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FRANCHISE

DISCLOSURE DOCUMENT

FOR





FRANCHISE DISCLOSURE DOCUMENT

Kona Ice, Inc. a Kentucky Corporation

5945 Centennial Circle

Florence, KY 41042

1-800-KONAICE (1-800-566-2423)

Email: Tony@Kona-Ice.com

Please visit our website at www.Kona-Ice.com

The franchise offered is for the operation of a Kona Ice™ business, including the operation of a Kona Ice™ truck involving the sale of flavored shaved ice, ice cream and related products.

The total investment necessary to begin operation of a Kona Ice franchised business is \$111,850 to \$125,100. This includes \$98,900 that must be paid to the franchisor or its affiliate(s).

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **NOTE, HOWEVER, THAT NO GOVERNMENTAL AGENCY HAS VERIFIED THE INFORMATION CONTAINED IN THIS DOCUMENT.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Tony Lamb, 5945 Centennial Circle, Florence, KY 41042 at 1-800-566-2423.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read your entire contract carefully. Show your contract and this disclosure document to a business advisor, such as 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 also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: March 15, 2012

STATE COVER PAGE

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

Call the state franchise administrator listed in Exhibit C for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT PERMITS THE FRANCHISEE TO ARBITRATE OR SUE ONLY IN THE COMMONWEALTH OF KENTUCKY. OUT OF STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE OR TO SUE KONA ICE, INC. IN KENTUCKY THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT STATES THAT KENTUCKY LAW GOVERNS THE AGREEMENT AND THAT THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

Effective Date: See the next page for state effective dates.

STATE EFFECTIVE DATES

The following states 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 Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

California:	Pending
Florida:	December 12, 2011
Hawaii:	Pending
Illinois:	Pending
Indiana:	October 3, 2011
Maryland:	March 19, 2012
Michigan:	February 11, 2012
Minnesota:	Pending
New York:	Pending
Rhode Island	April 5, 2012
Utah:	October 3, 2011
Virginia:	October 12, 2011
Washington:	November 23, 2011
Wisconsin:	November 4, 2011

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EXHIBITS

Exhibit A. Franchise Agreement

Attachment 1 Personal Guaranty, Confidentiality And Covenant Not To Compete

Attachment 2 Eagle Financial Services, Inc. Retail Installment Contract

Attachment 3 General Release

Attachment 4 Territory Reservation Agreement

Exhibit B. Financial Statements

Exhibit C. List of State Administrators and Agents for Service of Process

Exhibit D. Multi State Addenda to the Franchise Disclosure Document and Franchise Agreement.

Exhibit E. Compliance Questionnaire

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ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

Kona Ice, Inc. is a corporation organized under the laws of the Commonwealth of Kentucky, in February 2008, and doing business as "Kona Ice™." For ease of reference, Kona Ice, Inc. will be referred to as "we," "us," "our," "Franchisor", or "Kona Ice™" in this Franchise Disclosure Document. We will refer to the person or entity that buys the franchise as "you", "Franchisee" and "your" throughout the Franchise Disclosure Document and Franchise Agreement. Additionally, any reference to "System" means the franchise system of "Kona Ice, Inc."

Our principal business address is 5945 Centennial Circle, Florence, KY 41042. We are a Kentucky Corporation that was formed on February 12, 2008. We sell franchises for the operation of a Kona Ice™ truck, including the sales of flavored shaved ice, ice cream and related products as well as public event participation and private party bookings. Potential customers include members of the general public. In addition to the sale of franchises, we also operate Kona Ice™ trucks. We do not offer franchises in any other line of business nor are we involved in any other business activities.

Kona Ice has one affiliate. Our Affiliate, Eagle Financial Services, Inc was incorporated on April 4, 1994 in the Commonwealth of Kentucky with Edward G Reynolds as its 100% shareholder. Eagle Financial Services Inc. is located at 7791 Dixie Highway, Suite B, Florence, KY 41042 and phone (859) 525-3070. The owner of our affiliate, Mr. Edward G. Reynolds, is a 45% owner in Kona Ice, Inc. and was 100% owner of our predecessor, EGR Holdings, Inc. described below. Eagle Financial Services, Inc. has never offered franchises in this or any other line of business. Eagle Financial Services, Inc. also provides financing for qualified Franchisees for the purchase of the Truck as described in Item 10.

Kona Ice™ has one predecessor. Our predecessor, EGR Holdings, Inc. was incorporated on February 13, 2007 in the Commonwealth of Kentucky with Edward G. Reynolds as its 100% shareholder. The principal business address of EGR Holdings, Inc was 10943 Dixie Hwy, Walton KY, 41094. EGR Holdings, Inc. and Kona Ice, Inc. merged on November 25, 2008 and are doing business as Kona Ice, Inc.

Our predecessor, EGR Holdings, Inc. operated Kona Ice™ trucks from June 1, 2007 until the incorporation of Kona Ice, Inc. on February 12, 2008. Prior to the merger of EGR Holdings, Inc. and Kona Ice Inc, EGR Holdings offered franchises under the name Kona Ice. EGR has not offered franchises in any other line of business.

Our prior business experience consists of the operation of Kona Ice™ trucks and the selling of franchises since March 1, 2008. We do not have any parents and do not intend to do business under any name other than Kona Ice, Inc. We have not offered franchises in any other line of business.

The business is characterized by a distinctive Kona Ice™ truck, exterior truck design, color scheme, proprietary Flavor Wave Self-Service System, and distinctive truck music. All these

procedures make up the business (the "System") and may be changed, improved, or modified by Kona Ice™ at any time.

The Franchise System is identified by means of several trademarks, including the "Kona Ice™" name. We have registered our trademarks through the United States Patent and Trademark Office.

You will be conducting sales of flavored shaved ice, ice cream, and related products directly to public consumers by operating your Kona Ice truck on public streets. Customers can also book the Kona Ice truck for various events, whether for fundraising or just for fun, including sports leagues, school events or sports, festivals and fairs, birthday parties, corporate events, picnics, church events, block parties, daycares, and preschools, etc. Events can be booked directly with the franchisee in person, via telephone, or online. Due to the nature of the shaved ice and ice cream related products, sales are seasonal with more business activity in the warm months and little to no sales in colder months.

You will be competing with other ice cream trucks and other businesses that offer ice cream and shaved ice products. Your competitors also include retail grocery stores, convenience stores, some of which are franchised, which sell the same products and services. Your business must be operated in conformance with laws and regulations in each place you do business. These laws include food safety and cleanliness standards and may be different in each location where you sell your product. You must also operate in conformance with the specified standards of our System.

We do not engage in businesses other than the sale of franchise businesses and the operation of Kona Ice trucks. Kona Ice's™ Agent for service of process is Tony Lamb, 5945 Centennial Circle, Florence, KY 41042 or the agent listed in Exhibit C for your state.

Regulations

Many states and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your Kona Ice franchise, 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.

State Licensing: Most states require a Food Handlers License and possibly a Hawkers or Peddlers License. The internet provides information on your State requirements.

Local Licensing: Call the City or Town Clerk in the communities you plan to service. It's not uncommon for local municipalities to require additional licensing.

ITEM 2

BUSINESS EXPERIENCE

Our principal officers are listed below:

President: Tony Lamb. Mr. Lamb handles the day to day operation of Kona Ice™, Inc. and serves at its President. He also serves as Secretary and as the Franchise Sales Manager. Mr. Lamb has management responsibility relating to the sale and operation of franchises offered by this document.

For the last five years Mr. Lamb has held the following positions:

<u>Beginning Date</u>	<u>Date of Departure</u>	<u>Position</u>	<u>Location</u>
February 2008	Still hold position	Kona Ice, Inc. <i>President</i>	Walton, KY
February 2007	February 2008	EGR Holdings, Inc. <i>Manager</i>	Walton, KY
August 2007	December 2007	Eagle Financial Services, Inc. <i>Marketing Consultant</i>	Florence, KY
November 2003	Still hold position	Targett Information Services <i>President, Mobile Advertising</i>	Union, KY

Chief Executive Officer: Edward G. Reynolds. Mr. Reynolds serves as the Chief Executive Officer, Treasurer, and Chief Financial Officer.

For the last five years Mr. Reynolds has held the following positions:

<u>Beginning Date</u>	<u>Date of Departure</u>	<u>Position</u>	<u>Location</u>
February 2008	Still hold position	Kona Ice, Inc. <i>Chief Executive Officer</i>	Walton, KY

February 2007	November 2008	EGR Holdings, Inc. <i>President</i>	Walton, KY
June 1994	Still holds position	Eagle Financial Services, Inc. <i>President</i>	Florence, KY

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5

INITIAL FEES

You are required to pay an initial franchise fee of \$15,000 ("Initial Franchise Fee"). Each franchise is operated according to a separate Franchise Agreement, and this fee must be paid to us in a lump sum upon the signing of each Franchise Agreement. The Initial Franchise Fee is fully earned upon payment, and there are no refunds under any circumstances.

In the event that you desire to purchase an additional Kona-Ice™ truck(s) and related franchise(s), you will be required to enter into a separate franchise agreement for each additional franchise and any additional franchises that you purchase must be contiguous to your Protected Territory, unless specifically agreed to by us in writing. You do not have any options, rights of first refusal, or similar rights to acquire additional franchises. However, in the event that you want to reserve a contiguous territory(s), typically for a period of one year, as a franchisee in good standing you may make a nonrefundable deposit of \$10,000 for each territory you want to reserve, which will be redeemable toward the purchase of a Kona-Ice™ Franchise(s). The Territory Reservation Fee is fully earned upon payment and there are no refunds under any circumstances. The Territory Reservation Agreement is included as Attachment 4 to the Franchise Agreement.

Before your business opens, you must purchase the Kona Ice™ truck and related equipment from us for \$83,900. You will be required to pay a \$5,000 deposit when you sign the Franchise Agreement with balance of \$78,900 will be due when you take delivery of your truck. The \$5,000 deposit is fully earned upon payment, and there are no refunds under any circumstances.

This fee will be used to place the initial order for your truck and related equipment. If you choose to have the truck delivered to your address, there will be a hauling charge per mile from Elkhart, Indiana to your destination. You will need to contact Kona Ice for the current rate.

At the discretion of our Affiliate, Eagle Financial Services, Inc. and if you choose, Eagle Financial Services, Inc. may offer you the option to finance a portion of your Truck Purchase. Eagle Financial Services, Inc. may finance up to \$54,400 of your Truck Purchase of \$83,900. The Note is paid in 48 equal monthly installments at an interest rate ranging from 8.99% to 10.99% based on the amount financed as per the chart below and more fully described in Item 10. A copy of the Retail Installment Contract is attached as Attachment 2 to the Franchise Agreement.

AMOUNT FINANCED	INTEREST RATE	TERM (months)	MONTHLY PAYMENT
\$54,400	10.99%	48 Months	\$1,406
\$44,400	9.99%	48 Months	\$1,126
\$34,400	8.99%	48 Months	\$856
Less than \$34,400	8.99%		

You pay us or our affiliates no other fees or payments for services or goods before your business opens.

ITEM 6 OTHER FEES

<u>Type of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Advertising	\$250 per year	Due June 30 of each year	Annual advertising fee paid to us.
Royalty	\$3,000 per year for your first 5 years; \$3,500 per year in years 6-7; \$4,000 per year for 8 or more years.	Royalty fee is payable in 3 equal installments due June 30, July 31 and August 31 of each year.	Continuing Royalty and service fees paid to us.
Transfer Fee (Note 2)	\$2,000.00	At the time that transferee executes the franchise agreement in effect for the transfer or sale of existing unit.	Payable to us when the Franchise Agreement or a material portion of the assets of the business interest are transferred.

<u>Type of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Renewal Fee	\$2,000.00	30 days after renewal	Payable to us when the renewal Franchise Agreement is signed. Nonrefundable for any reason.
Territory Reservation Fee (Note 4)	\$10,000	Upon signing of the additional Franchise Agreement	In the event that you desire to purchase an additional Kona-Ice™ truck(s) and related franchise(s), you will be required to enter into a separate franchise agreement for each additional franchise and any additional franchises that you purchase must be contiguous to your Protected Territory, unless specifically agreed to by us in writing. You do not have any options, rights of first refusal, or similar rights to acquire additional franchises. However, in the event that you want to reserve a contiguous territory(s), typically for a period of one year, as a franchisee in good standing you may make a nonrefundable deposit of \$10,000 for each territory you want to reserve, which will be redeemable toward the purchase of a Kona Ice Franchise. (See Attachment 4 to the Franchise Agreement).
Truck Rewrap Fee (Note 3)	\$2,000.00	Every 7 years	You must have the vinyl wrap replaced every 7 years. We pay for the vinyl, if the full amount of royalties owed during the past 7 years has been paid. You pay for the shipping and professional installation labor.

- 1) We or our affiliates impose all the fees in this table and are uniform to all franchises, including company and affiliate owned. You pay them to us or our affiliates, and we (or our affiliates) do not refund them. The fees and costs in this ITEM 6 are uniformly imposed and we do not impose or collect any other fees or payments for any other third party. All fees are generally non-refundable.
- 2) No Transfer Fee is required if you transfer your Franchise to a corporation in which you are the majority stockholder, or if you transfer the Franchise to your child, parent, sibling or spouse. You must pay a Transfer Fee of \$2,000 in all other cases.

- 3) **Truck Rewrap Fee:** You must have the vinyl wrap replaced every 7 years. We pay for the vinyl wrap, if you have paid all royalties owed during the past 7 years. You pay for the shipping and professional installation labor at an estimated cost of \$2,000.
- 4) In the event that you desire to purchase an additional Kona-Ice™ truck(s) and related franchise(s), you will be required to enter into a separate franchise agreement for each additional franchise and any additional franchises that you purchase must be contiguous to your Protected Territory, unless specifically agreed to by us in writing. You do not have any options, rights of first refusal, or similar rights to acquire additional franchises. However, in the event that you want to reserve a contiguous territory(s), typically for a period of one year, as a franchisee in good standing you may make a nonrefundable deposit of \$10,000 for each territory you want to reserve, which will be redeemable toward the purchase of a Kona-Ice™ Franchise(s). The Territory Reservation Agreement is included as Attachment 4 to the Franchise Agreement.

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount/Range Estimated	Method of Payment	When Due	To Whom Payment is Made
Initial Franchise Fee See note (1).	\$15,000	Lump Sum	Upon signing of the Franchise Agreement	Us
Truck and related equipment. See note (2).	\$83,900	Two installments	\$5,000 due when you sign the Franchise Agreement and the balance of \$78,900 upon delivery or pick up of the truck and related equipment.	Us
Training Expense. See note (3).	\$200 to \$500	Lump Sum	As incurred	You may choose to pick up your truck in conjunction with your participation in Kona Kollege training, your inbound travel expenses are covered by Kona Ice. You are responsible for your outbound travel expenses with the truck as well as any food and lodging expenses associated with your return trip to your location.

Type of Expenditure	Amount/Range Estimated	Method of Payment	When Due	To Whom Payment is Made
Optional Vehicle Delivery to your location (Note 4)	\$500 to \$3,000	Lump Sum	Upon delivery of the truck and related equipment.	If you choose delivery of your truck from Elkhart, Indiana to your location, you will pay the delivery fee directly to transportation company based on the then-current rate. Contact Kona Ice for current rates.
Vehicle Insurance for 3 months	\$1500 to \$3,000	As Incurred / monthly	As Incurred / monthly	Insurance Companies
Tax, title and licensing of Truck. See note (5).	\$2,000 to \$6,000	Lump Sum	Upon delivery or pick up of the truck.	Various State Agencies
Inventory. See note (6).	\$2,000 to \$3,000	Lump Sum	Upon delivery or pick up of the truck	Us or Approved Suppliers
Permits and Licenses See note (7)	\$1,000 to \$1,500	Lump Sum	Upon delivery or pick up of the truck	Outside Suppliers; Taxing Authority
Vehicle and/or Product Storage See Note (8)	\$50 to \$200	As Incurred / monthly	As Incurred/monthly	Storage Facility
Rent and/or Real Estate See note (8)	\$500 to \$1,000	As Incurred	As Incurred	Lessor
Computer System and Software	\$200 to \$1,000	As Incurred	As Incurred	Suppliers
Additional Funds – Three Months See note (9)	\$5,000 to \$7,000	As Incurred	First three months of operation	Us and Approved Suppliers, Taxing Authorities, and Vendors
TOTAL	\$111,850 to \$125,100	See above	See above	

Franchisor will approve or decline your application within fifteen (15) days of receipt of your application.

Explanatory Notes to Item 7:

(1) Franchise Fee. The initial fee for a franchisee is \$15,000 for a ten-year period. The Initial Franchise Fee is due upon signing the Franchise Agreement and is deemed fully earned upon payment. There are no refunds under any circumstances. The initial franchise fee is paid in addition to the annual franchise fee, which we also refer to as the Royalty Fee.

(2) Purchase of Truck and Equipment. You are required to purchase a truck with necessary equipment as designed by us. The current price for the truck is \$83,900. You will be required to pay a \$5,000 deposit when you sign the franchise agreement and must pay the balance of \$78,900 prior to taking possession of your truck. There are no refunds under any other circumstances. The base truck shall be a new Chevrolet 3500 Express Truck, or its equivalent, with the following installed equipment: Ice shaving machine, one cold plate freezer, our proprietary delivery system, our proprietary music system, our proprietary Flavor Wave Self-Service System, and a fifty gallon mixing drum. No other truck or vehicle may be used in the operation of your Kona Ice™ franchise. These items must be purchased from us or our affiliate (if any), and you are not permitted to purchase any of these items from alternate sources.

(3) Training Expenses. Training is conducted at Kona Kollege located in our corporate office in Florence, Kentucky; contact Kona Ice for training schedules. One (1) owner/operator is enrolled in initial Kona Kollege training at no cost to the franchisee. Inbound travel, lodging and meal expenses for one participant are covered by Kona Ice for the scheduled Kona Kollege training program. (Contact Kona Ice regarding additional participant cost.) At the conclusion of training, you would take possession of your truck. You will then be responsible for all costs (travel, lodging, meals and other expenses) related to traveling back to your location.

(4) Delivery Expenses. You are responsible to pick up your truck or to have your truck delivered. If you choose delivery of your truck from Elkhart, Indiana to your location, you will pay the delivery fee directly to the transportation company based on the then-current delivery rate, as stated in Item 5 above.

(5) Tax, Title, and Licenses. You are required to pay all federal and state tax, title, licenses and other costs of titling the truck. The estimates above include a sales (or usage) tax of an estimated 6% of the purchase price of the truck. The actual amount, which you are required to pay, may be more depending on the tax rate in the jurisdiction where you title your vehicle. You should check with your local county clerk's office, or other governmental titling office, for your state's tax rate and the exact cost to title and license your truck. You are solely responsible for any tax, title, and licenses for your truck.

(6) Inventory. Supplies and required inventory for serving shaved ice, including but not limited to cups and flavoring. Ice cream products, related toys (such as stuffed penguins, beach balls) and merchandise (such as shirts and hats) are also included in this amount but you are not obligated to purchase them.

(7) Permits and Licenses. You are required to pay for local permits and licenses, usually required in each city, county and state where you operate. You should check with your local taxing authorities and with your tax advisor for the amount of such governmental charges.

(8) Office Space and Storage. If you do not have adequate space, you may choose to rent or lease a small office and/or storage space. It is not mandatory to own an office or rent an office space; it is possible to do the paperwork and financial calculations at an in-home office, or store your vehicle and supplies at a home based location. However if you do lease/rent office and/or

storage space, the space typically is located in industrial areas and requires 300 to 800 square feet. Rent is estimated to range from \$100 to \$300 per month.

(9) Additional Funds – Three months. This estimates your other start up expenses for your first three months in operation. These figures are estimates and it cannot be guaranteed that you will not have additional expenses starting the business. Expenses include truck storage, utilities and security deposits, insurance premiums, licenses, permit costs, uniforms, as well as additional operating capital for other variable costs such as electricity, and telephone. Additional funds are an estimate of the money you will need on hand during the initial phase of your franchise operations. We estimate that the initial phase will last three months and that you will need approximately \$5,000 to \$7,000 to cover expenses during this phase. These expenses exclude payroll costs should you have any employees. The factors, basis, and experience that we considered in arriving at the amount of additional funds are: We assumed that your business will be operated by the owner and that you will not have any employees or payroll costs, other than the amount paid to the owner. In the event that you intend to hire employees to operate the truck, you should add their expected salary to this figure. You should check with local warehouses and garages in your geographic area for the amount it will cost to store your Kona Ice™ truck indoors. This estimate is based on our experience in operating Kona Ice trucks.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You are required to purchase your Kona Ice™ truck and installed equipment from us. We are the only approved supplier for the truck and equipment. The total cost of your truck and installed equipment, which includes ice shaving machine, one cold plate freezer, our proprietary delivery system, our proprietary music system, our proprietary Flavor Wave Self-Service System, and a fifty gallon mixing drum, is \$83,900, plus tax, title, and license.

Your success in large part is dependent upon the quality and pricing of your products. With this in mind, you must purchase your flavorings and shaved ice cups from suppliers approved by us. You are not required to purchase any minimal amount of these items. Our approved suppliers for these items are listed below:

<u>Item</u>	<u>Approved Supplier</u>
Flavorings	Southern Snow, 130 West "W" Street, Belle Chasse, LA 70037
Cups	Solo, distributed by Mailender Inc., 9500 Glades Drive, Hamilton, OH 45011

We estimate that the cost of the initial inventory of flavorings and shaved ice cups, Kona Ice truck and equipment that must be purchased from designated or approved suppliers or in accordance with our specifications will represent approximately 90% of your total purchases in connection with the establishment of your business. It will represent between 10% and 15% of

your ongoing expenses. During our fiscal year ended December 31, 2011, we received \$6,093,949 from these required purchases, which represents 78% of our total revenues of \$7,766,240

We have negotiated purchase arrangements with other suppliers and distributors for the benefit of our Franchisees and we receive rebates or volume discounts from our purchase of equipment and supplies that we resell to you (maximum of 3% to 5%). During our fiscal year ended December 31, 2011, we received \$36,928 in rebates from these purchases, which represents less than .5% of our total revenues of \$7,766,240.

We do not restrict the sources from whom you purchase ice cream and ice cream related products. All other non-consumable merchandise sold from your truck, such as tee-shirts, toys, and all other items must be either purchased from suppliers approved by us or from us directly. You are not required to make any such purchases. You may not sell any other goods or services from your Kona Ice™ truck or within close proximity of the operation of your Kona Ice™ truck.

We have the right to specify, or otherwise approve, all items that are sold from your Kona Ice™ truck.

A list of approved products and suppliers from whom inventory and supplies may be purchased are published in our approved product and supplier list. We do not issue specifications with regard to the products or suppliers on our approved list to you.

Approval of Suppliers:

If we have designated an approved supplier for a particular item, you may propose to purchase or lease the item from a supplier that we have not previously approved if it meets our quality control specifications. If you wish to request our approval of an alternate supplier, you must first notify us, and we may require submission of sufficient samples, specifications, photographs, drawings and other related information to determine whether such items meet our specifications.

Each supplier we approve must meet our customary requirements regarding insurance, indemnification and nondisclosure. We apply the following criteria, among others, in considering whether the supplier will be approved:

1. Ability of the supplier to produce the products, services, supplies or equipment to meet typical specifications;
2. Production and delivery capabilities and ability to meet commitments;
3. Integrity of ownership (to assure the suppliers association with the System wouldnot be inconsistent with the Franchisor's image or damage its goodwill);
4. Financial stability; and
5. The negotiation of a mutually satisfactory license (if required) to protect us or our affiliates' intellectual property rights.

We will advise you within 30 days whether the proposed supplier is approved. There is no cost for supplier approval and approval will not be unreasonably withheld.

Approval of suppliers may be revoked if the quality standards, delivery, financial stability, or performance fail to satisfy the specifications set forth in the current operations manual.

There are no approved suppliers in which any of our officers owns an interest. All of our approved suppliers are unrelated third parties. You must purchase products directly from the suppliers listed on our Approved Supplier List.

We do not have any purchasing or distribution cooperatives as of the date of this Disclosure Document.

We do not provide material benefits, such as renewing or granting additional franchises, to Franchisees based on their use of designated or approved suppliers.

Computer Requirements:

We do not currently require you to purchase any computer or software for the operation of your business, however, you must have access to the Internet, have an electronic mail address and periodically check your electronic mailbox and the portion of our Web site devoted to franchise owners. We reserve the right to market and sell, over the Internet.

Insurance:

You must, at all times, maintain insurance as follows:

A. If you have employees, workers' compensation insurance in amounts prescribed by law in your territory;

B. Fire and lightening, extended coverage, theft, vandalism and malicious mischief, flood (if the Franchise is in a Designated Flood Hazard Area), and sprinkler leakage insurance on the Franchise and all fixtures, equipment, supplies and other property used in the operation of the Franchise, for not less than 100% of the replacement value of the same, except that an appropriate deductible clause will be permitted;

C. Comprehensive general liability insurance and product liability insurance coverage in such amounts and upon such terms as may from time to time be customary for a shaved ice business located in your Territory, but not less than \$1,000,000, insuring both you and Kona Ice against all claims, suits, obligations, liabilities and damage, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage relating to the use or condition of the Franchise; and

D. Such additional insurance as may be required by the terms of any lease or mortgage for the Franchise.

E. You must procure, maintain and provide evidence of automobile (truck) vehicle liability insurance covering the driving of the Kona Ice™ truck in an amount of not less than \$1,000,000.

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 franchise disclosure document.

<i>Obligation</i>	<i>Section in Franchise Agreement</i>	<i>Disclosure Document Item</i>
(A) Site selection and acquisition/ truck selection	Not applicable Section VIII	Items 7 and 11
(B) Pre-opening purchase/leases	Section VIII	Item 7
(C) Site development and other pre-opening requirements	Not applicable	Not applicable
(D) Initial and ongoing training	Section XII	Item 11
(E) Opening	Not applicable	Not applicable
(F) Fees	Sections IX and X	Items 5, 6 and 7
(G) Compliance with standards and policies	Section XII	Item 8
(H) Trademarks and proprietary information	Sections XII, XV and XVI	Items 13 and 14
(I) Restrictions on products/ services offered	Section XII	Items 8 and 16
(J) Warranty and customer service requirements	Section II A.	Item 8
(K) Territorial development and sales quotas	Section VI	Item 12
(L) Ongoing product/service purchases	Section XII	Item 8
(M) Maintenance, appearance, and remodeling requirements	Section XII	Items 7, 8, and 11
(N) Insurance	Sections VIII and XIV	Item 7
(O) Advertising	Section X	Items 6 and 11
(P) Indemnification	Section XVIII	Item 6
(Q) Owner's participation/ management/staffing	Section XII	Items 11 and 15
(R) Records and reports	Section XIII	Item 17
(S) Inspections and audits	Sections XII and XIII	Item 6
(T) Transfer	Section XXI	Item 17
(U) Renewal	Section VII	Item 17
(V) Post-termination obligations	Section XXIII	Item 17
(W) Non-competition covenants	Section XIX	Item 17
(X) Dispute resolution	Section XXIV	Item 17
(Y) Other	Not Applicable	Not Applicable

ITEM 10

FINANCING

Except as stated below, neither Kona, nor any agent or affiliate of ours offers direct financing. Other than described below, we do not guarantee your note, lease, or obligation. Except as described below we do not currently place financing with anyone and do not receive any payment or other benefit for placement of financing. We do not have any past or present practice to sell, assign or discount to any third party, in whole or in part, any financing arrangements. We reserve the right to offer further financing or assist Franchisees in obtaining financing in the future.

At their sole discretion and if you qualify, our affiliate, Eagle Financial Services, Inc., may offer you financing for the purchase of your truck. Neither we nor any affiliate or agent receives any consideration for placing financing with this lender. The following table summarizes the financing Eagle Financial Services, Inc. may offer you for the purchase of your truck, if you qualify:

SUMMARY OF FINANCING OFFERED

ITEM FINANCED (SOURCE)	AMOUNT FINANCED	DOWN PAYMENT	TERM (MONTHS)	APR %	MONTHLY PAYMENT	PREPAY PENALTY	SECURITY REQUIRED	LIABILITY UPON DEFAULT	LOSS OF LEGAL RIGHT ON DEFAULT
Purchase Price of Truck (1)	Up to \$54,400 of the Truck Purchase	Portion of the \$83,900 Truck Purchase Eagle does not finance.	48 months	Varies according to amount financed 8.99% to 10.99%. (See Note 5 below)	Varies according to amount financed (48 equal monthly installments).	None	Partner or Shareholder and Personal Guarantee and Pledge of the Franchise (2)	Late Penalty; Acceleration of Amounts Due; Fees, (3)	Waiver of Trial by Jury and Right to Interpose Any Defense, Set-Off or Counterclaim of Any Nature or Description (4)

At the discretion of our Affiliate, Eagle Financial Services, Inc. and if you choose, Eagle Financial Services, Inc. may offer you the option to finance a portion of your Truck Purchase. Eagle Financial Services, Inc. may finance up to \$54,400 of your Truck Purchase of \$83,900. The Retail Installment Contract is paid in 48 equal monthly installments at an interest rate ranging from 8.99% to 10.99% based on the amount financed as per the chart below. A copy of the Retail Installment Contract is attached as Attachment 2 to the Franchise Agreement.

AMOUNT FINANCED	INTEREST RATE	TERM (months)	MONTHLY PAYMENT
\$54,400	10.99%	48 Months	\$1,406
\$44,400	9.99%	48 Months	\$1,126
\$34,400	8.99%	48 Months	\$856
Less than \$34,400	8.99%		

NOTES:

(1) The Purchase price of the Truck is \$83,900. The financed amount is evidenced by the Retail Installment Contract for the purchase price (the "Retail Installment Contract") and is payable in 48 equal monthly installments. Eagle Financial Services, Inc. reserves the right to change the terms, interest rate, and amounts financed. (A copy of the Eagle Financial Services, Inc. Retail Installment Contract appears in the Franchise Agreement as Attachment 2.)

(2) If your business is a partnership, corporation or other recognized legal entity, the Retail Installment Contract must be guaranteed individually by all partners or shareholders (See Attachment 2 to the Franchise Agreement). The Retail Installment Contract must be secured by your franchise.

(3) If you do not pay on time, Eagle Financial Services, Inc. can charge a late penalty. In the case of nonpayment or other default under the Retail Installment Contract, Eagle Financial Services, Inc. can require immediate payment of all amounts due them, and can collect reasonable attorneys' fees and all costs and expenses of collection. (See Attachment 2 to the Franchise Agreement).

(4) The Maker of the Retail Installment Contract, in any litigation arising out of or relating to the Retail Installment Contract in which a holder of the Retail Installment Contract is an adverse party, waives trial by jury and the right to interpose any defense, set-off or counterclaim of any nature or description. (See Attachment 2 to the Franchise Agreement).

(5) There is interest charged on the initial term of 48 months. The interest rate varies from 8.99% to 10.99% based on the amount financed. (See chart above and Attachment 2 to the Franchise Agreement).

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, Kona Ice is not required to provide you with any assistance.

Our Pre-Opening Obligations

Territory Selection:

Since this is a "mobile" business, no site selection is required. However, territory selection is required. Before you purchase the Franchise, you and we jointly agree on the Protected Territory in which you will operate your Kona Ice Franchise Business. We award Protected Territories based on population and zip codes. A typical Protected Territory will include approximately 50,000 in population. The population of a Protected Territory may vary depending on the characteristics of a particular Protected Territory in our Business Judgment. (See Section VI of the Franchise Agreement.)

Upon receipt of the demographic information relating to your Protected Territory, we will approve or decline your territory within 30 days. Territory selection is your responsibility but we will assist you in the selection process by considering population density, proximity of the proposed site to other Kona Ice franchises or any other reasonable criteria. If you and Kona Ice cannot agree on the territory selection, then you must select two (2) alternative territories. Kona Ice will give you an evaluation of each territory. Our assistance in no way constitutes a representation or warranty with respect to the property.

We will approve or decline your territory selection within 30 days of receipt of the information above. Our approval means that the site and plans meet minimum specifications and is not a warranty for their appropriateness.

Operating Manual:

We do not have an 'Operating Manual' as such, however, we provide a Success Guide outlining marketing strategies and techniques – ideas that have come from franchisee experience, etc. We will provide you with the current version of the Success Guide upon receipt of your deposit toward the purchase of a Kona Ice franchise. We have included a copy of the Table of Contents of our Success Guide as Exhibit F to this Franchise Disclosure Document. The Success Guide contains 34 pages.

Truck:

We will provide to you, after you have paid in full, a Kona Ice™ truck described as follows:

The base truck shall be a new Chevrolet 3500 Express Truck, or its equivalent, with the following installed equipment: Ice shaving machine, one cold plate freezer, our proprietary delivery system, our proprietary music system, our proprietary Flavor Wave Self-Service System, and a fifty gallon mixing drum. The truck will come wrapped in vinyl with Kona Ice™ insignia thereon. You will pay us a total of \$83,900.00 for the truck, plus tax, title, and license, and related costs. (See Franchise Agreement Section V. B 1 and VII. B).

You are responsible for making delivery arrangements for your Truck. If you choose to have your truck delivered to your location, there will be a delivery fee per mile from Elkhart, Indiana to your destination. You are responsible for the delivery fee and you will pay the delivery fee directly to the transportation company based on the then-current rate. You will need to contact Kona Ice for the current rate (see Item 5 above). You may choose to have your truck delivered to Kona for pick up by you at the end of your training, in which case, Kona will pay the delivery charge from Elkhart, Indiana to our location.

We will provide you with manufacturer's warranty information on the truck and installed equipment.

Training:

Training: Within 60 days of your signing the Franchise Agreement, or any other time as may be mutually agreed upon, we will train you as follows:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On The Job Training	Location
Truck & Equipment Operation	0	4	Kona Kollege Kona Ice Corporate Office
Truck & Equipment Maintenance	0	4	Kona Kollege Kona Ice Corporate Office
Field Sales and Customer Service	0	8-12	Kona Kollege Kona Ice Corporate Office
TOTAL HOURS	0	16-20	

Training will be conducted by Tony Lamb (who has 4 years experience in the operation of a Kona Ice Franchise and truck), or another franchisee who has had at least 2 years of experience in the operation and management of a Kona Ice Franchise or has successfully completed Kona Kollege. Training classes are held at Kona Kollege located in our corporate office at 5945 Centennial Circle, Florence, Kentucky. Training for new franchisees will be conducted as often as needed depending upon the number of new franchisees each month. Contact Kona Ice for training schedules. Training includes actual truck driving and customer sales. Instructional materials shall consist of the truck and equipment, manufacturer brochures and operational manuals.

You must attend training, but we do not charge an additional fee for this training or service. Your travel expenses, lodging and meal expenses for one participant are covered by Kona Ice for the scheduled Kona Kollege training program. (Contact Kona Ice regarding additional participant cost.) You must complete this training to our satisfaction or repeat this training at your cost. After satisfactorily completing this initial training, there is no mandatory or required training programs or refresher courses.

Time to Open:

It typically takes 2-12 weeks from the signing of the franchise agreement until your first day of operation. Factors that determine your actual commencement date include whether we have pre-ordered a Kona Ice™ truck, the length of time it takes the manufacturer to produce the base truck, the length of time it takes the upfit company to customize the truck, and your ability to obtain financing. You also may be delayed in obtaining the necessary occupational and other licenses in your locale. Weather may adversely affect your begin date as well.

During the operation of your business, Kona Ice will:

Provide you with a list of approved products and suppliers. We will also provide you with recommended selling prices for each of your products.

We will provide you with reasonable telephone support for your operational issues.

We will conduct on-going product and marketing development and provide you with this information. (Franchise Agreement Section V.B.)

Provide marketing, promotional materials, and services to you. Materials provided may include video and audiotapes, copy-ready print marketing materials, posters, banners and miscellaneous items. You will receive one sample of each at no charge. If you want additional copies you must pay duplication costs. We may use both outside advertising and marketing agencies and internal staff to create advertising. You may develop marketing materials for your own use, at your own cost. We must approve the marketing materials in advance and in writing within fifteen days from receipt. We reserve the right to utilize marketing developed by you for the use of all Franchisees without any payment or other compensation to you. (See Section X of the Franchise Agreement).

Your Kona Ice™ truck will come wrapped in vinyl containing the Kona Ice™ design and insignia. We will pay for the cost of replacement vinyl wrap every seven years, if you have paid the royalties owed for the past 7 years. You are responsible for all other costs of installation of the replacement vinyl wrap including, but not limited to, shipping and professional installation.

You are solely responsible to maintain the vehicles and equipment in good working order. Neither we nor any other person or business is obligated to provide ongoing maintenance, repairs or upgrades to the system. We may require periodic reviews of the overall aesthetics of your Kona Ice™ truck to ensure that you are upholding the integrity of the Kona Ice™ brand.

Advertising

Local:

We will conduct, at no cost to you, a pre-opening marketing campaign to introduce you to your local market, which will consist of a direct mail campaign to residents located within your territory.

At the present time, you are not required to market on a local basis as an individual Franchise, and you are not required to spend a minimum of your Gross Profits on local marketing and promotion in your Protected Territory. There are no restrictions on your marketing; except that you may not advertise independently on the World Wide Web or outside your territory and that your advertising must be approved by us. You may develop marketing materials for your own use, at your own cost. We must approve the marketing materials in advance and in writing within fifteen days from receipt. (See Section X of the Franchise Agreement).

National Advertising Fund:

You will be required to contribute to the National Advertising Fund. All of our franchisees must contribute to our National Advertising Fund at the same rate of \$250 per year (See Item 6). We are not required to contribute to the advertising fund, although we operate Kona Ice™ trucks.

We are not required to establish a separate bank account and may hold your advertising fee in our general corporate account. The Advertising Fund will be administered by Kona Ice's marketing and accounting staff. We may accumulate these funds, and the balance may be carried over to subsequent years. If the National Advertising Fund operates at a deficit or requires additional funds at any time, we reserve the right to loan such funds to the National Advertising Fund on any terms we determine. An unaudited annual financial statement of the National Advertising Fund will be prepared within 120 days of the close of our fiscal year and will be available to any Franchisee upon request.

We will engage in general corporate advertising for the purpose of promoting the Kona Ice™ brand. We will use different advertising media, such as television, radio, billboard, internet and other media, as determined by our Advertising Advisory Board. We will use the National Advertising Fund for local, regional, national, or international advertising or marketing, development, and maintenance of any Internet or e-commerce programs, related expenses, and any media or agency costs.

Advertising will be created and placed with outside marketing companies, although we may provide in house advertising by our general corporate employees. We do not maintain an in-house advertising department. Kona Ice will not derive income from the fund, but we may reimburse our administrative expenses incurred in administering the National Advertising Fund. We may also use the funds to offset or partially rebate the franchisee local media and printing expenses. If advertising work is performed in house, we can charge the fund for reasonable labor and material charges. Advertising expenditures may or may not be proportionate to your contributions or provide direct benefit to you or any other Franchisee. We are not required to expend any amount on advertising in your particular territory. We will spend the National Advertising Fund in our discretion, and we have no fiduciary duty to you regarding the National Advertising Fund.

Although we determine the content and placement of our advertising, our Advertising Advisory Board determines the type of advertising (television, radio, billboard, internet, or other medium) we will use. The Advertising Advisory Board shall consist of the five Franchisees with the highest gross sales for the preceding year. The Advertising Advisory Board will adopt a set of written governing documents from which they will operate. A copy of these governing documents will be available to you upon written request. We do not have the power to change or dissolve the Advertising Advisory Board.

In the last fiscal year ending 2011, the Advertising Fund was not in effect; therefore, no funds have been spent on production, media placement, administrative expenses or other uses.

We do not expend any part of the advertising fund to solicit new franchise sales.

There is no Regional Advertising Cooperative in which you must participate. We do not have the power to require cooperatives to be formed, changed, dissolved or merged.

Computer Requirements:

We do not currently require you to purchase any computer or software for the operation of your business. You may purchase hardware and software if you choose, and we do not require any particular brand of computer hardware to establish or operate the Business, nor do we specify the standards for computer and communication equipment and Internet access. You are not required, but you may choose to buy and/or license third-party software such as QuickBooks and Microsoft Office to use in the operation of your Franchise. If you purchase a PC, we suggest a PC with 512MB RAM and 60 GB Hard Drive. This hardware and software may be obtained from any computer reseller such as Office Depot, or Best Buy and will cost from \$200 to \$1,000. We reserve the right to specify computer hardware or software and to specify other computer-related standards in the future. You must have access to the Internet, have an electronic mail address and periodically check your electronic mailbox and the portion of our website devoted to franchise owners. We reserve the right to market and sell, over the Internet.

You are solely responsible for protecting yourself from viruses, computer hackers, and other communications and computer-related problems, and you may not sue us for any harm caused by such computer-related problems. You must also take reasonable steps to verify that any person or entity upon whom you rely is reasonably protected. This may include establishing firewalls, access code protection, anti-virus systems, and use of backup systems.

ITEM 12 TERRITORY

You will receive an exclusive territory (Protected Territory). You must operate your Kona Ice™ Truck only in your Protected Territory, which is identified in Section VI of the franchise agreement. You may not conduct business in any other area, without our written consent. The boundaries of your Protected Territory will depend on the number of people located in the contiguous zip code areas which are assigned as part of your Protected Territory. Your franchise area will include as many contiguous zip codes as necessary to give you 50,000 people in your Protected Territory based upon current population. We will use the "Current Population" as listed on zip-codes.com, which is an estimate derived from known delivery information, household occupancy rates, etc., as well as any other sources that we believe are reliable for determining the current population in and around your Protected Territory.

While the Franchise Agreement is in effect and you are not in default, we and our affiliates will not, in your Protected Territory, operate a company-owned unit or grant a franchise for a similar or competitive business. But you will only have the right to operate the franchised business in your Protected Territory under the terms and conditions of the Franchise Agreement, and we reserve all other rights to ourselves and our affiliates. You may not operate, solicit or accept orders outside your Territory where such operation would be an infringement on the territory of another Kona Ice franchisee's rights in his/her Territory.

We reserve all rights not expressly granted in the Franchise Agreement. For example, we or our affiliates may own, operate or authorize others to own or operate Kona Ice Franchises or any other form of Kona's business outside your Territory and may operate other kinds of businesses under other marks within your Territory. We and our affiliates may conduct, or authorize others to conduct, any form of business at any location selling any type of product or service not offered under the Trademarks.

Although we have not done so, we and our affiliates may sell products under the Trademarks within and outside your Territory through any method of distribution other than a dedicated Kona Ice location, including sales through such channels of distribution as the Internet, catalog sales, telemarketing, or other direct marketing sales (together, "alternative distribution channels"). You may not use alternative distribution channels to make sales outside or inside your Territory except as described in the following paragraph and you will receive no compensation for our sales through alternative distribution channels except as described in the following paragraph.

If we engage in electronic commerce through any Internet, World Wide Web or other computer network site or sell through any other alternative distribution channel, and we receive orders for any System products or services calling for delivery or performance in your Territory, then we will offer the order to you at the price we establish. If you choose not to fulfill the order or are unable to do so, then we, one of our affiliates or a third Party we designate (including another franchisee) may fulfill the order, and you will be entitled to no compensation in connection with this.

Your Franchise and Protected Territory does not depend upon obtaining any certain sales quotas, sales goals, or market penetration. Your Protected Territory will be exclusive to you. We may operate one or more company owned trucks and other franchisees will be permitted to use our trademark and business methods, but not in your protected area.

Your franchise area is fixed and will not be changed, even if the population in your assigned zip code areas drops below 50,000.

Your Protected Territory does not extend to, and you may not advertise independently on the Internet or World Wide Web. We will maintain Kona Ice Web pages which will include information regarding your franchise.

In the event that you desire to purchase an additional Kona-Ice™ truck and related franchise, you will be required to enter into a separate franchise agreement for the additional franchise and any additional franchises that you purchase must be contiguous to your Protected Territory—unless specifically agreed to by us in writing. You do not have any options, rights of first refusal, or similar rights to acquire additional franchises. However, in the event that you want to reserve a contiguous territory, typically for a period of one year, as a franchisee in good standing you may make a nonrefundable deposit of \$10,000 which will be redeemable toward the purchase of a Kona Ice Franchise.

We reserve the right, among others:

1. to own, franchise, or operate Franchises at any location outside of the Protected Territory, regardless of the proximity to your Franchise;
2. to use the Marks and the System to sell any equipment or services, or supplies similar to those which you will sell, through any alternative channels of distribution within or outside of the Protected Territory. This includes, but is not limited to, other channels of distribution such as television, mail order, catalog sales, wholesale sale to unrelated franchises, or over the Internet. We exclusively reserve the Internet as a channel of distribution for us, and you may not independently market on the Internet or conduct e-commerce;
3. to purchase or be purchased by, or merge or combine with, any business, including a business that competes directly with your Franchise, wherever located; and
4. to implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs.

ITEM 13 TRADEMARKS

We grant you the nonexclusive right to conduct business under the name “Kona Ice™”, and to use our penguin design. We have the right to use and to license others to use our pending trademarks, but not in your franchised area. You must use the trademark only for the operation of Your Kona Ice™ franchise and in the manner authorized by us.

We are the owner of the trademark registrations, which are summarized below:

The trademark application to register the trademark KONA ICE for use on frozen confections, flavored ices and flavoring syrup in int. class 30 was electronically filed with the U.S. Patent and Trademark Office (“USPTO”) on February 22, 2008 as U.S. Trademark application serial number 77/404,401, and on January 20, 2009, the USPTO issued federal registration no. 3563488 to us.

In addition, the trademark application to register the trademark PENGUIN DESIGN for use on frozen confections, flavored ices and flavoring syrup in int. class 30 was electronically filed with the USPTO on February 22, 2008 as U.S. Trademark application serial number 77/404,417 and on May 26, 2009, the USPTO issued federal registration no. 3625423 to us.

The following is a description of the principal Trademarks which we will license to you:

Mark	Registration Number	Date	Register
KONA ICE	3563488	January 20, 2009	Principal
PENGUIN DESIGN	3625423	May 26, 2009	Principal

You must follow our rules when you use any of the Marks. You may not use any of the Marks alone or with modifying words, designs or symbols as part of a corporate name or in any form on the Internet, including, but not limited to URLs, domain names, email addresses, locators, links, meta tags or search techniques except as we license to you. You may not use any of the Marks in connection with the sale of an unauthorized product or service or in a manner not authorized by us in writing. Guidelines regarding proper trademark use and notices will be updated from time to time at our discretion.

We do not know of any superior prior rights or infringing uses that could materially affect your use of the trademarks.

We have not registered any trademarks with any individual states.

There are no determinations or agreements currently in effect that significantly limit our rights to use or license others to use the trademarks and service marks in any manner material to the franchise by the United States Patent and Trademark Office, the Trademark Trial And Appeal Board, or the trademark administrator of any state or any court, nor any pending interference, opposition or cancellation proceeding or litigation involving the trademarks. All required affidavits have been filed.

We do not have any obligation to protect your right to use our trademarks nor are we required to protect you against claims of infringement or unfair competition arising out of your use of our trademarks.

You must notify us within three (3) days if you learn that any party is using our trademarks or a trademark that is confusingly similar to our trademark or is claiming a right to our trademarks. We have the sole discretion to take such action as we deem appropriate to exclusively control any litigation or administrative proceeding involving a trademark licensed by us to you. The franchise agreement does not require us to participate in your defense nor does it require us to indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by us to you whether or not the proceeding is resolved unfavorably to you.

You must follow our rules when you use our trademark. You may not, without our written consent, start or prosecute, or seek any litigation to enforce any right or recover any element of damage arising from the use or infringement of our trademark.

You must modify or stop using our trademark, if we modify or discontinue it. The use of a new or modified trademark may be required, and you may be required, at your own expense, to

remove existing signs from your Kona Ice™ truck, and to purchase and install new insignia. We have no liability to you in connection with this exchange.

Usage of the trademark granted under this Franchise Agreement is nonexclusive. We may use the trademark in connection with selling products, services, and granting licenses to use the Kona Ice™ trademark and to create other systems using the same trademark. You have no rights in the trademark Kona Ice™ other than what is expressly granted in the Franchise Agreement.

Upon expiration of the Franchise Agreement you may not use our trademarks or logos whatsoever but must cease using them upon expiration of the Franchise Agreement. When using the trademark on checks, invoices, receipts, contracts or any other documents with our trademark on it your name must be followed by the phrase a “Franchisee of Kona Ice, Inc.”

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not have any rights in or licenses to copyrights that are material to the franchise.

We do have a pending patent application. We have filed a pending application for patent protection of our Flavor Wave Self-Service Station. This station allows the customer to choose and apply his or her own flavorings to the shaved ice product.

Our patent application is summarized below:

Patent Title	Serial Number	Filing Date	Type
Protectable Mobile Dispensing System	12/171,930	July 11, 2008	Mechanical

Our right to use or license this patent is not materially limited by any agreement or known infringing use. There are no agreements or claims of infringement which limit the use of our patents or pending patents.

There are no determinations currently in effect that significantly limit our rights to use or license others to use the patents in any manner material to the franchise by the United States Patent and Trademark Office, the Patent Trial And Appeal Board, or the patent administrator of any state or any court, nor any pending interference, opposition or cancellation proceeding or litigation involving the patent.

We do not have any obligation to protect your right to use our patent nor are we required to protect or defend you against claims of infringement or unfair competition arising out of your use of our patent. In the event that our Flavor Wave Self-Service System or any other item infringes upon the patent of a third party, we have the right to require you to remove the offending items from your Kona Ice™ truck, at your expense. In such an event, we would send

you a replacement system for your installation. You are responsible for all installation costs of this equipment.

You must tell us within three (3) days if you learn about an infringement or challenge to our use of this patent. We will take action that we think is appropriate. The Franchise Agreement does not require us to take any affirmative action when we are notified of an infringement. We are not required to participate in your defense nor are we required to indemnify you for expenses or damages in a proceeding involving a patent, patent application, or copyright licensed to you. You must also agree not to contest our interest in these or our other trade secrets.

If we decide to add, modify, or discontinue the use of an item or process covered by a patent or copyright, you must also do so. We have no liability to you in connection with this exchange.

Upon expiration of the Franchise Agreement you may not use our patent whatsoever.

Copyrights:

We do not have any copyrights or pending copyrights that are material to the franchise.

**ITEM 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE
FRANCHISE BUSINESS**

You, having completed our training program to our satisfaction (Kona Kollege), must directly supervise and participate in the actual day-to-day operation of the Franchise on a full-time basis. Because our franchisees who have actually been owner/operators in the past have also been more successful, we require you to be an active owner and operator of your franchise for at least the initial start-up of your business, or for the first sixty 60 days that you operate as a Kona Ice franchisee. Neither you nor your Manager may have an interest or business relationship with any of our business competitors. If you are an entity, we do not require that your designated Manager own an equity interest in such entity. Other than the above, we make no other recommendations and have no other requirements regarding employment or other written agreements between you and your employees.

We are not involved in your hiring process but we do impose certain restrictions that you must adhere to when hiring supervisors or other employees. Any person operating a Kona Ice TM truck must have satisfactorily completed our training program, or have been trained by a Kona Kollege graduate, must present themselves in a clean and neat appearance, wear standard uniforms, maintain trade secrets, and agree to covenants preventing disclosure of confidential information. All such operators must also agree to sign a covenant not to compete.

If you are a business entity, each of your officers, directors, shareholders, partners, and members, plus any individual who owns, directly or indirectly, a 5% or greater interest in the business, you must also sign the Guaranty and Assumption of Franchisee's Obligations assuming and agreeing

to discharge all of your obligations and comply with all restrictions under the Franchise Agreement. (See Attachment 1 to the Franchise Agreement).

**ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer and sell only the products and services which are part of the Kona Ice system, and only services and products we incorporate into the Kona Ice system in the future. Kona Ice reserves the right, in our sole discretion, to change the types of authorized services upon reasonable notice to you. There are no contractual limits on Kona Ice's right to make changes, but Kona Ice will not make changes lightly. (See Items 1, 8 and 9).

You must offer and sell all products and services that we designate as required for all Franchisees within your market area. We have the right to change the sale of flavored shaved ice, ice cream and related products that you must offer in your area, with prior notice to you. We also reserve the right to set maximum prices for use with multi-area marketing and special price promotions. You may only sell Kona Ice System products and services, and you may not engage in the wholesale sale and/or distribution, or use other channels of distribution of any Kona Ice product, service, equipment or other component, or any related product or service.

You may not solicit or accept orders from customers outside your Territory and you may not use alternative distribution channels to solicit or fill orders.

We have the right to add additional authorized products that a franchisee is required to offer. While we do not expect to exercise this right very often, whenever we do exercise this right, we will make sure that your additional required investment for equipment, supplies, and initial inventory will not exceed \$5,000 per year.

**ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

Provision	Section in Franchise Agreement	Summary
(A) Length of franchise term	Section VII	10 Years
(B) Renewal or extension of the term	Section VII	Renewals are available for additional 10 year terms if franchisor is still offering franchisees for a fee of \$2,000.00.

Provision	Section in Franchise Agreement	Summary
(C) Requirements for franchisee to renew or extend	Section VII	Written notice, you must be fully compliant with the Franchise Agreement. Renewal means that you must sign a new franchise agreement. You may be asked to sign a contract with materially different terms and conditions than your original Franchise Agreement.
(D) Termination by franchisee	Section XXII	If we have materially breached or failed to comply with the Franchise Agreement as provide by law.
(E) Termination by us without cause	Not Applicable	We cannot terminate without cause.
(F) Termination by us with cause	Section XXII	We can terminate if you breach a material provision of the agreement.
(G) "Cause" defined-curable defaults	Section XXII	Nonpayment, loss, of control; misrepresentation, felony conviction, unauthorized use of confidential information, failure to pay taxes.
(H) "Cause" defined-non-curable defaults	Section XXII	Abandonment, Failure to Make Payments, Failure to Maintain Standards, Failure to Obtain Consent, Unauthorized Transfer, Unauthorized Disclosure, Repeated Noncompliance, Misuse of Marks, Criminal Conviction, Deceptive Practices, Failure to Make Payments, Insolvency; Assignments, Bankruptcy, Unsatisfied Judgments and Levies, Divulge Confidential Information & Compete against Franchisor, Violation of health, safety or sanitation laws upon 72 hours notice; 10 days for failure to pay amounts owed; 30 days for all other defaults. The provision of the Franchise Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy, law (11 U.S.C. Section 101 etseq.)
(I) Franchisee obligations on termination or non-renewal	Section XXIII	Cease operating franchised business; cease use of confidential information and Trademark; deliver property containing the Trademark; cancel assumed similar name remigrations; pay outstanding amounts and damages; deliver manuals; assign phone numbers; comply with covenants.
(J) Assignment of contract by us	Section XXI	No restriction on our right to assign.
(K) "Transfer" by you-definition	Section XXI	Includes transfer of any interest in the Franchise Agreement, or your business assets.
(L) Our approval or transfer by you	Section XXI	We have the right to approve all transfers by you.
(M) Conditions of our approval of	Section XXI	Full compliance of Franchise Agreement; all

Provision	Section in Franchise Agreement	Summary
transfer		amounts paid in full, completion of training; transfer fee paid; transferee agrees to all terms of Franchise Agreement; you execute other possible documents including a general release.
(N) Our right of first refusal to acquire your business	Section XXI	We have the right to match any bona-fide offer.
(O) Our option to purchase your business	Section XXI	Purchase for fair market value determined by appraisal if parties are unable to agree.
(P) Your death or disability	Section XXI	Franchise must be assigned to approved buyer within 3 months.
(Q) Non-competition covenants during the terms of the franchise	Section XIX	No involvement in any competitive business anywhere in the U.S., or any Kona Ice sales outside your Territory.
(R) Non-competition covenants after the franchise is terminated	Section XIX	No interest in competing business for 2 years within 20 miles of any Kona Ice, Inc. territory no matter where in your state or any other state.
(S) Modification of the agreement	Section XXIV	No modifications unless in writing.
(T) Integration/merger clause	Section XIX, XXIV	Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside the disclosure document may not be enforceable. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we gave to you.
(U) Dispute resolution by arbitration	Section XXIV	Arbitration in Kentucky. See State Addenda Exhibit D.
(V) Choice of forum	Section XXIV	Litigation in Kentucky. See State Addenda Exhibit D.
(W) Choice of law	Section XXIV	Kentucky laws apply. See State Addenda Exhibit D.

See the state addenda Exhibit D to the Franchise Agreement and disclosure document for special state disclosures.

The provision of the Franchise Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 etseq.)

ITEM 18 PUBLIC FIGURES

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

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and 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 location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Tony Lamb, 5945 Centennial Circle, Florence, KY 41042 and 1-800-566-2423, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1
Systemwide Outlet Summary
For Years 2009-2011 (As of December 31 of each year)**

Outlet Type	Year	Outlets at the Start of Year	Outlets at the End of Year	Net Change
Franchised	2009	8	65	+57
	2010	65	120	+55
	2011	120	191	+71
Company Owned	2009	2	2	0
	2010	2	4	+2
	2011	4	10	+6
Total Outlets	2009	10	67	+57
	2010	67	124	+57
	2011	124	201	+77

**Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**

For Years 2009-2011 (As of December 31 of each year)

State	Year	Number of Transfers
ARKANSAS	2009	0
	2010	0
	2011	1
CALIFORNIA	2009	0
	2010	0
	2011	1
LOUISIANA	2009	1
	2010	0
	2011	0
TENNESSEE	2009	1
	2010	0
	2011	1
TOTAL	2009	2
	2010	0
	2011	3

**Table No. 3
Status of Franchised Outlets
For Years 2009-2011(As of December 31 of each year)**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of the Year
AL	2009	0	2	0	0	0	0	2
	2010	2	3	0	0	0	0	5
	2011	5	2	0	0	0	0	7
AR	2009	0	0	0	0	0	0	0
	2010	0	1	0	0	0	0	1
	2011	1	1	0	0	0	0	2
AZ	2009	0	2	0	0	0	0	2
	2010	2	0	0	0	0	0	2
	2011	2	2	0	0	0	0	4
CA	2009	0	5	0	0	0	0	5
	2010	5	7	0	0	0	0	12
	2011	12	6	0	0	0	0	18
CO	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
	2011	0	3	0	0	0	0	3
FL	2009	1	3	0	0	1	0	3
	2010	3	6	0	0	0	0	9
	2011	9	5	0	0	0	0	14
GA	2009	0	2	0	0	0	0	2
	2010	2	2	0	0	0	0	4
	2011	4	4	0	0	0	0	8
HI	2009	0	0	0	0	0	0	0
	2010	0	1	0	0	0	0	1
	2011	1	2	0	0	0	0	3
ID	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	1	0	0	0	0	1
IN	2009	0	1	0	0	0	0	1
	2010	1	2	0	0	0	0	3
	2011	3	0	0	0	0	0	3
KS	2009	0	1	0	0	0	0	1
	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1
KY	2009	3	3	0	0	0	0	6
	2010	6	0	0	0	0	3	3
	2011	3	0	0	0	0	0	3
LA	2009	0	3	0	0	0	1	2
	2010	2	3	0	0	0	0	5
	2011	5	0	0	0	1	0	4
MA	2009	0	1	0	0	0	0	1
	2010	1	1	0	0	0	0	2
	2011	2	0	0	0	0	0	2
MD	2009	0	4	0	0	0	0	4
	2010	4	2	0	0	0	0	6
	2011	6	0	0	0	1	0	5

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
MI	2009	0	0	0	0	0	0	0
	2010	0	2	0	0	0	0	2
	2011	2	3	0	0	0	0	5
MN	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	2	0	0	0	0	2
MO	2009	0	1	0	0	0	0	1
	2010	1	4	0	0	0	0	5
	2011	5	0	0	0	0	0	5
MS	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	1	0	0	0	0	1
NC	2009	0	1	0	0	0	0	1
	2010	1	4	0	0	0	0	5
	2011	5	3	0	0	0	0	8
NH	2009	0	1	0	0	0	0	1
	2010	1	1	0	0	0	0	2
	2011	2	1	0	0	0	0	3
NJ	2009	0	2	0	0	0	0	2
	2010	2	1	0	0	0	0	3
	2011	3	2	0	0	0	0	5
NM	2009	0	0	0	0	0	0	0
	2010	0	1	0	0	0	0	1
	2011	1	2	0	0	0	0	3
NV	2009	0	1	0	0	0	0	1
	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1
NY	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	1	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
OH	2009	2	2	0	0	0	0	4
	2010	4	2	0	0	0	0	6
	2011	6	3	0	0	0	0	9
OK	2009	0	0	0	0	0	0	0
	2010	0	1	0	0	0	0	1
	2011	1	0	0	0	0	0	1
PA	2009	0	2	0	0	0	0	2
	2010	2	0	0	0	0	0	2
	2011	2	1	0	0	0	0	3
TN	2009	1	3	1	0	0	0	3
	2010	3	3	0	0	0	0	6
	2011	6	3	0	0	1	0	8
TX	2009	1	19	0	0	0	0	20
	2010	20	10	0	0	0	2	28
	2011	28	17	0	0	0	0	45
UT	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	1	0	0	0	0	1
VA	2009	0	1	0	0	0	0	1
	2010	1	1	0	0	0	0	2
	2011	2	8	0	0	0	0	10
WA	2009	0	0	0	0	0	0	0
	2010	0	1	0	0	0	0	1
	2011	1	0	0	0	0	0	1
WI	2009	0	0	0	0	0	0	0
	2010	0	1	0	0	0	0	1
	2011	1	0	0	0	0	0	1
TOTAL	2009	8	60	1	0	1	1	65
	2010	65	60	0	0	0	5	120
	2011	120	74	0	0	3	0	191

Table 4
Status of Company-Owned Outlets
For Years 2009-2011(As of December 31 of each year)

State	Year	Outlets at Start of Year	Outlets Opened	Outlets reacquired From Franchisee	Outlets closed	Outlets Sold to Franchisee	Outlets at End of the Year
KY	2009	2	0	1	0	1	2
	2010	2	0	2	0	0	4
	2011	4	6	0	0	0	10
Total	2009	2	0	1	0	1	2
	2010	2	0	2	0	0	4
	2011	4	6	0	0	0	10

Table No. 5
Projected Openings as of December 31, 2011

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets In the Next Fiscal Year	Projected New Company-Owned Outlet in the Current Fiscal Year
Alabama	1	2	0
California	2	2	0
Florida	3	2	0
Georgia	2	2	0
Hawaii	1	2	0
Iowa	1	2	0
Kansas	2	2	0
Kentucky	0	2	0
Missouri	1	2	0
Nevada	1	2	0
New Hampshire	1	2	0
North Carolina	1	2	0
South Carolina	1	2	0
Tennessee	0	2	0
Texas	0	2	0
Virginia	0	2	0
Total	17	34	0

Below is a list of all current franchisees:

Name	Address	City	State	Zip	Email address
Butler Kevin	1308 W Grande View Lane	Maylene	AL	35114	kbutler@kona-ice.com
Gillikin Gayland	311 West 8th Street	Bay Minette	AL	36507	alabama@kona-ice.com
Register Beth	698 Hunter Ct.	Auburn	AL	36830	register@kona-ice.com
Simmons Cathy	105 Gleneagles Lane	Pelham	AL	35124	cathydit@yahoo.com
Weaver Richard	23 Linda Circle	Greenbrier	AR	72058	rweaver@kona-ice.com
Weaver Phil	127 E. Eden Park Road	Searcy	AR	7243	pweaver@kona-ice.com
Wicks Dan	1985 E Aloe Place	Chandler	AZ	85286	mauimango@cox.net
Shapiro Ed	2475 N. Buttercup Drive	Tucson	AZ	85749	konaicetucson@gmail.com
Kinney Jessie/Alcazar	4909 E. Laurel Lane	Scottsdale	AZ	85254	antonio.alcazar@kona-ice.com
Pena Nick	5052 West Lane 4L	Stockton	CA	95210	nchester57@hotmail.com
Carter Janelle	15102 Tombstone Creek Rd	El Cajon	CA	92021	janellecarter@cox.net
Ryan Sean	2120 Vintage Pl	Hanford	CA	93230	sryan@ryanmotorco.com
Wilford Eric	810 Calle Dulcinea	San Clemente	CA	92672	ewilford@cox.net
Rennick Tim	38462 Encanto	Murrieta	CA	92563	tlrennick@kona-ice.com
Colver Tony/Kim	13848 Dodie Avenue	Victorville	CA	92392	tonyandkim@kona-ice.com
Cooper Kelli and Jack	16033 Bolsa Chica Street, Suite 104 #114	Huntington Beach	CA	92649	kcooper@kona-ice.com
Kuvakas George	994 Olivette Street	Hemet	CA	92543	konaiceofhemet@aol.com
Ferbert Wes	2525 North Bourbon St. R4	Orange	CA	92865	orange@kona-ice.com
Katz Jeff	23703 Wingate Court	Valencia	CA	91354	jkatz@kona-ice.com
Johnson Richard	5006 San Elijo Avenue	Rancho Santa Fe	CA	92067	richardj@kona-ice.com
Montgomery Carl	13115 Shalimar Pl.	Del Mar	CA	92014	konacoastal@gmail.com
Quiroz Lisa	1616 W. Morris Avenue	Fresno	CA	93711	lisaquiroz@aol.com
King Donald	200 S. Wilcox #123	Castle Rock	CO	80109	cking@kona-ice.com
Rotner Daniel/Shelton	520 Shadbury Court	Fort Collins	CO	80525	drotner@kona-ice.com
Schweizer Paul	2724 NE 21st Avenue	Ft Lauderdale	FL	33305	kona- ice.browardcountyfl@gmail.com
Cooper Dale	3936 Dockers Drive	Ruskin	FL	33570	dcooper@kona-ice.com
Walsh Kendall	6124 Hanging Moss Rd #320	Orlando	FL	32807	kendall@konaicecentralflorida.com
Oliveira John	516 Lillian Drive	Madeira Beach	FL	33708	KonaVille@aol.com
Benn Bob and Rose	18445 Creek Drive	Fort Myers	FL	33908	rosemariebenn@gmail.com
Capozziello Stacie	875 NW 13 th Street #307	Boca Raton	FL	33486	scap@kona-ice.com

Name	Address	City	State	Zip	Email address
Neuman Tom	1825 SE Elrose Street	Port St. Lucie	FL	34952	tneuman@kona-ice.com
Patel Mike	3305 Hartridge Terrace	Wellington	FL	33414	wellington@kona-ice.com
Rakestraw Jane	2856 Chelsea Place North	Clearwater	FL	33759	jane@konaicetampabay.com
Kinney Marc	185 Cline Smith Rd NE	Cartersville	GA	30121	mkinney@kona-ice.com
Jeschke Jo and Gary	132 Equest Drive	Canton	GA	30115	jjeschke@kona-ice.com
Mahar Mike	4522 Aerie Lane	Douglasville	GA	30135	mmahar@kona-ice.com
Neeley Calvin	80 Wood Valley	LaGrange	GA	30240	cneely@kona-ice.com
Roberts Mark	1164 Bethel Church Road	Silver Creek	GA	30173	konaice.mr57@yahoo.com
Schrader Kathy	2405 Satellite Blvd Ste 225	Duluth	GA	30096	Gwinnett@kona-ice.com
Thomas Art	1931 Vineyard St Suite 203	Wailuku	HI	96793	athomas@kona-ice.com
Thorpe Paul	6710 Hawaii Kai Drive Apt 704	Honolulu	HI	96825	pthorpe@kona-ice.com
Toothman Jim	3501 Carie Avenue	Boise	ID	83709	jtoothman@kona-ice.com
Hickey Shawn	55808 Ringneck Drive	Osceola	IN	46561	hickey@kona-ice.com
Wright Eric and Cathy	5109 W 161st	Overland Pk	KS	66085	ewright@kona-ice.com
Bolin Josh	301 University Drive	Walton	KY	41094	jbolin@kona-ice.com
Baine Chris and Kim	1784 Forest Run Drive	Independence	KY	41051	konatruck@gmail.com
Davis Kathy	2668 Vulcan Street	Harvey	LA	70058	mdavis@kona-ice.com
Authement Craig	176 Suzanne Street	Larose	LA	70373	craigoshuntin@yahoo.com
Lyons Bill	6202 Gaylyn Drive	Shreveport	LA	71105	BillLyons@kona-ice.com
Porzio Tom	59 Heather Row	Tewksbury	MA	01876	tporzio@kona-ice.com
Smith Shawn and Ellen	25 Walnut Hill Drive	Worcester	MA	01602	essmith@kona-ice.com
Chris O'Kieffe	3517 Monarch Drive	Edgewater	MD	21037	okieffe@kona-ice.com
Shepard Sandy	2561 Ross Road	Silver Spring	MD	20910	sandyshepard@live.com
Shuman Steve	6608 Gleaming Sand Chase	Columbia	MD	21044	sshuman@kona-ice.com
Amin Raj	426 North Church Street	Thurmont	MD	21788	rkamin@kona-ice.com
Price Jon	19823 Rosin	Clinton Township	MI	48038	jprice@kona-ice.com
Kendall Christine	23567 Hickory Grove Lane	Novi	MI	48375	cjkendall@kona-ice.com
Quarles Nicole	14440 Ramblewood	Livonia	MI	48154	nicolequarles@yahoo.com
Bremer Patty	7551 Walnut Curve	Chanhassen	MN	55317	pbremer@kona-ice.com
Schinigoi Dino	2917 Exeter Street	Duluth	MN	55806	dschinigoi@kona-ice.com

Name	Address	City	State	Zip	Email address
Kirkpatrick Brent	2014 Greenglen Dr #202	St. Louis	MO	63122	bkirkpatrick@kona-ice.com
Frazier David	4365 St. Louis Rock Road	Villa Ridge	MO	63089	countykona@gmail.com
Schmitt Joe and Stephanie	1222 Spruce Street	St. Louis	MO	63103	jsschmitt@kona-ice.com
Thornton Rob /Black	533 Florence Drive	Madison	MS	39110	rthornton@kona-ice.com
Sample Gary and Pam	351 Dogwood Lane	Hampstead	NC	28443	pgsample@kona-ice.com
Veverka Richie/Carina	2624 Leighton Ridge Drive Suite 108	Wake Forest	NC	27587	konaraleigh@gmail.com
Pounds Jim	300 South Asbury Church Road	Washington	NC	27889	jdounds@yahoo.com
Engelhard David	215 Rochelle Drive	Morehead City	NC	28557	coastalkona@kona-ice.com
Sweeney Jim and Sharon	516 route 12A	Surry	NH	03431	sharon@konaiceofnh.com
Cassidy John	231 Sunnybrook Rd	Jackson	NJ	08527	casskona@aol.com
LaStella Anthony	38 Matthew Dr	Hamilton Sq	NJ	08690	a.lastella@verizon.net
Monzo Jess	20 Ralph Drive	Fairfield	NJ	07004	monzofamily@kona-ice.com
Obiedzinski Tom	91 Sky Manor Road	Pittstown	NJ	08867	tomob@kona-ice.com
Stevenson David	34 Mulberry Loop	Cedar Crest	NM	87008	dstevenson@kona-ice.com
Ruybalid Greg	106 W. Twilight Drive	Farmington	NM	87401	gregr@kona-ice.com
Keely Tom and Mel	421 Glade Rd	Mesquite	NV	89027	tomandmelkeely@aol.com
Kott Arthur	109 Fletcher Road	Old Forge	NY	3420	kottfam@gmail.com
Weidner Jason	260 Sackett Drive	Monroe	OH	45050	butlercounty@kona-ice.com
Biehle Eric	3824 Yorkshire Circle	Cleves	OH	45002	eric@konaicetruck.com
Andrews Ted	8717 Woolstone Ct	Maineville	OH	45039	tandrews@kona-ice.com
Oswald Tim	3441 Starwick Drive	Canfield	OH	44406	timandree@kona-ice.com
Crites Scott	1772 Tecumseh Drive	Lancaster	OH	43130	sjcrites@kona-ice.com
Freeh Jack	7005 St. Ninian's Street	Lewis Center	OH	43035	jfreeh@kona-ice.com
Kinsey John	117 Marion Avenue	Mogadore	OH	44260	jkinsey@neo.rr.com
Love Charles and Mary	11908 Pepper Tree Place	Oklahoma City	OK	73120	loves@kona-ice.com
Guiliani Al	4054 Turnwood Lane	Moon Twp.	PA	15108	misterjuls@comcast.net
Hoffman Patrick	49 Dunleavy Circle	Schwenksville	PA	19473	hoffmanschw@aol.com
Egli Andrew	2548 Lindenwood Drive	Pittsburgh	PA	15241	andrewegli@gmail.com
Smoot Charlie	2205 Carpenter Bee Drive	Columbia	TN	38401	konaiceofnashville@yahoo.com
Elrod Kyle	3326 Cumberland Hills Circle	Cleveland	TN	37312	kelrod@kona-ice.com

Name	Address	City	State	Zip	Email address
Greenwell Kevin	178 Bill Bennett Road	Johnson City	TN	37604	greenwell@kona-ice.com
Maxey David	3270 Prince George Street	Memphis	TN	38115	konaiceofmemphis@att.net
Maxey Randy	210 Manchester Drive	Maryville	TN	37803	smoky@kona-ice.com
Woods Mike	1679 Kingwood Lane	Rockvale	TN	37153	mwoods@kona-ice.com
Waddell Jeff	4013 Spring Hollow Street	Colleyville	TX	76034	jwaddell@kona-ice.com
Huskinson Justin	408 Misty Morn Lane	Cedar Park	TX	78613	justin.h@kona-ice.com
Hunt Kelly	P.O. BOX 60098	Midland	TX	79711	kpi5600@aol.com
Brittain Randy	425 Oakhill Drive	Denton	TX	76201	rbrittain@kona-ice.com
Hunt / Sharon Smith	3512 Sturgis Lane	Waco	TX	76708	ssmith@kona-ice.com
Benavides Servando	10535 Winwood Drive	Laredo	TX	78045	servandobenavides@yahoo.com
Hunt / Etheredge Evans	3901 Crestridge Drive	Midland	TX	79707	
Meeks Gary and Stacy	1010 Pebble Beach Drive	Mansfield	TX	76063	meeksmansfield@aol.com
Stetson Randy	61 Granburg Circle	San Antonio	TX	78218	hstetson@kona-ice.com
Rodriguez Carlos	1000 N. Alamo	Fort Stockton	TX	79735	crodriguez@kona-ice.com
Campos Edward	1607 W. Park Street	Cedar Park	TX	78613	ecampos@kona-ice.com
Davis Darrell	6463 Lindell Avenue	Ft Worth	TX	76116	ddavis@kona-ice.com
Ligon Patricia	401 S Sherman Suite 107	Richardson	TX	75081	patricia.ligon@gmail.com
Oeswein David / Poulos	4747 Research Forest Dr., Ste 180-273	The Woodlands	TX	77381	david@KonaIceHouston.com chris@KonaIceHouston.com
Walker Gary	680 Frederick Circle	Flint	TX	75762	gwalker@kona-ice.com
Berg Preston	7123 Sage Walk Lane	Sugar Land	TX	77479	berg.preston@gmail.com
DellaCella Holly	3126 Glen Spring Drive	Kingwood	TX	77339	kingwood@kona-ice.com
Fowler Tom	10702 Waterview Parkway	Rowlett	TX	75089	tfowler@kona-ice.com
Hall Carter/Craig	3515-B Longmire Drive #240	College Station	TX	77845	carter@konaicebcs.com
Kashuda Mark	3110 Gray Thrush	Missouri City	TX	77459	mkashuda@yahoo.com
Lollar Shane	3007 Bobcat Bend	Missouri City	TX	77459	sienna@kona-ice.com
North Gaylon	14926 Sugar Mist Lane	Sugar Land	TX	77498	gnorth@kona-ice.com
Sinclair Patrick	717 Cortlandt	Houston	TX	77007	psinclair@kona-ice.com
Spiegel Jarrid	12002 Cypress Creek Lakes Drive	Cypress	TX	77433	konaicecypress@aol.com
Gift Kathy	2647 S. 1175 West	Syracuse	UT	84075	gift@kona-ice.com
Watson Rob	12371 Bienvenue Road	Rockville	VA	23146	rwatson@kona-ice.com

Name	Address	City	State	Zip	Email address
Ingram Mack/Jeanie	13089 Dove Tree Court	Manassas	VA	20112	mack@kona-ice.com
Mittelstaedt Joel/Dearing	1609 Cedar Grove Terrace	Richmond	VA	23228	jmitt@kona-ice.com
Ornoff Gary	1448 Debbs Lane	Chesapeake	VA	23320	gornoff@kona-ice.com
Walsh Melanie	4013 Vinland Circle	Virginia Beach	VA	23456	walsh@kona-ice.com
Young Steve	1468 Stillhouse Ridge Lane	Charlottesville	VA	22903	steve.r.young61@gmail.com
Brown Skip	15619 62nd Avenue SE	Snohomish	WA	98296	kona.ice.nw@gmail.com
Charlton Andrew	234 Boyd Street	Fond Du Lac	WI	54935	acharlton@kona-ice.com

Below is a list of all franchisees who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks from the disclosure document issuance date:

CUSTOMER	ADDRESS	CITY	ST	Zip	EMAIL ADDRESS
Moriarity Pat	PO Box 742	Mason	OH	45040	pmoriarity@gmail.com
Faulk Tim and Jenny	2762 Quarry Road	Mt. Juliet	TN	37122	konaicejfaulk@tds.net
Peterson Shelley	43425 Leener Lane	Hollywood	MD	20636	gss@kona-ice.com
Tarkington Jim	3111 Race Street	Searcy	AR	72143	jtarkington@cablelynx.com
Vitrano Paul/Pritchard	4641 Winthrop Drive	Huntington Beach	CA	92649	pvitrano@konaicebc.com
Womack Christopher	511 Evergreen Drive	Mandeville	LA	70448	Cwomack2@bellsouth.net

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

Although we have not signed any confidentiality clauses within the last three (3) years, in some instances, current and former franchisees may sign provisions restricting their ability to speak only about their experience with Kona Ice. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

There are no trademark specific or independent franchise associations that we have created, sponsored, or endorsed.

ITEM 21

FINANCIAL STATEMENTS

Audited financial statements as of December 31, 2011, December 31, 2010 and December 31, 2009 are attached as Exhibit B.

ITEM 22

CONTRACTS

- Exhibit A Franchise Agreement with attachments including:
 - Attachment 1 Personal Guaranty, Confidentiality And Covenant Not To Compete
 - Attachment 3 General Release
 - Attachment 4 Territory Reservation Fee
- Exhibit D Multi State Addenda
- Exhibit E Compliance Questionnaire
- Last page Receipt

ITEM 23

RECIEPTS

Included as the last document of this Disclosure Document is a detachable Receipt to be signed by you.