vii) you fail to meet the development obligations set forth in the Development Schedule attached as Appendix B; (viii) failure to start substantial construction of any of the Locations by the date established in Section 4.C; (ix) failure to secure financing for the construction of any of the Locations by the date set forth in Section 4.C; (x) you fail to comply with any other provision of this Agreement and do not correct the failure within 30 days after written notice of that failure is delivered to you; or (xi) we have

delivered to you a notice of termination of a Franchise Agreement in accordance with its terms and conditions.

C. Alternatively, and at our discretion, in the event that you fail to meet the Development Schedule, we may choose to modify the Development Schedule and reduce the number of Locations granted to you therein to a schedule we believe, in our sole and absolute discretion, you are more capable of managing.

RIGHTS AND DUTIES OF PARTIES UPON TERMINATION OR EXPIRATION

8. Upon termination or expiration of this Agreement, all rights granted to you will automatically terminate, and:

A. All remaining rights granted to you to develop Locations under this Agreement will automatically be revoked and will be null and void. You will not be entitled to any refund of any fees. You will have no right to develop or operate any business for which a Franchise Agreement has not been executed by us. We will be entitled to develop and operate, or to franchise others to develop and operate, Waikomo Shave Ice Locations in the Development Territory, except as may be otherwise provided under any Franchise Agreement that has been executed between us and you and that has not been terminated.

B. You must immediately cease to operate your business under this Agreement and must not thereafter, directly or indirectly, represent to the public or hold yourself out as a present or former developer of ours.

C. You must take such action as may be necessary to cancel or assign to us or our designee, at our option, any assumed name or equivalent registration that contains the name or any of the words “Waikomo Shave Ice” or any other Trademark of ours, and you must furnish us with evidence satisfactory to us of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement.

D. You must assign to us or our designee all your right, title, and interest in and to your telephone numbers and must notify the telephone company and all listing agencies of the termination or expiration of your right to use any telephone number in any regular, classified or other telephone directory listing associated with the Trademarks and to authorize transfer of same at our direction.

E. You must, within thirty (30) days of the termination or expiration, pay all sums owing to us and our affiliates, including the balance of the Initial Franchise Fees that we would have received had you developed all of the Locations set forth in the Development Schedule. In addition to the Initial Franchise Fees for undeveloped Locations, you agree to pay as fair and reasonable liquidated damages (but not as a penalty) an amount equal to \$10,000.00 for each undeveloped Location. You agree that this amount is for lost revenues from Continuing Fees and other amounts payable to us, including the fact that you were holding the development rights for those Locations and precluding the development of certain Locations in the Development Territory, and that it would be difficult to calculate with certainty the amount of damage we will incur. Notwithstanding your agreement, if a court determines that this liquidated damages payment is unenforceable, then we may pursue all other available remedies, including consequential damages.

All unpaid amounts will bear interest at the rate of 18% per annum or the maximum contract rate of interest permitted by governing law, whichever is less, from and after the date of accrual. In the event of termination for any default by you, the sums due will include all damages, costs, and expenses, including reasonable attorneys’ fees and expenses, incurred by us as a result of the default. You also must pay to us all damages, costs, and expenses, including reasonable attorneys’ fees and expenses that we incur

subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement.

F. If this Agreement is terminated solely for your failure to meet the Development Schedule and for no other reason whatsoever, and you have opened at least 50% of the total number of Locations provided for in the Development Schedule, you may continue to operate those existing Locations under the terms of the separate Franchise Agreement for each Location. On the other hand, if this Agreement is terminated under any other circumstance, we have the option to purchase from you at book value all the assets used in the Locations that have been developed prior to the termination of this Agreement. Assets include leasehold improvements, equipment, automobiles/trucks/vans, furniture, fixtures, signs, inventory, and other transferable licenses and permits for the Locations.

We have the unrestricted right to assign this option to purchase. We or our assignee will be entitled to all customary warranties and representations given by the seller of a business including, without limitation, representations and warranties as to (i) ownership, condition and title to assets; (ii) liens and encumbrances relating to the assets; and (iii) validity of contracts and liabilities, inuring to us or affecting the assets, contingent or otherwise. The purchase price for the assets of the Locations will be determined in accordance with the post-termination purchase option provision in the individual Franchise Agreement for each Location (with the purchase price to include the value of any goodwill of the business attributable to your operation of the Location if you are in compliance with the terms and conditions of the Franchise Agreement for that Location). The purchase price must be paid in cash at the closing of the purchase, which must take place no later than 90 days after your receipt of notice of exercise of this option to purchase, at which time you must deliver instruments transferring to us or our assignee: (i) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us or our assignee), with all sales and other transfer taxes paid by you; and (ii) all licenses and permits of the Locations that may be assigned or transferred. If you cannot deliver clear title to all of the purchased assets, or in the event there are other unresolved issues, the closing of the sale will be accomplished through an escrow. We have the right to set off against and reduce the purchase price by any and all amounts owed by you to us, and the amount of any encumbrances or liens against the assets or any obligations assumed by us. You and each holder of an interest in you must indemnify us and our affiliates against all liabilities not so assumed. You must maintain in force all insurance policies required pursuant to the applicable Franchise Agreement until the closing on the sale.

G. All of our and your obligations that expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied or by their nature expire.

TRANSFER

9. The following provisions govern any transfer:

A. We have the right to transfer all or any part of our rights or obligations under this Agreement to any person or legal entity.

B. This Agreement is entered into by us with specific reliance upon your personal experience, skills and managerial and financial qualifications. Consequently, this Agreement, and your rights and obligations under it, are and will remain personal to you. You may only Transfer your rights and interests under this Agreement if you obtain our prior written consent and you transfer all of your rights and interests under all Franchise Agreements for Locations in the Development Territory. Accordingly, the assignment terms and conditions of the Franchise Agreements shall apply to any Transfer of your rights and interests under this Agreement. As used in this Agreement, the term "Transfer" means any sale, assignment, gift,

pledge, mortgage or any other encumbrance, transfer by bankruptcy, transfer by judicial order, merger, consolidation, share exchange, transfer by operation of law or otherwise, whether direct or indirect, voluntary or involuntary, of this Agreement or any interest in it, or any rights or obligations arising under it, or of any material portion of your assets, or of any interest in you.

C. THE COMPANY'S RIGHT OF FIRST REFUSAL. If developer (or its owners) shall at any time determine to sell, assign or transfer for consideration this Agreement (or an interest therein) or an ownership interest in developer, or all or substantially all of the assets of developer, developer (or its owners) shall obtain a bona fide, executed written offer and earnest money deposit from a responsible and fully disclosed prospective purchaser and submit an exact copy of such offer to us. However, if the offeror proposes to buy any other property or rights, other than rights under Franchise Agreements executed pursuant hereto, from developer or any of its affiliated entities (or their respective owners) such proposal must be under a separate, contemporaneous offer. The price and terms of purchase offered to developer (or its owners) for the interest in this Agreement and Franchise Agreements or developer (or any affiliated entities) shall reflect the bona fide price offered therefore and shall not reflect any value for any other property or rights. We shall have the right, exercisable by written notice delivered to developer or its owners within fifteen (15) days from the date of delivery of an exact copy of such offer to us, to purchase this Agreement (or such interest in this Agreement) or such ownership interest in developer or such assets for the price and on the terms and conditions contained in such offer, provided that we may substitute cash for any form of payment proposed in such offer, our credit shall be deemed equal to the credit of any proposed purchaser and we shall have not less than fifteen (15) days to prepare for closing. If we do not exercise our right of first refusal, developer (or its owners) may complete the sale to such purchaser pursuant to and on the terms of such offer, subject to our approval, provided, however, that if the sale to such purchaser is not completed within one hundred eighty (180) days after delivery of such offer to us, or if there is a material change in the terms of the sale, we shall again have the right of first refusal provided herein.

D. DEATH OR PERMANENT DISABILITY OF DEVELOPER. Upon the death or permanent disability of developer or an owner of developer, the executor, administrator, conservator or other personal representative of such person shall transfer his interest within a reasonable time, not to exceed six (6) months from the date of death or permanent disability, to a third party approved by us. Such transfer, including, without limitation, transfer by devise or inheritance, shall be subject to all the terms and conditions for assignments and transfers contained in Section and, unless transferred by gift, devise or inheritance, subject to the terms of Section 9(C) hereof. Failure to dispose of such interest within said period of time shall constitute a breach of this Agreement.

E. CONDITIONS FOR APPROVAL OF TRANSFER. If developer (or, if developer is a corporation or partnership, its shareholders or partners) is in full compliance with this Agreement and all Franchise Agreements, we shall not unreasonably withhold our approval of a transfer that meets all the applicable requirements of this Section 9(E). The proposed transferee and its owners must be individuals of good moral character and otherwise meet our then applicable standards for developers of Locations. A transfer of this Agreement may be made only in connection with the transfer to the same transferee of all interests of developer (and all of its affiliated entities) in every Location developed pursuant to this Agreement. If the transfer is of the development rights granted under this Agreement or a controlling interest in developer, or is one of a series of transfers which in the aggregate constitute the transfer of the development rights granted under this Agreement or a controlling interest in developer, all of the following conditions must be met prior to or concurrently with the effective date of the transfer:

- (1) the transferee must have sufficient business experience, aptitude and financial resources to operate developer's business and develop the Development Area;

- (2) Developer must pay us and our affiliates all amounts owed to us or our affiliates which are then due and unpaid and submit all required reports and statements which have not yet been submitted;
- (3) the transferee must agree to be bound by and expressly assume all of the terms and conditions of this Agreement for the remainder of its term;
- (4) Developer (and its owners) must execute general releases of any and all claims against us, our affiliates, officers, directors, employees and agents;
- (5) all Franchise Agreements between us and Developer or any affiliated entity must be transferred to the transferee of this Agreement (or the transferee of a controlling interest in developer);
- (6) Developer or the transferee must pay us a transfer fee in an amount equal to the Company's out-of-pocket expenses, which shall not exceed Fifteen Thousand Dollars (\$15,000), relating to review and approval of the proposed transfer; and this transfer fee shall be in addition to any and all transfer fees paid in connection with the transfers of Franchise Agreements in conjunction with this transfer;
- (7) the transferee and/or its personnel must agree to complete our training program to our satisfaction, for which the transferee must pay to the Company its then-current training fee; and
- (8) We shall not have exercised its right of first refusal pursuant to Section 9C hereof. If the proposed transfer is to or among owners of developer who have executed the attached form of Owner's Guaranty and Assumption of Developer's Obligations, none of the above requirements shall apply, and it should only require notice to the Company. Subparagraph (8) shall not apply to transfers by gift, bequest or inheritance. In connection with any assignment permitted under this Section 9E, developer shall provide us with all documents to be executed by developer and the proposed assignee or transferee at least thirty (30) days prior to execution.

MISCELLANEOUS

10. The parties agree to the following provisions:

A. You agree to indemnify, defend, and hold us, our affiliates and our officers, directors, shareholders and employees harmless from and against any and all claims, losses, damages and liabilities, however caused, arising directly or indirectly from, as a result of, or in connection with, the development, use and operation of your Locations, as well as the costs, including attorneys' fees, of defending against them ("Franchise Claims"). Franchise Claims include, but are not limited to, those arising from any death, personal injury or property damage (whether caused wholly or in part through our or our affiliate's active or passive negligence), latent or other defects in any Location, or your employment practices. In the event a Franchise Claim is made against us or our affiliates, we reserve the right in our sole judgment to select our own legal counsel to represent our interests, at your cost.

B. Should one or more clauses of this Agreement be held void or unenforceable for any reason by any court of competent jurisdiction, such clause or clauses will be deemed to be separable in such jurisdiction and the remainder of this Agreement is valid and in full force and effect and the terms of this Agreement must be equitably adjusted so as to compensate the appropriate party for any consideration lost because of the elimination of such clause or clauses.

C. No waiver by us of any breach by you, nor any delay or failure by us to enforce any provision of this Agreement, may be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce our rights with respect to that or any other or subsequent breach. This Agreement may not be waived, altered or rescinded, in whole or in part, except by a writing signed by you and us. This Agreement constitutes the sole agreement between the parties with respect to the entire subject matter of this Agreement and embodies all prior agreements and negotiations with respect to the business. You acknowledge and agree that you have not received any warranty or guarantee, express or implied, as to the potential volume, profits or success of your business. There are no representations or warranties of any kind, express or implied, except as contained in this Agreement.

D. Except as otherwise provided in this Agreement, any notice, demand or communication provided for must be in writing and signed by the party serving the same and either delivered personally or by a reputable overnight service or deposited in the United States mail, service or postage prepaid, and if such notice is a notice of default or of termination, by registered or certified mail, and addressed as follows:

1. If to us, addressed to Locococo Hawaii Franchise, LLC at 5174 Hoona Road, Koloa, Hawaii 96756;
2. If to you, addressed to you at the last address we have on file for you;

Or, in either case, to such other address as may have been designated by notice to the other party. Notices for purposes of this Agreement will be deemed to have been received if mailed or delivered as provided in this subparagraph.

E. Any modification, consent, approval, authorization or waiver granted in this Agreement required to be effective by signature will be valid only if in writing executed by the Principal Owner or, if on behalf of us, in writing executed by our President or one of our authorized Vice Presidents.

F. Applicable Law. You agree to be bound by the Dispute Resolution provisions found in Section 23 of any Franchise Agreement between the parties as if set forth here and as being equally applicable to this Agreement and the dealings of the parties hereunder.

G. If you are a corporation, partnership, limited liability company or partnership or other legal entity, all of your Principal Owners must execute the form of undertaking and guarantee at the end of this Agreement. Any person or entity that at any time after the date of this Agreement becomes a Principal Owner must execute the form of undertaking and guarantee at the end of this Agreement.

H. You and we are independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venturer or employee of the other. Neither party may obligate the other or represent any right to do so. This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence.

I. In the event of any failure of performance of this Agreement according to its terms by any party due to force majeure will not be deemed a breach of this Agreement. For purposes of this Agreement, “force majeure” shall mean acts of God, State or governmental action, riots, disturbance, war, strikes, lockouts, slowdowns, prolonged shortage of energy supplies or any raw material, epidemics, fire, flood, hurricane, typhoon, earthquake, lightning and explosion or other similar event or condition, not existing as of the date of signature of this Agreement, not reasonably foreseeable as of such date and not reasonably within the control of any party hereto, which prevents in whole or in material part the performance by one of the parties hereto of its obligations hereunder.

IN WITNESS WHEREOF, the parties have executed the foregoing Agreement as of the dates written below.

Franchisor
LOCOCOCO HAWAII FRANCHISE,
LLC

By: _____
Name: _____
Title: _____
Date: _____

Developer

By: _____
Name: _____
Title: _____
Date: _____

Guarantors
By: _____
Name: _____
Date: _____

By: _____
Name: _____
Date: _____

By: _____
Name: _____
Date: _____

APPENDIX A

DEVELOPMENT TERRITORY

Your Development Territory shall consist of the area _____

_____.

APPENDIX B

DEVELOPMENT SCHEDULE

Unit Number	Date by Which Franchise Agreement Must be Signed	Opening Date	Cumulative Number of Units Operating in Territory by the Date in the Preceding Column
1			
2			
3			
4			

APPENDIX C TO AREA DEVELOPMENT AGREEMENT

OWNER'S GUARANTY AND ASSUMPTION OF DEVELOPER'S OBLIGATIONS

As an inducement to Locococo Hawaii Franchise, LLC, a Hawaii limited liability company ("Company") to execute Locococo Hawaii Franchise, LLC's Area Development Agreement between Company and _____ ("Developer") dated _____, 20__ (the "Agreement"), the undersigned, jointly and severally, hereby unconditionally guarantee to Company and Company's successors and assigns that all of Developer's monetary and other obligations under the Agreement will be punctually paid and performed.

Upon demand by the Company, the undersigned each hereby jointly and severally agree to immediately make each payment required of Developer under the Agreement and waive any right to require the Company to: (a) proceed against Developer for any payment required under the Agreement; (b) proceed against or exhaust any security from Developer; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Developer; or (d) give notice of demand for payment by Developer. Without affecting the obligations of the undersigned under this Guarantee, the Company may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Developer, or settle, adjust, or compromise any claims against Developer, and the undersigned each hereby jointly and severally waive notice of same and agree to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned each hereby jointly and severally agree to defend, indemnify and hold Company, Company's affiliates, and their respective officers, directors, employees, and agents harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of investigation, court costs, and arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Developer to perform any obligation of Developer under the Agreement, any amendment thereto, or any other agreement executed by Developer referred to therein.

The undersigned each hereby jointly and severally acknowledge and expressly agree to be individually bound by all of the covenants contained in the Agreement, and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the "Waikomo Shave Ice" marks or system licensed to Developer under the Agreement.

This Guarantee shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms.

Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

If the Company is required to enforce this Guarantee in a judicial or arbitration proceeding, and prevails in such proceeding, the Company shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If the Company is required to engage legal counsel in connection with any failure by

the undersigned to comply with this Guarantee, the undersigned shall reimburse the Company for any of the above-listed costs and expenses the Company incurs.

Subject to the provisions below, each of the undersigned agrees that all actions arising under this Guarantee or the Agreement, or otherwise as a result of the relationship between Company and the undersigned, must be commenced in the state or federal court of general jurisdiction in Kauai County, Hawaii and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that the Company may enforce this Guarantee and any orders and awards in the courts of the state or states in which he or she is domiciled.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be governed, interpreted, and construed in accordance with Section 10M of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State of Hawaii. In the event of any conflict of law, the laws of the State of Hawaii shall prevail (without regard to, and without giving effect to, the application of Hawaii conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

Guarantors

By: _____
Name: _____
Date: _____

By: _____
Name: _____
Date: _____

By: _____
Name: _____
Date: _____

APPENDIX D TO THE AREA DEVELOPMENT AGREEMENT

LIST OF PRINCIPALS

Holders of Legal or Beneficial Interest:

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail Address: _____

Percentage of Ownership: _____%

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail Address: _____

Percentage of Ownership: _____%

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail Address: _____

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail Address: _____

Percentage of Ownership: _____%

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail Address: _____

Percentage of Ownership: _____%

Name: _____

Position/Title: _____

Home Address: _____

Telephone No.: _____

E-mail Address: _____

Percentage of Ownership: _____%

Percentage of Ownership: _____%

Officers and Directors:

Name: _____

Name: _____

Position/Title: _____

Position/Title: _____

Home Address: _____

Home Address: _____

Telephone No.: _____

Telephone No.: _____

E-mail Address: _____

E-mail Address: _____

Name: _____

Name: _____

Position/Title: _____

Position/Title: _____

Home Address: _____

Home Address: _____

Telephone No.: _____

Telephone No.: _____

E-mail Address: _____

E-mail Address: _____

APPENDIX E
TO THE AREA DEVELOPMENT AGREEMENT
STATE ADDENDA TO THE AREA DEVELOPMENT AGREEMENT

EXHIBIT F TO THE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS



CDM Financials, LLC

Certified Public Accountants, Business Advisors

Independent Auditor's Report

*To the Member of
Locococo Hawaii Franchise, LLC*

Opinion

We have audited the financial statements of Locococo Hawaii Franchise, LLC, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Locococo Hawaii Franchise, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Locococo Hawaii Franchise, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Locococo Hawaii Franchise, LLC's ability to continue as a going concern for one year from the date that the financial statements are issued.

Auditor's Responsibilities/or the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report

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that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, *there is a substantial likelihood that*, individually or in the aggregate, they *would* influence the *judgment made by a reasonable user based on the* financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Locococo Hawaii Franchise, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Locococo Hawaii Franchise, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

CDM Financials, LLC

CDM Financials, LLC
Fairburn, GA
February 14, 2023

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LOCOCOCO HAWAII FRANCHISE, LLC
BALANCE SHEET
AS OF DECEMBER 31, 2022 and 2021

ASSETS

	2022	2021
Current Assets		
Cash	\$ 66,507	\$ 60,003
Other Current Asset	-	1,071
TOTAL CURRENT ASSETS	<u>66,507</u>	<u>61,074</u>
Intangible Assets		
Organization Cost	29,341	34,231
TOTAL ASSETS	<u>\$ 95,848</u>	<u>\$ 95,305</u>

LIABILITIES AND MEMBER'S EQUITY

Liabilities	<u>\$ -</u>	<u>\$ -</u>
Member's Capital	102,908	102,908
Accumulated Deficit	<u>(7,060)</u>	<u>(7,603)</u>
TOTAL MEMBER'S EQUITY	<u>95,848</u>	<u>95,305</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>\$ 95,848</u>	<u>\$ 95,305</u>

LOCOCOCO HAWAII FRANCHISE, LLC
INCOME STATEMENT
FOR THE PERIOD ENDED DECEMBER 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
REVENUE		
Franchise Income	\$ 13,500	\$ -
Royalty Income	1,900	-
TOTAL REVENUE	<u>\$ 15,400</u>	<u>\$ -</u>
EXPENSE		
Professional Fees	8,711	2,541
Bank Fees	72	72
Amortization	4,890	4,890
Franchise Supplies	1,070	-
License and Fees	114	100
TOTAL EXPENSES	<u>14,857</u>	<u>7,603</u>
NET INCOME / (LOSS)	<u>\$ 543</u>	<u>\$ (7,603)</u>
Change in Member's Capital		
Beginning Balance	\$ 95,305	\$ 141,014
Distributions	-	(38,106)
Net Income / (Loss)	<u>543</u>	<u>(7,603)</u>
Ending Balance	<u>\$ 95,848</u>	<u>\$ 95,305</u>

LOCOCOCO HAWAII FRANCHISE, LLC
STATEMENT OF CASH FLOWS
AS OF DECEMBER 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Net Income / (Loss)	\$ 543	\$ (7,603)
Amortization	4,890	4,890
Change in Other Current Assets	1,071	(1,071)
Net Cash Provided by/ (Used for) Operating Activities	<u>\$ 6,504</u>	<u>\$ (3,784)</u>
INVESTING ACTIVITIES		
Change in Intangible Assets	\$ -	\$ -
Net Cash Used for Investing Activities	<u>\$ -</u>	<u>\$ -</u>
FINANCING ACTIVITIES		
Distributions	\$ -	\$ (38,106)
Net Cash Used for Financing Activities	<u>\$ -</u>	<u>\$ (38,106)</u>
Net Change in Cash	\$ 6,504	\$ (41,890)
Cash at Beginning of Period	60,003	101,893
Cash at End of Period	<u>\$ 66,507</u>	<u>\$ 60,003</u>

4 | Page

The accompanying notes are an integral part of these financial statements.

LOCOCOCO HAWAII FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDING DECEMBER 31, 2022 and 2021

Note 1 - Nature of Business

Locococo Hawaii Franchise, LLC is a Hawaii Limited Liability Company established in March, 2018. The Company operates as a franchising company which offers franchisees the opportunity to operate their own shaved ice business under the Locococo name.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The financial statements for Locococo Hawaii Franchise, LLC were prepared using the accrual basis of accounting. Under this method income is recorded when earned and expenses are recorded when incurred.

Reporting Period

For tax and reporting purposes, Locococo Hawaii Franchise, LLC operates on a calendar year consisting of a full twelve months beginning with January 1 and ending December 31.

Cash and Cash Equivalents

The Company considers cash on hand, cash in banks and other short-term securities with maturities of three months or less when purchased as cash and cash equivalents. There were no cash equivalents at December 31, 2022

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3 – Revenue Recognition

The Company adopted ASU 2014-09 Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, “ASU 606”) which creates a single framework for recognizing revenue from contracts with customers that fall within its scope. In adopting ASC 606 the full retrospective method was used to determine revenue under the current standard. Completion of the implementation analysis resulted in no adjustment to the beginning accumulated deficit balance.

Initial franchise fees are used to secure the franchisees designated territory and cover the necessary training and orientation. Franchise sales are only recognized when the Company satisfies all its performance obligations to its franchisees. Accordingly, for the years ending December 31, 2022 and 2021 and for the periods prior to adoption of ASC 606, the company had no unearned income to report.

5 | Page

The accompanying notes are an integral part of these financial statements.

LOCOCOCO HAWAII FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDING DECEMBER 31, 2022 and 2021

Note 4 - Provision for Income Taxes

Locococo Hawaii Franchise, LLC has elected to be taxed as a limited liability company under the Internal Revenue Service code. Under this provision, all income is passed through to its member who is liable for paying income tax on the related income. Thus, no income tax provisions have been made at the company level.

Note 5 – Subsequent Events

The Company has evaluated subsequent events through the date which the financial statements were available to be issued.



CDM Financials, LLC

Certified Public Accountants, Business Advisors

Independent Auditor's Report

*To the Member of
Locococo Hawaii Franchise, LLC*

Opinion

We have audited the financial statements of Locococo Hawaii Franchise, LLC, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Locococo Hawaii Franchise, LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Locococo Hawaii Franchise, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Locococo Hawaii Franchise, LLC's ability to continue as a going concern for one year from the date that the financial statements are issued.

Auditor's Responsibilities/or the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report

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that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, *there is a substantial likelihood that*, individually or in the aggregate, they *would* influence the *judgment made by a reasonable user based on the* financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Locococo Hawaii Franchise, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Locococo Hawaii Franchise, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

CDM Financials, LLC

CDM Financials, LLC
Fairburn, GA
February 22, 2022

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LOCOCOCO HAWAII FRANCHISE, LLC
BALANCE SHEET
AS OF DECEMBER 31, 2021 and 2020

ASSETS

	2021	2020
Current Assets		
Cash	\$ 60,003	\$ 101,893
Other Current Asset	1,071	-
TOTAL CURRENT ASSETS	<u>61,074</u>	<u>101,893</u>
Intangible Assets		
Organization Cost	34,231	39,121
TOTAL ASSETS	<u>\$ 95,305</u>	<u>\$ 141,014</u>

LIABILITIES AND MEMBER'S EQUITY

Liabilities	<u>\$ -</u>	<u>\$ -</u>
Member's Capital	128,314	166,420
Accumulated Deficit	<u>(33,009)</u>	<u>(25,406)</u>
TOTAL MEMBER'S EQUITY	<u>95,305</u>	<u>141,014</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>\$ 95,305</u>	<u>\$ 141,014</u>

LOCOCOCO HAWAII FRANCHISE, LLC
INCOME STATEMENT
FOR THE PERIOD ENDED DECEMBER 31, 2021 and 2020

	2021	2020
REVENUE	\$ -	\$ -
TOTAL REVENUE	<u>\$ -</u>	<u>\$ -</u>
EXPENSE		
Professional Fees	2,541	20,115
Bank Fees	72	123
Amortization	4,890	4,890
Miscellaneous	-	278
License and Fees	100	-
TOTAL EXPENSES	<u>7,603</u>	<u>25,406</u>
NET INCOME / (LOSS)	<u>\$ (7,603)</u>	<u>\$ (25,406)</u>
Change in Member's Capital		
Beginning Balance	\$ 141,014	\$ -
Distributions	(38,106)	166,420
Net Loss	<u>(7,603)</u>	<u>(25,406)</u>
Ending Balance	<u>\$ 95,305</u>	<u>\$ 141,014</u>

LOCOCOCO HAWAII FRANCHISE, LLC
STATEMENT OF CASH FLOWS
AS OF DECEMBER 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Net Loss	\$ (7,603)	\$ (25,406)
Amortization	4,890	4,890
Change in Other Current Assets	<u>(1,071)</u>	<u>-</u>
Net Cash Used for Operating Activities	<u>\$ (3,784)</u>	<u>\$ (20,516)</u>
INVESTING ACTIVITIES		
Change in Intangible Assets	\$ -	\$ (44,011)
Net Cash Used for Investing Activities	<u>\$ -</u>	<u>\$ (44,011)</u>
FINANCING ACTIVITIES		
Contributions / (Distributions)	\$ (38,106)	\$ 166,420
Net Cash Provided by Financing Activities	<u>\$ (38,106)</u>	<u>\$ 166,420</u>
Net Change in Cash	\$ (41,890)	\$ 101,893
Cash at Beginning of Period	101,893	-
Cash at End of Period	<u>\$ 60,003</u>	<u>\$ 101,893</u>

4 | Page

The accompanying notes are an integral part of these financial statements.

LOCOCOCO HAWAII FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDING DECEMBER 31, 2021 and 2020

Note 1 - Nature of Business

Locococo Hawaii Franchise, LLC is a Hawaii Limited Liability Company established in March, 2018. The Company operates as a franchising company which offers franchisees the opportunity to operate their own shaved ice business under the Locococo name.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The financial statements for Locococo Hawaii Franchise, LLC were prepared using the accrual basis of accounting. Under this method income is recorded when earned and expenses are recorded when incurred.

Reporting Period

For tax and reporting purposes, Locococo Hawaii Franchise, LLC operates on a calendar year consisting of a full twelve months beginning with January 1 and ending December 31.

Cash and Cash Equivalents

The Company considers cash on hand, cash in banks and other short-term securities with maturities of three months or less when purchased as cash and cash equivalents. There were no cash equivalents at December 31, 2021

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3 – Revenue Recognition

The Company adopted ASU 2014-09 Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, “ASU 606”) which creates a single framework for recognizing revenue from contracts with customers that fall within its scope. In adopting ASC 606 the full retrospective method was used to determine revenue under the current standard. Completion of the implementation analysis resulted in no adjustment to the beginning accumulated deficit balance.

Initial franchise fees are used to secure the franchisees designated territory and cover the necessary training and orientation. Franchise sales are only recognized when the Company satisfies all its performance obligations to its franchisees. Accordingly, for the years ending December 31, 2021 and 2020 and for the periods prior to adoption of ASC 606, the company had no unearned income to report.

5 | Page

The accompanying notes are an integral part of these financial statements.

LOCOCOCO HAWAII FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDING DECEMBER 31, 2021 and 2020

Note 4 - Provision for Income Taxes

Locococo Hawaii Franchise, LLC has elected to be taxed as a limited liability company under the Internal Revenue Service code. Under this provision, all income is passed through to its member who is liable for paying income tax on the related income. Thus, no income tax provisions have been made at the company level.

Note 5 – Subsequent Events

The Company has evaluated subsequent events through the date which the financial statements were available to be issued.



INDEPENDENT AUDITOR'S REPORT

To the Member of
Locococo Hawaii Franchise, LLC

I have audited the accompanying financial statements of Locococo Hawaii Franchise, LLC, which comprise the balance sheet as of December 31, 2020, and the related statements of operations, changes in members' equity, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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, I 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.

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Locococo Hawaii Franchise, LLC as of December 31, 2020 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.

CDM Financials, LLC

CDM Financials, LLC
Fairburn, GA
October 8, 2021

P.O. Box 1028 Fairburn, GA 30213 | Phone: 404.694.2864 | Email: info@cdmfinancials.com

1 | Page

The accompanying notes are an integral part of these financial statements.

LOCOCOCO HAWAII FRANCHISE, LLC
BALANCE SHEET
AS OF DECEMBER 31, 2020

ASSETS

Current Assets	
Cash	\$ 101,893
TOTAL CURRENT ASSETS	<u>101,893</u>
Intangible Assets	
Organization Cost, net	39,121
TOTAL ASSETS	<u>\$ 141,014</u>

LIABILITIES AND MEMBER'S EQUITY

Liabilities	<u>\$ -</u>
Member's Capital	166,420
Accumulated Deficit	<u>(25,406)</u>
TOTAL MEMBER'S EQUITY	<u>141,014</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>\$ 141,014</u>

LOCOCOCO HAWAII FRANCHISE, LLC
INCOME STATEMENT
FOR THE PERIOD ENDED DECEMBER 31, 2020

REVENUE	\$ -
TOTAL REVENUE	<u>\$ -</u>
EXPENSE	
Legal Fees	17,822
Amortization	4,890
Accounting	2,293
Miscellaneous	278
Bank Fees	<u>123</u>
TOTAL EXPENSES	<u>25,406</u>
NET INCOME / (LOSS)	<u><u>\$ (25,406)</u></u>
Change in Member's Equity	
Beginning Balance	
Contributions / (Distributions)	166,420
Net Income / (Loss)	<u>(25,406)</u>
Ending Balance	<u><u>\$ 141,014</u></u>

LOCOCOCO HAWAII FRANCHISE, LLC
STATEMENT OF CASH FLOWS
AS OF DECEMBER 31, 2020

OPERATING ACTIVITIES	
Net Loss	\$ (25,406)
Amortization	4,890
Net Cash Used for Operating Activities	<u>\$ (20,516)</u>
INVESTING ACTIVITIES	
Change in Intangible Assets	\$ (44,011)
Net Cash Used for Investing Activities	<u>\$ (44,011)</u>
FINANCING ACTIVITIES	
Contributions / (Distributions)	\$ 166,420
Net Cash Provided by Financing Activities	<u>\$ 166,420</u>
Net Change in Cash	\$ 101,893
Cash at Beginning of Period	-
Cash at End of Period	<u><u>\$ 101,893</u></u>

LOCOCOCO HAWAII FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDING DECEMBER 31, 2020

Note 1 - Nature of Business

Locococo Hawaii Franchise, LLC is a Hawaii Limited Liability Company established in March, 2018. The Company operates as a franchising company which offers franchisees the opportunity to operate their own shaved ice business under the Locococo name.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The financial statements for Locococo Hawaii Franchise, LLC were prepared using the accrual basis of accounting. Under this method income is recorded when earned and expenses are recorded when incurred.

Reporting Period

For tax and reporting purposes, Locococo Hawaii Franchise, LLC operates on a calendar year consisting of a full twelve months beginning with January 1 and ending December 31.

Cash and Cash Equivalents

The Company considers cash on hand, cash in banks and other short-term securities with maturities of three months or less when purchased as cash and cash equivalents. There were no cash equivalents at December 31, 2020

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3 – Revenue Recognition

The Company adopted ASU 2014-09 Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, “ASU 606”) which creates a single framework for recognizing revenue from contracts with customers that fall within its scope. The Company’s services that fall within the scope of ASC 606 will be presented within Franchise Fee Income. Accordingly, Franchise Fee Income is recognized when the Company satisfies all its performance obligations to the customer.

5 | Page

The accompanying notes are an integral part of these financial statements.

LOCOCOCO HAWAII FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDING DECEMBER 31, 2020

Note 4 - Provision for Income Taxes

Locococo Hawaii Franchise, LLC has elected to be taxed as a limited liability company under the Internal Revenue Service code. Under this provision, all income is passed through to its member who is liable for paying income tax on the related income. Thus, no income tax provisions have been made at the company level.

Note 5 – Subsequent Events

The Company has evaluated subsequent events through the date which the financial statements were available to be issued.

**EXHIBIT G TO THE DISCLOSURE DOCUMENT
LIST OF CURRENT AND FORMER FRANCHISEES**

The following is a list of the names of all current franchisees and the address and telephone number of each of their outlets:

None.

The following is a list of the names, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who 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 who have not communicated with us within 10 weeks of the Issuance 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.

Nevada

Vincent Venenciano
1143 Vacation Valley Avenue
Las Vegas, NV 89183
(808) 658-1505
Terminated

**EXHIBIT H TO THE DISCLOSURE DOCUMENT
FRANCHISEE DISCLOSURE QUESTIONNAIRE**

As you know, Locococo Hawaii Franchise, LLC and you are preparing to enter into a Franchise Agreement for the operation of a franchised business. In this Franchisee Disclosure Questionnaire, Locococo Hawaii Franchise, LLC will be referred to as “we” or “us.” The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we did not authorize and that may be untrue, inaccurate, or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed Locococo Hawaii Franchise, LLC’s Franchise Agreement and each exhibit, addendum, and schedule attached to it?
Yes _____ No _____
2. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits, or operating costs of the franchised business that we or our franchisees operate?
Yes _____ No _____
3. Has any employee or other person speaking on our behalf made any statement or promise concerning a franchised business that is contrary to, or different from, the information contained in the Disclosure Document?
Yes _____ No _____
4. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a franchised business?
Yes _____ No _____
5. Has any employee or other person speaking on our behalf made any statement, promise, or agreement concerning the advertising, marketing, training, support service, or assistance that we will furnish to you that is contrary to, or different from, the information contained in this Disclosure Document?
Yes _____ No _____
6. If you have answered “Yes” to any of questions 2 through 5, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered “No” to each of these questions, please leave the following lines blank.

RESIDENTS OF THE STATE OF CALIFORNIA AND FRANCHISEES WITH A BUSINESS TO BE LOCATED IN CALIFORNIA ARE NOT REQUIRED TO COMPLETE THIS QUESTIONNAIRE.

NOTE FOR RESIDENTS OF THE STATE OF MARYLAND AND FRANCHISEES WITH A BUSINESS TO BE LOCATED IN MARYLAND: Any representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

By signing this Franchisee Disclosure Questionnaire, you are representing that you have responded truthfully to the above questions.

Name of Franchisee/Applicant

Date

Signature

Name and Title of Person Signing

**EXHIBIT I TO THE DISCLOSURE DOCUMENT
STATE ADDENDA TO THE DISCLOSURE DOCUMENT**

**CALIFORNIA ADDENDUM
TO FRANCHISE DISCLOSURE DOCUMENT**

As to franchises governed by the California Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

The “Risk Factors” on the second page of the Disclosure Document are amended to also include the following:

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 FRANCHISE DISCLOSURE DOCUMENT.

In California the highest interest rate permitted by law is ten percent (10%).

Item 3 of the Disclosure Document is amended by adding the following paragraph:

Neither we nor any person or franchise broker in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

Item 17 of the Disclosure Document is amended by adding the following paragraphs:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

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.

The franchise agreement requires binding arbitration. The arbitration will occur at Kauai County, Hawaii, with the costs being borne according to the Rules for Commercial Arbitration of the American Arbitration Association. 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.

The area development agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF CORPORATIONS BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

YOU MUST SIGN A GENERAL RELEASE OF CLAIM IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CODE §§31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE §20010 VOIDS A WAIVER OF YOUR RIGHTS

UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§20000 THROUGH 20043).

Our website is located at www.waikomoice.com.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

**HAWAII ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Hawaii Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Registered agent in the state authorized to receive service of process:

Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, HI 96813

**ILLINOIS ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Illinois Franchise Disclosure Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17.w. is modified to provide that Illinois law applies.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision of the Franchise Agreement purporting to bind you to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.
4. The conditions under which your Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.

**MARYLAND ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Maryland Franchise Registration and Disclosure Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17.b. is modified to also provide, “The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Item 17.u. is modified to also provide, “This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.”

3. Item 17.v. is modified to also provide, “Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

MINNESOTA ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the Minnesota franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14 Subds. 3, 4, and 5 which require (except in certain specified cases), that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

**NEW YORK ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the New York franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE SET THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the “Summary” section of Item 17(j), titled **“Assignment of contract by franchisor”**:

However, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

8. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum,”** and Item 17(w), titled **“Choice of law”**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

**NORTH DAKOTA ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the North Dakota franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

Restrictive Covenants: To the extent that covenants not to compete apply to periods after the term of the franchise agreement, they are generally unenforceable under North Dakota law.

Applicable Laws: North Dakota law will govern the franchise agreement.

Waiver of Trial by Jury: Any waiver of a trial by jury will not apply to North Dakota Franchises.

Waiver of Exemplary & Punitive Damages: Any waiver of punitive damages will not apply to North Dakota Franchisees.

General Release: Any requirement that the franchisee sign a general release upon renewal of the franchise agreement does not apply to franchise agreements covered under North Dakota law.

Enforcement of Agreement: Any requirement in the Franchise Agreement that requires the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement is void. Instead, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

**RHODE ISLAND ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Rhode Island Franchise Investment Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

Item 17.m. of the Disclosure Document is revised to provide:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act prohibits a franchisee to be restricted in choice of jurisdiction or venue. To the extent any such restriction is purported to be required by us, it is void with respect to all franchisees governed under the laws of Rhode Island.

Item 17.w. of the Disclosure Document is revised to provide:

Rhode Island law applies.

**VIRGINIA ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Virginia Retail Franchising Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document is amended as follows:

Additional Disclosure: The following statements are added to Item 17.h.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

**WASHINGTON ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Washington Franchise Investment Protection Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

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 rights of your franchise. There may also be court decisions that 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 shall 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 shall prevail.

A release or waiver of rights signed by the franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those that 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.

**WISCONSIN ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Wisconsin Fair Dealership Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17 is modified to also provide,

If the franchise agreement contains any provisions that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, franchise agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days' prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending
Hawaii	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT J TO THE DISCLOSURE DOCUMENT RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Locococo Hawaii Franchise, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 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.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Locococo Hawaii Franchise, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the State Administrator listed in Exhibit A.

The franchisor is Locococo Hawaii Franchise, LLC, located at 5174 Hoona Road, Koloa, Hawaii 96756. Its telephone number is 808-651-5169.

The following is the name, principal business address, and telephone number of the franchise seller offering the franchise:

Thomas Oliver, 5174 Hoona Road, Koloa, Hawaii 96756; 808-651-5169.

Date of Issuance: March 15, 2023

We authorize the respective state agencies identified on Exhibit B to receive service of process for us in the particular state.

I have received a Franchise Disclosure Document dated March 15, 2023 including the following exhibits on the date listed below:

- A. List of State Administrators
- B. State Agents for Service of Process
- C. Franchise Agreement
 - Schedule 1-General Release
 - Schedule 2-Nondisclosure and Non-Competition
 - Schedule 3-Unlimited Guaranty and Assumption of Obligations
 - Schedule 4-Collateral Assignment of Lease
 - Schedule 5-ACH Payment Agreement
 - Schedule 6-Holders of Legal or Beneficial Interest in Franchisee: Officers; Directors
 - Schedule 7-State Addenda to the Franchise Agreement

Schedule 8-SBA Addendum

- D. Operations Manual Table of Contents
- E. Area Development Agreement
 - Appendix A-Development Territory
 - Appendix B-Development Schedule
 - Appendix C-Owner's Guaranty and Assumption of Developer's Obligations
 - Appendix D-List of Principals
 - Appendix E-State Addenda to the Area Development Agreement
- F. Financial Statements
- G. List of Current and Former Franchisees
- H. Franchisee Disclosure Questionnaire
- I. State Addenda to the Disclosure Document
- J. Receipt

Please sign and print your name below, date, and return one copy of this receipt to Locococo Hawaii Franchise, LLC and keep the other for your records.

Date of Receipt

Print Name

Signature
(individually or as an officer, member, or partner of)

a [STATE of Incorporation]
[Corporation/LLC/Partnership]

RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Locococo Hawaii Franchise, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 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.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Locococo Hawaii Franchise, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the State Administrator listed in Exhibit A.

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