

A vibrant collage of tropical fruits including starfruit, papaya, banana, mango, and coconut, set against a dark red background. The fruits are rendered in a stylized, cut-out style with bright colors and black outlines.

Papalani Gelato[®]

A DELICIOUS FRANCHISE OPPORTUNITY

PAPALANI GELATO® SHOPS SELL PRODUCTS THAT CUSTOMERS COME BACK FOR TIME AND TIME AGAIN: DELICIOUS, HAND MADE GELATO, SORBETTO, FROZEN YOGURT, COFFEE AND CONFECTIONS-AT A PRICE POINT THAT'S GOOD FOR YOUR CUSTOMERS AND GOOD FOR YOUR BOTTOM LINE.



What makes a Papalani Gelato® franchise a great opportunity?

Multiple revenue stream potential

- Retail and carry out products
- Higher than average frozen treat revenues with strong margins and cash flow potential
- Private event and corporate catering
- Chocoates and confections
- Papalani coffee bar

Wholesale sales option

- Sell Papalani Gelato® to hotels, restaurants and cafés
- Build retail sales by allowing customers to experience the product at other locations

Small efficient retail footprint

- Locations starting from 350 square feet (for sales only) and 650 square feet for full store
- Low capital investment required
- Labor efficient model
- Easy customization of the space available
- High per-unit revenue potential
- Secondary retail only franchise locations are cost effective with outstanding margins
- Ideal for high walk-by traffic venues such as: movie theaters; regional malls; book stores and retailers; entertainment and sports venues; schools and colleges

Papalani Gelato®



IT'S A BRAND CUSTOMERS LOVE

The Papalani Gelato® Brand Stands Out in the Market Place

It's no accident that the Papalani Gelato® brand has such a strong consumer appeal, is uniquely differentiated, and stands out within the frozen dessert market.

The warmth and aloha of the Hawaiian islands have a unique and timeless appeal and fit beautifully with our palette of delectable, tropical flavors.

Close your eyes, picture yourself on a Hawaiian beach with a smooth and creamy mango gelato in hand... that's Papalani Gelato®!





The Frozen Dessert Market

- Overall worldwide segment revenues exceed \$55 billion*
- US frozen treat industry grew to an estimated \$14.5 billion in 2010 (conflicts w/next point)*
- According to the Dairyreporter.com the US frozen dessert market is a \$25 billion market and grew 2% in 2009
- 90% of all Americans consume ice cream products (International Dairy Association)
- 60% of 55 billion gallons of ice cream are consumed away from home—with take-home sales generating \$21.7 billion in 2010*
- The artisan category, which includes gelato, represents 19.9% of overall market and is larger than the frozen yogurt segment*
- Frozen treat “feel good” retailers do well in any economic condition

Additional gelato facts:

- Gelato is a healthier option than ice cream and is made from a few simple ingredients
- Product has less air and a creamier texture with a more intense flavor than ice cream
- Fruits, nuts, and berries are typically used for their concentrated flavors
- The traditional gelato process is relatively uncommon in the US
- Many gelato flavors are gluten-free and the market for gluten-free products has seen very strong growth



The Papalani Gelato® Product Mix

Diverse easy-to-execute menu

- Gelato, sorbetto and frozen yogurt—over 50 Hawaii-inspired flavors
- Gelato bars and sandwiches
- Shakes and breezes

Papalani™ coffee bar

- Source for increasing revenue during off-peak times in which frozen dessert sales are slower
- Helps in markets where seasonality can effect sales of frozen dessert products

Chocolates and confections

Unique artisan chocolates and food items

- Traditional
- Specialty
- Seasonal

Offerings for health-conscious customers

- Gluten-free options
- Dairy-free options
- Vegan options

The Papalani Breeze—our signature blended and frozen drinks are high profit and feature popular tropical flavors.



Our Superior Products Stand Above the Crowd

Most gelato companies use base mixes shipped from sources in Italy. The imported mixes are expensive, require specific preparation methods, and in most cases are loaded with artificial and chemically modified ingredients. Often, these products are imported and distributed through a network of companies, each adding their own fees to the final wholesale cost for the retail store operator.

At Papalani Gelato® we've spent almost a decade perfecting our own "secret" recipes, which are deliciously crafted using locally-produced, fresh, all natural ingredients. We never add any artificial flavors, colors, chemically-modified or processed components to our mixes.

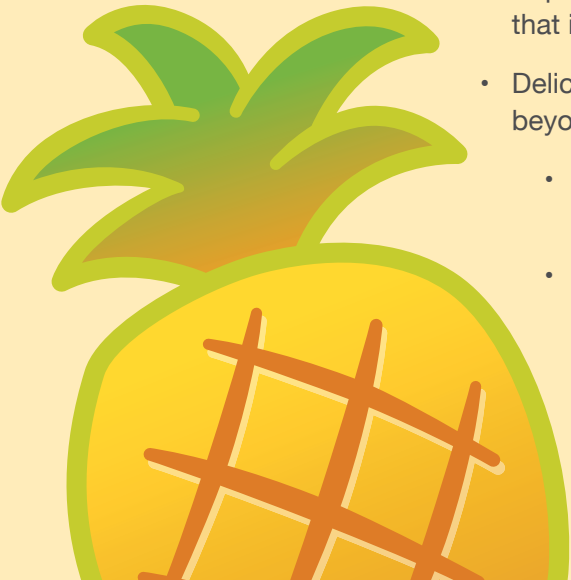
Our franchise owners save up to 25% by using our proprietary mixes and therefore see higher margins on each pan of gelato they produce. This savings drops right to the bottom line and provides significant competitive advantage over anyone using packaged mixes to make their product.

Papalani™ products are fresh, rich, creamy, delicious—and healthy too!

- Papalani Gelato® is made using the freshest fruits, juices, and other high quality ingredients—many that can be sourced locally from growers in your area
- Premium ice cream products often contain more than 20% butterfat, but Papalani Gelato® delivers a burst of rich flavor and contain less than 6% butterfat

- Papalani's™ sorbetto's are fat and dairy-free—and have a soft and creamy texture that is loaded with intense flavor
- Delicious vegan, gluten-free, and dairy-free products expand the customer base beyond the "dessert crowd"
- Our fat-free frozen yogurt is denser and creamier than most self-serve products
- Our coffees, chocolates, and other retail products are of the highest quality with full flavor and natural ingredients

PAPALANI GELATO'S™ PROPRIETARY MIXES CREATE A CONSISTENTLY SUPERIOR PRODUCT— AT A LOWER COST THAN IMPORTED GELATO MIXES



Experienced Corporate Support Team

We understand how to build and grow businesses. Our management team has extensive experience in retail ownership, operations, marketing and sales, purchasing, customer service, human resources, food production and safety, and industry-specific knowledge.

Training and Support

Initial training is conducted over a two week period on the island of Kauai in Hawaii. Additionally, we will be on-site when you open to ensure the successful launch of your Papalani Gelato® franchise.

Comprehensive Franchise Operation & Policies Manual

The Papalani Gelato® Operation & Policies Manual provides detailed information regarding every aspect of the business including: operations, accounting and bookkeeping, employees, advertising and marketing, products, recipes, customer service, inventory, reporting, vendors and suppliers—and much more.

Site Selection Assistance

We provide a comprehensive overview of how to find an appropriate site. Additionally, we will provide you with advice and support in securing a location and negotiating a favorable lease.

Branding

We provide specifications for signage, interior graphics, menu boards, POP and shelf labeling, forms and other materials. These materials, plus Papalani Gelato's™ brand position provide immediate credibility in your market.

Advertising and Marketing Program

We provide advertising and marketing programs and materials for your use in promoting your Papalani Gelato® franchise.

Point-of-Sale System

In addition to serving as your cash register, our POS system allows you to access sales data and compile reports related to sales and general store management from anywhere you have internet access. You will receive complete training in the operation of the POS system as part of the installation process.

Multiple Revenue Streams

With multiple product lines, retail and take-home offerings, private event and corporate catering, and wholesale sales to hotels and other food establishments, a Papalani Gelato® franchise goes beyond a typical “frozen treat” store by generating revenue during off-peak hours.



Branded store posters with mouth-watering photography invite customers into the store.



Multiple Unit Ownership

Papalani Gelato® allows you to leverage your initial investment to open additional units with lower start-up costs and ongoing fixed expenses, by leveraging the investment already made in equipment, training, and the production capacity of the larger space.

This Multiple Store Option is designed to minimize investment and operating costs, while maximizing profits.

Full Store Franchise

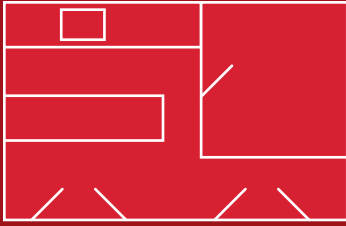
Our Full Store Franchise allows you to make all of our frozen dessert products, includes a coffee bar, and our full line of special chocolates and gifts. This can be operated in multiple types of locations and requires as little as 650 square feet of space. (The amount of leased space you will need is based on a number of factors including projected servings per day. The 650 square feet size is based on a daily volume similar to our Poipu, Kauai store and the addition of a coffee bar.).

Your Full Store has the capacity to make products for multiple locations—allowing you to leverage your investment by adding additional locations with much smaller capital investment and ongoing expenses!



Consistent trade-dress in all Papalani Gelato® locations helps to reinforce the tropical feel of Hawaii.

Full Store (Sales and Production) Franchise Unit



- From \$320,000
- 650 sq ft required
- Wholesale capable
- Coffee, chocolates, and other retail products

Second (Sales Only) Franchise Unit



- From \$156,000
- 350 sq ft required
- Retail up to 30 gelato flavors
- Coffee, chocolates, and other retail products

Sales Only Franchise

The Sales Only Store Franchise is operated from a smaller storefront or other location and requires a minimum of 350 square feet. Despite the smaller footprint, you can still offer our full line of frozen dessert products, coffee bar, and our chocolates and specialty retail items.

In areas with high rents (such as Waikiki) you can choose to place the smaller store in the highest rent district to maximize your cash flow. There is nothing about our concept which would lead to lower sales at a smaller store. It is all about location and foot traffic. Our concept frees up more cash for the owners by reducing rents and expenses related to store size like build out costs, utilities, and insurance.

Franchisees are required to open at least one Full Store before opening a Sales Only Store.



Typical Qualifications and Start Up Costs

We are seeking franchisees that have good business acumen, a strong work ethic and the willingness to follow our proven system of operation. Experience in retail is helpful but not a must. A passion for food and making people happy is also a plus. We are confident in our ability to train our franchisees to successfully duplicate our system, so we do not require franchisees to have any previous experience in our industry. Franchisees must have the minimum financial qualifications necessary to fund the opening of the franchise (typically this means a net worth of at least \$250,000 and \$75,000 to \$100,000 of available cash).

For locations in Hawaii, the initial investment required to open a Papalani Gelato® franchise starts at \$320,000 for the Full Store Franchise and starts at \$121,800 for the Sales Only Store Franchise. For mainland locations we estimate costs for equipment and build out may be 10-15% lower. The investment estimate includes the franchise fee, leasehold improvements, training, signage, start up supplies and materials, initial inventory, equipment, furnishings and working capital. Please contact us for detailed information concerning the initial investment required.

Estimated Start Up Costs

EXPENSE	LOW	HIGH
Franchise Fee	\$27,500	\$30,000
Leasehold, Fixtures, and Improvements	\$35,000	\$205,000
Equipment, Fixtures, and Supplies	\$56,600	\$151,700
Grand Opening Advertising	\$3,000	\$10,000
Operating Capital for 3 Months	\$5,000	\$20,000
Computer, POS, Security	\$11,500	\$22,000
Travel and Expense While Training	\$5,000	\$10,000
Other (Rent Deposits, Insurance, etc.)	\$17,875	\$37,350
TOTALS	\$161,475	\$486,050

ACCORDING TO FRANCHISEDIRECT.COM
AVERAGE FROZEN DESSERT STORE
SALES ARE \$348,536. IN 2011,
SALES AT OUR FLAGSHIP KAUAI
STORE TOTALED OVER \$560,000
AND OUR GROSS MARGIN WAS
OVER 77%

*IMPORTANT: The information above has been taken from our Franchise Disclosure Document and all references to such financial data should be referenced therein along with the complete notes and assumptions provided. The success of your franchise will depend largely upon your individual abilities and your market. And the financial results of your franchise are likely to differ, perhaps marginally, from the results summarized in this item. You should not use this information as an indication of how well your franchise will do. A number of factors will affect the success of your franchise. These factors include, but are not limited to; the current market conditions, the type of market in your franchise area, the location of your franchise, the competition and your ability to operate the franchise.





Papalani Gelato®

TAKE THE NEXT STEP!

1. Use the online form to enter your contact information at <http://papalanyagelato.com/info/>
2. Someone from our sales team will contact you to share additional information about our business and the franchise opportunity and to learn more about you and your personal goals and objectives.
3. At the appropriate time, we will invite you to schedule a visit to our office and store in Poipu Beach, Kauai, Hawaii where you will meet our management team and view our operation.



Papalani Gelato®
Franchise Operating Company LLC

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