

**FRANCHISE DISCLOSURE DOCUMENT**

Kahala Franchising, L.L.C.  
an Arizona limited liability company  
9311 E. Via De Ventura  
Scottsdale, Arizona 85258  
Telephone: (480) 362-4800  
Website: [www.kahalamgmt.com](http://www.kahalamgmt.com)  
Facebook: [www.facebook.com/coldstonecreamery](http://www.facebook.com/coldstonecreamery)  
Twitter: @ColdStone

We offer *Cold Stone Creamery* franchises and area representative agreements. As a franchisee, you will operate a restaurant called *Cold Stone Creamery* specializing in super-premium fresh made ice cream, frozen yogurt, cakes, pies, smoothies, shakes, specialty beverages, soft drinks and other frozen dessert products (prepared using proprietary recipes) and an assortment of complementary toppings and mix-ins on a take-out or eat-in basis, soup and branded, licensed products. You also have the option of having a yogurt bar and selling Cold Stone Yogurt Bar products in your *Cold Stone Creamery* restaurant. Area Representatives operate as *Cold Stone Creamery* franchise brokers and service representatives for us within a defined geographic area.

The total investment necessary to begin operation of a *Cold Stone Creamery* franchise ranges from ~~\$286,075~~\$277,375 to ~~\$474,325~~\$464,325 for a traditional restaurant; from ~~\$47,800~~\$49,700 to ~~\$422,525~~ for a non-traditional restaurant, ~~from \$120,000 to \$220,400~~ for a *Cold Stone Express kiosk* and from ~~\$835,500~~ to ~~\$3489,025~~ for a Cold Stone Yogurt Bar, and ~~\$76,800~~ to ~~\$179,500~~ to add a Yogurt Bar to your Cold Stone Creamery restaurant. This includes ~~\$26,850~~\$13,250 to ~~\$164,050~~ for a traditional restaurant, ~~\$9,250~~ to ~~\$1450,050~~ for a non-traditional restaurant, ~~\$3,250~~ to ~~\$121,250~~ for a *Cold Stone Express kiosk*, and ~~\$0~~ to ~~\$111,050~~ to add a Yogurt Bar to your *Cold Stone Creamery* restaurant that must be paid to the franchisor or its affiliate. The minimum total investment necessary to begin operation as an Area Representative under an ARA is \$25,000 to \$170,500 calculated by using the minimum Area Representative Fee. This includes a minimum of \$2,500 that must be paid to franchisor or its affiliate. The Initial Development Fee is calculated as the greater of: (i) \$0.05 times the number of people residing in the Territory; or (ii) the product of \$0.03 times the number of people residing in the Territory plus four times the royalty payments received in the last 12 months on existing stores within the Territory.

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 Kahala Franchising, L.L.C., Attn: Disclosure Document, 9311 E. Via De Ventura, Scottsdale, Arizona 85258 and (480) 362-4800.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at [www.ftc.gov](http://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: ~~September 18, 2013~~May 1, 2014

## 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 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 A for information about the franchisor, or about franchising in your state.

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

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

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION MEDIATION AND ARBITRATION ONLY IN ARIZONA. LITIGATION MEDIATION AND ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO SUE, MEDIATE OR ARBITRATE WITH US IN ARIZONA THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT ARIZONA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THE FRANCHISEE'S SPOUSE AND AREA REPRESENTATIVE'S SPOUSE MUST SIGN A SPOUSAL CONSENT AGREEING TO BE BOUND BY THE TERMS OF THE AGREEMENT, MAKING SUCH SPOUSE JOINTLY AND SEVERALLY LIABLE FOR ALL OBLIGATIONS UNDER THE AGREEMENT, AND PLACING THE SPOUSE'S PERSONAL ASSETS AT RISK.
4. AS OF ~~JUNE 30, 2013~~ MARCH 31, 2014, 87.97% OF KAHALA FRANCHISING, L.L.C.'S TOTAL ASSETS ARE INTANGIBLE. YOU MAY WANT TO CONSIDER THIS WHEN MAKING A DECISION TO PURCHASE THIS FRANCHISE OPPORTUNITY.
5. THE AUDITED FINANCIAL STATEMENTS REPORT THAT THE FRANCHISOR'S ONGOING OPERATIONS ARE DEPENDENT UPON THE SUPPORT OF ITS PARENT COMPANY AND ITS AFFILIATES. THE PARENT COMPANY HAS NOT GUARANTEED THE FRANCHISOR'S OBLIGATIONS UNDER THE AGREEMENTS. THE PARENT COMPANY'S FINANCIAL STATEMENTS ARE NOT CONTAINED IN THE FRANCHISE DISCLOSURE DOCUMENT AND WILL NOT BE PROVIDED TO FRANCHISEES.
6. MUCH OF THE SUPPORT, TRAINING, AND PRE AND POST OPENING OBLIGATIONS TO FRANCHISEES, AND MARKETING AND ADVERTISING SUPPORT SERVICES WILL BE PROVIDED BY AN AFFILIATE OF THE FRANCHISOR, KAHALA MANAGEMENT, L.L.C. THE FINANCIAL STATEMENTS OF KAHALA MANAGEMENT, L.L.C. ARE NOT CONTAINED IN THE FRANCHISE DISCLOSURE DOCUMENT AND WILL NOT BE PROVIDED TO FRANCHISEES.
7. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

## 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.

The 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	<del>December 6, 2012</del> <u>11, 2013</u>
Hawaii	Pending
Illinois	<del>September 18, 2013</del> <u>May 1, 2014</u>
Indiana	Pending
Maryland	Pending
Michigan	<del>July 19, 2013</del> <u>Pending</u>
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

In all the other states, the effective date of this Franchise Disclosure Document is the issuance date of ~~September 18, 2013~~ May 1, 2014.

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