

FRANCHISE DISCLOSURE DOCUMENT



KONALA FRANCHISING LLC
an Idaho limited liability company
107 E 7th Ave.
Post Falls, ID 83854
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The franchisee will own and operate a healthier fast-food restaurant emphasizing protein bowls and salads. The franchisor, KONALA FRANCHISING LLC, provides services to franchisees including assistance with training, operations, advertising, purchasing, and promotional techniques.

The total investment necessary to begin operation of a KONALA franchise (Drive-Thru End Cap or Conversion) is \$567,000 to \$851,000. This includes \$55,000 to \$65,000 that must be paid to the franchisor or affiliate.

The total investment necessary to begin operation of a KONALA franchise (Free Standing Drive-Thru Excluding Site Costs) is \$927,500 to \$1,266,000. This includes \$55,000 to \$65,000 that must be paid to the franchisor or affiliate.

The total investment necessary to begin operation of Konala franchise (Drive-Thru End Cap or Conversion), and to purchase the rights to open four additional restaurants is \$687,000 to \$971,000. This includes \$175,000 to \$185,000 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation of a single restaurant franchise (Free Standing Drive-Thru Excluding Site Costs), and to purchase the rights to open four additional restaurants is \$1,047,500 to \$1,386,000. This includes \$175,000 to \$185,000 that must be paid to the franchisor or affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no 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 availability of disclosures in different formats, contact the Franchise Administration Department of KONALA FRANCHISING LLC at 107 E. 7th Ave., Post Falls, ID 83854 and 775-225-9902.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: September 19, 2025

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This Franchise*

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

- 1. Out-of-State Dispute Resolution.** The franchise agreement and multi-unit agreement require you to resolve disputes with the franchisor by mediation and/or arbitration only in Idaho, and/or by litigation only in Idaho. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Idaho than in your own state.
- 2. Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement and multi-unit agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
- 3. Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
- 4. Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

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

**THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY THE
MICHIGAN FRANCHISE INVESTMENT LAW**

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you.

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL. Any questions regarding the notice should be delivered to the Department of the Attorney General, Department of Licensing and Regulatory Affairs, Corporations, Securities and Commercial Licensing Bureau, 2501 Woodlake Circle, Okemos, MI 48864, Telephone: (517) 241-6470.

TABLE OF CONTENTS

Item	Page
Item 1. The Franchisor and Any Parents, Predecessors, and Affiliates.....	1
Item 2. Business Experience.....	2
Item 3. Litigation.....	3
Item 4. Bankruptcy.....	3
Item 5. Initial Fees.....	3
Item 6. Other Fees.....	4
Item 7. Estimated Initial Investment.....	11
Item 8. Restrictions on Sources of Products and Services.....	15
Item 9. Franchisee’s Obligations.....	18
Item 10. Financing.....	20
Item 11. Franchisor’s Assistance, Advertising, Computer Systems, and Training.....	20
Item 12. Territory.....	28
Item 13. Trademarks.....	29
Item 14. Patents, Copyrights, and Proprietary Information.....	31
Item 15. Obligation to Participate in the Actual Operation of the Franchise Business.....	33
Item 16. Restrictions On What the Franchisee May Sell.....	33
Item 17. Renewal, Termination, Transfer, and Dispute Resolution.....	35
Item 18. Public Figures.....	39
Item 19. Financial Performance Representations.....	39
Item 20. Outlets And Franchisee Information.....	41
Item 21. Financial Statements.....	43
Item 22. Contracts.....	43
Item 23. Receipt.....	43

EXHIBITS

Exhibit A	KONALA Franchise Agreement with Attachment 1 (Franchise Rider), Attachment 2 (Lease Rider), Attachment 3 (Internet, Social Media, and Telephone Assignment), Attachment 4 (Guaranty), Attachment 5A (Nondisclosure and Noncompetition Agreement), Attachment 5B (Nondisclosure and Non-Solicitation Agreement), Attachment 6 (Form of Request for Financial Information), Attachment 7 (Form of Initial Training Acknowledgment), Attachment 8 (Form of Grand Opening Training Acknowledgment and Consent to Open), Attachment 9 (Site Selection Release), Attachment 10 (Form of Addendum to Franchise Agreement), and Attachment 11 (Form of Sublease Agreement).
Exhibit B-1	Restaurant Directory/Listing of Current Franchisees
Exhibit B-2	Listing of Certain Past Franchisees
Exhibit C	Financial Statements
Exhibit D	State Specific Information
Exhibit E	Federal and State Regulators and Agents for Service of Process
Exhibit F	Multi-Unit Agreement
Exhibit G	Sample General Release Agreement
Exhibit H	ACH/EFT Transfer Agreement
Exhibit I	First Addendum to Renewal Franchise Agreement
Exhibit J	Agreement and Conditional Consent to Transfer
Exhibit K	Brand Standards Manual Table of Contents
Exhibit L	Statement of Prospective Franchisee
Exhibit M	Receipt

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

THE FRANCHISOR

To simplify the language in this Disclosure Document, “we,” “KONALA”, or “us” means KONALA FRANCHISING LLC. “You” means the person or company that buys the franchise, including, if any, such company’s owners, partners, members, shareholders, and guarantors. If you are a partnership, corporation or other entity, your owners must sign an agreement that all provisions of the franchise agreement will also apply to your owners, and they must personally guarantee and be personally bound by your obligations under the franchise agreement.

We are an Idaho limited liability company, organized under the name “KONALA FRANCHISING LLC” on February 21, 2023. We do business under the name “KONALA.” Our principal business address is 107 E. 7th Ave., Post Falls, ID 83854. Our sole business since inception is selling KONALA franchises and providing training, equipment, supplies, and other services to KONALA franchisees. We began selling franchises in January 2024. We are not currently engaged in any other business activities and have never offered franchises in any other line of business. We have no other business activities other than those listed in Item 1. We have never operated a KONALA business, although affiliates of ours have done so.

Exhibit E lists our agent for service of process in your state.

PARENTS, PREDECESSORS, AND AFFILIATES

We have no predecessors or parents.

Our affiliate, KONALA LLC (“KONALA OPERATOR”), an Idaho limited liability company with the principal business address at 107 E 7th Ave, Post Falls, ID 83854. KONALA OPERATOR operates KONALA businesses in Post Falls, Idaho, Cour d’Alene, Idaho, and Spokane, Washington. KONALA OPERATOR does not offer and has never offered franchises in any line of business.

Our affiliate, KONALA IP LLC (“KONALA IP”), an Idaho limited liability company with the principal business address at 107 E 7th Ave, Post Falls, ID 83854. KONALA IP owns the trademarks and intellectual property that you will use in the operation of your KONALA franchise. KONALA IP has licensed us the right to use and sublicense our franchisees the right to use certain trademarks and other intellectual property. KONALA IP does not offer any products or services to our franchisees, except, indirectly, the trademarks. KONALA IP does not offer and has never offered franchises in any line of business.

Our affiliate, K RESTAURANT MANAGEMENT LLC (“K MANAGEMENT”), an Idaho limited liability company with the principal business address at 107 E 7th Ave, Post Falls, ID 83854. K MANAGEMENT provides additional training and support to franchisees. K MANAGEMENT does not offer and has never offered franchises in any line of business.

Our affiliate, KONALA RE LLC (“KONALA RE”), an Idaho limited liability company with the principal business address at 107 E 7th Ave, Post Falls, ID 83854. KONALA RE may execute a lease for a premises and sublease it to you.

THE FRANCHISE OFFERED

As a KONALA franchisee, you will own and operate a healthier fast-food restaurant that offers a (i) protein bowls and salads (ii) offering for sale various side dishes, fresh fruit, salads, craft sodas and other related food and beverage products at an accepted brick and mortar location (the “Konala Restaurant”).

KONALA Restaurants are characterized by a unique system that includes a distinct menu emphasizing protein bowls and salads; distinctive restaurant design, décor, color scheme, and furnishings; hardware and software programs; standards, specifications, and procedures for operations; training and assistance; and advertising and promotion programs; all of which we may improve, amend, and further develop from time to time. The typical KONALA Restaurant is located near or along busy roads or shopping centers, with the restaurants on land plots varying from $\frac{1}{4}$ to $\frac{3}{4}$ acres. KONALA Restaurants will consist of a single structure with compatibility for a drive-thru, walk-up order window or inside pickup lobby that may or may not include seating.

The market for protein bowls and salads is well developed. You will compete with other KONALA restaurants owned by our franchisees or affiliates, Restaurants offering protein bowls and salads, fast food and fast casual restaurants, grocers, and other stores selling similar food and beverages. These include national and regional chains, as well as local operations. Your ability to succeed with this franchise will in part be determined by your ability to compete with these other establishments. The market for the menu items, products and services offered and sold by a Konala restaurant is not seasonal.

There are no regulations known to us specific to the operation of a Konala restaurant. However, state and local jurisdictions have enacted laws, rules, regulations, and ordinances that may apply to the operation of your Konala Restaurant, including those that (a) establish general standards, specifications, and requirements for the construction, design, and maintenance of the Restaurant premises; (b) regulate matters affecting the health, safety, and welfare of your customers, such as general health and sanitation requirements for restaurants; employee practices concerning the storage, handling, menu labeling, cooking, and preparation of food; restrictions on smoking; availability of and requirements for public accommodations, including restrooms; requirements to obtain food handlers permits (c) set standards pertaining to employee health and safety; (d) set standards and requirements for fire safety and general emergency preparedness; (e) regulate the proper use, storage, and disposal of waste, insecticides, and other hazardous materials; (f) govern labor practices for your employees; and (g) the application of the Affordable Care Act and the Americans with Disabilities Act.

You should investigate any such regulations in your geographic area to ensure compliance with those regulations, if any, prior to purchasing your franchise or commencing operation of your Konala Restaurant. The nature and amount of regulation could change rapidly relating to this business. You should consult a lawyer with experience dealing with restaurant issues to be sure you are familiar with the current statutes and regulations that might apply within your territory.

When you sign a Franchise Agreement for each location on your development schedule, you will sign the then-current version of the Franchise Agreement, which Franchise Agreement may be different than the form of Franchise Agreement included in this Franchise Disclosure Document. We have the right to accept the locations of all future sites under the Multi-Unit Agreement and designate the Territory associated with each site applying our then-current standards for site selection and Territory designation.

ITEM 2. BUSINESS EXPERIENCE

Trace Miller: Founder and Chief Executive Officer

Since our inception in February 2023, Mr. Miller has been our Chief Executive Officer. Mr. Miller was also the co-founder of Food Bunker LLC, which operated two other food concepts from August 2018 to July 2024 located in Post Falls, Idaho.

Jammie Miller: Chief of Brand

Since our inception in February 2023, Mrs. Miller has been our Chief of Brand in Post Falls, Idaho. Mrs. Miller was also the co-founder of Food Bunker LLC, which operated two other food concepts from August 2018 to July 2024 located in Post Falls, Idaho.

Richard (RJ) Wieber: Director of Operations

Since October 2023, Mr. Wieber has co-operated Konala LLC restaurants and has served as our Director of Operations in Post Falls, Idaho. From May 2014 to October 2023, Mr. Wieber was employed as Food & Beverage Manager at The Golf Club at Black Rock in Coeur d'Alene, Idaho.

Melissa Fee: Regional Manager and Franchise Business Coach

Since March 2023, Mrs. Fee has operated Konala LLC restaurants and has served as our Regional Manager and Franchise Business Coach in Post Falls, Idaho. From June 2020 to February 2023, Ms. Fee was employed as an Area Manager at StretchLab in Coeur d'Alene, Idaho.

Cassie Tarbox: Chief of Staff

Since November 2024, Mrs. Tarbox has served as our Chief of Staff. From December 2022 to November 2024, Mrs. Tarbox was employed as a Development Manager at the San Francisco Parks Alliance in San Francisco, CA. From September 2017 to December 2022, Mrs. Tarbox was employed as an Executive Assistant to the Founder and Chairman of Dale Operating Company in Dallas, TX.

ITEM 3. LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

ITEM 5. INITIAL FEES

Initial Franchise Fee

If you are purchasing the right to open your first KONALA Restaurant, you will pay an initial franchise fee of \$40,000 (the "Initial Franchise Fee"). The Initial Franchise Fee is due and fully earned when you sign the franchise agreement.

Grand Opening Advertising

You must spend at least \$25,000 on Grand Opening advertising for your Restaurant for a period of 60 days surrounding the Grand Opening. You must spend at least \$15,000 on Grand Opening advertising for each subsequent Restaurant after opening your first Restaurant. We reserve the right to collect these amounts from you and spend them on your behalf.

Sublease

If our affiliate enters into a lease and subsequently subleases the premises to you, you will be responsible for reimbursing our affiliate for any amounts that it pays to the landlord under the lease.

Multi-Unit Development Fee

We will charge you a multi-unit development fee (“Multi-Unit Development Fee”) when you sign the Multi-Unit Agreement. You must develop a minimum of 5 Restaurants to enter into a Multi-Unit Agreement. The Multi-Unit Development Fee is based on the total number of Restaurants that you commit to develop under the Multi-Unit Agreement and is calculated as follows: \$40,000 for the right to develop each of the first 3 Restaurants plus a deposit of \$20,000 each for the right to develop the 4th and 5th Restaurant within your Development Area. The remaining \$20,000 portion of the fee for the 4th and 5th Restaurant is due on the date that you sign the lease for the premises of each Restaurant. If you commit to develop between 5 and 9 Restaurants, you will pay \$40,000 for the right to develop each of the first 5 Restaurants, plus a deposit of \$20,000 each for the right to develop the 6th and each additional Restaurant within your Development Area. The remaining \$20,000 portion of the fee for the 6th and each additional Restaurant is due on the date that you sign the lease for the premises of each Restaurant.

The Multi-Unit Development Fee is fully earned by us and due in lump sum when you sign the Multi-Unit Agreement. The Multi-Unit Development Fee is not refundable under any circumstance. The Multi-Unit Development Fee is calculated and applied toward the Initial Franchise Fee as follows:

Number of Restaurants to be Developed	Multi-Unit Development Fee Paid Upon Signing the Multi-Unit Agreement:	*Additional \$20,000 to be Paid in Connection with:
5 – 9	\$120,000 for the first 3 Restaurants, plus \$20,000 for each additional Restaurant	4th and each additional Restaurant
10 or more	\$200,000 for the first 5 Restaurant, plus \$20,000 for each additional Restaurant	6th and each additional Restaurant

*The remaining portion of the Initial Franchise Fee is due on the dates you sign each of the leases for the premises of the Restaurants.

For example, if you commit to developing 5 Restaurants, the Multi-Unit Development Fee is calculated as $(\$40,000 \times 3 = \$120,000) + (\$20,000 \times 2 = \$40,000) = \$160,000$ due upon signing the Multi-Unit Agreement and the remaining portion of the Initial Franchise Fee $(\$20,000 \times 2 = \$40,000)$ is due on the dates you sign each of the leases for the premises of the Restaurants. If you commit to developing 10 franchises, the Multi-Unit Development Fee is calculated as $(\$40,000 \times 5 = \$200,000) + (\$20,000 \times 5 = \$100,000) = \$300,000$ due upon signing the Multi-Unit Agreement and the remaining portion of the Initial Franchise Fee $(\$20,000 \times 5 = \$100,000)$ is due on the dates you sign each of the leases for the premises of the Restaurants.

Discounts

Franchisees who are honorably discharged veterans of the U.S. Armed Forces are eligible to pay a reduced initial franchise fee of \$30,000 (representing a 25% discount off our standard \$40,000 initial franchise fee) for the first KONALA Restaurant.

Refunds

We do not refund the initial franchise fee under any circumstances. All of the fees described in this Item are uniformly applied and each payable in lump sum.

ITEM 6. OTHER FEES

Name of Fee¹	Amount	Due Date	Remarks
Royalty	6% of weekly Net Sales.	Weekly.	“Net Sales” is defined in Note 2 below. Payment made by electronic funds transfer (“EFT”) on Tuesday of each week for sales occurring in the previous week, which ends on Saturday.
Brand Development Fund	2% of weekly Net Sales.	Weekly.	Brand Development Funds are collected in the same manner and at the same time as the Royalty fee. We reserve the right to collect up to 4% of Net Sales for the Brand Development Fund.
Local Marketing	The greater of (i) \$850 per month, or (ii) 1% of monthly Net Sales.	Monthly.	You must use this money in the form and manner we require and with the vendors we approve. You may choose to spend more on local marketing. We reserve the right to increase the minimum flat spending requirement by up to 10% each year. You must provide receipts documenting this marketing activity upon our demand.

Name of Fee ¹	Amount	Due Date	Remarks
Technology Fee	Currently, 0.25% of monthly Net Sales.	Monthly.	<p>We may use this fee for any technology-related purpose, and we may increase this fee at any time by up to .05% each year. We reserve the right to alter, modify, substitute, add, or delete any technologies provided to you for the Technology Fee in our sole discretion.</p> <p>The current fees will be maintained in the Brand Standards Manual.</p>
Inventory	Varies.	As incurred.	<p>We or our affiliate may supply you with ingredients you will use to produce your protein bowls and salads. We may also be the supplier of other goods and services in the future, and you may be required to pay us for those goods and services at the then-current rates.</p>
Advertising Cooperative Fee	There are currently no plans for an advertising cooperative, but one may be formed in the future.	When designated by cooperative.	<p>Currently not formed, but if one is formed inclusive of your territory then you would be required to participate in the cooperative.</p> <p>Any percentage contribution would be set by the cooperative on a vote of a majority of its members. Each franchisee and each affiliate-owned restaurant is entitled to one vote. The maximum fee that can be imposed by the advertising cooperative is 50% of Local Marketing, which would be credited against Local Marketing. This amount may be increased if approved by a majority of the cooperative's members.</p>
Successor Fee	\$10,000	Prior to the execution of your successor agreement.	Paid to us prior to the execution of your successor agreement.

Name of Fee ¹	Amount	Due Date	Remarks
Transfer Fee	<p>50% to 75% of the then-current initial franchise fee (the "Transfer Fee").</p> <p>\$1,500 for internal transfers.</p> <p>You are responsible for any and all broker, consultant, or other fee in connection with such transfer.</p>	<p>\$5,000 non-refundable deposit at the time you indicate to us that you intend to sell the business, not applicable for internal transfers.</p> <p>The balance of the transfer fee is due prior to the sale of the franchisee's business.</p>	<p>\$5,000 of the transfer fee must be deposited with us on a non-refundable basis upon notification to us of a proposed transfer and prior to our undertaking any review, drafting of documents, training, or other activities. If we do not approve the transfer, the transfer fee will be returned minus the \$5,000 non-refundable fee for our expenses incurred (including legal fees) for review and consideration of the transfer.</p> <p>The Transfer Fee will be 50% of the then-current initial franchise fee if the transfer is to an existing franchisee.</p> <p>The Transfer Fee will be 75% of the then-current initial franchise fee if the transfer is not to an existing franchisee.</p> <p>The Transfer Fee will be \$1,500 if you request our approval of a change in ownership of the Franchisee entity not impacting the controlling interest. Deposit not applicable for internal transfers.</p>
Audit Fee	Cost of audit and expense incurred in connection with the audit.	When billed	Payable only if we determine after an audit that you have understated revenues of more than 2%.
Collection and Interest Charges	10% or highest lawful rate if lower.	Immediately if payments are not made when due.	This charge is in addition to other remedies such as late payment fees.
Late Fee	10% or highest lawful rate if lower.	Immediately if payments are not made when due.	You will not incur this fee unless you are late in paying an amount owed to us or our affiliate.
Opening Extension Fee	\$2,500.	At the time the extension is granted.	If you have made a good-faith effort to open the restaurant within 12 months but fail to do so, we may offer an extension of 3 months.

Name of Fee ¹	Amount	Due Date	Remarks
Conferences and Conventions	\$1,000 per attendee.	As required.	<p>We reserve the right to charge you an attendance fee for conferences and conventions.</p> <p>You will be responsible for the costs and expenses you incur in connection with any conference. If you do not attend the conference, you will incur a non-attendance fee of 150% of the attendance cost.</p>
Additional Training Assistance	\$600 per day, per trainer, plus travel and related expenses.	As requested or required.	<p>Paid to us if you request additional training above our normal training offerings, or if we require additional training in the event your restaurant is operating below our required standards, or we otherwise require you to complete additional training.</p> <p>You remain responsible for paying your and your employees' lodging, transportation, and food expenses incurred for ongoing training, if applicable.</p>
Ongoing Training Fees	\$300 per day.	As required.	For additional scheduled training at the franchisor's home office or regional training center. You remain responsible for paying your and your employees' lodging, transportation, and food expenses.

Name of Fee ¹	Amount	Due Date	Remarks
Training for Additional Staff or Replacement Operating Partner	\$300 per person per day (plus lodging, travel expenses, and food) if the additional staff member attends training at our training center or \$600 per person per day, plus expenses (lodging, transportation, and food) if our trainer goes to your location.	As incurred prior to beginning of additional training.	<p>If you would like to include additional personnel, beyond the 3 individuals, for initial pre-opening training, then you must pay the applicable fee depending on whether the additional staff comes to us or if we send a trainer to your location.</p> <p>Should your current operating partner leave, the replacement operating partner must attend the initial training at a location specified by us.</p> <p>You remain responsible for paying your and your employees' lodging, transportation, and food expenses incurred for additional training. You may request additional training in addition to our normal training offerings, or we may determine that additional training is necessary in the event your location is operating below our standards.</p>
Fines	Up to \$1,000 per occurrence.	Upon notice of infraction. Will be collected by EFT.	Fines for failing to operate in accordance with operating standards, including selling unauthorized products or services, failure to submit timely reports, or conducting unauthorized advertising.
New Supplier/Product Evaluation Fee	The greater of \$750 or actual costs.	As requested.	Paid to us for the costs associated with testing and analysis, if you request that a non-approved supplier or product be analyzed for approved use. If the product or supplier is adopted system-wide, the fee may be waived.

Name of Fee¹	Amount	Due Date	Remarks
Indemnification; Hold Harmless	Any and all types of damages, liabilities, losses, costs, and expenses we incur as a result of third parties claims or from your ownership and operations of the Konala Restaurant. Amount will depend on unknown factors.	Defense cost when suit occurs. Indemnification when payment required.	You, your owners, and your guarantors must defend, indemnify, and hold us and our owners, guarantors, officers, directors, agents, and employees harmless for a broad range of claims related to your actions, omissions, ownership, and operations of the Konala Restaurant.
Attorney's Fees and Costs, and Arbitration	Varies based on amount spent.	When court or arbitrator orders, if we win.	Loser pays winner's fees and costs to discourage meritless litigation.
Insurance Premium Reimbursement	Varies according to plan and provider.	On Demand.	If we purchase insurance for you because you fail to do so, your reimbursement, plus our administrative expenses, is due immediately on notice.
Enforcement Costs	Will vary.	As incurred.	You must pay our costs of enforcement (including attorneys' fees and costs) if you do not comply with the Franchise Agreement.
Continued Operation After Expiration	150% of Royalties per month.	Monthly	If we permit you to renew the license granted under this Agreement after a month-to-month continuation of the Konala Restaurant, then you must pay to us in addition to all royalties and other fees due to us a monthly fee equal to 150% of the royalties due for the same month for every month of month-to-month operation after the Expiration Date, up to our then-current initial franchise fee.
Insufficient Funds	Currently \$250.	Upon notice	Due to us any time an EFT withdrawal is denied due to insufficient funds in your account. We may increase this fee at any time by up to 20% each year.

Name of Fee¹	Amount	Due Date	Remarks
Quality Control Review Services	Will vary.	Quarterly.	If we implement a quality control program, provided by us or a third-party you will pay your share of the costs and expenses of the program.
Mystery Shops	Will vary.	Monthly.	If we retain a third-party firm to conduct mystery shops.
Refurbishing Fee	The Refurbishing Fee depends on what we spend, plus an administrative fee of 15% of total aggregate expenses.	Upon notice.	Applicable if you fail to refurbish and we must step in to complete the necessary refurbishment.
Third Party Supplier Charges	Your share of any charges billed to us on behalf of your business.	As incurred.	Sometimes it may be in the best interest of the KONALA brand for suppliers to bill us a system-wide charge for a product or service. We will then divide the invoice among our franchisees and charge you for your share.
System Modifications	All reasonable costs and expenses associated with system modification	Upon demand.	If we make changes to our franchise System, you must adapt your business to conform to the changes. Examples may include new equipment, software or construction materials. These may be paid to us or a third-party supplier that we designate.
Data Inspections and Reimbursement	Varies.	Upon demand.	If you repeatedly violate the required data privacy and security obligations under the Franchise Agreement, we reserve the right to charge you our costs and expenses to inspect your business. Additionally, you are responsible for our costs and expenses that arise from your non-compliance, or a security breach caused by you or your personnel.
Multi-Unit Transfer Fee	\$1,000 per undeveloped restaurant under a Multi-Unit Agreement.	Upon application for transfer.	This is in addition to the transfer fee due for each developed restaurant.

Name of Fee¹	Amount	Due Date	Remarks
Relocation Fee	\$10,000	50% of the relocation fee is to be paid upon our acceptance of your relocation request. 50% of the relocation fee is to be paid upon our acceptance of your new site selection.	If approved to relocate franchised restaurant.
Temporary Management Assistance Fee	10% of revenues for duration of management involvement. Minimum \$600 per day, plus expenses.	Weekly, if incurred.	Only payable in the event we must operate your franchise due to breach of the Franchise Agreement, death, disability, or incapacity etc. The Temporary Management Assistance Fee would be paid in addition to royalties, Brand Development Fund contributions and any other fees due to us.
Sublease Expenses	Actual amounts incurred under the lease by our affiliate.	As incurred	If our affiliate enters into a lease for a Restaurant and subsequently subleases the premises to you, you will be required to reimburse our affiliate for its costs under the sublease.

Note 1: All fees and expenses described in this Item 6 are non-refundable and, unless otherwise indicated, are imposed uniformly by, and are payable to, us. We and our affiliates reserve the right to increase the amount of any flat fee provided for hereunder, or due to us or our affiliates under this Agreement or a related agreement (“Inflation Adjustment”). An Inflation Adjustment shall be in relation to the changes in the Consumer Price Index (U.S. Average, all items) maintained by the U.S. Department of Labor, the cost-of-living-adjustment (“COLA”) using the COLA factors determined by the United States Department of Labor, or such other measure determined reliable by us. We will notify you of the amount or percentage adjustment thirty (30) days prior to their effective date.

Note 2: “Net Sales” means the total revenue generated by your Konala Restaurant, including all revenue generated from the sale and provision of any and all approved products and services at or through your Konala Restaurant and all proceeds from any business interruption insurance related to the non-operation of your Konala Restaurant, whether such revenues are evidenced by cash, check, credit, charge, account, barter or exchange. Net Sales includes the redemption of gift cards. “Net Sales” does not include (a) tips received by employees through their employment with the Konala Restaurant, (b) any sales tax and equivalent taxes that are collected by the Konala Restaurant for or on behalf of any governmental taxing authority and paid thereto, or (c) gift cards when sold, or (d) for items sold pursuant to coupons or other discounts, Net Sales also excludes the amount discounted from the purchase price of such item.

ITEM 7. ESTIMATED INITIAL INVESTMENT

**TABLE 1 - YOUR ESTIMATED INITIAL INVESTMENT
(Drive-Thru End Cap or Conversion)
(Single Unit)**

TYPE OF EXPENDITURE ¹	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
	LOW	HIGH			
Initial Franchise Fee ²	\$40,000	\$40,000	Lump sum	Upon signing Franchise Agreement	Us
Lease, Utility and Security Deposits ³	\$5,000	\$20,000	Varies	Varies depending on your contract with landlord and utility providers	Landlord and Utility Providers
Rent (3 Months) ⁴	\$15,000	\$60,000	Varies	Varies depending on your contract with landlord	Landlord
Leasehold Improvements, Signage, Menu Boards ⁵	\$250,000	\$370,000	Varies	Varies depending on your contract with supplier	Contractors/ Suppliers
Furniture, Fixtures, Equipment, and Smallwares ⁶	\$150,000	\$180,000	As incurred	During buildout	Approved suppliers
POS/Technology Setup (hardware + software) ⁷	\$10,000	\$15,000	As incurred	Before opening	POS and Technology Vendors
Professional Fees (legal, accounting, etc.) ⁸	\$5,000	\$10,000	As incurred	As incurred	Third-party professionals
Initial Inventory (food and packaging) ⁹	\$20,000	\$25,000	As incurred	Before opening	Approved Suppliers
Insurance Premiums ¹⁰	\$2,000	\$6,000	As incurred	Varies by contract	Insurance Providers
Licenses, Permits, and Inspections ¹¹	\$2,000	\$10,000	As incurred	Before opening	Gov. Agencies and Vendors

TYPE OF EXPENDITURE ¹	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
	LOW	HIGH			
Training (travel and lodging) ¹²	\$15,000	\$30,000	As incurred	Before opening	Vendors, Hotels, and Airlines
Leadership/Manger Training (3 rd Party) ¹³	\$3,000	\$10,000	Lump sum	Before opening	Training Providers
Grand Opening Advertising ¹⁴	\$15,000	\$25,000	As incurred	60 days surrounding opening	Vendors & Franchisor
Additional Funds – 3 Months ¹⁵	\$35,000	\$50,000	As incurred	As incurred	Utilities, Suppliers, Payroll, etc.
TOTAL	\$567,000	\$851,000			

**TABLE 2 - YOUR ESTIMATED INITIAL INVESTMENT
(Drive-Thru End Cap or Conversion)
(Multi-Unit – 5 Units)**

TYPE OF EXPENDITURE ¹	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
	LOW	HIGH			
Multi-Unit Development Fee for 5 Outlets ²	\$160,000	\$160,000	Lump sum	Upon signing the Multi-Unit Agreement.	Us
Other Expenditures for the First Restaurant ¹⁶	\$527,000	\$811,000	See Table 1	See Table 1	See Table 1
TOTAL	\$687,000	\$971,000			

Notes to Tables 1 and 2:

Note 1. All of the fees described in this Item that are payable to us are non-refundable and all fees and expenses described in this Item that are payable to us, unless otherwise indicated, shall be imposed uniformly by us. Individual vendors, suppliers, utilities and landlords will have their own refund policies.

Note 2. Please see Item 5 for information on incentive programs that may offer a discount on the Initial Franchise Fee. The amount stated in Table 1 is for one outlet operated pursuant to a single Franchise Agreement. The amount stated in Table 2 assumes you will develop the minimum of 5 Restaurants. The Development Fee will increase if you commit to develop more than 5 Restaurants. If you commit to open between 6 and 9 Restaurants, then the Development Fee will increase by \$20,000 for each additional Restaurant. If you commit to developing 10 or more Restaurants, then the Development Fee will be

\$300,000 for 10 Restaurants and will increase by \$20,000 for each additional Restaurant you commit to open. The remaining \$20,000 portion of the Development Fee is due upon the signing of the lease for each additional Restaurant. If you, or your Operating Partner are unable to complete our training program to our satisfaction, we may terminate the Franchise Agreement and/or the Multi-Unit Agreement. Neither the Initial Franchise Fee nor the Multi-Unit Development Fee are refundable in whole or in part under any circumstances.

Note 3. Our estimate for the security deposit for the lease is equal to rent for one month. Utilities include gas service, electric service and other utilities as you might need to operate your Konala Restaurant. Utility companies may also require you to place a deposit before installing telephone, gas, electricity and related utility services. The utility deposits may be refundable in accordance with the agreements made with the utility companies. The rent deposit may be refundable under the terms of the lease agreement.

Note 4. As applicable, these estimates are for the first three months of restaurant lease costs.

Note 5. Typical locations for Konala Restaurants are shopping centers within suburban shopping areas. Typically, you would lease an existing location in a strip center or other commercial shopping center and remodel the location to conform to the current design specifications of a Konala Restaurant. You may also lease the land and an existing facility and convert the facility to a Konala Restaurant or enter into a build-to-suit lease under which lease the landlord agrees to construct a structure which will be used for your Konala Restaurant and lease the land and the building back to you. You may also purchase the land and build the facility yourself. The cost of land may vary dramatically depending upon a multitude of factors and it varies by city and region. Konala has not included costs for land acquisition or the construction of a free-standing building. You must conduct a thorough investigation in your local area concerning land, site, leasehold and construction costs. These costs may vary significantly from location to location and are dependent upon factors like the general cost, location, and availability of commercial real estate in your market area and the amount of space desired.

A typical Konala Restaurant will be a 1,100 to 2,000 square-foot single building on a .35-to-.75-acre lot, with compatibility for a drive-thru, walk-up ordering window or inside pickup lobby with or without seating. This amount includes the costs to alter the existing interior space to the requirements of a Konala Restaurant. We assume the landlord provides the space vacant and broom clean at a minimum with utilities to space, roofing, storefront, exterior and demising walls, concrete floors, HVAC units and mains, and fire sprinklers (if required by local codes). The high end of this estimate includes costs for a space in a worse condition, but not including landlord capital expenses. This amount excludes costs for major exterior improvements, materials testing, and zoning or impact fees.

This estimate is also for the menu boards and signs you will use at your premises. You must purchase the signs and menu boards from our approved suppliers and from approved sign brands.

Note 6. This estimate is for the cost to purchase the fixtures and furnishings needed to open a Konala Restaurant. You will incur additional charges if you decide to purchase additional fixtures or furnishings. Additionally, this estimate is for the cost to purchase the equipment needed to open a Konala Restaurant, including necessary kitchen equipment.

Note 7. You must purchase and install our required computer systems, including our approved POS system. You will also need a laptop, printer, high speed internet, Wi-Fi, backup internet, and audio speakers. You are required to use the software designated in our Brand Standards Manual. We may require you to upgrade your software in order to adapt to technology and industry innovations.

Note 8. You will need to secure assistance from certain professionals which may include an attorney, accountant, or other consultants to help you to establish your Konala Restaurant.

Note 9. This estimate is for your initial purchase of inventory to open the Konala Restaurant, including your initial supply of paper products and utensils, pre-packaged food and beverages, food supplies, dry goods, office and cleaning supplies and other merchandise or products sold by the Restaurant. You will need to replace your inventory as it is used. This estimate includes the purchase price for one to two weeks' worth of inventory.

Note 10. You must obtain and maintain certain types and amounts of insurance (See Item 8). This estimate represents the insurance deposit only. You will make additional payments for insurance according to the various terms of your policy. Insurance costs depend on policy limits, types of policies, nature and value of physical assets, Net Sales, number of employees, wages paid, square footage, location, business contents, and other factors bearing on risk exposure. Insurance providers may require either an annual payment or semi-annual installments. Also note that workers' compensation insurance will vary from state to state.

Note 11. The licenses and permits you are required to obtain include a local business license and building permits. You may need to obtain other licenses and permits, and you are responsible for determining whether you need to do so. The actual cost of obtaining licenses and permits may vary based on the requirements of the applicable government agencies.

Note 12. You must bear all indirect training costs and expenses, such as salary expenses of your employees, and all expenses of travel, lodging, meals, and other living expenses of your and your employees' attendance at the initial training program. These estimates assume three people will be attending a four-week training program consisting of classroom training in Coeur d'Alene, Idaho, and restaurant training at our affiliate's location in Coeur d'Alene, Idaho. Other training will be conducted at your location.

Note 13. We require the Operating Partner and management staff to participate in a third-party management/leadership training program approved by us. Our estimate is for the management/leadership program fee.

Note 14. You must spend at least \$25,000 on Grand Opening advertising for your Restaurant for a period of 60 days surrounding the Grand Opening. You must spend at least \$15,000 on Grand Opening advertising for each subsequent Restaurant after opening your first Restaurant for a period of 60 days surrounding the Grand Opening. All advertisements and uses of the funds are subject to our approval. You may choose to spend more money. Factors that may affect the actual amount you spend include the type of media used, the size of the area you advertise in, local media cost, location of the Konala Restaurant, time of year and customer demographics in the surrounding area. The amounts you spend for Grand Opening advertising are typically nonrefundable. You should inquire about the return and refund policy of the suppliers at, or before, the time of purchasing advertising. We reserve the right to collect this amount from you and spend it on your behalf.

Note 15. You should have a 3-month cash reserve to cover the operations of the Konala Restaurant. Your cash reserves should be based on the total monthly cost of operating the Konala Restaurant. You should consider rent, salaries, utilities, maintenance, supplies, payroll, taxes, loan payments and other related operating costs to arrive at your 3-month reserves. The operating costs on which you may use the cash reserve are typically non-refundable, but you should ask about refund policies before you patronize any vendor. The payments made to third parties may be refundable depending on the terms offered by each third party. These estimates do not include any finance charges, interest or debt service obligations. The amounts shown are estimates only and may vary for many reasons including the capabilities of your management team, where you locate your franchise, and your business experience and acumen. These

estimates are based on our affiliate’s experience operating a KONALA restaurant in Post Falls, Idaho, and our chief executive officer’s experience in the real estate and restaurant industry. Our affiliate owns the real property on which its restaurant is located. Additionally, some of these ranges are based on quotes that have since been updated since the build-out of our first affiliate’s location.

Note 16. This figure represents the total estimated initial investment required to open the initial Restaurant you agree to open under the Multi-Unit Agreement. You will be required to enter into our current form of franchise agreement to govern this initial Restaurant at the same time you sign your Multi-Unit Agreement. This range includes all of the items outlined in Table 1, except for the \$40,000 Initial Franchise Fee because, upon payment of the Multi-Unit Fee, you will not be required to pay any Initial Franchise Fee in connection with your initial Restaurant.

**TABLE 3 - YOUR ESTIMATED INITIAL INVESTMENT –
(Free Standing Drive-Thru Excluding Site Costs)
(Single Unit)**

TYPE OF EXPENDITURE ¹	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
	LOW	HIGH			
Initial Franchise Fee ²	\$40,000	\$40,000	Lump sum	Due on signing Franchise Agreement	Us
Lease, Utility, and Security Deposits ³	\$5,000	\$20,000	Varies	Varies depending on your contract with landlord and utility providers	Landlord and Utility Providers
Building Construction Costs ⁴	\$550,000	\$650,000	Varies depending on your contract with supplier	Varies depending on your contract with supplier	Supplier
Architectural and Engineering Fees ⁵	\$10,000	\$60,000	Varies	Varies	Architects and Engineers
Furniture, Fixtures, Equipment, and Smallwares ⁶	\$150,000	\$180,000	As incurred	During buildout	Approved Suppliers
Rent (3 Months) ⁷	\$15,000	\$60,000	Varies	Varies depending on your contract with landlord	Landlord

TYPE OF EXPENDITURE ¹	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
	LOW	HIGH			
Signage and Menu Boards ⁸	\$50,000	\$65,000	Varies	Varies depending on your contract with supplier	Suppliers
POS/Technology Setup (hardware + software) ⁹	\$10,000	\$15,000	As incurred	Before opening	POS and Technology Vendors
Professional Fees (legal, accounting, etc.) ¹⁰	\$5,000	\$10,000	As incurred	As incurred	Third-party professionals
Initial Inventory (food and packaging) ¹¹	\$20,000	\$25,000	As incurred	Before opening	Approved Suppliers
Insurance Premiums ¹²	\$2,000	\$6,000	As incurred	Varies by contract	Insurance Providers
Licenses, Permits, and Inspections ¹³	\$2,500	\$20,000	As incurred	Before opening	Gov. Agencies and Vendors
Training (travel and lodging) ¹⁴	\$15,000	\$30,000	As incurred	Before opening	Vendors, Hotels, and Airlines
Leadership/Manger Training (3 rd Party) ¹⁵	\$3,000	\$10,000	Lump sum	Before opening	Training Providers
Grand Opening Advertising ¹⁶	\$15,000	\$25,000	As incurred	60 days surrounding opening	Vendors & Franchisor
Additional Funds ¹⁷	\$35,000	\$50,000	As incurred	As incurred	Utilities, Suppliers, Payroll, etc.
TOTAL	\$927,500	\$1,266,000			

**TABLE 4 - YOUR ESTIMATED INITIAL INVESTMENT
(Free Standing Drive-Thru Excluding Site Costs)
(Multi-Unit – 5 Units)**

TYPE OF EXPENDITURE ¹	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
	LOW	HIGH			
Multi-Unit Development Fee for 5 Restaurants ²	\$160,000	\$160,000	Lump sum	Upon signing the Multi-Unit Agreement.	Us
The cost to open first unit under the Multi-Unit Agreement ¹⁸	\$887,500	\$1,226,000	See Table 3	See Table 3	See Table 3
TOTAL	\$1,047,500	\$1,386,000			

Notes to Tables 3 and 4:

Note 1. All of the fees described in this Item that are payable to us are non-refundable and all fees and expenses described in this Item that are payable to us, unless otherwise indicated, shall be imposed uniformly by us. Individual vendors, suppliers, utilities and landlords will have their own refund policies.

Note 2. Please see Item 5 for information on incentive programs that may offer a discount on the Initial Franchise Fee. The amount stated in Table 1 is for one outlet operated pursuant to a single Franchise Agreement. The amount stated in Table 2 assumes you will develop the minimum of 5 Restaurants. The Development Fee will increase if you commit to develop more than 5 Restaurants. If you commit to open between 6 and 9 Restaurants, then the Development Fee will increase by \$20,000 for each additional Restaurant. If you commit to developing 10 or more Restaurants, then the Development Fee will be \$300,000 for 10 Restaurants and will increase by \$20,000 for each additional Restaurant you commit to open. The remaining \$20,000 portion of the Development Fee is due upon the signing of the lease for each additional Restaurant. If you, or your Operating Partner are unable to complete our training program to our satisfaction, we may terminate the Franchise Agreement and/or the Multi-Unit Agreement. Neither the Initial Franchise Fee nor the Multi-Unit Development Fee are refundable in whole or in part under any circumstances.

Note 3. Our estimate for the security deposit for the lease is equal to rent for one month. Utilities include gas service, electric service and other utilities as you might need to operate your Konala Restaurant. Utility companies may also require you to place a deposit before installing telephone, gas, electricity and related utility services. The utility deposits may be refundable in accordance with the agreements made with the utility companies. The rent deposit may be refundable under the terms of the lease agreement.

Note 4. The estimates for a freestanding drive-thru location in Table 3 assume you own a plot of approximately .35 to .75 acres of property in a high traffic flow area (“Property Location”). You may choose a larger Property Location, but it will increase your operating costs. The costs include all the costs for constructing the building only and exclude all site work which we estimate will range between \$150,000 to \$350,000 excluding government-imposed zoning or impact fees. We have not included site work in this amount due to the wide variance in costs, and many times a significant portion is included in what the landlord provides to you as a tenant. The cost of land may vary dramatically depending upon a multitude

of factors and it varies by city and region. Konala has not included costs for land acquisition. You must conduct a thorough investigation in your local area concerning land, site, and construction costs. These costs may vary significantly from location to location and are dependent upon factors like the general cost, location and availability of commercial real estate in your market area and the amount of space desired.

Note 5. Architectural and engineering fees may vary depending on the size, condition, and location of the premises, the scope of work required, and local market rates. These estimates include the costs for preparing site plans and site drawings.

Note 6. This estimate is for the cost to purchase the fixtures and furnishings needed to open a Konala Restaurant. You will incur additional charges if you decide to purchase additional fixtures or furnishings. Additionally, this estimate is for the cost to purchase the equipment needed to open a Konala Restaurant, including necessary kitchen equipment.

Note 7. As applicable, these estimates are for the first three months of restaurant lease costs.

Note 8. This estimate is for the menu boards and signs you will use at your premises. You must purchase the signs and menu boards from our approved suppliers and from approved sign brands.

Note 9. You must purchase and install our required computer systems, including our approved POS system. You will also need a laptop, printer, high speed internet, Wi-Fi, backup internet, and audio speakers. You are required to use the software designated in our Brand Standards Manual. We may require you to upgrade your software in order to adapt to technology and industry innovations.

Note 10. You will need to secure assistance from certain professionals which may include an attorney, accountant, or other consultants to help you to establish your Konala Restaurant.

Note 11. This estimate is for your initial purchase of inventory to open the Konala Restaurant, including your initial supply of paper products and utensils, pre-packaged food and beverages, food supplies, dry goods, office and cleaning supplies and other merchandise or products sold by the Restaurant. You will need to replace your inventory as it is used. This estimate includes the purchase price for one to two weeks' worth of inventory.

Note 12. You must obtain and maintain certain types and amounts of insurance (See Item 8). This estimate represents the insurance deposit only. You will make additional payments for insurance according to the various terms of your policy. Insurance costs depend on policy limits, types of policies, nature and value of physical assets, Net Sales, number of employees, wages paid, square footage, location, business contents, and other factors bearing on risk exposure. Insurance providers may require either an annual payment or semi-annual installments. Also note that workers' compensation insurance will vary from state to state.

Note 13. The licenses and permits you are required to obtain include a local business license and building permits. You may need to obtain other licenses and permits, and you are responsible for determining whether you need to do so. The actual cost of obtaining licenses and permits may vary based on the requirements of the applicable government agencies.

Note 14. You must bear all indirect training costs and expenses, such as salary expenses of your employees, and all expenses of travel, lodging, meals, and other living expenses of your and your employees' attendance at the initial training program. These estimates assume three people will be attending a four-week training program consisting of classroom training in Coeur d'Alene, Idaho, and restaurant training at our affiliate's location in Coeur d'Alene, Idaho. Other training will be conducted at your location.

Note 15. We require the Operating Partner and management staff to participate in a third-party management/leadership training program approved by us. Our estimate is for the management/leadership program fee.

Note 16. You must spend at least \$25,000 on Grand Opening advertising for your Restaurant for a period of 60 days surrounding the Grand Opening. You must spend at least \$15,000 on Grand Opening advertising for each subsequent Restaurant after opening your first Restaurant for a period of 60 days surrounding the Grand Opening. All advertisements and uses of the funds are subject to our approval. You may choose to spend more money. Factors that may affect the actual amount you spend include the type of media used, the size of the area you advertise in, local media cost, location of the Konala Restaurant, time of year and customer demographics in the surrounding area. The amounts you spend for Grand Opening advertising are typically nonrefundable. You should inquire about the return and refund policy of the suppliers at, or before, the time of purchasing advertising. We reserve the right to collect this amount from you and spend it on your behalf.

Note 17. You should have a 3-month cash reserve to cover the operations of the Konala Restaurant. Your cash reserves should be based on the total monthly cost of operating the Konala Restaurant. You should consider rent, salaries, utilities, maintenance, supplies, payroll, taxes, loan payments and other related operating costs to arrive at your 3-month reserves. The operating costs on which you may use the cash reserve are typically non-refundable, but you should ask about refund policies before you patronize any vendor. The payments made to third parties may be refundable depending on the terms offered by each third party. These estimates do not include any finance charges, interest or debt service obligations. The amounts shown are estimates only and may vary for many reasons including the capabilities of your management team, where you locate your franchise, and your business experience and acumen. These estimates are based on our affiliate's experience operating a KONALA restaurant in Post Falls, Idaho, and our chief executive officer's experience in the real estate and restaurant industry. Our affiliate owns the real property on which its restaurant is located. Additionally, some of these ranges are based on quotes that have since been updated since the build-out of our first affiliate's location.

Note 18. This figure represents the total estimated initial investment required to open the initial Restaurant you agree to open under the Multi-Unit Agreement. You will be required to enter into our current form of franchise agreement to govern this initial Restaurant at the same time you sign your Multi-Unit Agreement. This range includes all of the items outlined in Table 1, except for the \$40,000 Initial Franchise Fee because, upon payment of the Multi-Unit Fee, you will not be required to pay any Initial Franchise Fee in connection with your initial Restaurant.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Vendors, Products and Services. You must purchase and use only goods, services, supplies, fixtures, equipment, inventory, and computer systems that meet our standards and specifications. We have developed and may develop additional standards and specifications for these items that we make available to you through the Brand Standards Manual, pre-opening materials, and other communications. You must comply with the changes after receiving notice from us. Your supplier of all the goods, services, supplies, fixtures, equipment, inventory, and computer systems must be a supplier that we approve or designate. We or our affiliate may be an approved or designated supplier. We reserve the right to revoke approval for any item or supplier for any reason, and you must cease to use the item or supplier upon 30 days' notice from us.

Where we have designated an approved supplier, you must use that supplier. Not purchasing your business's goods, services, merchandise, retail items, accessories, supplies, equipment, computer hardware and software, project management services, architectural, engineering services, real estate brokers, or any

other items where we have designated an approved supplier would put you in violation of the Franchise Agreement. You will purchase certain food and packaging from third-party suppliers that we approve. Currently, we have designed approved exclusive suppliers for all food items including seafood, restaurant equipment, point of sale system, and our modular building. For the point-of-sale system, you must purchase and use our approved supplier as your credit card processor. The specifications for your required purchase are outlined in Item 11.

You are required to use a credit card processing service we approve. Since you will accept credit cards as a method of payment at your Konala Restaurant, you must comply with payment card infrastructure (“PCI”) industry and government requirements. PCI security standards are technical and operational requirements designed to protect cardholder data. The standards apply to all organizations that store, process, or transmit cardholder data and cover technical and operational payment system components involving cardholder data. Notwithstanding the credit card processing requirement, we do not represent, nor certify to you or your customers that the credit card processing service approved or provided by us or an affiliate is compliant, whether or not certified as compliant, with the PCI Data Security Standards. Your credit card processing provider should assist you with this compliance.

Location. It is your responsibility to select your own location. We must accept the location of your Konala Restaurant. If you do not own your Konala Restaurant premises, we must accept your lease. We have the right to require you and your landlord to sign the lease rider attached to the Franchise Agreement or to provide in the lease that we shall have the right at our option and without compensation to you to take assignment of the lease should you materially default under the lease or should your franchise terminate or not be renewed for any reason. You are not allowed to relocate the Konala Restaurant without our prior written approval. You may be required to use a real estate broker, architect and/or engineer that we have approved in the lease, construction, and/or planning of your Konala Restaurant.

Insurance. You are required to obtain from a nationally recognized insurance company and at all times during the term of this Agreement maintain in force and pay the premiums for all types of insurance listed below with completed operations coverage. From time to time in our sole discretion, we may increase or modify such limits of liability or require additional types of coverage, including coverage for cyber liability. You agree to name us and any person or entity with an insurable interest we designate in these policies as an “additional insured” (each, an “Additional Named Insured”) which will expressly protect both you and the Additional Named Insured and will require the insurer to defend both you and us in any action while reserving the Additional Named Insured’s right to involve counsel of their own choosing in protection of their own and system wide interests. Additionally, your insurance policy must waive on behalf of the insurer any right of subrogation by the insurance company against us, the Additional Named Insureds, our officers, shareholders, and employees. Your insurance must apply as primary and non-contributory.

You will be required to maintain insurance in the following amounts:

- **GENERAL LIABILITY:** Each Occurrence requirement with minimums \$1,000,000; General Aggregate requirement with minimums of \$2,000,000; Products / Completed Operations Aggregate requirement with minimums of \$2,000,000; Personal & Advertising Injury requirement with minimums of \$1,000,000; Damage to Rented Premises requirement with minimums \$50,000; Medical Expenses requirement with minimums \$5,000; Additional Insured is Required; Policy Type is Occurrence; Stop Gap for Monopolistic States is Required; Carrier Type is Admitted; Carrier Rating is \geq A- VII, AM Best.
- **FRANCHISEE OWNED COMMERCIAL AUTO:** Combined Single Limit requirement with minimums of \$1,000,000; Hired Auto is Required; Non-Owned Auto is

Required; Additional Insured is Required; Waiver of Subrogation is Required; Primary & Non-Contributory is Required; Carrier Rating is \geq A- VII, AM Best.

- **WORKERS COMPENSATION & EMPLOYERS LIABILITY:** Bodily Injury by Disease, Each Accident requirement with minimums of \$1,000,000; Bodily Injury by Disease, Policy Limit requirement with minimums of \$1,000,000; Bodily Injury by Disease, Each Employee requirement with minimums \$1,000,000; Required regardless of state laws is Required; Cannot exclude owner-operators is Required; Waiver of Subrogation is Required; Carrier Rating is \geq A- VII, AM Best.
- **PROPERTY / BUSINESS INTERRUPTION:** Business Personal Property requirement with minimums \geq \$250,000 Full replacement cost value; Building is Case by case, depending on building size, lease agreement and triple net; Tenant Improvements requirement with minimums \geq \$600,000 Full replacement cost value; Equipment Coverage is Full cover; Business Interruption is 18 Months ALS; Franchisor Royalties is Included; Carrier Rating is \geq A- VII, AM Best.
- **CYBER LIABILITY:** Each Occurrence requirement with minimums of \$500,000; Aggregate requirement with minimums of \$500,000; Social Engineering requirement with minimums of \$100,000; Co-Defendant is Required.
- **EMPLOYMENT PRACTICES LIABILITY:** Occurrence requirement with minimums of \$250,000; Aggregate requirement with minimums of \$250,000; 3rd Party Liability is Included; Wage & Hour requirement with minimums \geq \$25,000; Max Deductible requirement with minimums of \$10,000; Co-Defendant is Required.

The following are optional coverages:

- **BUILD-OUT / BUILDERS RISK:** Hard Costs are recommended with minimums Full replacement cost value; Soft Costs are recommended with minimums Full replacement cost value; Business Interruption is Optional.
- **CRIME:** Each Claim is recommended with minimums of \$100,000; 3rd party crime is recommended with minimums of \$100,000; Form is Loss Discovered.
- **UMBRELLA:** Occurrence is recommended with minimums of \$1,000,000; Aggregate is recommended with minimums of \$1,000,000; Underlying Coverages are General Liability; Carrier Rating is recommended with minimums \geq A- VII, AM Best.
- **WORKPLACE VIOLENCE:** Legal Liability Coverage is recommended with minimums of \$500,000; Business Interruption is recommended with minimums of \$250,000; Victim Crisis Counseling is recommended with minimums of \$25,000 per person; Reputational Risk Management is recommended with minimums of \$50,000 per incident.

The General Liability policy must name the Franchisor as an Additional Insured for liability arising out of your operations, ongoing and completed, utilizing ISO Forms CG 20 33 12 19 – Automatic Additional Insured (Ongoing Operations) and CG 20 39 12 19 – Automatic Additional Insured (Completed Operations). Coverage must be on a primary and non-contributory basis, meaning it will pay before any other applicable insurance the Additional Insureds may have.

The Commercial Auto policy must name the Franchisor as an Additional Insured. This coverage must be on a primary and non-contributory basis.

A Waiver of Subrogation is required for General Liability, Commercial Auto, and Workers' Compensation policies, preventing the insurer from seeking recovery from the Franchisor.

All policies must be underwritten by companies have an A.M. Best rating of A or higher. If you fail to purchase or maintain required insurance, we may, but are not obligated to, obtain such insurance for you and keep the same in force and effect, and you shall pay us, on demand, all premiums charged for such insurance policies together with a reasonable fee for the expenses we incur in doing so. We also have the right to terminate your Franchise Agreement for cause if you fail to comply with our insurance requirements. You must deliver to us at least one month prior to opening the business, and thereafter annually or at our request a proper certificate of insurance evidencing the existence of the required insurance coverage. We also may request copies of all insurance policies. We may modify the required minimum limits and types of coverage, by written notice to you. Upon such notification, you must immediately implement the modification of the policy, and provide evidence thereof, in accordance with our request.

Method of Approving Suppliers. If you want to use goods, services, supplies, fixtures, equipment, inventory, or computer systems or suppliers that we have not approved, you must first submit to us certain information, including product specifications, product components, product performance history, product samples, supplier information, and any other relevant information. We will evaluate the proposed item or supplier based upon certain criteria and determine if you are approved to use the alternate item or supplier. We make the following criteria available to you and reserve the right to evaluate your request upon additional criteria: technical and performance properties of the item, including design, appearance, product reliability, durability, the manufacturer's warranties, quality control methods, taste, ingredients, financial ability of the product's producers and distributors, supplier history and reputation, and supplier capacity. Our review is generally completed in 90 days. If we do not approve of the supplier, good, or service within 90 days, then that supplier is deemed not approved and you must not use that supplier, good, or service. If you submit for our consideration a product or supplier, you must pay us a \$750 fee of the actual cost of testing and research. If we approve the product or supplier for use by the entire System, then we may refund you the fee. We will advise you in writing of our decision as soon as it is made, but in no case more than 120 days from the date of your submission. We impose these restrictions to safeguard the integrity of both the System and our Marks. We reserve the right to revoke approval for any item or supplier for any reason, and you must cease to use the item or supplier upon 30 days' notice from us.

Even with approved suppliers, only certain inventory items are approved. We have the right to change our business relationship with our approved suppliers as well as the right to add and/or remove approved suppliers from the approved supplier list.

Unauthorized Suppliers. Where we have designated an approved supplier, you must use that supplier. Not purchasing your business equipment, inventory, computer hardware and software, supplies, beverage products, food products, or any other items where we have designated an approved supplier would put you in violation of the Franchise Agreement. If you violate the Franchise Agreement, we may, at our option, either take legal action against you to compel compliance and/or terminate your Franchise Agreement.

Because of the volume of business franchisees may bring in the future to our suppliers, you may enjoy lower prices than you could receive from other suppliers, or on the other hand, you may encounter higher prices than you would otherwise encounter if you were not required to purchase from the authorized supplier. We may, but are under no obligation to, negotiate with these suppliers to your benefit.

Required Purchase Percent of Revenue. The cost of the items that you must purchase from us, our affiliates or from suppliers designated by us represents between 55% and 90% of your total purchases in connection with the establishment of your business. The cost of the items that you must purchase from us, our affiliates or from suppliers designated by us represents between 40% and 70% of your total purchases in operating your business.

Revenue Derived. During our last fiscal year, neither we nor our affiliates derived any revenue from franchisee purchases or leases of required goods or services. However, in the future we may derive additional revenue from the sale of products, supplies, and equipment to you by our other approved suppliers. We reserve the right to receive payments, including rebates, commissions, and discounts, from designated suppliers based upon your purchases with them. We do not share any revenue received with you as a result of your purchases or leases and we are under no obligation to share any revenues received with you.

Interest in Suppliers. Currently, none of our affiliates, officers, or owners own an interest in any approved supplier of goods or services to our franchisees, although all rights to do so are reserved. We reserve the right to become, or approve of our affiliates to become, approved suppliers in the future or receive benefits from required purchases that we do not currently receive.

Purchasing or Distribution Cooperatives. Currently you are not required to participate in a purchasing or distribution cooperative, but we have the right to require you to participate in one in the future.

Miscellaneous. We may negotiate purchase agreements with suppliers, including price terms; however, we are not required to do so. We do not provide franchisees with any material benefits based upon a franchisee's use of approved suppliers.

ITEM 9. FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	Multi-Unit Agreement § 6.1; Franchise Agreement §§ 1, 6	7, 8, 11
b. Pre-opening purchases/leases	Franchise Agreement §§ 6, 8(a)(i), 10	5, 8, and 11
c. Site development and other pre-opening requirements	Multi-Unit Agreement § 6.1; Franchise Agreement §§ 1, 6, 8(a)(i)	7, 8, 11
d. Initial and ongoing training	Franchise Agreement §§ 4(a)(iii), 9(c)	11
e. Opening	Franchise Agreement §§ 1, 3, 4(a), 6, 8(a)(i)	7 and 11

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
f. Fees	Multi-Unit Agreement § 5; Franchise Agreement §§ 2(b)(vi), 2(c)(vi), 3, 8(a)-(c), 11(d)(vii), 21(n)	5, 6, 7, and 17
g. Compliance with standards and policies/operating manual	Franchise Agreement §§ 3, 6, 7, 8, 9, 10, 12, 13, 16; Brand Standards Manual	8, 11, 13, 14, 15, 16 and 17
h. Trademarks and proprietary information	Franchise Agreement §§ 7, 9(b), 9(k), 13, 16	13, 14
i. Restrictions on products/services offered	Franchise Agreement §§ 9(b), 9(f), 10	16
j. Warranty and customer service requirements	Franchise Agreement §§ 9(o), 9(z), 15(b)(viii), 15(c)(xi)	15
k. Territorial development and sales quotas	Franchise Agreement §§ 5, Franchise Rider	12
l. Ongoing product/service purchases	Franchise Agreement §§ 9(b), 10	8, 16
m. Maintenance, appearance, and remodeling requirements	Franchise Agreement §§ 2(b)(viii), 2(c)(viii), 6(i), 9(b), 9(t), 11(d)(ix)	8 and 11
n. Insurance	Franchise Agreement § 14	8
o. Advertising	Franchise Agreement § 8	6, 7, 8, 11
p. Indemnification	Franchise Agreement § 17(b)	6
q. Owner's participation/management/staffing	Franchise Agreement § 9(a)-(g)	15
r. Records/reports	Franchise Agreement § 9(s)	6, 16 and 17
s. Inspections/audits	Franchise Agreement §§ 6(h), 9(s), 9(t), 9(y)(v), 15(i)	6 and 11
t. Transfer	Multi-Unit Agreement § 7; Franchise Agreement § 11	6 and 17
u. Renewal	Multi-Unit Agreement § 4.2; Franchise Agreement § 2(b)-(e)	17

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
v. Post-termination obligations	Multi-Unit Agreement § 8; Franchise Agreement §§ 7, 12(c)- (d), 13, 16, 17(b)	17
w. Non-competition covenants	Multi-Unit Agreement § 8; Franchise Agreement §12, Attachment 5A	15, 17
x. Dispute resolution	Multi-Unit Agreement §§ 11.1, 12.7; Franchise Agreement § 19	6, 17

ITEM 10. FINANCING

At this time, we do not offer direct or indirect financing. We do not guarantee any note, lease, or obligation.

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

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

Pre-Opening Assistance:

After you sign your Franchise Agreement, but before you open your business:

1. Training. We will offer you a training program as described in more detail below. (Franchise Agreement Sections 4(a)(iii), 9(a) and 9(c))

2. Brand Standards Manual. We will lend you a set of our Brand Standards Manual. (Franchise Agreement Section 9(k))

3. Site Selection. It is your responsibility to select a site and negotiate the land lease, building lease if the location is an existing building, or a build-to-suite lease for your Konala Restaurant. We are not required to provide or assist you in locating a site, negotiating a lease, or obtaining your business premises. However, we will provide general advice about recommended locations, and the design of the premises. You may be required to use the services of a real estate broker that we approve or designate. We reserve the right to lease or sell properties, equipment, or a premises to our franchisees in the future. We are not required to provide or assist you in locating a site or negotiating your lease. We must accept the lease if you do not own the premises. Our determination to accept or reject a site may be based on various criteria, including but not limited to business count, traffic count, accessibility, parking, visibility, competition, and license availability. You must send us all the information we require for the proposed site. Generally, we accept or reject a site within 15 days of receiving the request, though we have up to 30 days to do so. In the event we do not accept a proposed site within said 30 days, such a site shall be deemed rejected by us. If you fail to execute a lease or purchase contract for the site within a reasonable amount of time after our acceptance of the site, we reserve the right to refer it to another franchise applicant or develop it as a company-owned business. If you fail to select a site that we accept for your Restaurant within 120 days of

signing the Franchise Agreement, you will be in default and not entitled to a refund if we terminate the Agreement. (Franchise Agreement Section 1, 6, and 10).

4. Development Schedule. You must submit your site to us for acceptance and execute a lease for your Restaurant within 180 days after signing the Franchise Agreement. You must secure the construction permits from the local jurisdiction within 180 days after site acquisition. You must open your Restaurant within fifteen months after signing the Franchise Agreement. However, we, in our sole discretion, if through good a good faith effort and through no fault of your own you do not open your Konala Restaurant within the fifteen-month deadline, may offer you one 3-month extension in which to open your Konala Restaurant. In such an event you will be required to pay us an extension fee of \$2,500. The factors that affect your opening timeline include the amount of time and effort you commit to the site selection process and the construction of your Restaurant; the availability of acceptable sites within the geographical area you choose; your ability to obtain a lease, financing and building permits; your credit and personal financials; and zoning and licensing requirements. Delays or a lack of effort by you, your contractors, or your prospective landlord will increase these time periods. (Franchise Agreement Section 1).

5. Other Location Support. We will provide you with a copy of our standard plans, which you must have your architect adapt to comply with local ordinances and code. (Franchise Agreement Section 4(a)(i))

6. List of Approved Vendors and Suppliers. Before you open your location, and to the extent we have approved vendors and suppliers, we will provide you with a copy of our list of approved vendors and suppliers for all required or recommended goods, services, supplies, fixtures, equipment, inventory, signage, décor, furnishings, or computer systems. To the extent we have standards and specifications for the required goods and services, we may also provide them to you. We do not deliver or install these items. (Franchise Agreement Section 4(a)(ii) & 4(a)(vii)).

7. Other Advice. We are not required to provide you other supervision, assistance, or services prior to the opening of the Restaurant. However, if requested, we will advise on additional topics related to the opening of your Restaurant, including but not limited to, purchasing inventory and training employees. (Franchise Agreement Section 4.)

Ongoing Assistance

During the operation of the Konala Restaurant under your Franchise Agreement:

1. Advice. We will provide advice and consultation services to you. If you request advice or consultation that requires us to make our staff present at your Konala Restaurant or that is greater than what we offer to other franchisees, we may charge you our additional training fee, plus expenses. (Franchise Agreement Section 4(a)(iv)-(v)).

2. Advertising. We may make available to you from time-to-time advertising materials we prepare for use by KONALA franchisees generally. We will also review advertisements that you propose to use. We reserve the right to use our own funds from time to time to conduct advertising. We have the sole discretion to determine the advertising products, media, and geographical markets for the advertising. We have no obligation to supply you with any advertising material produced for us at our sole expense. (Franchise Agreement Section 8(f)).

3. System Improvements. We will make available to you from time to time all improvements and additions to the System to the same extent and in the same manner as they are made available to KONALA franchisees generally. (Franchise Agreement Section 4a(v)-(vi)).

4. Additional Training. During the term of your Franchise Agreement, we may offer additional training as we see fit or as you request. Our current additional training rate is \$600 per day per trainer. You must pay for it at the time of the training unless alternative billing arrangements are agreed to. Also, you bear all indirect training costs and expenses, such as salary expenses of your employees and all expenses of travel, lodging, meals, and other living expenses you and your designees incur. While most additional training is optional, we may require you to attend additional training. You will be responsible for all transportation, lodging, food, and other costs incurred in attending the training. (Franchise Agreement Section 4(a)(iii)-(iv)).

5. Conferences and Conventions. While we are not required to do so, from time to time we may offer conferences and other training courses relating to our industry and to the conduct of the Konala Restaurant. Franchisees are required to attend all conferences and other required training courses. These courses may be conducted by our employees and/or by other trainers and will address various aspects of our business and other topics of interest to franchisees. We have the right to charge you an attendance fee for each attendee, whether or not the attendee is required to attend. Additionally, you will be responsible for all transportation, lodging, food, and other costs incurred by any of your attendees in attending such seminar. If you do not attend a required conference, we reserve the right to charge you a non-attendance fee amounting to 150% of the then-current attendance fee. (Franchise Agreement Section 9(d)).

6. Online Presence. We will maintain an Online Presence for the brand, as discussed below.

7. Computer System/Point of Sale. You are required to use point of sale hardware and software and accounting software approved by us and as discussed in detail later in this Item 11. We reserve the right to implement other technologies and charge you a Technology Fee. (Franchise Agreement Section 3, 9(u)).

8. Franchise Advisory Council. While we are not required to do so, we reserve the right to maintain a Franchise Advisory Council ("FAC"). The FAC would provide advice to us on various matters, including advertising. The FAC would serve in an advisory capacity only and would have no operational or decision-making power. We would appoint the members of the FAC and have the power to change or dissolve it at any time. (Franchise Agreement Section 9(aa)).

At any time that you or any of your affiliates are in breach of the obligations under the Franchise Agreement (for example, your failure to pay for the equipment or inventory when required), or any other agreement with us or any of our affiliates, we or our affiliate may defer the performance of our obligations under the Franchise Agreement (for example, our obligation to approve your site in a timely manner) or such other agreement, or defer the opening of your Restaurant, until you (or your affiliate's) breach has been cured. Our (or our affiliate's) exercise of that right will not constitute a waiver of our rights under the Franchise Agreement or such other agreement, including, without limitation, our (or our affiliate's) right to terminate the Franchise Agreement or such other agreement.

TRAINING

Your Operating Partner and another manager must attend our initial training. We will train up to three people under the initial franchise fee. If you would like additional people to attend the initial training, we have the right to charge you an additional training fee for each person. You will be responsible for the

compensation, travel, lodging, and board expenses associated with the initial training. Your Operating Partner must complete the training to our satisfaction before you can open your Konala Restaurant.

The trainees must complete four weeks of training consisting of classroom training in Coeur d’Alene, Idaho and restaurant training at our affiliate’s location in Coeur d’Alene, Idaho. Although you will receive around four weeks of training, we reserve the right to modify the training schedule, topics, and support based upon your experience, learning pace, and needs. Training will include key operational topics. We plan to schedule training classes on an as needed basis. Your trainees must successfully complete training no later than 60 days prior to the opening of your Restaurant. If your Operating Partner is hired after the owner has completed initial training, the Operating Partner must successfully complete training no later than 30 days before the restaurant opens.

Training is provided by TRACE MILLER, who has been with us since our inception and has 7.5 years of experience in the industry, MELISSA FEE, who has been with us for 2.5 years and has 2.5 years in the industry, and RJ WIEBER, who has been with us for 1.5 years and has 21 years of experience in the industry. All trainers will have at least six months of experience in management.

The initial training program covers the following information:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
History of Konala Protein Bowls & Salads	.5	0	Coeur d’Alene, ID
Use of the Manual	1	0	Coeur d’Alene, ID
Tour of Konala Protein Bowls & Salads	0	1	Coeur d’Alene, ID
Pre-Opening Procedures	0	3	Coeur d’Alene, ID
Personnel Issues	.5	2	Coeur d’Alene, ID
Advertising	2	0	Coeur d’Alene, ID
Management Procedures	1	15	Coeur d’Alene, ID
Franchise Reporting Requirements	1	2	Coeur d’Alene, ID
Accounting/Record keeping	1.5	8	Coeur d’Alene, ID
Customer Service Procedures	.5	8	Coeur d’Alene, ID
Front/Back of House – Manager Duties	.5	40	Coeur d’Alene, ID
Back of House – Prep/Recipe Procedures	.5	50	Coeur d’Alene, ID
Inventory Management	1	4	Coeur d’Alene, ID

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
POS System	1	6	Coeur d'Alene, ID
Cleaning Procedures	1	5	Coeur d'Alene, ID
Safety Procedures	1	3	Coeur d'Alene, ID
Totals	13	147	

Additionally, at least one of our representatives will spend a minimum of 5 days assisting and training you at the Konala Restaurant and with your staff surrounding the opening of the Konala Restaurant. For your second or subsequent Konala Restaurant, we may reduce the amount of onsite training provided, in our sole discretion.

Your Operating Partner and managers must have completed the management/leadership course before they will be permitted to work in the Restaurant. This program must be arranged and paid for by you.

BRAND STANDARDS MANUAL

The “Brand Standards Manual” contains mandatory and suggested specifications, standards, and procedures and may consist of one or more manuals and documents. They are confidential and remain our property. Your employees are to see them only on a need-to-know basis, subject to confidentiality agreements. We may modify this material from time to time, and its modified terms are binding on you. The Brand Standards Manual currently contains a total of 295 pages. The table of contents for our Brand Standards Manual is in Exhibit K. (Franchise Agreement Section 9(k)).

We may periodically amend, update, or replace the contents of the Brand Standards Manual. Beginning on the 30th day (or any longer time we specify) after our delivery of written notice, you will comply with each amended, updated, or replaced provision. Revisions to the Brand Standards Manual will be made in our sole discretion.

ADVERTISING

You must use only advertising materials we have approved or prepared for your use. You may be required to purchase advertising materials from us to use in your Restaurant. You must submit materials to us for our approval. If approval is not received within 20 days from the date we receive the materials, the materials are deemed rejected. You may not use any unapproved advertising. (Franchise Agreement Section 8(e).)

Brand Development Fund. We have established a national advertising program to support the evaluation and adoption of new technology, products, and services, and the creation and distribution of advertising, marketing, and public relations materials, as we, in our sole discretion, deem appropriate for the benefit of the brand (the “Brand Development Fund”). (Franchise Agreement Section 8(b)) The contribution is currently 2% of weekly Net Sales. We reserve the right to adjust the contribution to the Brand Development Fund, but not to exceed 4% of your Net Sales. Other franchisees’ Brand Development Fund contributions may be calculated at a different rate or on a different basis and, under limited circumstances, certain franchisees may not be required to pay Brand Development Fund fees. We have the sole discretion to settle or forgive any accrued and unpaid Brand Development Fund contributions owed by

a franchisee. Company-owned KONALA restaurants are not obligated to contribute on the same basis as franchisees to the Brand Development Fund, but it is our affiliate's current practice to contribute on the same basis.

With any Brand Development Fund contributions paid, we have the sole discretion on how and where the money is spent to promote, enhance, or further the growth of the KONALA brand, outlets, and System. We have no obligation to spend any money on advertising in your geographical area or for your particular Restaurant(s). Our use of the Brand Development Fund contributions include, without limitation: research; promotional marketing, public relationships and advertising expenses; developing new sources of franchisee revenue; hiring marketing, public relations, and advertising agencies, technology companies, or in-house personnel to assist in developing the KONALA brand name; developing, evaluating, or using technologies that we believe may benefit the brand, the customers, the franchisees, or the brand's reputation; expenses associated with listings in online directories, digital marketing content, influencer marketing, radio, billboard, TV, print, or internet advertising, and events and promotions designed to garner media attention and promote the brand name; expenses associated with conducting market research; travel expenses in connection with promotions and marketing meetings, training, development of trademarks and trademarked materials; production of marketing, public relations, digital, or social media content, including but not limited to advertisements, coupons, and promotional materials (including point of purchase materials); expenses incurred in developing and maintaining non-franchise sales portions of any Online Presence; developing and maintaining any Online Presence; and expenses incurred in using search engine optimization and pay per click advertising software, services or companies to help promote the brand.

Additionally, we may use the Brand Development Fund to pay for expenses incurred in developing and maintaining the non-franchise sales portion of the KONALA website, social media pages, SEO software or services for the brand and technology development and services for the brand. While we do not anticipate that any part of Brand Development Fund contributions will be used for advertising which is principally a solicitation for franchisees, we reserve the right to use the Brand Development Fund for public relations or recognition of the KONALA brand, for the creation and maintenance of a website, a portion of which can be used to explain the franchise offering and solicit potential franchisees, and to include a notation in any advertisement indicating "Franchises Available" or similar language.

We may occasionally provide for placement of advertising on behalf of the entire franchise system, including franchisees; however, we are more likely to provide you with advertising content to use in your local territory or on a regional basis with other franchisees in an advertising cooperative. You will be responsible for implementing any promotional or public relations programs or placing any advertising content we create, at your own expense. If we create any advertising content, which we are not obligated to do, you will receive one sample of the advertising content at no charge. You must pay for the duplication and distribution of the content.

Brand Development Fund contributions are payable to us. We have the right to establish in the future a nonprofit corporation or other business entity to collect Brand Development Fund contributions from our franchisees. The Brand Development Fund is administered by our accounting and marketing personnel under our direction. The Brand Development Fund is not audited. Except where required by state law, we are not required to provide you with any accounting of the expenditures of the Brand Development Fund or financial statements, and you have no right to an accounting. The Brand Development Fund may borrow from us or other lenders to cover any Brand Development Fund deficits. We may have the Brand Development Fund invest any surplus for its future use.

In our prior fiscal year, we spent the Brand Development Fund contributions as follows: 100% on marketing and advertising.

Local Marketing Requirement. We require you to spend on local marketing the greater of \$850 or 1% of monthly Net Sales. We reserve the right to increase the Local Marketing requirement by up to 10% each year. We require that you submit documentation to us at least quarterly, or at any time upon our demand, so that we may verify that you are meeting this requirement. In the event that you spend less than the required amount on local marketing in a month, we will require that you pay the Brand Development Fund the difference between the required spend and the amount you actually spent on local marketing. We may designate the manner in which you use your required local marketing spend per month and the vendors you use. We may require that you remit this amount to us or our affiliates to provide you with services related to local advertising. You may choose to spend more than the required amount on local advertising services and materials. (Franchise Agreement Section 8(a)(ii)).

You must spend at least \$25,000 on Grand Opening advertising for your Restaurant for a period of 60 days (starting 30 days prior to the Grand Opening and ending 30 days after the Grand Opening) surrounding the Grand Opening. You must spend at least \$15,000 on Grand Opening advertising for each subsequent Restaurant after opening your first Restaurant for a period of 60 days surrounding the Grand Opening. We reserve the right to designate the way you spend any required amounts on grand opening advertising. Your grand opening marketing plan must be approved by us. You may choose to spend more money. We must receive and approve your grand opening marketing plan before you attend the initial training program. This means you should plan on sending iterations of your marketing plan at least 60 days before you intend to request training to allow time for feedback so your grand opening marketing plan can be approved in time to request your training dates. We reserve the right to collect this amount from you and spend it on your behalf. (Franchise Agreement Section 8(a)(i)).

Local Advertising Cooperatives. While we have not yet established any local advertising cooperatives, we have the right to require advertising cooperatives to be formed, changed, dissolved, or merged. If you are required to participate in an advertising cooperative, the amount of your contribution to the local advertising cooperative is described in Item 6 under the heading “Advertising Cooperative Fee.” Each local advertising cooperative would be required to adopt written governing documents. Each cooperative would determine its own voting procedures; however, each franchisee and each company-owned KONALA Restaurant would be entitled to one vote in any local advertising cooperative. The members and their elected officials would be responsible for administration of the cooperative. Advertising cooperatives would be required to prepare quarterly and annual financial statements prepared by an independent CPA which would be required to be made available to all franchisees in the advertising cooperative. The Advertising Cooperative is not a trust fund. We would have no fiduciary duty to you or any franchisee in connection with the collection or use of the cooperative monies or any aspect of the operation of the cooperative. The maximum fee that can be imposed by the cooperative is 50% of the Local Advertising requirement, unless a majority of the cooperative votes to increase the maximum amount contributed. (Franchise Agreement Section 8(c)).

ONLINE PRESENCE

We will maintain a website in order to promote the Marks, or any or all of the businesses within the System. (Franchise Agreement 8(h)) We may also develop and maintain any other type of online, internet, virtual, or digital presence (each an “Online Presence”) as we see fit. An Online Presence includes but is not limited to (1) the website, other webpages, or domain names; (2) accounts, pages, or profiles on social media sites; social networking sites; news sites and groups; online, internet, or digital directories; video, photography, and messaging services; blogs; or forums; (3) e-commerce sites or accounts; (4) digital or online advertising and marketing content and services; (5) mobile applications; (6) virtual reality platforms; or (7) any identifiers of an Online Presence; or (8) a presence on any other type of online, internet, virtual, or digital tool, good, or service that may be developed. We will have the sole right to control all aspects of each Online Presence, including its design, content, functionality, links to any other

Online Presence, legal notices, and policies and terms of usage. We will also have the right to discontinue operation of any Online Presence at any time without giving notice to you. You may not establish or operate an Online Presence (including a website, webpage, domain name, Internet address, social media account, blog, forum, advertisement, or e-commerce site) that in any way concerns, discusses or alludes to us, the System or your Restaurant without our written consent. The Marks may not be used as part of, in conjunction with, to establish, or operate any Online Presence, except as specifically approved by us. You may not post, and must take such steps as necessary to ensure that your employees do not post any information on an Online Presence relating to us, the System, the Marks, or the restaurants that (a) does not comply with our brand, social media, or Online Presence guidelines described in the Brand Standards Manual, (b) is derogatory, disparaging, or critical of us, the System, or the Marks, (c) is offensive, inflammatory or indecent, or (d) harms the goodwill and/or public image of the System and/or the Marks. Subject to the terms of the Franchise Agreement and Brand Standards Manual, we may make available to you a subpage on our website that will be located at a sub-domain of the website to be specified by us (or on a subpage of another Online Presence) (the "Subpage"). Upon the termination, non-renewal, or expiration of the Franchise Agreement for any reason or a default under the Franchise Agreement for any reason, we will not upload content for you, you may not use the Subpage, and we may cease to make the Subpage available to you. For any Online Presence or email address you are approved to create, use, or maintain, we reserve the right to be exercised at our option to have the Online Presence or email address directly owned by us or to require it to be transferred to us after the expiration or termination of the Franchise Agreement. (Franchise Agreement Section 8(i)). We have the right to require that any Online Presence or email address we permit you to use, create or maintain be registered in our name. Upon request, you must provide us with any login credentials for any Online Presence or email address you are authorized to use. We have the right to access any Online Presence to take corrective action if any content or post on the Online Presence is in violation of our policies and we may take ownership of any Online Presence upon expiration or termination of the Franchise Agreement or during the term of the Franchise Agreement and operate it as we see fit.

COMPUTER/POS SYSTEM

You must purchase or lease the computer hardware and software, mobile application(s), cloud-based systems and/or software, robotics, automation equipment, smartphone(s), tablet, broadband high-speed internet service, active e-mail account, required dedicated telephone and power lines, modem(s) printer(s), point-of-sale systems, electronics, scheduling systems, and other computer-related or technology-related accessories or peripheral equipment as designated in our Brand Standards Manual ("Computer Systems"). computer systems, hardware, software, and POS systems ("Computer Systems") as designated by us and from our designated supplier(s). (Franchise Agreement Section 9(u)). You must subscribe to or purchase certain software designated in our Brand Standards Manual. You may not use any alternative provider other than those designated in the Brand Standards Manual without our prior written consent. The estimated initial cost of the required hardware is approximately \$1,000 to \$10,000. This amount will vary based on the number of POS Systems, Kiosks, etc. that you obtain.

The exact equipment you will purchase will likely vary depending on the customer capacity and layout of your Restaurant. Computer Systems requirements are also updated from time to time in the Brand Standards Manual. As the Computer Systems requirements change, you may be required to upgrade, update, or replace your Computer Systems. There are no restrictions on our ability to change the Computer Systems and there is no limitation on the costs you may incur as a result of upgrading, updating, or replacing your Computer Systems. Neither we nor our affiliate have any contractual obligation to upgrade, maintain, or update Computer Systems. Your individual contracts with third-party suppliers may contain obligations for those third-party suppliers to provide updates, maintenance, and upgrades. We will not be liable to you for any updates, maintenance, or upgrades or failures to provide updates, maintenance, or upgrades by the

approved Computer Systems suppliers. We reserve the right to require you to use and pay for proprietary software.

We will have the right at all times to independently access your Computer Systems to retrieve, analyze, and use the information, including your financial information. You agree that we will have the free and unfettered right to retrieve any data and information from your computers or cloud-based computer software solutions as we, in our sole discretion, deem appropriate, including electronically polling the daily sales, customer lists, and other data of the Konala Restaurant. There is no contractual limit on our right to access data.

While we have not done so, we may in the future develop proprietary Computer Systems. If so do so, we may require that you enter into a license agreement with us or our affiliate, which may require you to pay us commercially reasonable fees and/or enter into license agreements directly with suppliers. Additionally, if we enter into a license agreement with a supplier and sublicense the Computer Systems to you, we may charge you for all amounts we pay to the supplier based on your use, plus a reasonable amount to compensate us for the services that we or our affiliate provide.

We recommend that you back up your data locally, which may require you to purchase a “back-up” subscription service. We are not responsible under any circumstances for any malfunction or “crash” of the Computer Systems we require, recommend, provide, or approve, including for any Restaurant data lost as a result of that malfunction or “crash.”

Despite the fact that you must buy, use, and maintain the Computer Systems according to our standards and specifications, you will have sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Computer Systems; (2) the manner in which your Computer Systems interface with our and any third party’s technology; and (3) any and all consequences if the Computer Systems are not properly operated, maintained, and upgraded.

ITEM 12. TERRITORY

You must operate the Restaurant from a location we accept. The Territory granted depends upon whether a Multi-Unit Agreement or Franchise Agreement is signed. A description of the rights granted under each type of Agreement is provided below.

Franchise Agreement: We will grant to you a protected territory that we designate in the Franchise Rider attached as Attachment 1 to the Franchise Agreement (“Territory”). Typically, that Territory will consist of the smaller of i) a quarter mile radius around the Restaurant if the Restaurant is in an urban setting or a 2-mile radius if the Restaurant is in a suburban setting, or ii) an area containing at least 40,000 people, as determined by the latest U.S. Census data or other data we deem reliable, at the time the Franchise Agreement is signed. We reserve the right to designate a smaller territory if the Restaurant is located in a densely populated area. We must accept the location of your Restaurant. Your Territory is protected only to the extent that we will not establish or operate, or license any other person to establish or operate, a KONALA Restaurant under the System and the Marks at any brick-and-mortar location within your Territory, except at a Non-Traditional Restaurant (as defined below).

You may not use an “in-house” delivery driver to deliver orders inside or outside of your Territory. There will be no protection granted to you in connection with delivery services provided by third parties since we have no control over where a third-party delivery service may deliver to.

We cannot modify your territorial rights during the term of the Franchise Agreement, but we can modify your Territory upon renewal. Your territorial rights do not depend on the achievement of a certain

sales volume, market penetration, or any other contingency. You will not receive an exclusive Territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

The Konala Restaurant is to be operated as a brick-and-mortar Restaurant in which you operate a healthier fast-food restaurant emphasizing protein bowls and salads. You agree not to sell any items or services through any other channels of distribution, means, or locations, except as we otherwise authorize. You must offer and sell products and services only in accordance with the requirements of the Franchise Agreement and the procedures set forth in the Brand Standards Manual. You must only offer or sell products to retail customers for their use and consumption and not for resale nor for wholesale. We retain the right to control all delivery, catering, and online ordering. If we have granted you prior written permission to use delivery, catering, or online ordering, we may terminate or suspend your approval.

We may grant to you, through written permission, the right to service catering orders, however we are not required to do so. The written permission may be given by policy in our Brand Standards Manual. If we grant you the right to offer catering, your protected territory to offer catering may be similar or smaller than your brick and mortar protected territory. We may at any time rescind or reduce your catering territory in our sole discretion.

You may not advertise or market outside your Territory unless you receive our express written permission prior to any out-of-territory advertising.

Multi-Unit Agreement: When you sign your Multi-Unit Agreement, you will receive a development area mutually agreed upon by the parties (“Development Area”), within which we will not develop or license another to develop a KONALA restaurant (other than a Non-Traditional Restaurant, as defined below) until the earliest of (i) the Multi-Unit Agreement is superseded by Franchise Agreements signed for each location in the development schedule; (ii) the Multi-Unit Agreement is terminated for breach or failure to meet your development obligation; or (iii) the Multi-Unit Agreement expires. At such time, any development territory that is not part of a franchise territory granted to you in a franchise agreement will revert back to us. The Multi-Unit Agreement does not grant you a license to operate a KONALA franchise, which license can only be granted by signing a franchise agreement with us. The Multi-Unit Agreement simply grants to you the exclusive right to develop a certain number of KONALA restaurants within the Development Area in accordance with the development schedule. Your Development Area will most likely be larger than your Territory under a franchise agreement. You lose the protection of the Development Area only if you fail to open your location(s) within the time period agreed upon in the Multi-Unit Agreement plus such extensions, if any, as we may agree to in writing, your Multi-Unit Agreement expires, or your Multi-Unit Agreement is terminated due to defaults by you that are not timely cured; otherwise, your right to continue to develop the Development Area under the Multi-Unit Agreement is not contingent upon achieving a certain sales volume, market penetration, or any other contingency and cannot be altered.

Rights Reserved by Us: Regardless of either proximity to your Territory or your Restaurant, or any actual or threatened impact on sales of your Konala Restaurant, we retain all rights not expressly granted to you, including, among others, to: (a) use the Marks and System in connection with establishing and operating KONALA businesses at any location outside the Territory; (b) use the Marks or other marks in connection with selling or distributing any goods (including branded merchandise or product) or services anywhere in the world (including within the Territory), whether or not you also offer them, through channels of distribution other than onsite to customers at your Restaurant, including, for example, other temporary retail locations, kiosks, food trucks, catalogs, mail order, the Internet or other electronic means, or through delivery by us, our affiliates, our franchisees, and/or third-party delivery services; (c) acquire, establish or operate, without using the Marks, any business of any kind at any location anywhere in the world (including

within the Territory); (d) use the Marks in connection with soliciting or directing advertising or promotional materials to customers anywhere in the world (including within the Territory); (e) subject to our current policies, use a food truck to sell, or permit another KONALA business to use a food truck to sell, within the Territory; (f) establish or operate, or license other persons to establish or operate, a KONALA business within any malls, grocery stores, convenience stores, hospitals, schools, airports, parks (including theme parks), sports arenas, military bases, casinos, train stations, college and university campuses, large employers with onsite food venues, commercial kitchens, and similar venues (“Non-Traditional Restaurants”) anywhere in the world (including within the Territory), and (g) engage in any other activity, action or undertaking that we are not expressly prohibited from taking under the Franchise Agreement.

Neither we nor our affiliates operate, franchise or plan to operate or franchise businesses under a different trademark that will sell goods and services that are the same as or similar to those you will sell under the KONALA trademarks. However, we reserve all rights to do so in the future.

If we decide to exercise these rights, we will not be obligated to compensate you for such sales made inside or outside your Territory.

You may not relocate the business premises without our written approval. The Franchise Agreement does not grant you any option, right of first refusal, or similar rights to acquire additional franchises within the Territory or contiguous territories. You may not establish more than one KONALA Restaurant in your Territory without entering into a separate Franchise Agreement.

You may not establish more than one KONALA Restaurant in your Territory without entering into a separate Franchise Agreement. We do not grant under this disclosure document any option, right of first refusal, or similar right to acquire additional franchises other than described above in this item 12 under “Development Agreement.”

ITEM 13. TRADEMARKS

Our affiliate KONALA IP owns all the trademarks used by our franchisees. By a license agreement, KONALA IP has granted KONALA FRANCHISING LLC a license to use and sublicense to our franchisees all of KONALA IP’s trademarks and service marks that are or may be associated with the System (“Trademark License Agreement”). The trademarks and service marks listed below, and any additional trademarks and service marks are referred to herein as the “Marks.” The Trademark License Agreement grants us the right to sublicense the Marks to franchise locations. All rights in and goodwill from the use of our Marks ultimately accrue to KONALA IP as the trademark owner. If the Trademark License Agreement is terminated, the sublicenses with our franchisees will remain until the termination or expiration of their franchise agreements or renewal agreements. Additionally, all franchise agreements shall automatically be assigned to KONALA IP. There are no other agreements currently in effect that significantly limit our rights to use or license the use to our franchisees of the trademarks in any manner material to you.

Upon execution of our Franchise Agreement, we will sublicense to you the limited right to use the following Marks in the operation of your Konala Restaurant. KONALA IP, has registered the following Marks with the U.S. Patent and Trademark Office (“USPTO”). KONALA IP intends to renew the registrations and file all appropriate affidavits at the appropriate times, as required by law.

REGISTRATION NO.	REGISTRATION DATE	MARK
7147194	August 22, 2023	KONALA
7306483	February 13, 2024	
7439836	July 9, 2024	
7443539	July 9, 2024	

All necessary affidavits of use and renewal applications will be timely filed when they become due. There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or the Trademark Administrator of any state or any court; nor are there any pending infringement, opposition, or cancellation proceedings or material litigation, involving the above Marks. We do not know of any infringing uses of the Marks that could materially affect your use of them. There are no agreements currently in effect that significantly limit our rights to use or license the use to franchisees of the trademarks in any manner material to you.

A federal or state trademark or service mark registration does not necessarily protect the use of the concerned mark against a prior user in a given relevant market area.

Your right to use the Marks is derived solely from Franchise Agreements entered into between you and us for the purpose of operating a KONALA Restaurant. You must follow our rules and regulations with respect to the use of the Marks. You may not use any Mark in connection with any business or activity, other than the business conducted by you according to Franchise Agreements entered into between you and us, or in any other manner not explicitly authorized in writing by us. You cannot use any of the Marks or any other marks, names, or indicia of origin that are or may be confusingly similar to the Marks as part of a corporate name or other legal name. After the termination, non-renewal, or expiration of the Franchise Agreement, you may not, except with respect to Restaurants operated by you according to Franchise

Agreements granted by us, at any time or in any manner identify yourself or any business as a franchisee or former franchisee of, or otherwise associated with, us or use in any manner or for any purpose any Mark or other distinguishing signs of our Konala Restaurant or any colorable imitation of same.

You must promptly notify us of any unauthorized use of the Marks, any challenge to the validity of the Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Marks. You must promptly notify us of any claim of apparent infringement or claim of any person to rights in a similar trade name, trademark, or service Mark. We have the right to direct and control any administrative proceeding or litigation involving the Marks, including any settlement. We have the right, but not the obligation, to take action against use by others that may constitute infringement of the Marks or challenge your use of the Marks or make claims about unfair competition arising out of your use of the Marks. You may not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim.

We reserve the right to substitute different proprietary marks for use in identifying the System and the business operating under it if we, in our sole discretion, determine that substitution of different marks as Marks will be beneficial to the System. You must comply with such change, revision, or substitution and bear all expenses associated with such changes.

ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

You do not receive the right to use an item covered by a patent registration or copyright registration, but you can use the proprietary information in our Brand Standards Manual, our recipes, production and cooking techniques, and business processes, all of which are trade secrets owned by us. Although we have filed no applications for copyright registration for the Brand Standards Manual and our recipes, we claim copyright protection and the information is proprietary.

We possess (and will continue to develop and acquire) certain confidential information, some of which constitutes trade secrets under applicable law (the “Confidential Information”), concerning operating, developing and managing KONALA Restaurants. Confidential Information means the information, not generally known to the public, in any form, relating to the System and the Restaurant and its operations, including all trade secrets of the Restaurant; all knowledge, know-how, standards, methods, and procedures related to the establishment and operation of the Restaurant not generally known to the public; all records pertaining to clients, customers, suppliers, and other service providers of, and/or related in any way to, the Restaurant (such as all names, addresses, phone numbers, e-mail addresses for clients and suppliers; client purchase records and mail lists); product formulas, recipes or methods of production; electronic code, designs, marketing materials, and business, sales, and marketing strategies; financial information; databases; training materials; knowledge of the franchise system; and any other data and information that we or our affiliates designates as confidential, including all information contained in the Manuals.

All persons to whom you grant access to the Brand Standards Manual or any other Confidential Information, any person who attends any training program we conduct, and all of your managerial employees must sign our form of confidentiality agreement. If you are a partnership, limited liability company or corporation, all of your owners, officers, or directors and any of these individuals’ spouses will sign a form of the confidentiality provisions. You must use the Confidential Information only in the manner required by us. You must fully and strictly comply with all security measures required by us for maintaining the confidentiality of the Confidential Information.

If you or your owners, officers, managers, or employees conceive, invent, create, design and/or develop any ideas, techniques, methods, processes or procedures, recipes, formulae, products, packaging

or other concepts and features relating to Konala Restaurant operations, business practices or the manufacturing, production, marketing or sale of protein bowls and salads, and other food or beverage items, or related goods in connection with the Konala Restaurant (the “Innovations”), you (or they) will be deemed to have assigned all of your (or other) rights, title and interests in the Innovations, including any intellectual property rights, to us. You and your owners, officers, managers and employees also must cooperate with us in connection with protecting the Innovations, including executing any and all instruments and do any and all acts necessary to establish our ownership of the Innovations.

You will not have the exclusive right to use the Innovations or any of our patents or patent applications, copyrights or Confidential Information, nor will you acquire, by use or otherwise, any right, title or interest in or to the Innovations, the copyrights or the Confidential Information, other than as expressly contained in, and limited by, the Franchise Agreement. Your right to use the Innovations, the claimed subject matter of any patents or patent applications, the copyrights and the Confidential Information is limited and temporary. Upon expiration, non-renewal, or termination of the Franchise Agreement, you may not, directly or indirectly, use the Innovations, the claimed subject matter of any patents or patent applications, the copyrights or the Confidential Information in any manner or for any purpose whatsoever.

You must immediately notify us of any conduct that could constitute infringement of or challenge to the Innovations, the patents or patent applications, the copyrights, and the Confidential Information. We will decide, in our sole discretion, whether to institute any action in connection with infringement of or challenge to the Innovations, the patents or patent applications, the copyrights and the Confidential Information, and will control any proceedings and litigation. We are not required to protect your right to use the Innovations, the patents or patent applications, the copyrights, or the Confidential Information. We will not indemnify you for losses arising out of use or misuse of the Innovations, patents or patent applications, copyrights, or Confidential Information. There are no material determinations of any administrative body or court, no pending proceedings in any administrative body or court, nor any agreements that limit our ability to license the copyrights to you. We do not know of any patent or copyright infringement that could materially affect you.

We may, in our sole discretion, modify or discontinue use of the Innovations, the claimed subject matter of any patents or patent applications, the copyrights and the Confidential Information and/or use other information and/or rights in their place. If we decide to modify or discontinue use of the Innovations for any reason, you must do so also, at your expense.

During the term of the Franchise Agreement, you must maintain, to the extent collected, a current list of the names, home addresses, work addresses, e-mail addresses and telephone numbers of the customers who supply you this information (the “Customer List”). You must provide the Customer List to us upon request. The Customer List will be our property at all times, and you must not disclose the Customer List to any person or entity other than us or sell the Customer List (or any portion of it) to any person or entity without our express written consent.

You and each of your owners, officers, manager, and employees with access to Confidential Information will be bound by certain provisions protecting our proprietary rights.

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

The business must be directly supervised and managed by you, or if you are a company, corporation, or partnership with multiple members, shareholders, or other equity partners we will require that you designate an “Operating Partner” who has an equity interest of at least 10% or greater in the franchisee company. The Operating Partner is a person, identified to us, and accepted by us, who has

undergone our training program or for whom, based on his or her experience, we have waived this requirement. We prefer to select franchisees who favor and appear committed to a “hands on” and well-informed approach to the business. Franchisees who do not devote their full time and efforts to the establishment and operation of their Konala Restaurants may have lower Net Sales, higher operating costs, and lesser name recognition in their areas than those franchisees who do devote their full efforts to the business. Examples of the types of functions which you might perform include supervision of employees, inventory checks, review of sales and food costs, bookkeeping and all reasonable efforts to ensure smooth and efficient operations. Your managers must be accepted by us.

The people you retain to work in your Konala Restaurant will be your agents and employees. They are not our agents or employees, and we are not a joint employer of such persons. You will be solely responsible for recruiting and hiring the people you employ to operate the Konala Restaurant and must determine whom to hire, how many people to hire, retain, and train, and how you will compensate such people. You are responsible for your employees’ and agents’ training, wages, taxes, benefits, safety, schedules, work condition, assignments, discipline, hours, workplace health and safety, supervision, assignment, and termination. You will be responsible for the work rules and directions regarding the manner, means, or methods of work performance. You must comply with all applicable employment laws. We will not operate your Konala Restaurant, direct your employees, or oversee your employment policies or practices. All personnel employed by you in connection with the operation of a KONALA Restaurant must follow and maintain the operational standards we establish, including sanitation, cleanliness, customer service, and uniforms. You and/or your Operating Partner are responsible for training your employees.

You must keep your Konala Restaurant open to the public during the hours we designate in the Brand Standards Manual, which typically means seven days a week.

You, if the Franchisee is an individual, or the shareholders, officers, directors, partners, and members, if the Franchisee is a legal entity, and all such persons’ spouses, must sign our form of non-competition and non-disclosure agreements, as well as personal guarantees of performance in which they will guarantee the performance of the Konala Restaurant’ obligations to us. We may also require that your Operating Partner and managers sign non-competition and non-disclosure agreements in the form we require. All of your employees, contractors, or agents who have access to our Confidential Information must sign non-disclosure agreements in the form we require.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Under the Franchise Agreement, you must sell all food and beverage items included on our standard menu, as periodically revised by us in our sole discretion. You must also sell any retail items we offer to the public as we direct. The Franchise Agreement also prohibits you from offering any food, beverages or other merchandise that is not included on our authorized menu or merchandise list, as periodically revised, without obtaining our written permission. We impose these requirements to control the quality and uniformity of the goods and services you and other franchisees may offer through use of our trade name and trademarks. We have the right to add and delete items from the standard menu and to add and delete memorabilia and other merchandise from the list of approved merchandise. There are no limits on our right to make these changes. We reserve the right to charge you a fine of up to \$1,000 per occurrence if you sell unauthorized food or merchandise or fail to follow our system standards. You may not use an “in-house” delivery driver to deliver orders inside or outside of your Territory. There will be no protection granted to you in connection with delivery services provided by third parties since we have no control over where a third-party delivery service may deliver to.

We reserve the right to establish maximum prices which may be charged based on an analysis of the market and to facilitate advertising and competitive strategies. If, to facilitate advertising and

competitive strategies, we decide to implement a loyalty program, we reserve the right to require that you participate. You may be allowed or required to participate in these loyalty programs and other franchised locations may not. Decisions on which franchised locations may participate, or are required to participate, in these loyalty programs is purely at our discretion, and will be made based on what we decide is best for the franchise system and our Marks. Additionally, you must participate in all membership and/or gift card programs that we create, offer, or advertise. Participation will involve honoring the terms and conditions, including prices, we may set. Through the membership program, customers may be entitled to a discount on products and services. You will not be entitled to receive payment or be reimbursed for any discounts on products or services offered through the membership program(s).

A KONALA franchise consists of the retail operation of a single Restaurant at a specified location. You may not distribute at wholesale our menu items or the ingredients with which our menu items are made. You may operate the Konala Restaurant solely as a retail store, and you agree not to sell any items through telemarketing, internet marketing, grocery stores, internet sales, unauthorized mobile applications, mail order catalogs, or any other such system. Any off-site sales, delivery, or catering, including use of a food truck, must be done in accordance with procedures we establish and with our prior approval. Although there are no restrictions on the retail customers you may serve from your Restaurant, as a practical matter, you will be limited to serving customers who choose to visit the Restaurant or who order from your Restaurant via approved methods.

You will be obligated to offer and sell new products we designate and to participate in all local, regional, and promotional program initiatives and campaigns adopted by us in which we require you to participate. There is no limit on the number of promotions you may be required to offer during a year or on the amount you would be required to spend. You will not receive any credits or offsets for campaign participation. We have the right to designate which of our franchisees may, or will be required to, participate in new product or service tests, new or modified product or service offerings and other programs and initiatives that we may, from time to time, develop. If we designate you for participation in any such program, initiative, or campaign, you must participate when and as required by us. There are no limits on rights to require you to offer and sell those new products or to participate in those programs, initiatives, and campaigns.

If we believe in good faith that any product offered by you may be unhealthy, unsafe, or unsanitary, and we require that you discard that product, you must do so immediately. In addition, we may require you to close your Restaurant until we are satisfied that any unhealthy, unsafe, or unsanitary condition has been completely corrected.

The Franchise Agreement requires you to assign a security interest in certain assets to us as collateral in the event you default on your Franchise Agreement. The pledged assets include accounts, credit card receivables, cash, equipment, and your franchise rights. We will agree to subordinate our rights to the security interest to those of a prime lender for the purchase of the franchise and/or development of your Konala Restaurant.

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 AGREEMENT	SUMMARY
a. Length of the franchise term	Franchise Agreement § 2(a)	Franchise Agreement: Initial term is 10 years.
b. Renewal or extension of the term	Franchise Agreement § 2(b)-(e)	Franchise Agreement: Two 5-year successor agreement options provided you remain a franchisee in good standing. At the end of your initial term and renewal term, you may be asked to sign a contract with materially different terms and conditions than your original contract.
c. Requirements for franchisee to renew or extend	Franchise Agreement § 2(b)-(e)	Franchise Agreement: You must be in good standing and exercise your option within a window of time. You must make required upgrades to your Restaurant, secure a sufficiently long lease term, sign a release, and pay your successor fee equal to \$10,000. You must agree to the terms of the Franchise Agreement then being offered. You may be asked to sign a contract with materially different terms and conditions than your original contract. For example, the royalty rate and Territory could be different, but will be no greater than the royalty and Territory we then impose on similarly situated renewing franchises.
d. Termination by franchisee	Franchise Agreement § 15(e)	Franchise Agreement: For cause, if we breach a material provision of the contract and fail to cure or begin to cure within 90 days after written notice. Also, upon expiration of the franchise term if you do not exercise your option to renew. This section is subject to state law.
e. Termination by franchisor without cause	Not applicable	We cannot terminate except for cause.
f. Termination by franchisor with cause	Franchise Agreement § 15(a)-(c)	Franchise Agreement: Section 15(a) describes automatic termination. Section 15(b) describes causes for termination without an opportunity to cure. Section 15(c) describes causes for termination after notice and opportunity to cure and your cure rights.

PROVISION	SECTION IN AGREEMENT	SUMMARY
		<p>The laws of your state may provide additional rights to you concerning termination of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control. A default under any Franchise Agreement will be a default under all agreements with us.</p> <p>Upon default, we will have step-in rights.</p> <p>A default under any Franchise Agreement or Multi-Unit Agreement will be a default under all Franchise Agreements and Multi-Unit Agreements with us.</p>
g. “Cause” defined—defaults which can be cured	Franchise Agreement § 15(c)	Franchise Agreement: Failure to commence operations or meet other pre-opening obligations; non-payment, unauthorized transfer; public health or safety risk; unauthorized use of marks; conviction or proof of a crime; abusive acts; understating amounts owed or inaccurate records; failure to maintain a good credit rating; failing to have sufficient funds; use of an unauthorized supplier or failure to use a required supplier; repeated customer complaints; failure to maintain quality standards; other non-compliance. Unless otherwise specified, you have 15 days to totally cure after we deliver you a notice of default.
h. “Cause” defined non-curable defaults	Franchise Agreement § 15(a)-(b)	Franchise Agreement: Bankruptcy, receivership, insolvency and the like; abandonment of the business; loss of right to do business; unauthorized transfer; conviction or proof of a crime; failure to timely transfer after death or disability; two or more defaults in a 12 month period or three or more defaults in a three year period; committing the same default within six months; violations of covenants; material representations; knowingly maintaining false books and records; material impairment of the goodwill of the System or Marks; misappropriation of employee’s wages and benefits or other dishonesty; pre-opening defaults; loss of required license; failure to pass required training or background check; liability for discrimination; use of unauthorized trademark; opening the restaurant without our consent. A provision in the Franchise Agreement that terminates the franchise upon

PROVISION	SECTION IN AGREEMENT	SUMMARY
		the bankruptcy of the franchise may not be enforceable under Title 11, U. S. Code Section 101.
i. Franchisee's obligations on termination/non-renewal	Franchise Agreement §§ 7, 12, 13, 16, and 17	Franchise Agreement: Cease operations; cease using our confidential information and System; cease using our Marks, trade dress, customer information and other proprietary information; return our property, including the Brand Standards Manual; cancel assumed names; pay all sums owed to us; pay us damages and expenses associated with termination; return manuals, policies, standards, and other materials; at our option, assign us the telephone numbers, directory listings, and other Online Presences; comply with covenants against unfair competition and covenant of confidentiality and non-solicitation; cooperate with our lease assignment and purchase rights; unless we take over the Restaurant, remove all signs with Marks immediately; cease representing self as a present or past KONALA franchisee.
j. Assignment of contract by franchisor	Franchise Agreement § 11(a)	Franchise Agreement: We may freely assign our rights and duties under the Franchise Agreement.
k. "Transfer" by franchisee - definition	Franchise Agreement § 11(b)	Franchise Agreement: Broadly defined to include sales, assignments, gifts, pledges, mortgages, encumbrances, or transfer by operation of law.
l. Franchisor's approval of transfer by franchisee	Franchise Agreement § 11(c)(ii), 11(d)	Franchise Agreement: Except for limited circumstances, our prior written approval is required for all transfers. The franchise can be terminated for non-compliance. We will not unreasonably withhold approval.
m. Conditions for Franchisor's approval of transfer	Franchise Agreement § 11(d)	Franchise Agreement: You must be in compliance with the Franchise Agreement, refurbish as we require, and execute a general release. Transferee must have a credit rating, moral character, reputation and business qualifications satisfactory to us, and must meet all then current requirements of new franchisees. Transferee must attend and successfully complete our initial training program and execute the Franchise Agreement

PROVISION	SECTION IN AGREEMENT	SUMMARY
		and collateral agreements in the then-current form. If a sale is involved, you must offer us a 45-day right of first refusal and a transfer fee equal to i) 50% of the then-current initial franchise fee if the transfer is to an existing franchisee; ii) 75% of the then-current initial franchise fee if the transfer is not to an existing franchisee; or iii) \$1,500 if you are requesting our approval of a change in ownership of the Franchisee entity not impacting the controlling interest
n. Franchisor's right of first refusal to acquire franchisee's business	Franchise Agreement § 11(c)(i)	Franchise Agreement: 45 days. We may assign it to another. We may substitute value for cash.
o. Franchisor's option to purchase franchisee's business	Franchise Agreement § 16(b)	Franchise Agreement: We have an option to purchase your entire Konala Restaurant or specific assets upon termination, non-renewal, or expiration of the Franchise Agreement.
p. Franchisee's death or disability	Franchise Agreement § 11(g)	Franchise Agreement: Your interest must be transferred to an approved party within nine (9) months of the date of death or disability.
q. Non-competition covenants during the term of the franchise	Franchise Agreement § 12(a)	Franchise Agreement: You must not own or otherwise engage in any other similar business that receives 10% or more of its gross revenue from the sale of protein bowls and salads.
r. Non-competition covenants after the franchise is terminated/ expires	Franchise Agreement § 12(c)	Franchise Agreement: For two years after termination, non-renewal, or expiration of the Franchise Agreement, you must not own or engage in any other similar business located within five miles of your Restaurant or any business location licensed by us that receives 10% or more of its gross revenue from the sale of protein bowls and salads. You will be required to get your managerial staff to enter into the same non-competition covenant. There are separate confidentiality and non-solicitation covenants as well.
s. Modification of the agreement	Franchise Agreement § 21(e), 21(p)	Franchise Agreement: We reserve the right to amend the Franchise Agreement if a change is agreed to by 70% of the then-current

PROVISION	SECTION IN AGREEMENT	SUMMARY
		franchisees. Otherwise, no modifications to the Franchise Agreement other than in writing.
t. Integration/merger clause	Franchise Agreement § 21(c)	Only the terms of the Franchise Agreement and Multi-Unit Agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Franchise Agreement § 19(a)-(b)	Except for certain claims, all disputes not first settled informally or by mediation must be arbitrated in Idaho, under rules of the American Arbitration Association.
v. Choice of forum	Franchise Agreement § 19(a) and 19(i)	AAA, Kootenai, Idaho. This provision is subject to individual state laws.
w. Choice of law	Franchise Agreement § 19(i)	Idaho law, except federal Lanham Act and Federal Arbitration Act, which choice of law is subject to individual state law.

Refer to the state law addendums in Exhibit D for information specific to the laws of your state.

PROVISION	SECTION IN AGREEMENT	SUMMARY
a. Length of the franchise term	Multi-Unit Agreement § 4.1	Multi-Unit Agreement: Period to be negotiated by parties.
b. Renewal or extension of the term	Multi-Unit Agreement § 4.2	Multi-Unit Agreement: No right to renew.
c. Requirements for franchisee to renew or extend	Not applicable	Not applicable
d. Termination by franchisee	Not applicable	Not applicable (subject to state law)
e. Termination by franchisor without cause	Not applicable	We cannot terminate except for cause.
f. Termination by franchisor with cause	Multi-Unit Agreement § 9.1, 9.2	Multi-Unit Agreement: Section 9.1 describes causes for termination without notice in the event of a material breach of Multi-Unit

PROVISION	SECTION IN AGREEMENT	SUMMARY
		<p>Agreement or a material breach by you of any other agreement between you and us.</p> <p>The laws of your state may provide additional rights to you concerning termination of a franchise. If the Multi-Unit Agreement contains a provision that is inconsistent with the law, the law will control.</p> <p>Upon default, we will have step-in rights.</p> <p>A default under any Franchise Agreement or Multi-Unit Agreement will be a default under all Franchise and Multi-Unit Agreements with us.</p>
g. “Cause” defined—defaults which can be cured	Not applicable	Not applicable
h. “Cause” defined non-curable defaults	Multi-Unit Agreement §9.1	<p>Multi-Unit Agreement: Multi-Unit Developer fails to meet Minimum Development Obligations set forth in Section 2.1 above; Multi-Unit Developer is otherwise in breach of any provision of this Agreement and does not cure such breach within 15 days upon notice; Multi-Unit Developer, or its owners, have made any material misrepresentation or omission in Multi-Unit Developer’s application or in any report, claim, request for reimbursement or other similar document submitted to Franchisor, including, without limitation, any financial statement; Any attempt by Multi-Unit Developer to sell, assign, transfer or encumber in whole or in part any or all rights and obligations under this Agreement, in violation of the terms of this Agreement, or without the written consents required, pursuant to this Agreement; or at the election of Franchisor, in the event of any material breach by Multi-Unit Developer, or its owners or affiliates, of an individual Franchise Agreement or any other agreement between Franchisor and its affiliates and Multi-Unit Developer and its owners and affiliates, upon notice, if any, specified in the Franchise Agreement or other agreement; uncured or incurable default under any Franchise Agreement.</p>
i. Franchisee’s obligations on	Multi-Unit Agreement § 9.3	Multi-Unit Agreement: Lose rights to develop Territory. Comply with non-compete.

PROVISION	SECTION IN AGREEMENT	SUMMARY
termination/ non-renewal		
j. Assignment of contract by franchisor	Multi-Unit Agreement § 7.1	Multi-Unit Agreement: We have the right to freely assign our rights and duties under the Multi-Unit Agreement.
k. "Transfer" by franchisee - definition	Multi-Unit Agreement § 7.2, 7.3	Multi-Unit Agreement: Sell, encumber, partition, subfranchise, or otherwise divide rights under Multi-Unit Agreement.
l. Franchisor's approval of transfer by franchisee	Multi-Unit Agreement §§ 7.2, 7.3	Multi-Unit Agreement: You must obtain our consent to transfer the agreement.
m. Conditions for Franchisor's approval of transfer	Multi-Unit Agreement §7.3	Multi-Unit Agreement: You must be in compliance and transfer all your interest in all restaurants opened under the Multi-Unit Agreement and comply with the transfer requirements under each Franchise Agreement. The transferee must execute a Multi-Unit Agreement, franchise, and collateral agreements in the then current form; and attend our training. You must release us of all claims and you must pay us \$1,000 for each undeveloped franchise. If a sale is involved, you must offer us right of first offer and refusal.
n. Franchisor's right of first refusal to acquire franchisee's business	Multi-Unit Agreement §7.3(d)	Multi-Unit Agreement: We have the right to make the first offer before you offer to sell your business. We also have the right of first refusal.
o. Franchisor's option to purchase franchisee's business	Not applicable.	Not applicable.
p. Franchisee's death or disability	Not applicable.	Not applicable.
q. Non-competition covenants during	Multi-Unit Agreement § 8.1	Multi-Unit Agreement: You must not own or otherwise engage in any other similar business

PROVISION	SECTION IN AGREEMENT	SUMMARY
the term of the franchise		that receives 10% or more of its gross revenue from the sale of protein bowls and salads.
r. Non-competition covenants after the franchise is terminated/ expires	Multi-Unit Agreement § 8.2	Multi-Unit Agreement: For 2 years after termination, non-renewal, or expiration of your Multi-Unit Agreement, you must not own or engage in a similar business within 5 miles of your Development Area, any other development area or any company-owned or franchised location.
s. Modification of the agreement	Multi-Unit Agreement § 12.8	Multi-Unit Agreement: No modifications generally except in writing signed by both parties.
t. Integration/ merger clause	Multi-Unit Agreement § 12.8	Only the terms of the Franchise Agreement and Multi-Unit Agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Multi-Unit Agreement § 11.1	Except for certain claims, all disputes not first settled informally or by mediation must be arbitrated in Idaho, under rules of the American Arbitration Association.
v. Choice of forum	Multi-Unit Agreement § 11.1	AAA, Kootenai, Idaho. This provision is subject to individual state laws.
w. Choice of law	Multi-Unit Agreement § 12.7	Idaho law, except federal Lanham Act and Federal Arbitration Act, which choice of law is subject to individual state law.

Refer to the state law addendums in Exhibit D for information specific to the laws of your state.

ITEM 18. PUBLIC FIGURES

We currently use no public figures to promote the 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.

As of June 30, 2025, there were three (3) affiliate-owned KONALA restaurants (each, an “Affiliate-Owned Location”) and zero (0) franchised restaurants (each, a “Franchised Restaurant”).

Part I of this Item discloses the historical Net Sales generated, as well as certain COGs, labor, and other controllable or fixed operating costs and expenses, and certain defined estimated fees incurred, by all two (2) Affiliate-Owned Locations from September 1, 2024, through August 31, 2025. Because Affiliate-Owned Location 3 opened in January 2025, Part I of this Item also discloses the historical Net Sales generated, as well as certain COGs, labor, and other controllable or fixed operating costs and expenses, and certain defined estimated fees for Affiliate-Owned Location 3 during its first six (6) months of operations (January 24, 2025, through July 24, 2025).

Part II of this Item sets forth the total, average, median, high, and low Net Sales generated by all three (3) Affiliate-Owned Locations for the six-month period starting on January 24, 2025, and ending July 24, 2025. We used this time period since Affiliate-Owned Location 3 opened on January 24, 2025, and it otherwise demonstrates the Net Sales generated during the first six (6) months of operations.

The Affiliate-Owned Locations included in this financial performance representation are substantially similar to the KONALA Restaurant for which we are offering franchises in this Disclosure Document.

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

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PART I: NET SALES, CERTAIN COGS, LABOR, AND OTHER FIXED OPERATING COSTS AND EXPENSES AND ESTIMATED FEES INCURRED BY THE AFFILIATE-OWNED LOCATIONS.

Affiliate-Owned Location 1 (September 1, 2024 – August 31, 2025) (1 Year)

	Total	% Net Sales
Sales		
Sales	\$1,858,012.48	100.96%
Discounts, comps	(\$17,675.97)	-0.96%
Total Net Sales	\$1,840,336.51	100.00%
Cost of Goods Sold		
Food	\$546,103.73	29.67%
Total Cost of Goods Sold	\$546,103.73	29.67%
Labor		
Wages	\$407,357.76	22.13%
Total Labor	\$407,357.76	22.13%
Prime Cost	\$953,461.49	51.81%
Prime Margin	\$886,875.02	48.19%
Expenses		
Bank Service Charges	\$16.36	>0.01%
Computer and Internet Expenses	\$3,053.58	0.17%
Credit Card Processing Fees	\$57,693.41	3.13%
Insurance	\$3,195.73	0.17%
Legal, Accounting and Professional Fees	\$1,172.72	0.06%
Repairs and Maintenance	\$21,340.53	1.16%
Restaurant Supplies	\$55,628.68	3.02%
Utilities	\$18,243.20	0.99%
Other Business Expenses	\$6,090.36	0.33%
Total Operating Expenses	\$166,434.57	9.04%
Rent	\$114,005.94	6.19%
Corporate Unit Level EBITDA	\$606,434.51	32.95%
Estimated Franchise Costs not Incurred by Affiliate-Owned Location 1		
Royalty (6%)	\$110,420.19	6.00%
Local Advertising (Greater of \$850 or 1%)	\$18,403.37	1.00%
Brand Dev. Fund (2%)	\$36,806.73	2.00%
Technology Fee (0.25%)	\$4,600.84	0.25%
Total Franchise Costs	\$170,231.13	9.25%
Adjusted Unit Level EBITDA	\$436,203.38	23.70%

Affiliate-Owned Location 2 (September 1, 2024 – August 31, 2025) (1 Year)

	Total	% Net Sales
Sales		
Sales	\$1,590,670.05	100.48%
Discounts, comps	(\$7,563.57)	-0.48%
Total Net Sales	\$1,583,106.48	100.00%
Cost of Goods Sold		
Food	\$537,908.90	33.98%
Total Cost of Goods Sold	\$537,908.90	33.98%
Labor		
Wages	\$341,815.02	21.59%
Total Labor	\$341,815.02	21.59%
Prime Cost	\$879,723.92	55.57%
Prime Margin	\$703,382.56	44.43%
Expenses		
Bank Service Charges	\$430.18	0.03%
Computer and Internet Expenses	\$4,646.29	0.29%
Credit Card Processing Fees	\$49,543.19	3.13%
Insurance	\$6,704.75	0.42%
Legal, Accounting and Professional Fees	\$1,172.72	0.07%
Repairs and Maintenance	\$5,300.38	0.33%
Restaurant Supplies	\$51,153.99	3.23%
Utilities	\$19,209.06	1.21%
Other Business Expenses	\$3,864.65	0.24%
Total Operating Expenses	\$142,025.12	8.97%
Rent	\$114,003.62	7.20%
Corporate Unit Level EBITDA	\$447,353.73	28.26%
Estimated Franchise Costs not Incurred by Affiliate-Owned Location 2		
Royalty (6%)	\$94,986.39	6.00%
Local Advertising (Greater of \$850 or 1%)	\$15,831.06	1.00%
Brand Dev. Fund (2%)	\$31,662.13	2.00%
Technology Fee (0.25%)	\$3,957.77	0.25%
Total Franchise Costs	\$146,437.35	9.25%
Adjusted Unit Level EBITDA	\$300,916.38	19.01%

Affiliate-Owned Location 3 (January 24, 2025 – July 24, 2025) (6 Months)

	Total	% Net Sales
Sales		
Sales	\$1,281,163.52	101.44%
Discounts, comps	(\$18,229.53)	-1.44%
Total Net Sales	\$1,262,933.99	100.00%
Cost of Goods Sold		
Food	\$368,286.21	29.16%
Total Cost of Goods Sold	\$368,286.21	29.16%
Labor		
Wages	\$248,104.06	19.65%
Total Labor	\$248,104.06	19.65%
Prime Cost	\$616,390.27	48.81%
Prime Margin	\$646,543.72	51.19%
Expenses		
Bank Service Charges	\$76.00	>0.01%
Computer and Internet Expenses	\$2,533.74	0.20%
Credit Card Processing Fees	\$16,519.73	1.31%
Insurance	\$1,100.00	0.09%
Legal, Accounting and Professional Fees	\$1,172.73	0.09%
Repairs and Maintenance	\$2,219.34	0.18%
Restaurant Supplies	\$11,058.99	0.88%
Utilities	\$24,070.79	1.91%
Other Business Expenses	\$442.29	0.04%
Total Operating Expenses	\$59,193.61	4.69%
Rent	\$48,679.84	3.85%
Corporate Unit Level EBITDA	\$538,670.27	42.65%
Estimated Franchise Costs not Incurred by Affiliate-Owned Location 3		
Royalty (6%)	\$75,776.04	6.00%
Local Advertising (Greater of \$850 or 1%)	\$12,629.34	1.00%
Brand Dev. Fund (2%)	\$25,258.68	2.00%
Technology Fee (0.25%)	\$3,157.33	0.25%
Total Franchise Costs	\$116,821.39	9.25%
Adjusted Unit Level EBITDA	\$421,848.88	33.40%

Notes to Part I:

1. Sales: “Sales” means total revenue that derived from the operation of the Restaurant, including, but not limited to, revenue from services rendered by the Restaurant and products sold by the Restaurant, whether from sales for cash or credit and regardless of the collection thereof. “Sales” does not include sales taxes.
2. Net Sales: “Net Sales” means the total revenue generated by the Affiliate-Owned Location, including all revenue generated from the sale and provision of any and all approved

products and services at or through the Affiliate-Owned Location and all proceeds from any business interruption insurance related to the non-operation of the Affiliate-Owned Location, whether such revenues are evidenced by cash, check, credit, charge, account, barter or exchange. Net Sales includes the redemption of gift cards. “Net Sales” does not include (a) tips received by employees through their employment with the Affiliate-Owned Location, (b) any sales tax and equivalent taxes that are collected by the Affiliate-Owned Location for or on behalf of any governmental taxing authority and paid thereto, or (c) gift cards when sold, or (d) for items sold pursuant to coupons or other discounts, Net Sales also excludes the amount discounted from the purchase price of such item.

3. Total Cost of Goods Sold: “Total Cost of Goods Sold” means the total amount that the Affiliate-Owned Location incurred in connection with purchasing food, beverages, packaging, and other menu items.
4. Total Labor: “Total Labor” means the total cost and compensation paid in connection with the engagement of productive labor and taxes.
5. Prime Cost: “Prime Cost” is calculated by adding together the Total Cost of Goods Sold and Total Labor.
6. Prime Margin. “Prime Margin” is calculated by subtracting Prime Cost from Net Sales.
7. Corporate Unit Level EBITDA: “Corporate Unit Level EBITDA” means Earnings Before Interest, Taxes, Depreciation, and Amortization calculated before franchise costs, real estate and owner’s compensation. It is calculated by subtracting Total Operating Expenses and Rent from Prime Margin
8. Estimated Franchise Costs not Incurred by Affiliate: You must consider your franchised business’s required Royalty Fees, Brand Fund contributions, Local Marketing spend, Technology Fees and other required spending as part of its expected operating expenses. Under the Franchise Agreement, you are required to pay us a Royalty Fee in the amount of 6% of Net Sales, contribute to the Brand Fund in the amount of 2% of Net Sales, spend the greater of \$850 or 1% of Net Sales per month on local advertising, and pay 0.25% of Net Sales for the Technology Fee. In addition to the expenses listed, you must consider all other operating costs which may not be applicable to the Affiliate-Owned Locations, including, but not limited to, mortgage and other real estate expenses, debt service, taxes, and owner’s compensation, which would have to be paid out of Net Sales and have not been deducted before calculating the Net Income Before Owners’ Expenses. The Affiliate-Owned Locations spend the same amount on local advertising that you are required to spend under the Franchise Agreement.
9. Adjusted Unit Level EBITDA: “Adjusted Unit Level EBITDA” means Earnings Before Interest, Taxes, Depreciation, and Amortization calculated after franchise fees/costs, but before real estate and owner’s compensation

PART II: AVERAGE, MEDIAN, HIGH AND LOW NET SALES GENERATED BY THE AFFILIATE-OWNED LOCATIONS FROM JANUARY 24, 2025, THROUGH JULY 24, 2025 (6 MONTHS)

January 24, 2025, through July 24, 2025 (6 Months)					
Affiliate-Owned Location 1	Affiliate-Owned Location 2	Affiliate-Owned Location 3	Average Net Sales	Median Net Sales	Number (and %) That Met or Exceeded Average
\$890,218.76	\$1,059,252.99	\$1,262,933.99	\$1,070,801.91	\$1,059,252.99	1 (33%)

Notes to Part II:

1. Average. “Average,” also known as the “mean,” means the sum of all data points in a set, divided by the number of data points in that set.
2. Median. “Median,” means the data point that is in the center of all data points used. That number is found by examining the total number of data points and finding the middle number in that set. In the event the number of data points is an odd number, the median will be the center number. If the dataset contains an even number of data points, the median is reached by taking the two numbers in the middle, adding them together, and dividing it by two.
3. Net Sales. “Net Sales” means the total revenue generated by the Affiliate-Owned Location, including all revenue generated from the sale and provision of any and all approved products and services at or through the Affiliate-Owned Location and all proceeds from any business interruption insurance related to the non-operation of the Affiliate-Owned Location, whether such revenues are evidenced by cash, check, credit, charge, account, barter or exchange. Net Sales includes the redemption of gift cards. “Net Sales” does not include (a) tips received by employees through their employment with the Affiliate-Owned Location, (b) any sales tax and equivalent taxes that are collected by the Affiliate-Owned Location for or on behalf of any governmental taxing authority and paid thereto, or (c) gift cards when sold, or (d) for items sold pursuant to coupons or other discounts, Net Sales also excludes the amount discounted from the purchase price of such item.

General Notes to Item 19:

1. **Affiliate-Owned Location 1.** Affiliate-Owned Location 1 is a drive-thru walk-up building that is approximately 1,100 square feet in size, with patio seating but no inside seating. Affiliate-Owned Location 2 opened in May 2023.
2. **Affiliate-Owned Location 2.** Affiliate-Owned Location 2 is a drive-thru building that has full inside seating. Affiliate-Owned Location 2 is approximately 3,800 square feet. Of this, approximately 2,800 square feet is used for the Restaurant with the remaining 1,000 square feet used for offices. Affiliate-Owned Location 2 opened in August 2024.
3. **Affiliate-Owned Location 3.** Affiliate-Owned Location 3 is a drive-thru building that has full inside seating. Affiliate-Owned Location 3 is approximately 2,700 square feet. Affiliate-Owned Location 3 opened in January 2025.
4. Written substantiation for the financial performance representation will be made available to you upon request.

Other than the preceding financial performance representations, we do not make any financial performance representations. 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 our Manager, in writing at Konala Franchising LLC, 107 E. 7th Ave., Post Falls, ID 83854, 775-225-9902, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

**Table 1
Systemwide Outlet Summary
For years 2023, 2024, and 2025⁽¹⁾⁽²⁾⁽³⁾**

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
Franchised	2023	0	0	0
	2024	0	0	0
	2025	0	0	0
Company Owned	2023	0	1	+1
	2024	1	1	0
	2025	1	3	+2
Total Outlets	2023	0	1	+1
	2024	1	1	0
	2025	1	3	+2

Notes:

- (1) For 2023, the figures above reflect transactions that occurred between July 1, 2022, and June 30, 2023.
- (2) For 2024, the figures above reflect transactions that occurred between July 1, 2023, and June 30, 2024.
- (3) For 2025, the figures above reflect transactions that occurred between July 1, 2024, and June 30, 2025.

**Table 2
Transfers from Franchisees to New Owners (Other than the Franchisor)
For years 2023, 2024, and 2025⁽¹⁾⁽²⁾⁽³⁾**

STATE	YEAR	NUMBER OF TRANSFERS
Idaho	2023	0
	2024	0
	2025	0

Total	2023	0
	2024	0
	2025	0

Notes:

- (1) For 2023, the figures above reflect transactions that occurred between July 1, 2022, and June 30, 2023.
- (2) For 2024, the figures above reflect transactions that occurred between July 1, 2023, and June 30, 2024.
- (3) For 2025, the figures above reflect transactions that occurred between July 1, 2024, and June 30, 2025.

Table 3
Status of Franchised Outlets
For years 2023, 2024, and 2025⁽¹⁾⁽²⁾⁽³⁾

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWALS	OUTLETS REACQUIRED BY FRANCHISOR	CEASED OPERATIONS-OTHER REASONS	OUTLETS AT END OF THE YEAR
Washington	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	1	0	0	1	0	0
Totals	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	1	0	0	1	0	0

Notes:

- (1) For 2023, the figures above reflect transactions that occurred between July 1, 2022, and June 30, 2023.
- (2) For 2024, the figures above reflect transactions that occurred between July 1, 2023, and June 30, 2024.
- (3) For 2025, the figures above reflect transactions that occurred between July 1, 2024, and June 30, 2025.

Table 4
Status of Company-Owned Outlets
For years 2023, 2024, and 2025⁽¹⁾⁽²⁾⁽³⁾

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
Idaho	2023	0	1	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	1	1	0	0	3
Totals	2023	0	1	0	0	0	1
	2024	1	0	0	0	0	1

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
	2025	1	1	1	0	0	3

Notes:

- (1) For 2023, the figures above reflect transactions that occurred between July 1, 2022, and June 30, 2023.
- (2) For 2024, the figures above reflect transactions that occurred between July 1, 2023, and June 30, 2024.
- (3) For 2025, the figures above reflect transactions that occurred between July 1, 2024, and June 30, 2025.

Table 5
Projected Openings as of June 30, 2025

STATE	FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED	PROJECTED NEW FRANCHISED OUTLETS IN THE NEXT FISCAL YEAR	PROJECTED NEW COMPANY-OWNED OUTLETS IN THE NEXT FISCAL YEAR
MT	1	1	0
NJ	1	1	0
NV	0	0	1
UT	1	1	0
WA	0	0	2
TOTALS	3	3	3

Among the attached Exhibits you will find:

Exhibit B-1 Restaurant DIRECTORY/Listing of Current Franchisees lists the names of all current franchisees and the addresses and telephone numbers of their outlets as of June 30, 2025.

Exhibit B-2 LISTING OF CERTAIN PAST FRANCHISEES lists the name, city, state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this FDD.

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

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Konala Franchising LLC. 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 independent franchisee organizations that have been asked to be included in this disclosure document.

ITEM 21. FINANCIAL STATEMENTS

Attached as Exhibit C are our audited financial statements for the periods of February 21, 2023 (inception), to December 31, 2023 (our original fiscal year end), our financial statements as of June 30, 2024, and June 30, 2025, respectively. In 2024, we changed our fiscal year from December 31 to June 30.

ITEM 22. CONTRACTS

A copy of the following contracts or documents are also attached as Exhibits hereto:

- Exhibit A KONALA FRANCHISE AGREEMENT with Attachment 1 (Franchise Rider), Attachment 2 (Lease Rider), Attachment 3 (Internet, Social Media, and Telephone Assignment), Attachment 4 (Guaranty), Attachment 5A (Nondisclosure and Noncompete Agreement), Attachment 5B (Nondisclosure and Noncompetition Agreement), Attachment 6 (Form of Request for Financial Information), Attachment 7 (Form of Initial Training Acknowledgment), Attachment 8 (Form of Grand Opening Training Acknowledgment and Consent to Open), Attachment 9 (Site Selection Release), Attachment 10 (Form of Addendum to Franchise Agreement), and Attachment 11 (Form of Sublease Agreement).
- Exhibit F Multi-Unit Agreement
- Exhibit G Sample General Release Agreement
- Exhibit H ACH Transfer Agreement
- Exhibit I First Addendum to Renewal Franchise Agreement
- Exhibit J Agreement and Conditional Consent to Transfer
- Exhibit L Statement of Prospective Franchisee
- Exhibit M Receipts

ITEM 23. RECEIPT

You will find copies of a detachable receipt in Exhibit M at the very end of this disclosure document. Please sign both acknowledging receipt of this disclosure document and return one of them to us for our files.

EXHIBIT A
FRANCHISE AGREEMENT

TABLE OF CONTENTS

	PAGE
RECITALS	1
1. Grant	1
2. Term, Expiration, and Additional License Period	2
3. Required Franchise Fees and Payment	5
4. Franchisor Services	7
5. Territorial Provisions	8
6. Premises	10
7. Proprietary System and Marks	13
8. Advertising	16
9. Operations, Standards of Quality, and Inspections	21
10. Products; Menu	32
11. Transfer; Franchisor’s Right of First Refusal	33
12. Covenants Against Unfair Competition	37
13. Trade Secrets and Confidential Information	40
14. Insurance	40
15. Termination	42
16. Obligations upon Termination, Expiration, or Non-Renewal	47
17. Independent Contractor; Indemnification	50
18. Franchisee Representations	52
19. Governing law, Jurisdiction, and Venue	55
20. Notices	58
21. Miscellaneous	59

- Attachment 1 -- Franchise Rider
- Attachment 2 -- Lease Rider
- Attachment 3 -- Internet, Social Media, and Telephone Assignment
- Attachment 4 – Guaranty
- Attachment 5A – Nondisclosure and Noncompetition Agreement
- Attachment 5B -- Nondisclosure and Non-Solicitation Agreement
- Attachment 6 – Form of Request for Financial Information
- Attachment 7 – Form of Initial Training Acknowledgment
- Attachment 8 – Form of Franchise Opening Training Acknowledgment and Consent to Open
- Attachment 9 – Site Selection Release
- Attachment 10 – Form of Addendum to Franchise Agreement
- Attachment 11 - Form of Sublease Agreement

**KONALA FRANCHISING LLC
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (the “Agreement”) is made and entered into as of _____ (the “Effective Date”) by and between KONALA FRANCHISING LLC, an Idaho limited liability company (“Franchisor”), and _____, a _____ (the “Franchisee”). If the Franchisee is a corporation, partnership, limited liability company or other legal entity, certain provisions to this Agreement also apply to its owners, members, shareholders, or partners (collectively, the “Owners”).

RECITALS:

A. Franchisor has expended time, money, and effort to develop a unique system for operating a healthier fast-food restaurant emphasizing protein bowls and salads. (The methods of operation, know how, experience and form of operation acquired, devised and/or established by Franchisor are referred to herein as the “System”; the chain of current and future KONALA restaurants are referred to herein as the “Chain.”)

B. The distinguishing characteristics of the System include the name “KONALA,” special recipes for protein bowls and salads and other food and beverage items, unique exterior building design, appearance, and consistency, and uniformity of products and services, all of which may be improved, amended, and further developed by Franchisor from time to time.

C. Franchisor identifies its goods and services with certain service marks, trade names, and trademarks, including, but not limited to, the “KONALA” trademark as well as certain other trademarks, service marks, slogans, logos and emblems which have been, and which may hereafter be designated by Franchisor for use in connection with the System (the “Marks”).

D. Franchisee desires to obtain a license from Franchisor for use of the Marks and the System solely for the operation of a business (the “Franchised Business”) at the location listed below (the “Restaurant”), and Franchisee desires to use the Marks, System, and other benefits derived from this license relationship strictly in accordance with the provisions set forth below.

NOW, THEREFORE, in consideration of the recitals and the mutual agreements set forth below and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. Grant.

Franchisor hereby grants to Franchisee, on the terms and conditions contained in this Agreement, and Franchisee accepts from Franchisor, a license (“License”) to establish, own, and operate under the System, one Restaurant at the location specified in the Franchise Rider (“Location”) attached hereto as Attachment 1 (“Franchise Rider”). Franchisee agrees to identify the Restaurant, and all of the items Franchisee sells or offers for sale only by the Marks. Franchisee has no right to use the System or the Marks for any purpose other than as expressly provided herein.

Pursuant to this grant, Franchisee, at its own expense, shall construct or remodel, and equip, staff, open and operate the Restaurant at the Location, in accordance with this Agreement. Unless otherwise agreed in a writing executed by Franchisor, Franchisee shall (i) purchase, rent, or enter into a lease agreement for the Location within 180 days after the execution of this Agreement and (ii) commence operating the Restaurant within fifteen (15) months after the execution of this Agreement or unless Franchisee purchases, and in Franchisor’s sole discretion, a one-time three (3) month extension to open for

Two Thousand Five Hundred Dollars (\$2,500). Failure to timely open the Restaurant shall constitute an event of default under the Agreement. Franchisee shall diligently operate such business in accordance with this Agreement and the Operational Manuals for the Term stated herein.

Franchisor and Franchisor's affiliates reserve any and all rights not expressly granted to Franchisee under this Agreement.

2. Term, Expiration, and Additional License Period.

(a) **Initial Term.** The initial term of this Agreement shall commence upon the execution of this Agreement and shall expire at midnight on the day preceding the tenth (10th) annual anniversary date of the execution of this Agreement (the "Term" or the "Initial Term"), unless this Agreement has been sooner terminated in accordance with the terms and conditions herein.

(b) **First Additional License Period.** Upon expiration of the Initial Term, Franchisee will have the right to be granted a successor agreement of the License for one (1) additional consecutive period of five (5) years from the date of expiration of the Initial Term (the "First Successive Term"), provided the following conditions have been met prior to the expiration of the Initial Term:

(i) **Notice.** Franchisee has given Franchisor written notice of its intent to renew the License not less than nine (9) months nor more than twelve (12) months prior to the expiration of the Initial Term;

(ii) **Compliance.** Franchisee is not in default of any of the provisions of this Agreement both at the time Franchisee gives notice of its intent to exercise its rights under the terms of this Section 2(b) and at the commencement of the First Successive Term;

(iii) **Debts Current.** All debts and obligations of Franchisee under this Agreement shall be current, including but not limited to Franchisee's obligations to make contributions to the Brand Development Fund (as defined herein) and each Cooperative (as defined herein) of which Franchisee is a member;

(iv) **Notice of Default.** Franchisee has not received more than three (3) notices of default during any consecutive twelve-month (12) month period during the Initial Term;

(v) **Successive Agreement.** Franchisee executes and delivers to Franchisor, within thirty (30) days after delivery to Franchisee, the then-current form of the KONALA franchise agreement and ancillary agreements, which agreements shall supersede this which agreements shall supersede this Agreement in all respects, and the terms, conditions, obligations, rights, and other provisions that are substantially and materially different from those spelled out in this Agreement (including, for example, different performance standards, fee structures, increased fees and/or reduced territory protections);

(vi) **Successor Fee.** Franchisee has paid to Franchisor a successor fee equal to \$10,000, which fee shall be due in immediately available funds upon the execution of the new franchise agreement;

(vii) **Release.** Franchisee; Owners; guarantors of the Franchisee; and their respective predecessors, parents, affiliates, subsidiaries, shareholders, members, partners, officers, directors, managers, employees, agents, representatives, attorneys, accountants, personal representatives, heirs, executors, administrators, successors, and assigns (collectively, "Releasers") execute and deliver to Franchisor a general release, in the form prescribed by Franchisor, releasing, to the fullest

extent permitted by law, all claims that Releasors may have against Franchisor; Franchisor's predecessors, parents, affiliates, and subsidiaries; and their respective shareholders, members, partners, officers, directors, managers, employees, agents, representatives, attorneys, accountants, guarantors, successors, and assigns, in both their corporate and individual capacities in both their corporate and individual capacities;

(viii) **Renovation.** Franchisee shall make or provide for in a manner satisfactory to Franchisor, such renovation and re-equipping of the Restaurant as Franchisor may require, including, without limitation, renovation, upgrading, or replacement of signs, equipment, furnishings, technology, Computer Systems (as defined in Section 9 below), fixtures, colors, and decor, to reflect the then-current standards and image of the System; and

(ix) **Continued Possession.** Franchisee presents satisfactory evidence that Franchisee has the right to remain in possession of the Location for the duration of the First Successive Term, unless Franchisor determines that the location of Franchisee's business is no longer viable for the operation of Franchisee's Restaurant, in which case Franchisor may condition Franchisee's right to enter into a successive agreement on Franchisee's obtaining a new site for Franchisee's Restaurant that Franchisor approves.

If Franchisee fails to perform any of the acts set forth in paragraphs (i) through (ix) of this subsection in a timely fashion, such failure will be deemed an election by Franchisee not to exercise its right to enter into a new franchise agreement and will cause Franchisee's right to enter into a new franchise agreement to expire without further notice or action by Franchisor.

(c) **Second Additional License Period.** Upon expiration of the First Successive Term, Franchisee will have the right to be granted an additional successor agreement of the License for one (1) additional consecutive period of five (5) years from the date of expiration of the First Successive Term (the "Second Successive Term"), provided the following conditions have been met prior to the expiration of the First Successive Term:

(i) **Notice.** Franchisee has given Franchisor written notice of its intent to enter into a second successor agreement for the License not less than nine (9) months nor more than twelve (12) months prior to the expiration of the First Successive Term;

(ii) **Compliance.** Franchisee is not in default of any of the provisions of this Agreement both at the time Franchisee gives notice of its intent to exercise its rights under the terms of this Section 2(c) and at the commencement of the Second Successive Term;

(iii) **Debts Current.** All debts and obligations of Franchisee under this Agreement shall be current, including but not limited to Franchisee's obligations to make contributions to the Brand Development Fund and each Cooperative of which Franchisee is a member;

(iv) **Notice of Default.** Franchisee has not received more than three (3) notices of default during any consecutive twelve-month (12) month period during the First Successive Term;

(v) **Successive Agreement.** Franchisee executes and delivers to Franchisor, within thirty (30) days after delivery to Franchisee, the then-current form of the KONALA franchise agreement and ancillary agreements, which agreements shall supersede this which agreements shall supersede this Agreement in all respects, and the terms, conditions, obligations, rights, and other provisions that are substantially and materially different from those spelled out in this Agreement (including, for example, different performance standards, fee structures, increased fees and/or reduced territory protections);

(vi) **Successor Fee.** Franchisee has paid Franchisor a successor fee equal to \$10,000, which fee shall be due in immediately available funds upon the execution of the new franchise agreement;

(vii) **Release.** Franchisee; Owners; guarantors of the Franchisee; and their respective predecessors, parents, affiliates, subsidiaries, shareholders, members, partners, officers, directors, managers, employees, agents, representatives, attorneys, accountants, personal representatives, heirs, executors, administrators, successors, and assigns (collectively, "Releasers") execute and deliver to Franchisor a general release, in the form prescribed by Franchisor, releasing, to the fullest extent permitted by law, all claims that Releasers may have against Franchisor; Franchisor's predecessors, parents, affiliates, and subsidiaries; and their respective shareholders, members, partners, officers, directors, managers, employees, agents, representatives, attorneys, accountants, guarantors, successors, and assigns, in both their corporate and individual capacities in both their corporate and individual capacities;

(viii) **Renovation.** Franchisee shall make or provide for in a manner satisfactory to Franchisor, such renovation and re-equipping of the Restaurant as Franchisor may require, including, without limitation, renovation, upgrading, or replacement of signs, equipment, furnishings, technology, Computer Systems, and fixtures, colors, and decor, to reflect the then-current standards and image of the System; and

(ix) **Continued Possession.** Franchisee presents satisfactory evidence that Franchisee has the right to remain in possession of the Location for the duration of the Second Successive Term, unless Franchisor determines that the location of Franchisee's business is no longer viable for the operation of Franchisee's Restaurant, in which case Franchisor may condition Franchisee's right to enter into in a Second Successive Term on Franchisee's obtaining a new site for Franchisee's Restaurant that Franchisor approves.

If Franchisee fails to perform any of the acts set forth in paragraphs (i) through (ix) of this subsection in a timely fashion, such failure will be deemed an election by Franchisee not to exercise its right to enter into a new franchise agreement and will cause Franchisee's right to enter into a new franchise agreement to expire without further notice or action by Franchisor.

(d) **Expiration.** Entering into a successive agreement of the License after the Initial Term or First Successive Term shall not constitute a renewal or extension of this Agreement but shall be conditioned upon satisfaction of the above provisions and shall, upon expiration of the Initial Term or Successive Term, be governed by the Franchise Agreement then executed by Franchisee. If Franchisee fails to meet any of the conditions under this Section 2 with respect to entering into a successive agreement of the License, then the License shall automatically expire at the end of the Initial Term or First Successive Term, as applicable.

(e) **Continued Operation Following Expiration.** Unless Franchisee exercises its option to renew the License granted under this agreement in accordance with this Section 2, Franchisee has no right to continue to operate the Franchised Business after the expiration date. If Franchisor permits Franchisee to continue to operate the Franchised Business after the expiration date, but before the execution by Franchisee of a new franchise agreement for a new term as required by this Section 2, then the temporary continuation of the Franchised Business will be on a month-to-month basis, and will be terminable at Franchisor's will by giving Franchisee written notice of termination at least thirty (30) days before the termination is effective. If Franchisor allows Franchisee to continue to operate the Franchised Business on a month-to-month basis after termination, non-renewal, or expiration of this Agreement, then Franchisee must pay to Franchisor weekly an additional fee of One Hundred Fifty Percent (150%) of the Continuing Royalty due for the same week for every week of month-to-month operation after the expiration date, up to Franchisor's then-current initial franchise fee, which fee shall be in addition to Continuing Royalty, Brand

Development Fund contributions, and any other payments due to Franchisor under this Agreement. If applicable law requires a longer notice period, the thirty (30) day period will be deemed modified to be the shortest notice period required by such laws.

3. Required Franchise Fees and Payments.

(a) **Initial Franchise Fee and Royalties.** In consideration of Franchisor's execution of this Agreement and the services that Franchisor will perform, Franchisee agrees to pay to Franchisor, at its principal office as set forth on the first page of the Agreement, or at such other place as Franchisor may from time to time designate, the following fees on the due dates specified below, in the Franchise Rider, or as otherwise designated by Franchisor (each a "Due Date"):

(i) **Initial Franchise Fee.** An initial franchise fee in the amount set forth on Attachment 1 hereto ("Initial Franchise Fee") for Franchisor's pre-opening obligations. The Initial Franchise Fee shall primarily compensate Franchisor for Franchisor's pre-opening obligations under this Agreement. The parties recognize the value of the Initial Franchise Fee approximates the market value of the pre-opening services. The Initial Franchise Fee is non-refundable.

(ii) **Royalty.** In further consideration of the grant of the License and in consideration of Franchisor's ongoing services to Franchisee, Franchisee agrees to pay to Franchisor a weekly continuing royalty fee (the "Royalty"), as set forth on Attachment 1 attached hereto. The Royalty is due and payable on the first business day of each calendar week for the sales occurring in the immediately preceding calendar week, or on such other Due Date that Franchisor designates with thirty (30) days' advanced written notice to Franchisee. Franchisor reserves all rights to establish its policies and procedures for calculating the Royalty on sales Franchisee is authorized to make through delivery services, which policy may be that the Royalty is calculated on the total amount the customer pays for the order, regardless of whether Franchisee receives the full amount.

(iii) **Technology Fee.** Currently, Franchisee shall pay to Franchisor a Technology fee of one quarter of one percent (0.25%) of Net Sales per month. Franchisor has the right to increase the Technology Fee with thirty (30) days' notice to Franchisee based on supplier pricing increases, modification to or upgrades of the technology used in the System, and introduction of new technology, up to a maximum of .05% each year. Franchisee shall pay the Technology Fee on the Due Date and in the manner designated by Franchisor.

(iv) **Supplier Fees.** If Franchisor or any of its affiliates is the designated supplier for any required product or service for the Restaurant, Franchisee shall pay Franchisor's or its affiliates' then-current rates for such products and services.

(v) **Shared Fees.** Franchisor reserves the right to have suppliers bill it or an affiliate for goods and services that benefit the network of KONALA franchisees. Franchisee agrees to pay Franchisor Franchisee's pro rata share of the costs and fees of these goods and services.

(b) **Account.** On each Due Date, Franchisor may transfer from Franchisee's bank operating account ("Account") the fees set forth above, as well as any other amounts due to Franchisor under this Agreement or any other agreement between Franchisor and Franchisee. If a transfer from Franchisee's Account is refused, an administrative fee of Two Hundred Fifty Dollars (\$250) will be assessed, as well as reimbursement to Franchisor of any fee its bank charges for uncollected deposit funds. If Franchisee has not reported Net Sales to Franchisor for any fiscal period, Franchisor may transfer from the Account an amount calculated in accordance with Franchisor's estimate of the Net Sales during the fiscal period. If, at any time, Franchisor determines that Franchisee has underreported its Net Sales or underpaid the Continuing Royalty or other amounts due to Franchisor under this Agreement, or any other agreement,

Franchisor may initiate an immediate transfer from the Account in the appropriate amount in accordance with the foregoing procedure, including interest as provided in this Agreement. Any overpayment will be credited to the Account effective as of the first reporting date after Franchisor and Franchisee determine that such credit is due. Alternatively, Franchisor shall have the right in lieu of the Continuing Royalty report submission procedure outlined above to obtain the Net Sales directly from electronic communication with Franchisee's Computer Systems. Failure by Franchisee to have sufficient funds in the Account shall constitute a default of this Agreement and may subject this Agreement to termination for cause as hereinafter set forth. Franchisor may, but is not obligated to, require Franchisee to remit payment of the Continuing Royalty and other fees by electronic funds transfer ("EFT"). In connection with payment of the Continuing Royalty by EFT, Franchisee shall: (1) comply with procedures specified by Franchisor in the Brand Standards Manual; (2) perform those acts and sign and deliver those documents as may be necessary to accomplish payment by EFT as described in this Section 3; (3) give Franchisor an authorization in the form designated by Franchisor to initiate debit entries and/or credit correction entries to the Account for payments of the Continuing Royalty and other amounts payable under this Agreement, including any interest charges; (4) make sufficient funds available in the Account for withdrawal by EFT no later than the Due Date for payment thereof; and (5) maintain a single bank account to make all payments required by this Agreement. Franchisee must advise Franchisor at least fifteen (15) business days prior to any change in Franchisee's bank account or financial institution; no such change will be permitted without the prior written authorization of Franchisor. To ensure the orderly electronic transfer of the Continuing Royalties and all other fees as outlined in this Section 3, Franchisee will enter into and maintain a banking agreement with the financial institution which will be responsible for the transfer and payment of the fees owed by Franchisee to Franchisor, and a copy of that agreement will be submitted to Franchisor prior to the effective date of this Agreement. Franchisee shall not withhold any payments required to be made under this Agreement on any grounds, including any allegations of Franchisor's non-performance.

(c) **Interest and Late Fees.** If Franchisee fails to pay the full amount of any owed payments on the Due Date, or Franchisee has insufficient funds to cover the EFT when initiated by Franchisor, Franchisee shall pay interest on the amount due and unpaid at an interest rate equal to the lower of ten percent (10%) or the maximum interest rate allowed by law. Franchisor also reserves the right to assess a late fee equal to the lower of ten percent (10%) of the outstanding amount or the maximum rate allowed by law.

(d) **Inflation Adjustments.** Franchisor and its affiliates reserve the right to increase the amount of any flat fee provided for hereunder, including, without limitation, the Continuing Royalty and the Brand Development Fund contribution, due Franchisor or an affiliate under this Agreement or a related agreement ("Inflation Adjustment"). An Inflation Adjustment shall be in relation to the changes in the Consumer Price Index (U.S. Average, all items) maintained by the U.S. Department of Labor, the cost-of-living-adjustment ("COLA") using the COLA factors determined by the United States Department of Labor, or such other measure determined reliable by Franchisor. Franchisor will notify Franchisee of the amount or percentage adjustment thirty (30) days prior to their effective date.

(e) **No Offset or Retention of Funds.** Franchisee may not offset or withhold payments owed to Franchisor or any of its affiliates for amounts purportedly due to Franchisee as a result of any dispute of any nature or otherwise but will pay such amounts to Franchisor or its affiliates and only thereafter seek reimbursement. If Franchisee is delinquent in the payment of any obligation to Franchisor, its subsidiaries, affiliates or designees, then Franchisor (or such subsidiaries, affiliates or designees), will have the right to apply any payment from Franchisee to any obligation due, including the oldest obligation due, whether under this Agreement or otherwise, notwithstanding any contrary designation by Franchisee as to such application.

4. Franchisor Services.

(a) **Franchisor Services.** During the Term, Franchisor agrees to provide Franchisee the following services:

(i) **Design.** Franchisor shall provide Franchisee with assistance in how to design or best install or renovate the Restaurant and may provide specifications and recommendations for the design of the Restaurant and related facilities to be used in the operation of the Restaurant.

(ii) **Specifications.** To the extent that Franchisor has the specifications, Franchisor shall provide Franchisee with specifications for the required fixtures, furnishings, decor, colors, signs, menu boards, Computer Systems, and equipment.

(iii) **Training.** Franchisor shall provide Franchisee with a pre-opening management training program for the Operating Partner and the owner, and such other persons as Franchisor may reasonably designate, up to a total of three (3) individuals, and such other training for Owners or employees of Franchisee at the locations and for such periods as may be designated by Franchisor from time to time; provided that Franchisee shall be responsible for all expenses incurred by such persons in connection with training, including, without limitation, all cost of travel, lodging, meals and wages. Unless this is Franchisee's (or its affiliates') second or subsequent Restaurant, as part of the initial training program, Franchisor may provide at least one (1) representative at Franchisee's Location for at least five (5) days for additional training and assistance around the opening of the Restaurant. Franchisee acknowledges and agrees that it will submit to Franchisor a completed Initial Training Acknowledgment form (Attachment 7 and Attachment 8) for each trainee to request confirmation of satisfactory completion of the Initial Training program. Franchisee will represent and warrant that Franchisor has satisfactorily completed all of its obligations pursuant to this Article 4, including but not limited to the following: providing the Initial Training program, and confirmation that Franchisee has been trained to the point that Franchisee is completely satisfied that it and its employees are fully capable of opening and operating the Franchised Business. By acknowledging this, Franchisee individually, and on behalf of its heirs, legal representatives, successors and assigns, hereby forever releases and discharges Franchisor and its officers, directors, employees, agents and servants, including its subsidiary and affiliated corporations, their respective officers, directors, employees, agents and servants, from any and all claims relating to or arising under any agreements between the parties executed prior to the date of this acknowledgment.

(iv) **Additional Training.** In Franchisor's sole discretion and/or at the request of Franchisee, Franchisor may offer additional or supplemental training. Franchisee shall be responsible for all expenses incurred by such persons in connection with additional or supplemental training, including, without limitation, all cost of travel, lodging, meals and wages. Franchisor also reserves the right to charge an additional fee and to require attendance at additional trainings. Any new or replacement Operating Partner must attend Franchisor's training program. The fees for such training will vary depending on if we are providing additional training assistance (\$600 per day per trainer, plus travel and related expenses), ongoing training (\$300 per day) or seeking training for additional staff or replacement Operating Partner (\$300 per person per day plus travel and related expenses if the additional staff member attends training at Franchisor's designated location, or \$600 per person per day plus travel and related expenses if Franchisor travels to Franchisee's location).

(v) **Advice.** At Franchisee's reasonable request, Franchisor will promptly provide such advice and information as it considers reasonably appropriate to assist Franchisee with all methods and procedures associated with the System marketing and advertising; management and administration, the use of the System or any changes to it and the use and application of products

and services. Franchisee understands and agrees that such advice and information may be rendered by phone, electronically, through the Brand Standards Manual, training and/or by such other means as Franchisor deems appropriate in its sole discretion. Franchisor may, in its discretion, convene meetings of franchisees as it considers necessary or appropriate, in its discretion. If Franchisee requests advice, information, or assistance at a level greater than what is provided to other franchisees, Franchisor reserves the right to charge Franchisee its then-current training fee.

(vi) **Information.** Franchisor shall communicate to Franchisee information relating to the operation of a KONALA Franchised Business, and to the extent necessary or pertinent to the operation of the Franchised Business, Franchisor's know-how, new developments, techniques and improvements in the areas of store management, employee training, marketing and food preparation and service.

(vii) **Suppliers.** To the extent Franchisor has approved suppliers, Franchisor shall provide, at no expense to Franchisee, (1) a list of equipment, supplies, products and services for the Restaurant, (2) a list of recommended, approved, or required vendors or suppliers of such, provided that Franchisor reserves the right to amend and/or modify such list(s) at any time.

(b) **Legal Expenses.** Franchisor may in certain situations incur legal expenses while providing assistance to Franchisee with respect to, without limitation, lease negotiations, or other legal compliance issues. Such assistance may be at the request of Franchisee or required by Franchisor and may be provided by Franchisor in-house or by outside counsel; provided however, that Franchisor shall have the sole discretion as to whether or not to provide legal assistance. In the event Franchisor does incur legal expenses on behalf of Franchisee, Franchisee shall reimburse Franchisor for such expenses immediately upon notice from Franchisor. Franchisor may, at its option, be reimbursed by EFT.

(c) **Acknowledgement.** FRANCHISEE AGREES THAT FRANCHISOR IS NOT OBLIGATED TO PROVIDE ANY TRAINING OR ASSISTANCE TO FRANCHISEE'S PARTICULAR LEVEL OF SATISFACTION, BUT AS A FUNCTION OF FRANCHISOR'S EXPERIENCE, KNOWLEDGE AND JUDGMENT. FRANCHISEE ALSO ACKNOWLEDGES THAT FRANCHISOR IS NOT OBLIGATED TO PROVIDE ANY SERVICES TO FRANCHISEE THAT ARE NOT SET FORTH IN THIS AGREEMENT. IF FRANCHISEE BELIEVES FRANCHISOR HAS FAILED TO ADEQUATELY PROVIDE ANY PREOPENING SERVICES TO FRANCHISEE OR TO FRANCHISEE'S EMPLOYEES, WHETHER WITH RESPECT TO SITE SELECTION, SELECTION AND PURCHASE OF EQUIPMENT AND SUPPLIES, TRAINING, OR ANY OTHER MATTER AFFECTING THE ESTABLISHMENT OF FRANCHISEE'S FRANCHISED BUSINESS, FRANCHISEE MUST NOTIFY FRANCHISOR IN WRITING WITHIN THIRTY (30) DAYS FOLLOWING THE OPENING OF FRANCHISEE'S RESTAURANT OR FRANCHISEE WILL BE DEEMED TO CONCLUSIVELY ACKNOWLEDGE THAT ALL PRE-OPENING AND OPENING SERVICES REQUIRED TO BE PROVIDED BY FRANCHISOR WERE SUFFICIENT AND SATISFACTORY IN FRANCHISEE'S JUDGMENT, AND COMPLIANT WITH ALL REPRESENTATIONS MADE TO FRANCHISEE. IF FRANCHISEE FAILS TO SO NOTIFY FRANCHISOR, FRANCHISEE WILL BE DEEMED TO HAVE WAIVED ALL CLAIMS RELATING TO OR ARISING FROM FRANCHISOR'S OBLIGATIONS TO PROVIDE PRE-OPENING ASSISTANCE.

5. Territorial Provisions.

(a) **Territory.** Subject to the provisions of this Section 5, provided Franchisee is in compliance with its obligations under this Agreement, Franchisor agrees that during the Term it will not establish and operate, nor license any party other than Franchisee to establish and operate, a brick-and-mortar KONALA restaurant within the territory set forth on Attachment 1 hereto (the "Territory"), except

as Non-Traditional Restaurants, as defined below. Until such time as the Location is identified and agreed upon in the Franchise Rider or in the Site Selection Acceptance Letter (as defined in the Franchise Rider), no Territory will be granted to Franchisee and Franchisor shall have the right to locate other franchises anywhere Franchisor determines without interfering with any territorial rights of Franchisee. Notwithstanding anything in this Agreement to the contrary, Franchisee's Territory excludes enclosed malls, commercial kitchens, grocery stores, convenience stores, hospitals, schools, colleges and universities, airports, train stations, parks (including theme parks), sports arenas, military bases, casinos, business parks, large employers with on-site food venues, food trucks, and similar venues ("Non-Traditional Restaurants"). Franchisee recognizes and acknowledges that (i) it will compete with other KONALA restaurants which are now, or which may in the future be, located near or adjacent to Franchisee's Territory and (ii) that such stores may be owned by Franchisor, its affiliates, and/or third parties. There will be no protection granted to Franchisee in connection with delivery services provided by third parties since Franchisor has no control over where a third-party delivery service may deliver to.

(b) Off-Premises or Out-of-Territory Activities. Subject to this Section 5(b), Franchisee shall not solicit nor market to customers who are outside of its Territory, sell products off-Premises, or deliver goods or services to customers located inside or outside of its Territory, without receiving Franchisor's prior written permission. Franchisee shall follow all of Franchisor's standards, procedures, and instructions regarding any activities off-Premises or outside of the Territory. Franchisee shall not use any unapproved internet, phone, or mobile application capable of accepting orders placed from within or outside the Territory without Franchisor's prior written permission. Notwithstanding the foregoing, Franchisor does not make any warrant or represent that no other KONALA restaurant will solicit or make any sales within the Territory, and Franchisee hereby expressly acknowledges and agrees that such solicitation or sales could occur within the Territory. Franchisor shall have no duty to protect Franchisee from any such sales, solicitations, or attempted sales.

(c) Reservation of Rights. Franchisor grants franchises and the rights to develop and operate a Restaurant only pursuant to the express terms of written agreements and not orally. All rights that are not granted to Franchisee in this Agreement are specifically reserved to Franchisor, and Franchisor will not be restricted in any manner from exercising them nor will Franchisor be required to compensate Franchisee should Franchisor exercise them. This includes the right, directly or through others and regardless of either (a) proximity to Franchisee's Restaurant or Territory or (b) any actual or threatened impact on sales of Franchisee's Restaurant to:

(i) use the Marks and System in connection with establishing and operating KONALA restaurants at any location outside the Territory;

(ii) use the Marks or other marks in connection with selling or distributing any goods (including branded merchandise) or services anywhere in the world (including within the Territory), whether or not Franchisee also offers them, through channels of distribution other than providing them to customers onsite at Franchisee's Restaurant (including, for example, other temporary retail locations, kiosks, food trucks, catalogs, mail order, wholesaling, or the internet or other electronic means, or through delivery by Franchisor, Franchisor's affiliates, Franchisor's franchisees, and/or third party delivery services);

(iii) acquire, establish or operate, without using the Marks, any business of any kind at any location anywhere in the world (including within the Territory);

(iv) use the Marks in connection with soliciting or directing advertising or promotional materials to customers anywhere in the world (including within the Territory);

(v) establish or operate, or license other persons to establish or operate, a KONALA business within any Non-Traditional Restaurants anywhere in the world (including within the Territory); and

(vi) use the Marks or other marks to operate or approve other KONALA businesses to operate a food truck within the Territory.

(d) **Alternate Channels of Distribution.** Franchisee may offer and sell approved products and services only at Franchisee's Location, except as Franchisor otherwise approves in advance, and in such event only in accordance with the requirements of this Agreement and the procedures set forth in the Brand Standards Manual. Franchisee may not offer or sell products through any other means or locations, including via the internet, catering (except as permitted under Section 5(f)), or by delivery, except as Franchisor permits, and in such event only in accordance with the requirements of this Agreement and the procedures set forth in the Brand Standards Manual. Unless Franchisee obtain Franchisor's prior written permission, Franchisee shall only offer or sell products and services to retail customers for their use and consumption and not for resale. Franchisee shall not use any unapproved internet, phone, or mobile application capable of accepting orders placed from customers without Franchisor's prior written permission.

(e) **No Right of First Refusal or Options.** Franchisee has not right of first refusal or other options or rights to open any additional Restaurants.

(f) **Catering.** Franchisee may undertake catering activities, if and only if, prior written approval is given by Franchisor. Franchisor may in its sole discretion withhold approval from Franchisee to undertake catering activities. The Territory that Franchisee may service such catering activities in may be smaller than the Territory granted to Franchisee under this Agreement. Additionally, in the event that Franchisor grants Franchisee the option to service catering activities, there may be additional mandatory material, supplies, packaging, and equipment that Franchisee will be required to obtain prior to commencement of any catering activities. At such time Franchisor may provide Franchisee with a list of such material, supplies, packaging, and equipment that will need to be purchased from approved suppliers and vendors.

6. Premises.

Franchisee shall obtain Franchisor's acceptance of the Location. Franchisee may be required to use the service of a real estate broker that Franchisor approves or designates. The building at the accepted Location that will serve as the premises for operations of the Restaurant (the "Premises") is subject to the following:

(a) **Leased Premises.** It is the Franchisee's responsibility to select a site and negotiate the land lease, building lease if the location is an existing building and approved by the Franchisor or a build to suite lease for Franchisee's Restaurant. Franchisor is not obligated to assist Franchisee in locating a site location. Within 180 days after execution of this Agreement, Franchisee shall acquire or lease, at Franchisee's expense, commercial real estate that is properly zoned for the operation of the Restaurant. Failure by Franchisee to acquire or lease a site for the Restaurant within the time required herein shall constitute a default under this Agreement, and Franchisor, in its sole discretion, may terminate the Franchise Agreement pursuant to the terms of Section 15 of this Agreement. Franchisee is responsible for constructing, renovating or upfitting, or causing to be constructed, renovated or up fitted, the Restaurant. If Franchisee intends to lease the Premises, Franchisee shall submit to Franchisor executed copies of all such leases immediately after execution and at such other times as Franchisor may request. The term of the leases plus all options for Franchisee to renew shall together equal or exceed the Term. All leases pertaining to the Premises shall also include an Addendum in the form of Attachment 2 attached hereto or

shall contain terms and conditions substantially similar to those contained in Attachment 2 which Franchisor has accepted in writing. Franchisor shall not represent Franchisee in a legal capacity and advises Franchisee to seek independent legal counsel in the review and negotiation of its lease agreement. At times, Franchisor may, through its affiliate, enter into a lease directly with the landlord and subsequently sublease the Premises to Franchisee. A form of the Sublease Agreement is attached to this Agreement as Attachment 11.

(b) Owned Premises. If Franchisee intends to own the Premises, Franchisee shall obtain acceptance of the Premises from Franchisor and furnish Franchisor proof of ownership prior to the date Franchisee commences any construction, build-out or remodeling of the Premises. In the event that Franchisee proposes to lease the Premises from any Owner, manager, director, officer or other principal of Franchisee, or from any person or entity related to or affiliated with Franchisee or one or more of Franchisee's Owners, managers, directors, officers or other principals (the "Related Party"), Franchisor may require the Related Party to sign this Agreement and/or separate agreements for the purpose of binding the Related Party to applicable provisions of this Agreement, as determined by Franchisor. Franchisee shall also execute a written lease agreement accepted by Franchisor with the Related Party and deliver a copy to Franchisor. The terms of any such lease must comply with the terms set forth in Section 6(a).

(c) Premises Identification. Regardless of whether the Premises are owned or leased, and subject to Franchisor's rights described in Section 16, Franchisee shall remove all signs and other items and indicia which serve, directly or indirectly, to identify the Premises as a KONALA Restaurant within ten (10) days of the expiration, non-renewal, or termination of this Agreement. In the event Franchisee does not comply with this requirement, Franchisor may enter the Premises, without being guilty of trespass and without incurring any liability to Franchisee, to remove all signs and other items identifying the Premises as a KONALA Restaurant and to make such other modifications as are reasonably necessary to protect the Marks and KONALA System and to distinguish the Premises from KONALA restaurants. Provided, however, that this obligation of Franchisee shall be conditioned upon Franchisor giving Franchisee prior written notice of the modifications to be made and the items to be removed. Upon Franchisor's approval of a Premises, Franchisee shall execute the form of Site Selection Release attached hereto as Attachment 9.

(d) Suitability of Premises. Regardless of whether the Premises are owned or leased, it shall be the responsibility of Franchisee to determine that the Premises can be used, under all applicable laws and ordinances, for the purposes provided herein and that the Premises can be constructed, upfitted, or remodeled in accordance with the terms of this Agreement. Franchisee shall obtain all permits and licenses that may be required to construct, remodel, upfit, and operate the Restaurant, the Premises, and Franchised Business. Franchisee agrees that the Premises will not be used for any purpose other than the operation of the Franchised Business in compliance with this Agreement. FRANCHISEE EXPRESSLY ACKNOWLEDGES AND AGREES THAT FRANCHISOR'S ACCEPTANCE OF A SITE FOR FRANCHISEE'S RESTAURANT IS NOT AND SHALL NOT BE CONSTRUED AS A GUARANTEE OR ASSURANCE THAT THE BUSINESS WILL BE PROFITABLE.

(e) Assignments. Franchisee shall not renew or materially alter, amend, or modify any lease, or make or allow any transfer, sublease or assignment of its rights pertaining to the Premises without first obtaining Franchisor's written consent, which shall not be unreasonably withheld.

(f) Construction. Franchisee agrees that it will construct or remodel (if applicable) the Premises at the accepted Location in accordance with Franchisor's standards and specifications for the construction, remodeling, layout, design, and décor for KONALA businesses ("Construction Standards"). If Franchisor develops a standard set of construction or remodel plans (collectively, the "Standard Plans"), they will be provided by Franchisor at no cost to Franchisee. Franchisee shall purchase or lease the equipment, fixtures, and furnishings that conform with Franchisor's Construction Standards. Franchisee is solely responsible for the construction of the Premises. Franchisee shall obtain Franchisor's acceptance of

Franchisee's proposed plans for construction, remodeling, layout, design, and décor for the Franchised Business. Franchisee will commence any required construction promptly after execution of a lease for or closing on the purchase of the Premises. Franchisee shall maintain continuous construction of the Premises until completion. Franchisee will complete construction in accordance with the plans for the Franchised Business Franchisor has accepted. Except as may be required to have the accepted plans changed to comply with the Applicable Law, Franchisee shall not deviate from the accepted plans without the prior approval of Franchisor. Franchisor has no obligation to include the requirements of any Applicable Law in the Construction Standards or in the Standard Plans. Franchisee also acknowledges that the requirements of the Construction Plans may exceed those required under the Applicable Law. "Applicable Law" means any law, rule, regulation, code or requirement applicable to the construction, remodeling, design, layout, building, permitting, and development of the Franchised Business, including, without limitation the Americans With Disabilities Act ("ADA") or similar rules governing public accommodations for persons with disabilities. It is solely Franchisee's responsibility to make sure that the design and construction of the Franchised Business and the Premises are in compliance with all Applicable Laws. Franchisee Indemnifying Parties (as defined in Section 17 of this Agreement) shall indemnify and hold Franchisor Indemnified Parties (as defined in Section 17 of this Agreement) harmless against any and all claims, actions, causes of action, costs, fees, fines and penalties, of every kind and nature, should the design and/or construction of the Premises fail in any way to comply with any Applicable Laws. Franchisor has the right to require Franchisee to use an approved architect, general contractor, construction manager, or other supplier of design, engineering, construction, and related services. Franchisee agrees to provide Franchisor construction progress updates in a form approved by Franchisor at the intervals designated by Franchisor. If applicable, Franchisee agrees that it shall purchase or lease any required pre-fabricated units from Franchisor's designated supplier as required for the construction of the Konala Restaurant.

(g) Signs. Franchisee shall prominently display, at its own expense, both on the interior (if applicable) and exterior of the Premises, advertising signs in such form, color, number, location, and size, and containing such Marks, logos, and designs as Franchisor shall designate. Franchisee will be responsible for ordering any required signage, including an exterior sign for the Restaurant, from an approved vendor at Franchisee's expense. Franchisee shall obtain all permits and licenses required for such signs and shall also be responsible for ensuring that all signs comply with all laws and ordinances. Franchisee shall not display in or upon the Premises any sign or advertising of any kind to which Franchisor objects.

(h) Inspections. Franchisor and its agents have the right to inspect the Premises, and/or Restaurant, with or without notice, in person or remotely via communications technology, in order to inspect, photograph, and/or videotape on-going new construction or leasehold improvements, designs, purchased and installed equipment, operations, the performance of any and all services by Franchisee and/or Franchisee's employees, invitees or agents, and use and operations of the Franchised Business to ensure compliance with all requirements of this Agreement and the Brand Standards Manual. Franchisee will cooperate with Franchisor's representatives in those inspections by rendering whatever assistance Franchisor may reasonably request, including using communications or audiovisual technology, such as a smartphone, to facilitate the remote inspection by Franchisor or Franchisor's agents and the assistance necessary to enable Franchisor to contact and interview contractors, vendors and suppliers, as well as Franchisee's customers and former customers. If Franchisor permits Franchisee to deliver food or services to customers, Franchisee also grants Franchisor and its agents the right to enter and inspect the vehicles used for delivery at any time prior to use by the Franchisee in order to assess its compliance with Franchisor's standards. Franchisee shall cooperate with Franchisor's representatives with those inspections by rendering whatever assistance they may reasonably request, including assistance necessary to enable Franchisor to contact and interview any architect, designer, vendor, contractor, sub-contractor or Franchisee employee. Upon reasonable notice from Franchisor, and without limiting Franchisor's other rights under this Agreement, Franchisee, at its sole expense, shall take such steps as deemed to be necessary by the Franchisor to immediately correct any and all deficiencies detected during any such inspection, including without limitation, correcting construction deficiencies or defects, replacing equipment and supplies,

repairing or replacing the delivery vehicles, and requiring the Franchisee to desist from the further use of any equipment, designs, advertising materials, products, and/or supplies that do not conform with Franchisor's then-current plans and specifications, standards or requirements. Franchisee acknowledges and agrees that any and all inspections by Franchisor and all demands made by Franchisor to correct deficiencies and conform to Franchisor's standards and specifications will not constitute a representation or warranty by Franchisor that the Franchised Business or the Premises comply with applicable laws, codes, ordinances, regulations or governmental standards.

(i) Remodeling and Re-equipping. Franchisor reserves the right to require Franchisee to generally refurbish the Restaurant, at Franchisee's expense, in order to conform to the building design, trade dress, color schemes and presentation of the Marks in a manner consistent with the then-current image for KONALA franchises and may include, without limitation, structural changes, installation of new materials and equipment, remodeling, redecoration, changing color schemes, and modifications and/or repairs to existing improvements. Such remodeling and re-equipping may include, without limitation, replacing worn out, obsolete, or dated equipment, fixtures, furnishings and signs; structural modifications, redecorating; purchasing more efficient or improved equipment; or, to the extent Franchisee is permitted to deliver food or services to customers, replacing the delivery vehicles with a new or used vehicle that meets Franchisor's then-current vehicle specifications. Franchisor may require Franchisee to perform remodeling and to purchase equipment at such times as Franchisor, in its sole discretion, deems necessary and reasonable. FRANCHISEE ACKNOWLEDGES THAT EQUIPMENT, ALTERATIONS AND RENOVATIONS REQUIRED BY FRANCHISOR MAY INVOLVE SUBSTANTIAL ADDITIONAL INVESTMENT BY FRANCHISEE DURING THE TERM OF THIS AGREEMENT. In the event of Franchisee's delay, refusal, or failure to make repairs or modifications to the Premises as specified by this Section 6(i), Franchisor or its agents may enter the Premises, without further notice and without liability for trespass or other tort and with Franchisee's complete cooperation, and remove, repair, and/or replace, at Franchisee's expense, any items which do not conform to Franchisor's then-current standards and specifications or which are not in conformity with Franchisee's obligation to maintain the Restaurant and the Premises in the highest degree of repair and condition. In addition to any and all other remedies that the Franchisor may have in law or in equity, Franchisee shall reimburse the Franchisor for all out-of-pocket expenses incurred by Franchisor in connection with any refurbishing work performed by the Franchisor pursuant to this Section 6(i), plus an administrative fee of fifteen percent (15%) of the total aggregate amount of expenses incurred by the Franchisor. In the event that the Franchisee fails to reimburse Franchisor within seven (7) days of the date Franchisee is billed for all such amounts, Franchisee authorizes Franchisor to collect all amounts due, including interest and late fees in the amounts specified in this Agreement, through electronic banking transfers. These remodeling and refurbishing obligations are in addition to Franchisee's general responsibility to maintain the condition and appearance of the Premises consistent with Franchisor's then-current standards. Franchisee must keep the Premises, including all of its fixtures, furnishings, equipment, materials, and supplies, in the highest degree of cleanliness, orderliness, and repair, as determined by Franchisor.

(j) Relocation. Franchisee shall not relocate the Restaurant without first obtaining Franchisor's written consent, which shall not be unreasonably withheld. Franchisee or the Owner, as applicable, shall pay to Franchisor a relocation fee equal to \$10,000 ("Relocation Fee"). Fifty percent (50%) of such Relocation Fee must be deposited with Franchisor on a non-refundable basis on Franchisee's notification to Franchisor of the proposed relocation and prior to Franchisor's undertaking any review, drafting of documents, training, or other activities. The remaining fifty percent (50%) of the Relocation Fee shall be due upon Franchisor's acceptance of Franchisee's site location. If Franchisor does not approve the relocation, Franchisee's Relocation Fee will be returned to Franchisee minus Franchisor's expenses incurred (including legal fees) for review and consideration of the relocation.

(k) Consent to Open. At least thirty (30) days prior to opening the Restaurant and commencing business, Franchisee must obtain Franchisor's written permission and approval to open which

shall be based on Franchisor's determination that Franchisee is ready to open and satisfactorily prepared to operate the Restaurant.

7. **Proprietary System and Marks.**

(a) **Ownership; Use by Others.** Franchisor and its affiliates shall have and retain all rights associated with the Marks other than those expressly licensed herein, including, but not limited to the following: (a) to use the Marks in connection with selling products and services; (b) to grant licenses to others to use the Marks, in addition to those licenses already granted to existing franchisees and affiliates; (c) to develop and establish other systems using the Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses or franchises thereto without providing any rights therein to Franchisee; and (d) to sell and distribute food, beverages, and other items via alternate distribution channels bearing the Marks. Franchisee acknowledges that any unauthorized use of the System or the Marks is and shall be deemed an infringement of Franchisor's rights. Franchisee shall execute any documents deemed necessary by Franchisor or its counsel for the protection of the System and the Marks or to maintain their validity or enforceability, or to aid Franchisor in acquiring rights in or in registering any of the System and the Marks or any trademarks, trade names, service marks, slogans, logos and emblems subsequently adopted by Franchisor. Franchisee shall give notice to Franchisor of any knowledge that Franchisee acquires regarding the use by others of the same or similar names or marks or of any claim or litigation instituted by any person or legal entity against Franchisee involving the System or any of the Marks. Franchisee shall cooperate with Franchisor in any suit, claim or proceeding involving the System or the Marks or their use to protect Franchisor's rights and interest in the System and the Marks. In the event of any settlement, award or judgment rendered in favor of Franchisor relating to the use or ownership of the System or the Marks, such settlement, award or judgment shall be the sole property of Franchisor and Franchisee shall not be entitled to or make any claim for all or any part of it.

(b) **Use of Marks.** During the term of this Agreement or thereafter, directly or indirectly, Franchisee shall not commit any act of infringement or contest or aid in contesting the validity or ownership of the System or the Marks or take any other action to disparage them. Franchisee shall use the Marks only in connection with the operation of the Restaurant at the Location specified herein and shall use them only in the manner authorized by Franchisor. Franchisee shall prominently display the Marks in the manner prescribed by Franchisor on all signs, bowls, containers, cups, plastic and paper products, and other supplies and packaging materials designated by Franchisor. Franchisee shall not fail to perform any act required under this Agreement or commit any act which would impair the value of the Marks, or the goodwill associated with the Marks. Franchisee shall not at any time engage in any business or market any products or service under any name or mark which is confusingly or deceptively similar to any of the Marks. Franchisee shall not use any of the Marks as part of its corporate or trade name and shall not use any trademark, trade name, service mark, logo, slogan or emblem in connection with the Franchised Business that has not been authorized by Franchisor. Franchisee shall obtain such fictitious or assumed name registrations as may be required by Franchisor or applicable state law. Franchisee shall not attempt to register or otherwise obtain any interest in any Online Presence containing or utilizing any of the Marks or any other word, name, symbol or device which is likely to cause confusion with any of the Marks. Franchisee has no right to use the Marks online except as Franchisor shall expressly allow and in accordance with Franchisor's Brand Standards Manual. Franchisee also acknowledges that its use of the Marks pursuant to this Agreement does not give Franchisee any ownership or other interest in or to the Marks, except the license granted by this Agreement.

(c) **Designation as Franchisee.** Franchisee shall take such additional action as may be necessary under the laws of the state in which the Franchised Business is operated to make clear to the public that Franchisee is an independent franchisee of Franchisor and not owned by Franchisor. Franchisee shall post in a conspicuous location at the Premises, as well as on invoices, purchase orders, marketing

materials and the like that “This KONALA Franchise is independently owned and operated by [franchisee entity name] under license from KONALA FRANCHISING LLC.”

(d) Discontinuance of Use: Additional Marks. Franchisor has the right to change, revise, or substitute different Marks for use in identifying the System, the Franchised Business, and the products sold or offered for sale through the Franchised Business, if Franchisor, in its sole discretion, determines that change, revision, or substitution of different Marks will be beneficial to the System. In such circumstances, the use of the substitute proprietary marks shall be governed by the terms of this Agreement. Franchisee shall comply with each such change, revision, or substitution and bear all expenses associated therewith. In the event that a court of competent jurisdiction should order, or if Franchisor in its sole discretion should deem it necessary or advisable, Franchisee shall modify or discontinue use of any Mark. Franchisee shall comply with Franchisor’s directions regarding any such Mark within thirty (30) days after receipt of notice from Franchisor or, if such modification or discontinuance is court-ordered, immediately. Franchisor shall not be obligated to compensate Franchisee for any costs or expenses incurred by Franchisee in connection with any such modification or discontinuance. Franchisee shall also use such additional or substitute Marks as Franchisor shall direct.

(e) Changes in Law Affecting Marks. In the event that the trademark law is amended so as to render inapplicable any of the provisions of this Agreement, Franchisee shall sign any documents and do such other act and thing as in the opinion of Franchisor may be necessary to effect the intent and purpose of the provisions of this Agreement.

(f) Copyrights and Patents. Franchisee acknowledges that as between Franchisee and Franchisor, any and all present or future copyrights relating to the System or KONALA concept, including, but not limited to, the Brand Standards Manual, training curriculum, menus, recipes, construction plans and specifications and marketing materials, belong solely and exclusively to Franchisor. Franchisee acknowledges that as between Franchisee and Franchisor, any and all present or future patents relating to the System or KONALA concept belong solely and exclusively to Franchisor. Franchisee has no interest in the copyrights or patents beyond the nonexclusive License granted in this Agreement.

(g) Ideas and Innovations. All inventions, training curriculum, ideas, concepts, designs, techniques, materials, applications, trademarks, service marks, enhancements, modifications, improvements or other processes, methods and designs, technologies, recipes, food preparation techniques, computer software, electronic code, original works or authorship, formulas, patents, copyrights, marketing and business plans and ideas, and all improvements and enhancements thereto that Franchisee may develop, invent, discover, conceive or originate, alone or in conjunction with any other person or persons during the Term that relate in any way, either directly or indirectly, to the Franchised Business and/or the System (collectively referred to as “Inventions and Ideas”) developed by the Franchisee and its Owners, guarantors, officers, directors, employees, agents, or representatives, either in whole or in part during the Term, shall be the exclusive property of Franchisor. Franchisee must promptly disclose the existence of any and all Inventions and Ideas to Franchisor. To the extent that the Inventions and Ideas are not “work made-for-hire” for Franchisor, Franchisee, Owners, and all guarantors of this Agreement hereby assign to Franchisor, without compensation, all right, title and interest in such Inventions and Ideas, and agree that they will execute any and all instruments and do any and all acts necessary or desirable to establish and perfect in Franchisor the entire right, title and interest in such Inventions and Ideas. Franchisor may incorporate such items into the System. As Franchisor may reasonably request, Franchisee shall, at Franchisor’s expense, take all actions reasonably necessary to assist Franchisor’s efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not.

(h) Customer and Other Data. Franchisee shall maintain a current list of the names, home addresses, work addresses, e-mail addresses and telephone numbers of the customers and past customers who have provided such information to the Franchised Business (the “Customer List”). Franchisee shall

provide the Customer List to Franchisor upon request. The Customer List shall be the property of Franchisor and Franchisor shall have the right to use, in its sole discretion, the Customer List for any purposes. Franchisee shall not disclose such information to any person or entity other than Franchisor, sell such list(s) or any portions thereof to any person or entity, or delete the Customer List without the express written consent of Franchisor. Likewise, other data collected by Franchisee or Franchisee's information technology system and Computer Systems (Customer Data and the other data collectively referred to herein as "Franchisee Data") is deemed to be owned by Franchisor, and Franchisee agrees to furnish the Franchisee Data to Franchisor at any time that Franchisor requests it. Franchisor hereby grants Franchisee a limited license to use Franchisee Data while this Agreement or a successor franchise agreement is in effect, but only in accordance with the policies that Franchisor establishes periodically and applicable law. Upon termination, non-renewal, or expiration of this Agreement for any reason, Franchisor shall be the exclusive owner of Franchisee Data, and Franchisee shall not use or disclose Franchisee Data in any form or manner. Franchisee shall not be due any compensation based upon Franchisor use of the Franchisee Data. Franchisee may not sell, transfer, or use Franchisee Data for any purpose other than marketing KONALA products and services.

(i) **Indemnification With Respect to Use of the Marks.** Franchisor shall not be required to indemnify Franchisee against or reimburse Franchisee for any loss or damages arising out of Franchisee's use or misuse of any Mark. Franchisor shall not indemnify Franchisee for any use or misuse of Franchisor's copyrights, patents, Customer Lists, Franchisee Data, or indicia.

8. Advertising.

(a) **Contributions and Expenditures.** Recognizing the value of advertising and the importance of the standardization of advertising to the furtherance of the goodwill and public image of the System, Franchisor and Franchisee agree as follows:

(i) **Grand-Opening Advertising.** Franchisee is required to spend a minimum of Twenty-Five Thousand Dollars (\$25,000) for grand-opening advertising to publicize the existence and opening of its first Restaurant and Fifteen Thousand Dollars (\$15,000) for each subsequent Restaurant, which advertising shall be in such form designated by Franchisor and which shall be conducted during the period sixty (60) days surrounding the opening of the Restaurant (beginning 30 days prior to opening and ending 30 days after opening). Franchisee may expend additional amounts on such advertising, provided the form and content is approved by Franchisor as provided in Section 8(e). The Franchisor must receive and approve Franchisee's grand opening marketing plan before Franchisee attends Franchisor's initial training program. Franchisor reserves the right to collect this amount from Franchisee and spend it on Franchisee's behalf.

(ii) **Minimum Local Marketing Spend.** In addition to the grand opening requirements of Section 8(a)(i), Franchisee shall spend on local marketing the greater of Eight Hundred Fifty Dollars (\$850) or one percent (1%) of Net Sales per month ("Local Marketing Spend") in accordance with Franchisor's standards as set forth in the Brand Standards Manual, unless this requirement is waived in writing by Franchisor. Franchisor reserves the right to increase the flat amount up to ten percent (10%) each year. Franchisee shall submit verification of its local marketing expenditures at such times and in such form as may be requested by Franchisor from time to time. In the event that Franchisee fails to meet the Local Marketing Spend and/or fails to provide Franchisor with verification thereof, Franchisee shall pay to the Brand Development Fund Franchisee's Local Marketing Spend, less the amount Franchisee actually paid for local marketing. Franchisor has the right to require Franchisee to use the Local Marketing Spend to pay for specific advertising services, from suppliers approved by Franchisor. Franchisor may require Franchisee to remit the Local Marketing Spend to the Franchisor or its affiliates in exchange for local

marketing services the Franchisor or its affiliate will provide to Franchisee. All local advertising shall either have been prepared by Franchisor or approved by Franchisor pursuant to Section 8(e).

(b) Brand Development Fund.

(i) Contribution. Each week during the Term in which a brand development fund (“Brand Development Fund”) has been established, Franchisee shall contribute to the Brand Development Fund such amount as Franchisor may designate from time to time, which amount may be raised to no more than four percent (4%) of Net Sales of the Franchised Business. The initial contribution amount is two percent (2%) of Net Sales of the Franchised Business as of the date of this Agreement. Franchisor has the sole discretion to settle or forgive any accrued and unpaid Brand Development Fund contributions owed by any franchisee. Franchisee shall make its weekly contribution to the Brand Development Fund on the date and in the manner as Franchisor may designate from time to time. Franchisee agrees to make such contributions by EFT or in such other manner as the Franchisor may require, on or before each Due Date based on Franchisee’s Net Sales from the calendar week immediately preceding the Due Date or such other date(s) identified by Franchisor with thirty (30) days’ prior written notice.

(ii) Use. Franchisor has the sole discretion to determine how and where the Brand Development Fund contributions are spent to promote, enhance, or further the growth of the System, the restaurants, and the brand, and the Brand Development Fund, all contributions thereto, and any earnings thereon shall be used for such purposes. Uses of the Brand Development Fund include, but are not limited to, research; promotional marketing, public relationships and advertising expenses; developing new sources of franchisee revenue; hiring marketing, public relations, and advertising agencies, technology companies, or in-house personnel to assist in developing the KONALA brand name; developing, evaluating, or using technologies that Franchisor believes may benefit the brand, the customers, the franchisees, or the brand’s reputation; expenses associated with listings in online directories, digital marketing content, influencer marketing, radio, billboard, TV, print, or internet advertising, and events and promotions designed to garner media attention and promote the brand name; expenses associated with conducting market research; travel expenses in connection with promotions and marketing meetings, training, development of trademarks and trademarked materials; production of marketing, public relations, digital, or social media content, including but not limited to advertisements, coupons, and promotional materials (including point of purchase materials); technology development and enhancements for the brand; expenses incurred in developing and maintaining non-franchise sales portions of any Online Presence; developing and maintaining any Online Presence; expenses incurred in using search engine optimization and pay per click advertising software, services or companies to help promote the brand; and for any other use Franchisor determines. Sums paid by Franchisee shall not be used to defray any of Franchisor’s expenses, except for such reasonable administrative costs and overhead, if any, that Franchisor may incur in activities reasonably related to the administration or direction of the Brand Development Fund and promotion and advertising programs for franchisees, the KONALA brand, and the System, including, among other things, the cost of personnel for creating and implementing advertising, promotional, and marketing programs.

(iii) Administration. The Brand Development Fund is not and shall not be an asset of Franchisor or its designee. The Brand Development Fund is administered by Franchisor’s accounting and marketing personnel under Franchisor’s direction. The Brand Development Fund is not audited. Franchisor, in its sole discretion, may make available an unaudited accounting of the Brand Development Fund annually, which accounting may be internally prepared. At Franchisor’s option, Franchisor can create a separate entity to be the recipient of Franchisee’s Brand Development Fund contributions and Franchisee agrees, upon Franchisor’s request, to tender Brand Development Fund payments to said entity. Franchisor, in Franchisor’s sole discretion, may spend

in any fiscal year an amount greater or less than the aggregate contributions to the Brand Development Fund in that year, and the Brand Development Fund may borrow from Franchisor or other lenders to cover deficits of the Brand Development Fund or cause the Brand Development Fund to invest any surplus. Franchisee acknowledges that other franchisees may not be required to contribute to the Brand Development Fund or may be required to contribute at different amounts or percentages of sales than Franchisee. Franchisor is not obligated to maintain the Brand Development Fund contributions or income earned in a separate account from other Franchisor funds.

(iv) **Weekly Payment Option.** For administrative convenience and at Franchisor's option, in lieu of collecting the Brand Development Fund percentage designated in Section 8(b)(i), Franchisor, at its option, may designate an amount certain as a weekly payment, which will be drafted instead of the variable amount. Franchisor will use commercially reasonable efforts to have the amount certain reasonably relate to the anticipated annual Brand Development Fund contribution which would otherwise be due if the exact percentage were calculated. Upon delivery by thirty (30) days' prior written notice by Franchisee to Franchisor, Franchisee can thereafter elect to abandon the sum certain contribution in lieu of the Brand Development Fund contribution percentage designated in Section 8(b)(i).

(v) **No Proportionality.** Franchisee agrees and acknowledges that contributions to the Brand Development Fund are intended to increase recognition of the Marks and to further the public image and acceptance of the System and that Franchisor does not undertake any obligation to ensure that expenditures from the Brand Development Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Brand Development Fund by franchisees operating in such geographic area or that Franchisee or the Franchised Business will benefit directly or in proportion to its contribution to the Brand Development Fund.

(vi) **Liability.** Neither Franchisor nor any of its respective officers, directors, agents or employees, shall be liable to Franchisee with respect to the maintenance, direction or administration of the Brand Development Fund, including without limitation, with respect to contributions, expenditures, investments or borrowing, except for acts constituting willful misconduct. THE BRAND DEVELOPMENT FUND IS NOT A TRUST FUND. FRANCHISOR SHALL HAVE NO FIDUCIARY DUTY TO FRANCHISEE IN CONNECTION WITH THE COLLECTION OR USE OF THE BRAND DEVELOPMENT FUND MONIES OR ANY ASPECT OF THE OPERATION OF THE BRAND DEVELOPMENT FUND. FRANCHISEE ACKNOWLEDGES AND AGREES THAT FRANCHISOR WILL HAVE NO LIABILITY TO FRANCHISEE FOR ANY DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES ARISING OUT OF OR IN ANY WAY CONNECTED TO THE BRAND DEVELOPMENT FUND OR ANY ADVERTISING PROGRAMS OR FRANCHISOR'S MODIFICATION OR DISCONTINUANCE FOR ANY REASON OF THE BRAND DEVELOPMENT FUND OR ANY MARKETING, BRANDING, OR ADVERTISING PROGRAMS, OR FRANCHISEE'S PARTICIPATION THEREIN.

(c) **Local Cooperative Advertising.** Franchisee agrees that Franchisor shall have the right, in its sole discretion, to designate from time to time a geographical area in which the Franchised Business is located for the purpose of establishing an advertising cooperative (the "Cooperative"). If a Cooperative has been established applicable to the Franchised Business at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Cooperative. If a Cooperative applicable to the Franchised Business is established at any later time during the Term, Franchisee shall become a member of such Cooperative no later than thirty (30) days after the date on which the Cooperative commences operation. In no event shall the Franchised Business be required to contribute to more than one Cooperative. The following provisions shall apply to each Cooperative:

(i) Each Cooperative shall be organized and governed in a form and manner, and shall commence operation on a date, approved in advance by Franchisor in writing.

(ii) Each Cooperative shall be organized for the purposes of producing and conducting general advertising programs and activities for use in and around the applicable geographic area and developing standardized promotional materials for use by the members.

(iii) No advertising programs or materials may be used by the Cooperative or furnished to its members, and no advertising or promotional activities may be conducted by the Cooperative, without the prior written approval of Franchisor. All such programs, materials and planned activities shall be submitted to Franchisor for approval in accordance with the procedure set forth in Section 8(e).

(iv) Subject to the provisions of Section 8(c)(iv), each cooperative shall have the right to require its members to make contributions to the Cooperative in such amounts as are determined by the governing body of the Cooperative. In no event shall members be required to contribute more than fifty percent (50%) of the amount of the Local Advertising amount unless such amount is increased by a majority vote by the cooperative of the Franchised Business.

(v) Franchisee shall make its contributions to the Cooperative on the date and in the manner designated by the Cooperative. Franchisee shall also submit such statements and reports as may be designated from time to time by the Cooperative. The Cooperative shall submit to Franchisor such statements and reports as Franchisor may designate from time to time.

(vi) Notwithstanding the foregoing, Franchisor, in its sole discretion, may, upon written request of a franchisee stating reasons supporting such request, grant to any franchisee an exemption from the requirement of membership in a Cooperative. Such an exemption may be for any length of time and may apply to one or more Franchised Businesses owned by such franchisee. If an exemption is granted to a franchisee, such franchisee may be required to spend on local advertising the full amount that would otherwise be payable to the Cooperative. Franchisor, in its sole discretion, may also exempt one or more stores owned or controlled by Franchisor or its affiliate from the requirement of membership in a Cooperative for such periods as Franchisor deems appropriate.

(vii) The Cooperative is not a trust fund. Franchisor shall have no fiduciary duty to Franchisee in connection with the collection or use of the Cooperative monies or any aspect of the operation of any Cooperative.

(d) **Supplemental Advertising.** Franchisee shall have the right to conduct, at its separate expense, supplemental advertising in addition to the expenditures specified in this Section 8. All such supplemental advertising shall either be prepared by Franchisor or approved by Franchisor pursuant to Section 8(e).

(e) **Approval by Franchisor.** Any and all advertising and promotional materials Franchisee uses must be approved by the Franchisor. Franchisor may require Franchisee to use only advertising materials prepared by the Franchisor. Prior to their use by the Cooperative or by Franchisee, all advertising and promotional materials not prepared or previously approved by Franchisor within the ninety (90) day period preceding their intended use shall be submitted to Franchisor for approval. If approval is not received within twenty (20) days from the date of receipt by Franchisor of such materials, the materials shall be deemed disapproved by Franchisor. Franchisor may disapprove of any advertising or promotional materials at any time. Neither the Cooperative nor Franchisee shall use any disapproved advertising or promotional materials regardless of whether any such items had been previously approved by Franchisor.

(f) Franchisor Advertising. Franchisor may, from time to time, expend its own funds to produce such promotional materials and conduct such advertising as it deems necessary or desirable. In any advertising conducted solely by or for Franchisor, Franchisor shall have the sole discretion to determine the products and geographical markets to be included, and the medium employed and Franchisor shall not have any duty or obligation to supply Franchisee with any advertising or promotional materials produced by or for Franchisor at its sole expense. Franchisor disclaims and Franchisee hereby acknowledges that Franchisee has not received or relied upon any warranty regarding the success of any advertising and/or promotional plans or materials recommended by Franchisor for use by Franchisee. Further, Franchisee acknowledges and agrees that all advertising and promotional plans and materials created in whole or in part by Franchisor are and remain the exclusive property of Franchisor. Franchisor shall have the right to include promotion of available franchises in all marketing and advertising materials, including, but not limited to, signage in store, websites, print media, and TV or radio spots.

(g) Ownership of Advertising. Franchisor shall be the sole and exclusive owner of all materials and rights which result from advertising and marketing program produced and conducted, whether by Franchisee, Franchisor, the Cooperative or the Brand Development Fund. Any participation by Franchisee in any advertising, whether by monetary contribution or otherwise, shall not vest Franchisee with any rights in the Marks employed in such advertising or in any tangible or intangible materials or rights, including copyrights, generated by such advertising. If requested by Franchisor, Franchisee shall assign to Franchisor any contractual rights or copyright it acquires in any advertising.

(h) Use of Online Presence and Email. Franchisee will not, directly or indirectly, establish or operate an Online Presence that in any way concerns, discusses, or alludes to Franchisor, the System or the Restaurant without Franchisor's written consent, which Franchisor is not obligated to provide, and which Franchisor can revoke in its sole discretion. An "Online Presence" includes (1) the brand website, other webpages, URLs, or domain names; (2) accounts, pages, or profiles on social media sites; social networking sites; news sites; online, internet, or digital directories; video, photography, and messaging services; blogs; or forums; (3) e-commerce sites or accounts; (4) digital or online advertising and marketing content and services; (5) mobile applications; (6) virtual reality platforms; (7) any identifiers of an Online Presence; or (8) a presence on any other type of online, internet, virtual, or digital tool, good, or service that may be developed. Further, the Marks may not be used as part of, in conjunction with, to establish or to operate any Online Presence or email address, unless specifically approved by the Franchisor, which approval Franchisor is not obligated to provide, and which Franchisor can revoke in its sole discretion. Franchisee will not post, and will take such steps as necessary to ensure that its employees and independent contractors do not post, any information to an Online Presence relating to Franchisor, the System, the Marks, or the Restaurant that (a) does not comply with the Franchisor's then-current brand, social media, or Online Presence guidelines described in the Brand Standards Manual or otherwise provided to Franchisee, (b) is derogatory, disparaging, or critical of Franchisor, the System or the Marks, (c) is offensive, inflammatory or indecent, or (d) harms the goodwill and/or public image of the System and/or the Marks. Franchisee shall not establish or permit or aid anyone else to establish any links to any Online Presence which Franchisor may create. Any Online Presence will be deemed "advertising" under this Agreement and will be subject to (among other things) Franchisor's approval under this Agreement. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by an Online Presence or email address without Franchisor's prior written approval of Franchisee's plan for transmitting such advertisements. Franchisor alone has the right, but not the obligation, to establish, maintain, modify or discontinue all internet and electronic commerce activities pertaining to the System, including through any Online Presence. Franchisor shall not be liable for downtime that may occur to any Online Presence or email address, whether such downtime is caused by Franchisor or a third-party. Franchisor alone will be, and at all times remain, the sole owner of the copyrights to all material which appears on any Online Presence, including any and all material Franchisee may furnish to Franchisor for use on an Online Presence. Ownership of all URLs, email addresses, and other identifiers with any such Online Presence shall vest exclusively in Franchisor. Franchisor shall have the right, but not the obligation,

to designate one or more webpage(s) or other form of Online Presence to describe Franchisee and/or the Restaurants, and any such webpage(s) or Online Presence may be located within Franchisor's website or another Online Presence. Franchisee shall comply with Franchisor's policies with respect to the creation, maintenance and content of any such web page(s) and any other Online Presence. All content included on such an Online Presence shall be subject to Franchisor's approval. Franchisor shall have the right to refuse to post and/or discontinue posing any content and/or the operation of any webpage or Online Presence. Franchisee shall not establish a separate website, email address, or Online Presence, without Franchisor's prior written approval (which Franchisor shall not be obligated to provide, and which Franchisor can revoke in its sole discretion). If approved to establish an Online Presence, Franchisee shall comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance, operation, and content of any such Online Presence and email address. For any Online Presence and email address Franchisee is approved to create or use, Franchisor reserves the right, at its sole option and discretion, to have the Online Presence and/or email address directly owned by Franchisor or to require any such Online Presence and/or email address be transferred to Franchisor upon the termination, expiration, or non-renewal of this Agreement for any reason. Franchisor has the right to require that any Online Presence or email address Franchisee is permitted to create, use, or maintain be registered in Franchisor's name. Upon request, Franchisee must provide Franchisor with any login credentials for any Online Presence or email address Franchisee is authorized to create, use, or maintain. Franchisor has the right to access any Online Presence to take corrective action if any content or post on the Online Presence is in violation of Franchisor's policies. Franchisee must adhere to the Online Presence policies established from time to time by Franchisor and Franchisee will require all of Franchisee's employees to do so as well. Franchisee shall not Franchisor shall have the right to Franchisor shall have the right to modify the provisions of this subsection relating to any Online Presence as Franchisor shall solely determine is necessary or appropriate.

(i) **Telephone Number.** Franchisee shall establish a local telephone number for the Franchised Business. Franchisee shall keep Franchisor notified as to the current telephone number for the Franchised Business. In no event shall Franchisee use such number for any other business. Franchisee further covenants that in the event it obtains any additional or substitute telephone service or telephone number at the Franchised Business, it will promptly notify Franchisor. If Franchisee's Owner or employees use personal cellphone numbers in connection with the operations of the Restaurant, Franchisor has the right to require them to assign the numbers to Franchisor.

9. **Operations, Standards of Quality, Inspections.**

(a) **Operating Partner.** Franchisee shall designate an individual to serve as the "Operating Partner" for the Franchised Business, which may be Franchisee or an Owner of an equity interest of at least 10% or greater in Franchisee. The Operating Partner shall meet the following qualifications:

(i) **Management Responsibility.** The Operating Partner shall devote full time and best efforts to the management, supervision, and conduct of the development and operation of the Franchised Business in order to ensure compliance with this Agreement and to maintain Franchisor's high standards. Management responsibility shall include, without limitation, maintaining the highest standards of service, sanitation, product quality and consistency and supervising employees to ensure that the highest standard of service is provided and to ensure that Franchisee's employees deal with customers, suppliers, Franchisor, and all other persons in a courteous and polite manner. The Operating Partner should ensure that a trained manager is on-site at all hours of operation of the Franchised Business.

(ii) **Qualifications.** The Operating Partner shall be approved by Franchisor, complete Franchisor's initial training requirements, participate in and complete to Franchisor's satisfaction all additional training as may be reasonably required by Franchisor. The Operating Partner shall

agree in writing to be bound by non-compete, non-solicitation, and confidentiality provisions substantially similar to those contained in Sections 12 and 13 of this Agreement.

(iii) **Change.** If at any time for any reason the Operating Partner no longer qualifies to act as such, Franchisee shall promptly designate another Operating Partner subject to the same qualifications set forth in this Section 9(a). The Franchisor shall receive advanced written notice of any change in the Operating Partner. In the event a new Operating Partner is instituted as a replacement, the new Operating Partner must successfully complete Franchisor's initial training program. Franchisee shall pay Franchisor One thousand Five Hundred Dollars (\$1,500) per additional trainee, plus any out-of-pocket expenses, including but not limited, to all travel, lodging, food, salary, or any other related expense during initial training.

(b) **Compliance with Franchisor's Standards.** Franchisee shall operate the Franchised Business through strict adherence to Franchisor's standards, specifications and policies as they now exist, and as they may from time to time be modified. Such standards and policies include, without limitation: (i) specifications and preparation methods for food and beverages; (ii) hours of operation as set forth in the Brand Standards Manual; (iii) menu items and services offered; (iv) employee uniform requirements and specifications; (v) customer service, (vi) quality standards, and (vii) use of specified emblems and Marks on containers, bags, boxes, napkins, and other products. Franchisee agrees to follow the instructions of Franchisor as well as Franchisor's employees, agents, and/or Franchisor's area directors or developers.

(c) **Training.** It will be solely Franchisee's responsibility to ensure that all new employees and current employees are trained to perform their duties in a proper manner at the Restaurant and Franchisee shall implement and maintain an employee training program, at Franchisee's expense, pursuant to all specifications, standards and procedures prescribed by Franchisor. Franchisee shall ensure that all employees have all necessary certifications and credentials as required by applicable state laws and licensing regulations, and that all employees must satisfy all continuing educational training requirements as may be specified by applicable laws and regulations. In the event that Franchisee is unable to, or fails to, provide the employee training required by this Section 9(c), Franchisor may train Franchisee's employees at Franchisor's then-current training rates, and Franchisee shall reimburse Franchisor for all expenses, including reimbursement for mileage at the then-current IRS reimbursement rate, living and travel expenses incurred by Franchisor as a result of such training. Training by Franchisor will be at reasonable times and subject to availability of Franchisor's representatives. In the event that Franchisor provides training to Franchisee's employees upon Franchisee's request, Franchisee Indemnifying Parties hereby release, indemnify and hold harmless Franchisor Indemnified Parties from all claims, causes of action, expenses, costs, debts, fees, liabilities and damages of every kind arising out of or related to the training and/or the continuing education of Franchisee's employees as set forth herein. Franchisor reserves the right to assess a training fee or attendance fee for conferences and conventions.

(d) **Conferences and Conventions.** Franchisor is not required to but, may from time to time offer conferences and other training courses relating to the restaurant industry and to the conduct of the Restaurant. Franchisees' owners are required to attend all conferences and other required training courses. These courses may be conducted by Franchisor's employees and/or by other trainers and will address various aspects of Franchisor's Restaurant. Franchisor has the right to charge Franchisee an attendance fee for each attendee, whether or not the attendee is required to attend. Currently, the attendance fee is One Thousand Dollars (\$1,000) per attendee. Additionally, Franchisee will be responsible for all transportation, lodging, food, and other costs incurred by any of Franchisee's attendees in attending such seminar. If Franchisee's owner does not attend a required conference, Franchisor reserves the right to charge Franchisee a non-attendance fee amounting to 150% of the then-current attendance fee.

(e) **Ongoing Training Fees.** If Franchisee request or Franchisor requires, Franchisor may provide additional scheduled training to the initial training program at Franchisor's home office or at the

regional training center subsequent to the initial training program. Franchisee shall pay to Franchisor currently, Three Hundred Dollars (\$300) per day, per trainee for Additional ongoing training. Franchisee will be responsible for paying Franchisee's owners and employees' lodging, transportation, and food expenses.

(f) **Compliance with Specifications and Procedures.** Franchisee acknowledges that the Brand Standards Manual is designed to protect Franchisor's Marks, brand image, goodwill, and standards and systems, and not to control the day-to-day operation of the business. Franchisee shall comply with all rules, regulations, and directives specified by Franchisor, as well as all mandatory standards, specifications and procedures contained in the Brand Standards Manual, as amended from time to time.

(g) **Franchisee Control.** Franchisee acknowledges that it is responsible for the day-to-day operation of its Franchised Business, including hiring, setting the conditions of employment, supervision, discipline and termination of all personnel, purchases and maintenance of equipment and supplies, preparing Franchisee's own marketing plans and funding and implementing those marketing plans, maintenance of employment records, and daily maintenance, safety, security and the achievement of compliance with the Brand Standards Manual. Franchisor's ability to approve certain matters, to inspect the Restaurant and its operations and to enforce its rights exists only to the extent necessary to protect its interest in the System and the Marks. Neither the retention nor the exercise of these rights is for the purpose of establishing any control, or the duty to take control over those matters that are clearly reserved to Franchisee. Franchisee expressly has control over the following for its employees: wages, benefits, and other compensation; hours of work and scheduling; hiring and discharge; discipline; workplace health and safety; supervision; assignment; and work rules and directions governing the manner, means, or methods of work performance.

(h) **Employment Matters.** Franchisee's employees are not Franchisor's agents or employees, and Franchisor is not a joint employer of these individuals. Franchisee is solely responsible for performing all administrative functions at the Restaurant, including payroll and providing workers' compensation insurance. Franchisee acknowledges that it is not economically dependent on Franchisor, and that Franchisor does not provide facilities, equipment, housing or transportation for Franchisee's employees or provide to Franchisee's employees tools or materials required for Franchisee's employees to perform services for Franchisee. Franchisee shall comply with all employment laws and regulations.

(i) **Employer Acknowledgment.** Franchisee shall obtain from each of its employees an acknowledgment signed by such persons providing that such individual understands, acknowledges, and agrees that (i) he or she is an employee of Franchisee and not Franchisor and (ii) he or she shall look solely to Franchisee, and not to Franchisor or its affiliates, agents, or employees, for his or her compensation and for all other employment matters.

(j) **Evidence of Relationship.** Franchisee shall hold itself out to the public as an independent contractor by, without limitation: (i) clearly identifying itself in all dealings with third parties as a franchised, independently owned and operated entity, including on all public records, checks, stationery, contracts, receipts, marketing materials, envelopes, letterhead, business cards, employment applications, and other employment documents, invoices and other communications, electronic or otherwise; and (ii) displaying a sign in the Restaurant so as to be clearly visible to the general public indicating that the Franchised Business is independently owned and operated as a franchised business.

(k) **Brand Standards Manual.** Franchisor will provide Franchisee with one or more manuals, policy and procedure statements, or other written notice of other standards and specifications which shall contain (i) the mandatory and suggested specifications, standards and operating procedures prescribed from time to time by Franchisor and (ii) information relative to other obligations of Franchisee hereunder and the operation of the Franchised Business (collectively, the "Brand Standards Manual."). The Brand

Standards Manual shall at all times remain the sole property of Franchisor and shall promptly be returned to Franchisor upon the expiration, non-renewal, or other termination of this Agreement. Franchisor may, from time to time, revise the contents of the Brand Standards Manual. To the extent that Franchisor shall deem it necessary or appropriate, Franchisor will provide Franchisee with policy and procedure statements or other written notice of specifications standards and procedures, policies, menus, recipes, food products and other standards and specifications contained in the Brand Standards Manual, policy and procedure statements, and other written notices as issued from time to time by Franchisor. Franchisee acknowledges and agrees that all information in the Brand Standards Manual, policy and procedure statements and other notices constitute Confidential Information and trade secrets and shall not be disclosed at any time by Franchisee. Franchisee shall not copy, disclose, duplicate, record or otherwise reproduce, in whole or in part, for whatever reason, the Brand Standards Manual, food recipes, or any other communication or information provided by Franchisor. Franchisor shall have the right to modify the policies and procedures of the Brand Standards Manual at any time, which modifications shall be binding upon Franchisee.

(l) **Variations in Standards.** Because complete and detailed uniformity under varying conditions may not be possible or practical, Franchisor specifically reserves the right, in its sole discretion and as it may deem in the best interests of Franchisee or the Chain, to vary standards within the Franchised Business or any other store in the Chain based upon peculiarities of particular location or circumstances, including, but not limited to, density of population and other demographic factors, size of a franchisee's Territory, business practices or customs, or any other condition which Franchisor deems to be of importance to the operation of such store or the Chain. Franchisee acknowledges that because of these factors and others, there may be variations from standard specifications and practices throughout the Chain and that Franchisee shall not be entitled to require Franchisor to grant like or similar variations or privileges to Franchisee.

(m) **Franchisee Developments.** Franchisor shall be deemed the owner and have the right to use and incorporate into the System for the benefit of other franchisees and Franchisor any modifications, ideas or improvements, including, without limitation, recipes and food and beverage preparation techniques, in whole or in part, developed or discovered by Franchisee or Franchisee's employees or agents, without any liability or obligation to Franchisee or the developer thereof. Franchisee or its employee or agent hereby irrevocably assigns such modification, idea or improvement to Franchisor, and, to the extent required by Franchisor, agrees to execute such documentation related to the assignment in the form designated by Franchisor.

(n) **Compliance with Laws.** Franchisee shall at all times during the Term comply with all laws, ordinances, rules and regulations of all applicable governmental bodies, and pay any and all taxes, assessments, fines and penalties arising out of the operation of the Franchised Business, including state and federal unemployment taxes and sales taxes.

(o) **Courtesy, Cooperation, Fair Dealing and Ethical Business Practices.** In all dealings with customers, suppliers, Franchisor and others, Franchisee will act according to the highest standards of honesty, integrity, fair dealing and ethical conduct. At all times and under all circumstances, Franchisee and its employees shall treat all customers and other persons, including Franchisor's agents, officers, and employees with the utmost respect and courtesy, and shall fully cooperate with Franchisor and its agents, officers, and employees in all aspects of the franchise relationship. Franchisee will operate Franchisee's business in full compliance with all applicable laws, ordinances and regulations, including all licensing requirements. Franchisee will not engage in any illegal discriminatory practices. Franchisor makes no representations as to what (if any) licenses, permits, authorizations or otherwise will be required in connection with Franchisee's establishment or operation of Franchisee's business. Franchisee is solely responsible for determining what licenses, permits, authorizations or otherwise are required and to obtain them, all at Franchisee's expense. Franchisee will refrain from any practice which may injure the goodwill associated with the Marks. Franchisee will notify Franchisor in writing within five (5) days of the

commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which relates to, or which may affect the operation or financial condition of, Franchisee, Franchisee's business and/or the Marks.

Franchisee agrees to comply with and/or assist Franchisor in Franchisor's compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise. Franchisee agrees to comply with and assist Franchisor in Franchisor's compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise relating to anti-terrorist activities, including, without limitation, the U.S. Patriot Act, Executive Order 13224, and related U.S. Treasury and/or other regulations. In connection with such compliance efforts, Franchisee agrees not to enter into any prohibited transactions and to properly perform any currency reporting and other activities relating to Franchisee's business as may be required by Franchisor or by law. Franchisee confirms that Franchisee is not listed in the Annex to Executive Order 13224 and agrees not to hire any person so listed or have any dealing with a person so listed (the Annex is currently available at <http://www.treasury.gov>). Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such laws, orders and/or regulations, and Franchisee specifically acknowledges and agrees that the Franchisee Indemnifying Parties' indemnification responsibilities as provided in Section 17 of this Agreement pertain to Franchisee's obligations hereunder.

(p) Business Relations. Franchisee shall at all times operate the Franchised Business in a financially sound, prudent and business-like manner and, without limiting the generality of the foregoing, pay all its bills and accounts promptly when due and shall take no action, or omit to take any action, the result of which would be to tend to disrupt, damage or jeopardize Franchisee's relationship with suppliers or customers, Franchisor's good reputation, or the good reputation of Franchisor's other licensees. Franchisee will not engage in any trade practice or other activity which is harmful to the goodwill or reflects unfavorably on the reputation of Franchisee, Franchisor, the Franchised Business, the Marks, the services and/or products sold at the Restaurant, or constitutes deceptive or unfair competition or otherwise is in violation of any applicable laws.

(q) Crisis Situations. Franchisee shall notify Franchisor immediately upon the occurrence of any situation that may have a significant negative impact on Franchisee, Franchisor, the Franchised Business, or which could have a deleterious effect on KONALA brand, Marks or System (a "Crisis"). Franchisee shall follow all of Franchisor's policies, procedures, and instructions in every such situation, including, without limitation, managing public relations and communications, as directed by Franchisor or as specified in the Brand Standards Manual, whether or not Franchisee has retained outside counsel or a public relations firm to assist with such matters. A Crisis includes any event that occurs at or about the Restaurant or in connection with the Restaurant that has or may cause harm or injury to customers or employees. Examples include, but are not limited to, product recalls, food contamination, food spoilage/poisoning, food tampering, foodborne illness, contagious diseases, natural disasters, terrorist acts, shootings, cyber-attacks, or any other circumstance which may damage the System, Marks, or image or reputation of the Franchised Business, the System or Franchisor. Franchisee will cooperate fully with Franchisor with respect to Franchisor's response to the Crisis. In the event of the occurrence of a Crisis, Franchisor may establish emergency procedures which may require Franchisee to temporarily close the Restaurant to the public, in which event Franchisor shall not be liable to Franchisee for any loss or costs, including consequential damages or lost profits occasioned thereby.

(r) Change in Marital Status. If Franchisee or one of its Owners or guarantors has a change in marital status during the Term of this Agreement, Franchisee shall promptly inform Franchisor of that change and Franchisee agrees that any new spouse will sign Franchisor's form guaranty, non-compete, and confidentiality agreements.

(s) **Books and Records; Financial Reporting.**

(i) **Books and Records.** Franchisee shall maintain during the term of this Agreement and shall preserve for at least five (5) years from the dates of their preparation and shall make available to Franchisor at Franchisor's request and at Franchisee's expense, full, complete and accurate books, records, and accounts in accordance with generally accepted accounting principles. Franchisee shall maintain such records at the Premises, unless otherwise authorized by Franchisor. Franchisee agrees at all times to use the chart of accounts, format for financial statements, and accounting procedures established from time to time by Franchisor. Franchisor has the right to require Franchisee to grant Franchisor unlimited, remote, 24/7 access to Franchisee's books, records, and accounts that are provided through Computer Systems.

(ii) **Submission of Performance Reports.** Franchisee shall submit to Franchisor the following performance reports for review or auditing: (1) Net Sales reports and performance reports for the prior month; (2) monthly financial statements, including a balance sheet and income statement; and (3) such forms, reports, records, information, and data as Franchisor may designate, in the form and at the times and places required by Franchisor, including without limitation, by electronic telecommunications data transmission methods, upon request and as specified from time to time in the Manual or otherwise in writing. Franchisor may require Franchisee to have a certified public accountant review such statements, reports, and information, the expense of which shall be borne entirely by the Franchisee, and then submit such reviews to the Franchisor. Franchisee also shall immediately notify Franchisor in writing when one (1) or more liens or judgments are filed against the Franchisee, the Franchised Business and/or any of the personal guarantors (if any) under this Agreement. To the extent applicable, Franchisee shall submit all required monthly reports for the prior month within fifteen (15) days after the end of each calendar month.

(iii) **Submission of Financial Statements and Tax Returns.** Franchisee shall submit, within forty-five (45) days following the close of business of Franchisee's fiscal year, copies of a balance sheet, profit and loss statement, and cash flow report prepared and certified by a certified public accountant which cover the previous twelve (12) months of operations of the Franchised Business. The fiscal year of the Franchised Business must coincide with the calendar year. Franchisee also shall submit, within five (5) days of their filing, its federal and state tax returns for each year during the term of this Agreement; provided, however, that if Franchisee is not a corporation or partnership, Franchisee may, at its option, submit only those schedules to its personal tax filings which reflect the revenues and expenses of the Franchised Business.

(iv) **Accounting Service Provider.** Franchisor has the right to require Franchisee to use an accounting service provider mandated by Franchisor.

(v) **Audit of Franchisee's Records.** Franchisor or its designated agents shall have the right at all reasonable times to examine and copy, at Franchisor's expense, the books, records, and tax returns of the Franchised Business and remove copies thereof from the Franchised Business and/or Premises. Franchisor shall also have the right at any time, at Franchisor's expense, to have an independent audit made of the Franchised Business books, records and accounts. If any inspection or audit reveals that an underpayment exists, Franchisee shall immediately pay to Franchisor the amount owing to Franchisor, as determined by the inspection or audit. Upon discovery of an understatement of two percent (2%) or more, in addition to prompt payment of the underreported amount, Franchisee shall reimburse Franchisor the greater of One Thousand Five Hundred Dollars (\$1,500) or any and all expense connected with such inspections or audits, including but not limited to reasonable accounting and legal fees as well as interest as provided for in Section 3 of this Agreement. Such payments shall be without prejudice to any other remedies

Franchisor may have under this Agreement or otherwise at law. If a discrepancy of less than two percent (2%) is revealed, Franchisor will bear the costs of the audit.

(vi) **Forms.** Franchisee will use only such forms, including, without limitation, those used in and generated by the required software, as are approved by Franchisor in the Brand Standards Manual or otherwise in writing. Franchisee will obtain all forms specified by Franchisor and/or the required software, at Franchisee's expense, from suppliers approved by Franchisor. Franchisor may maintain and make available to Franchisee all or a portion of such forms electronically in addition to, or in lieu of, providing hard copies to Franchisee.

(vii) **Accounting Service Provider.** Franchisor has the right to require Franchisee to use an accounting service provider mandated by Franchisor.

(t) **Inspections.** Franchisor and its agents have the right to enter the Restaurant, with or without notice, in person or remotely via communications technology, in order to inspect, photograph, and/or videotape on-going construction or leasehold improvements, equipment and operations, and the performance of any and all services provided in and around the Restaurant and/or the Premises to ensure compliance with all requirements of this Agreement. Franchisee will cooperate with Franchisor's representatives in those inspections by rendering whatever assistance Franchisor may reasonably request, including using communications or audiovisual technology, such as a smartphone, to facilitate the remote inspection by Franchisor or Franchisor's agents and the assistance necessary to enable Franchisor to contact and interview contractors, vendors and suppliers, as well as Franchisee's customers and former customers. Upon reasonable notice from Franchisor, and without limiting Franchisor's other rights under this Agreement, Franchisee will take such steps as may be necessary to correct the deficiencies detected during any such inspection, including without limitation immediately correcting any problems with construction or leasehold improvements, and immediately desisting from the further use of any equipment, advertising materials, products, or materials that do not conform to Franchisor's then-current plans and specifications, the Brand Standards Manual, or other standards or requirements, and to repair or replace anything in the Restaurant or Franchised Business that does not so conform. Franchisee acknowledges and agrees that any and all inspections by Franchisor and all demands made by Franchisor to correct deficiencies and conform to Franchisor's standards and specifications will not constitute a representation or warranty by Franchisor that the Franchised Business or its accounting practices comply with applicable laws, codes, ordinances, regulations or governmental standards. Upon reasonable written notification from Franchisor of a scheduled inspection, one of Franchisee's Owners must be present during such inspection.

(u) **Computer System.**

(i) **Obligation to Obtain Computer Systems.** Franchisee, at its expense, shall purchase or lease and thereafter maintain such computer hardware and software, mobile application(s), cloud-based systems and/or software, robotics, automation equipment, smartphone(s), tablet, broadband high-speed internet service, active e-mail account, required dedicated telephone and power lines, modem(s) printer(s), point-of-sale systems, electronics, scheduling systems, and other computer-related or technology-related accessories or peripheral equipment as Franchisor specifies ("Computer Systems"). Franchisor's requirements for the Computer Systems will be updated from time to time as deemed necessary by Franchisor in accordance with changing technology and industry standards and may include the requirement to purchase or lease new Computer Systems at Franchisee's expense. Franchisee must periodically update, as required by the Franchisor and/or the Computer Systems' manufacturers or vendors, all Computer Systems solely at the Franchisee's expense. Franchisee may be required to license proprietary Computer Systems directly from Franchisor or Franchisor's affiliates. Franchisee may be required to enter into license agreement(s) with Franchisor or other suppliers to provide all or part of the Computer Systems. Franchisor and its agents shall have the right to access all

information related to the operation of the Franchised Business that is accessed or stored on the Computer Systems, whether in-person or from a remote location, without the need for Franchisee's consent, at the times and in the manner prescribed by Franchisor, which may be unlimited, remote, 24/7 access if required by Franchisor. Franchisor may use data from the Computer Systems in any way it deems fit. Despite the fact that Franchisee agrees to buy, use, and maintain the Computer Systems according to Franchisor's standards and specifications, Franchisee will have sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Computer Systems; (2) the manner in which the Computer Systems interfaces with Franchisor's and any third party's computer system; and (3) any and all consequences if the Computer Systems is not properly operated, maintained, and upgraded. Franchisee may not install any software, other than authorized upgrades, or make any hardware modifications to the Computer Systems that might hamper or interfere with the operation of the Computer Systems in the manner Franchisor requires. Franchisee acknowledges and agrees that Franchisor shall have no responsibility under any circumstances for any malfunction or "crash" of any Computer System provided by or approved by Franchisor, including, but not limited to, for any data lost as a result of such malfunction or "crash." Franchisor shall have unlimited, independent access to all information and data (including the Franchisee Data) produced by or otherwise located on any of Franchisee's Computer Systems.

(ii) Connection to Franchisor's System. Franchisor has the right to require Franchisee to allow Franchisor to connect to Franchisee's Computer Systems. If required, Franchisee shall provide such assistance as may be required to connect its Computer Systems with Franchisor's computer or wireless system, which may be unlimited, remote 24/7 access. Franchisor shall thereafter have the right from time to time and at any time to retrieve and use for any purpose such data and information from Franchisee's Computer Systems, or from any third party or Franchisor-provided Computer Systems as Franchisor, in its sole and exclusive discretion, deems necessary or desirable. In view of the contemplated interconnection of Computer Systems and the necessity that such systems be compatible with each other, Franchisee expressly agrees that it will strictly comply with Franchisor's standards and specifications for all item(s) associated with Franchisee's Computer Systems. Franchisor shall have no liability to Franchisee as a result of Franchisor accessing or failing to access the Computer Systems. Franchisee shall provide Franchisor with all required passwords or login credentials to access the Computer Systems.

(iii) Telephone and Connectivity. Franchisee will secure and maintain separate business telephone numbers and email addresses and high-speed Internet connection at the Restaurant as specified by Franchisor in the Brand Standards Manual or otherwise. Franchisee will provide continuous telephone answering coverage by an employee whenever the Restaurant is open for business. Franchisee will be solely responsible for the payment of all bills which result from the use and/or maintenance of the telephone lines and Internet connections at the Restaurant and the operation of all Computer Systems.

(iv) Data. All data provided by Franchisee, uploaded to Franchisor's system from Franchisee's system, and/or downloaded from Franchisee's system to Franchisor's system, is, and will be owned exclusively by Franchisor and Franchisor will have the right to use such data in any manner that Franchisor deems appropriate without compensation to Franchisee. In addition, all other data created or collected by Franchisee in connection with the System, or in connection with Franchisee's operation of the Franchised Business (including but not limited to consumer and transaction data), is and will be owned exclusively by Franchisor during the term of, and following termination, non-renewal, or expiration of, this Agreement for any reason. Copies and/or originals of such data must be provided to Franchisor upon Franchisor's request. Franchisor hereby licenses use of such data back to Franchisee, at no additional cost, solely for the term of this Agreement and solely for Franchisee's use in connection with the establishment and operation of the Franchised Business pursuant to this Agreement.

(v) **Gift Cards.** Franchisee shall sell or otherwise issue gift cards or certificates (together “Gift Cards”) that have been prepared utilizing the standard form of Gift Card provided or designated by Franchisor and only in the manner specified by Franchisor in the Brand Standards Manual or otherwise in writing. Franchisee shall fully honor all Gift Cards that are in the form provided or approved by Franchisor regardless of whether a Gift Card was issued by Franchisor via its website, Franchisee, or another franchisee. Franchisee shall sell, issue, and redeem (without any offset against any Continuing Royalties) Gift Cards in accordance with procedures and policies specified by Franchisor in the Brand Standards Manual or otherwise in writing, including those relating to procedures by which Franchisee shall request reimbursement for Gift Cards issued by other franchisees and for making timely payment to Franchisor, other operators of franchises, or a third-party service provider for Gift Cards issued by Franchisee that are honored by Franchisor or other franchise operators.

(w) **Group Buying Services.** Franchisee agrees not to use any group buying services, including, without limitation, Groupon or Living Social, without first obtaining express written permission of Franchisor. As with all advertising, advertisements placed with a group buying service are subject to Section 8(e) herein.

(x) **Credit Card Processing.** Franchisee agrees to use such credit card processing services as approved by Franchisor and to purchase and maintain, at Franchisee’s expense, any equipment necessary to permit such credit card processing functionality. Notwithstanding the credit card processing requirement, Franchisor does not represent, nor does it certify or warrant, to Franchisee or Franchisee’s customers that the credit card processing service approved by Franchisor is compliant, whether or not certified as such, with the PCI Data Security Standards.

(y) **Data Protection; Privacy.**

(i) **Data Protection and Security Policies.** Franchisee shall comply with, or, as applicable, adopt policies consistent with the then-current version of Franchisor’s data protection and security policies as may be described in Franchisor’s Brand Standards Manual (“Data Protection and Security Policies”). Such policies may govern how Franchisee Data and Personal Information (as defined below) contained in such data shall be accessed, shared, stored, protected, disposed of, or destroyed. Franchisor has the right, but not the obligation to create such Data Protection and Security Policies. Franchisee acknowledges that Franchisor may supplement, modify or amend the Data Protection and Security Policies from time to time in its sole discretion, and that Franchisee shall comply with such modifications or amendments within thirty (30) days of notice from Franchisor. Franchisor may require Franchisee to institute a data privacy policy for its Franchised Business. Franchisee shall not publish, disseminate, implement, revise, or rescind a data privacy policy without Franchisor’s prior written consent as to said policy.

(ii) **Privacy Laws.** Franchisee warrants and represents and covenants that it shall comply with (i) applicable prevailing industry standards concerning privacy, data protection, confidentiality and information security, including, without limitation, the then-current Payment Card Industry Data Security Standard of the PCI Security Standards Council (the “PCI-DSS”), (ii) those Security and Data Protection Policies mandated by the Brand Standards Manual, if any, and (iii) all applicable international, federal, state, and local laws, rules, and regulations, as the same may be amended or supplemented from time to time, pertaining in any way to the privacy, confidentiality, security, management, disclosure, reporting, and any other obligations related to the possession or use of Personal Information (collectively, “Privacy Laws”).

(iii) **Marketing; Consumer Protection.** Franchisee warrants and represents not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without first obtaining Franchisor’s written consent as to: (a) the content of such

e-mail advertisements or solicitations; and (b) Franchisee's plan for transmitting such advertisements. In addition to any other provision of this Agreement, Franchisee shall be solely responsible for compliance with all laws pertaining to e-mails, including, but not limited to, the U.S. Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the "CAN-SPAM Act of 2003"), and to use of automatic dialing systems, SMS text messages, and artificial or prerecorded voice messages, including but not limited to the Telephone Consumer Protection Act of 1991 ("TCPA"). Franchisee must comply with the Fair and Accurate Credit Transactions Act (FACTA) and all other consumer protection laws and regulations.

(iv) **Security Breach.** Franchisee shall cooperate with Franchisor in any audit that Franchisor may conduct from time to time of its data storage and management systems and Franchisee's storage of Personal Information. In addition, if Franchisee becomes aware of any actual or suspected unauthorized access, processing, loss, use, disclosure, alteration, destruction or other compromise or acquisition of or access to any information, whether such information is stored in paper or electronic form, (i) that can be used to identify, locate or contact an individual, including but not limited to Franchisee's employees and customers (collectively, "Personal Information"); (ii) that is subject to any of the Privacy Laws and/or PCI-DSS; or (iii) that might reasonably expose Franchisor to any harm or prejudice of any type or actual or suspected intrusion by an unauthorized third party into Franchisee's or Franchisor's computers, networks, servers, IT resources, or paper files (a "Security Breach"), Franchisee shall immediately notify the Franchisor's Manager via telephone of such matter and shall thereafter cooperate with Franchisor to investigate and remedy such matter. Except to the extent required by applicable law, no public disclosure of any instance of such unauthorized access or breach shall be made by Franchisee unless Franchisor has authorized the provision of notice and the form of such notice in writing. Franchisee shall reimburse Franchisor for all reasonable Notification and Remediation Related Costs (hereinafter defined) incurred by Franchisor arising out of or in connection with any such Security Breach that is directly or indirectly caused by Franchisee or its personnel. "Notification and Remediation Related Costs" shall include Franchisor's internal and external costs associated with addressing and responding to the Security Breach, including but not limited to: (i) preparation and mailing or other transmission of legally required notifications to affected individuals, regulators and attorneys general; (ii) preparation and mailing or other transmission of such other communications to customers, agents or others as Franchisor deems reasonably appropriate; (iii) establishment of a call center or other communications procedures in response to such Security Breach (e.g., customer service FAQs, talking points and training); (iv) engagement of information technology consultants, public relations and other similar crisis management services; (v) payment of legal and accounting fees and expenses associated with Franchisor's investigation of and response to the Security Breach; and (vi) payment of costs for commercially reasonable credit reporting services that are associated with legally required notifications or are advisable under the circumstances. Franchisee Indemnifying Parties (as defined in Section 17 of this Agreement) agrees to hold harmless, defend and indemnify Franchisor Indemnified Parties (as defined in Section 17 of this Agreement) from and against any and all losses, expenses, judgments, claims, attorney fees and damages arising out of or in connection with any claim or cause of action in which Franchisor Indemnified Parties shall be a named defendant and which arises, directly or indirectly, out of the operation of, or in connection with a Security Breach or Franchisee Indemnifying Parties' or their agents' or employees' violation of any Privacy Law or regulation, consumer protection-related law or regulation, e-mail marketing and other marketing laws and regulations, and the PCI-DSS.

(v) **Inspection.** Franchisor, through its employees and/or any agents designated by Franchisor from time to time, may at any time during business hours, and without prior notice to Franchisee enter upon and inspect the Premises and examine Franchisee's computer hardware, software, databases, business records and other supporting records and documents in order to verify compliance with its Data Protection and Security Policies, and Privacy Laws. Any such inspection

shall be made at Franchisor's expense, provided that if such inspection is necessitated by Franchisee's repeated or continuing failure to comply with the Data Protection and Security Policies, Privacy Laws, this Agreement or the Franchise Agreement, Franchisor may charge Franchisee for the costs of making such inspection, including without limitation, travel expenses, room and board, and compensation of Franchisor's employees and/or agents.

(vi) **Personal Information Requests.** Franchisee shall fully comply with Data Protection and Security Policies as they relate to requests regarding individuals' personal information, as it may be defined under international, federal, state, and local law. If requested by Franchisor, Franchisee must cooperate or coordinate with Franchisor to identify personal information Franchisee has accessed, collected, retained, or used in any way.

(vii) **Use of Personal Information.** Franchisee shall not use, disclose, retain, transfer, share, or sell Personal Information, or personal information as it may be defined under international, federal, state, and local law, unless such action is permitted by (i) the terms of this Agreement, (ii) the terms of the Data Protection and Security Policies, (iii) the standards in the Brand Standards Manual, or (iv) written approval of Franchisor.

(z) **Secret Shoppers; Toll-Free Number; Etc.** Franchisor may, at its sole discretion, institute various programs for verifying customer satisfaction and/or Franchisee's compliance with all operational and other aspects of the System, including, without limitation, marketing research surveys, a toll-free number, customer comment cards, secret shoppers, or otherwise. Franchisor will share with Franchisee the results of such programs as they pertain to Franchisee's business and Franchisee agrees to reimburse Franchisor for all costs associated with any and all such programs, which cost may be drafted by EFT at the sole discretion of Franchisor.

(aa) **Franchise Advisory Council.** Franchisor may, but is not obligated to, form a Franchise Advisory Council selected by Franchisor in Franchisor's sole discretion, which shall provide Franchisor input as Franchisor may request from time to time ("FAC"). The FAC exists at Franchisor's pleasure, and Franchisor is not obligated or bound by any input provided by the FAC. The FAC will consist of franchisees in full compliance with this Agreement and/or Franchisor's representatives. Franchisor has the right to add or remove members of the FAC in Franchisor's sole discretion.

(bb) **Payment of Taxes.** Franchisee shall promptly pay to Franchisor an amount equal to all taxes levied or assessed, including, but not limited to, unemployment taxes, sales taxes, use taxes, withholding taxes, excise taxes, personal property taxes, intangible property taxes, gross receipt taxes, taxes on Continuing Royalties, any similar taxes or levies, imposed upon or required to be collected or paid by Franchisor or Franchisor's affiliates by reason of the furnishing of products, intangible property (including trademarks and trade names) or services by Franchisor to Franchisee through the sale, license, or lease of property or property rights provided by this Agreement other than taxes on Franchisor's net income.

(cc) **Promotional Campaigns.** Franchisor has the right to require Franchisee to participate in national, regional, and local giveaways, promotions, and loyalty programs. Franchisee may be required to provide free or discounted items or other free or discounted products or services as a result of such giveaways, promotions, or loyalty programs. Franchisor is not required to reimburse Franchisee for Franchisee's costs and expenses incurred as a result of these giveaways and promotions. Franchisee further agrees to participate in any and all promotional campaigns that Franchisor creates, offers or advertises. Through the promotional, customers may be entitled to a discount on products and services. Franchisee agrees that Franchisee will not be entitled to receive payment or be reimbursed for any discount on products or services offered through the promotional. Franchisee may be required to provide services to customers in accordance with the terms of a promotional, even if the Restaurant is not the customer's primary service provider.

(dd) Third-Party Delivery Service. Franchisee agrees to participate in any and all third-party delivery services that Franchisor contracts with or requires Franchisee to work with. Franchisee agrees that Franchisee will not be entitled to receive payment or be reimbursed for any discount on products or services offered through any third-party delivery service. Franchisee may not offer its own delivery services without prior written permission from Franchisor.

(ee) Quality Control Programs. Franchisor may implement quality control and/or Mystery Shopper program(s). If such program(s) are implemented Franchisee shall be responsible to pay Actual costs and expenses for each program. Franchisor may retain a third-party firm to conduct such programs, if Franchisor does implement such programs Franchisee shall be required to meet such quality standards as are imposed by such program(s), Franchisee's failure to meet such quality standards shall subject Franchisee to default under Section 15(c).

10. Products; Menu.

(a) Suppliers, Products, and Services. In the operation of the Franchised Business, Franchisee shall use and sell only those products, materials, supplies, equipment, technology, Computer Systems, and services that have been specifically designated or approved by Franchisor. These products and materials include but are not limited to food items, ingredients, beverages, cooking materials, containers, boxes, cups, packaging, menus, and uniforms. To the extent that Franchisor has established designated or approved suppliers, Franchisee shall obtain all products, materials, supplies, equipment, and services that are used in operation of the Franchised Business from suppliers that Franchisor shall have specifically designated or approved. Franchisee may be required to purchase from Franchisor certain products or services, or Franchisor may designate an affiliate as the designated supplier of any products, materials, supplies, equipment, technology, Computer Systems, or service used in the operation of the Franchised Business. Franchisor may designate exclusive suppliers for any products, materials, supplies, equipment, Computer System, and service. Franchisor or its affiliates may receive payments or other compensation from suppliers on account of the suppliers' dealings with Franchisor, Franchisee, or other franchised businesses or stores in the System. Franchisor may use any amounts that it receives from suppliers for any purpose that Franchisor deems appropriate. Franchisor and its affiliates may negotiate supply contracts with its suppliers under which Franchisor is able to purchase products, equipment, supplies, and services at a price lower than that at which franchisees are able to purchase the same items. Franchisor may, from time to time, amend the list of approved products and suppliers, and Franchisee must comply with any such changes within thirty (30) days after receiving notice of the change. Products other than those required to be obtained from Franchisor, or a designated supplier may be purchased from any source provided that the particular supplier and products have been approved by Franchisor. Franchisor may, from time to time, amend the list of approved products and suppliers. If Franchisee requests that Franchisor review a new or alternate supplier or product, Franchisee shall pay Franchisor's then-current evaluation fee plus any costs and expenses Franchisor incurs as a result of its evaluation.

(b) Menu Items. Franchisee may offer for retail sale and shall carry on its menu only the protein bowls and salads, side dishes, salads, soups, dipping sauces and other menu items approved by Franchisor. Franchisee agrees that it will not sell or carry on its menu any food item or other products not specified or approved by Franchisor. Franchisee agrees to precisely follow the recipes and food preparation procedures for each menu item as determined by Franchisor. Franchisee shall sell all goods and services required by Franchisor.

(c) Pricing. Franchisee shall have the right during the Term to set prices provided that, subject to applicable antitrust laws, such pricing: (1) complies with any minimum or maximum prices set by Franchisor; and (2) complies with any prices specified by Franchisor; and (3) conforms to any bona fide promotional programs or national or regional accounts programs periodically established by Franchisor. Franchisor retains the right to modify its pricing policies from time to time in its sole discretion. Franchisor

specifically reserves the right, in its sole discretion and as it may deem in the best interests of Franchisee or the Chain, to vary pricing standards and policies within the Franchised Business or any other store in the Chain based upon peculiarities of particular location or circumstances, including, but not limited to, density of population and other demographic factors, size of a franchisee's market, business practices or customs, cost of a franchisee's rent or mortgage payments, or any other condition which Franchisor deems to be of importance to the operation of such store or the Chain. Franchisee acknowledges that because of these factors and others, there may be variations from standard pricing policies and practices throughout the Chain and that Franchisee shall not be entitled to require Franchisor to grant like or similar variations or privileges to Franchisee. Franchisee must provide Franchisor with a price list containing all of the prices charged for the products supplied by the Franchised Business. The price list must be updated and supplied to Franchisor every time Franchisee alters its prices and, in any event, at least annually.

(d) **System Changes.** Franchisee acknowledges that the System, the services, menu, and products offered by the Franchised Business may be modified (such as, but not limited to, the addition, deletion, and/or modification of operating procedures, menu items, products, and services) from time to time by Franchisor; and Franchisee agrees to comply, at its expense, with all such modifications, including, without limitation, all requirements needed to implement the modifications. Franchisee agrees there is no limit to Franchisor's ability to modify the System. Franchisee may be required to pay additional or increased fees to Franchisor, its affiliates, or third-party vendors, as a result of these System changes.

(e) **Technology Changes.** Franchisee acknowledges and agrees that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees that Franchisor shall have the right to establish, in writing, reasonable new standards for the implementation of technology and Computer Systems in the System; and Franchisee agrees that it will abide by those reasonable new standards established by Franchisor, at Franchisee's sole cost and expense. Franchisee may be required to pay additional or increased fees to Franchisor, its affiliates, or third-party vendors, as a result of these changes to technology.

11. Transfer; Franchisor's Right of First Refusal.

(a) **Transfers by Franchisor.** This Agreement, and any and/or all of Franchisor's rights and/or obligations under it, are fully transferable by Franchisor in Franchisor's sole discretion and will inure to the benefit of any person or entity to whom Franchisor transfers it, or to any other legal successor to Franchisor's interest in this Agreement. If Franchisor transfers this Agreement, or any and/or all of Franchisor's rights and/or obligations under it, all past, current and future obligations of Franchisor to Franchisee will cease and be forever extinguished. Franchisor shall be released from all obligations and liabilities arising or accruing in connection with this Agreement after the date of such transfer or assignment, and Franchisee's obligations and duties shall be and will remain the same notwithstanding any such assignment. Franchisor may be sold and/or Franchisor may sell any or all of its assets to a competitive or other entity; or Franchisor may participate in an initial, or other, public offering or private placement of Franchisor's stock; may merge, acquire other entities and/or assets (competitive or not); may be acquired by a competitive or other entity; and/or may undertake any refinancing, leveraged buy-out and/or other transaction. Franchisee waives any and all claims, demands and/or damages with respect to any transaction or otherwise allowed under this subsection or otherwise.

(b) **Transfers by Franchisee.** The rights and interest of Franchisee under this Agreement are and shall remain personal to Franchisee. Franchisee recognizes that Franchisor has granted the License in reliance on the business and financial capacity and other attributes of Franchisee, the personal skill, qualifications and representations of the Owners, and in reliance upon Sections 12, 13 and 21 of this Agreement. Therefore, neither Franchisee's interest, rights or privileges in the Agreement, the License,

substantially all of the assets of the Franchised Business, or the Franchised Business, nor the Owner's(s') interest in Franchisee or the Owner(s), in whole or in part, voluntarily or involuntarily, by operation of law or otherwise, in any manner, except as provided in this Section 11. For purposes of this Agreement, the term "transfer" shall mean any issuance, sale, assignment, gift, pledge, mortgage or any other encumbrance (other than a lien against Franchisee's assets to secure a loan for the construction, remodeling, equipping or operation of the Restaurant), transfer by bankruptcy, transfer by judicial order, merger, consolidation share exchange, transfer by operation of law or otherwise, whether direct or indirect, voluntary or involuntary. Except as provided below, any ownership or structural changes in Franchisee including but not limited to, any merger, reorganization, issuance of additional shares or classes of stock or additional partnership interests, shall constitute and be deemed a transfer and shall be subject to the provisions of Section 11(d).

(c) Franchisor's Right of First Refusal.

(i) Franchisor's Right. Franchisee or an Owner, as applicable, shall give Franchisor forty-five (45) days prior written notice of any intended transfer of any of its rights or interest in the Franchised Business or Franchisee. Such notice shall set forth the name of the proposed transferee and a detailed statement of all the terms and conditions of such intended or proposed transfer. Irrespective of the qualifications or acceptability of any prospective transferee, Franchisor shall have the first right and option to purchase the interest under the same terms and conditions contained in the offer or purchase and sale document. Should the proposed transfer not involve the payment of any consideration, Franchisor has the option to purchase the interest at a price equal to one and one-half (1.5) times the Net Profits of the Franchised Business over the previous twelve (12) month period (or the average monthly Net Profit of the Franchised Business if it has been operating less than twelve (12) months multiplied by twelve (12)) multiplied by the percentage which the interest to be transferred bears to all interest in the Franchised Business, of Franchisee, as the case may be. As used in this Agreement, Net Profits means the amount of profit, if any, determined from statements of profit and loss prepared by an independent public accountant that Franchisor in its sole discretion finds acceptable. Within forty-five (45) days after Franchisor receives notice of a proposed transfer, Franchisor will notify Franchisee and the Owner, if applicable, in writing that it is (a) exercising its right of first refusal, (b) approving the transfer or (c) denying approval of the transfer pursuant to this Section 11. If Franchisor does not exercise its right of first refusal, any material change in the terms of an offer prior to closing shall cause it to be deemed a new offer, subject to the same right of first refusal by Franchisor as in the case of the initial offer.

(ii) Approval of Transfers. If Franchisor decides not to exercise its right of refusal, Franchisor shall have the right to approve or disapprove the proposed transfer; provided, however, Franchisor's consent shall not be unreasonably withheld as provided in Section 11(d). If Franchisor approves the transfer in writing, Franchisee (or Owner, as applicable) may make the proposed transfer on the exact terms and conditions specified in Franchisee's notice to Franchisor within sixty (60) days after the expiration of Franchisor's right of first refusal. If the transfer is not consummated within such 60-day period, Franchisee may not thereafter transfer such interest without again complying with this Section 11.

(d) Conditions on Transfer. Provided Franchisor chooses not to exercise its right of first refusal, Franchisor agrees that it will not unreasonably withhold its consent to a proposed transfer if all the following conditions are satisfied:

(i) Compliance. Franchisee is in full compliance with this Agreement and there are no uncured defaults by Franchisee hereunder, Franchisee is in full compliance with the other agreements between Franchisee and Franchisor or Franchisor's affiliates, and all debts and financial

obligations of Franchisee under this Agreement are current, including Franchisee's obligations to the Brand Development Fund, each Cooperative of which Franchisee is a member, and all vendors, including, but not limited to, Franchisor and its affiliates. Franchisee will remain liable for all obligations to Franchisor in connection with the Franchised Business which arose prior to the effective date of the transfer;

(ii) **Agreements.** The proposed transferee executes such documents as Franchisor may reasonably require to evidence that it has assumed the obligations of Franchisee under this Agreement, including, but not limited to, the then-current version of the Franchise Agreement, and if required by Franchisor, the proposed transferee executes, and in appropriate circumstances, causes such other parties as Franchisor may require to execute, Franchisor's then-current ancillary agreements to this Agreement, which documents may be substantially different than those executed contemporaneously with the execution of this Agreement. This Agreement between Franchisor and Franchisee will terminate once an approved transfer is completed;

(iii) **Release.** Franchisee; Owners; guarantors of the Franchisee; and their respective predecessors, parents, affiliates, subsidiaries, shareholders, members, partners, officers, directors, managers, employees, agents, representatives, attorneys, accountants, personal representatives, heirs, executors, administrators, successors, and assigns (collectively, "Releasers") execute and deliver to Franchisor a general release, in the form prescribed by Franchisor, releasing, to the fullest extent permitted by law, all claims that Releasers may have against Franchisor; Franchisor's predecessors, parents, affiliates, and subsidiaries; and their respective shareholders, members, partners, officers, directors, managers, employees, agents, representatives, attorneys, accountants, guarantors, successors, and assigns, in both their corporate and individual capacities in both their corporate and individual capacities, from any and all claims, causes of action, demands, debts, liabilities, obligations, fees, costs and expenses, including without limitation, claims and causes of action arising under federal, state and local laws, rules, regulations and ordinances, arising prior to and including the date the transfer becomes effective;

(iv) **Training.** Prior to the date of the proposed transfer, the proposed transferee's owners, principal operator and managers undertake and complete, to the satisfaction of Franchisor, such training and instruction as Franchisor shall deem necessary;

(v) **Qualifications.** Franchisor is satisfied that the proposed transferee (and if the proposed transferee is an entity, all owners of any interest in such entity) meets all of the requirement for Franchisor's new franchisees applicable on the date Franchisor receives notice of the proposed transfer and including, but not limited to, good reputation and character, business experience, management experience, and financial strength and liquidity;

(vi) **Continuing Obligations.** Each Owner transferring an interest in Franchisee acknowledges and agrees in writing that it is bound by Section 12, 13 and 21 of this Agreement, and all Owners and guarantors sign general releases in the form Franchisor requires;

(vii) **Transfer Fee.** Franchisee or the Owner, as applicable, pays to Franchisor a fee equal to i) fifty percent (50%) of the then-current initial franchise fee if the transfer is to an existing franchisee, or ii) seventy-five percent (75%) of the then-current initial franchise fee if the transfer is not to an existing franchisee ("Transfer Fee"). Franchisee shall deposit Five Thousand Dollars (\$5,000) with Franchisor on a non-refundable basis on Franchisee's notification to Franchisor of the proposed transfer and prior to Franchisor's undertaking any review, drafting of documents, training, or other activities, with the balance due of the transfer fee due prior to the sale of the Restaurant. If Franchisor does not approve the transfer, Franchisee's Transfer Fee will be returned to Franchisee minus the Five Thousand Dollar (\$5,000) non-refundable deposit to compensate

Franchisor's expenses incurred (including legal fees) for review and consideration of the transfer. Franchisee is further responsible for any broker, consultant, or other fee in connection with the transfer;

(viii) **Documents**. The proposed transferee and all owners of any interest in a transferee that is an entity provided Franchisor, at least forty-five (45) days prior to the proposed transfer date, copies of financial statements for the preceding three years, and where applicable, its certificate of incorporation and bylaws (and any amendments or modifications thereof), minutes and resolutions and all other documents, records and information pertaining to the transferee's existence and ownership; and

(ix) **Refurbish**. Within the time specified by Franchisor, Franchisee, at its expense, shall refurbish the Restaurant, as necessary, to conform the Franchised Business to Franchisor's then-current standards and specifications, including, without limitation, specifications regarding, signage, size, color, trade dress, presentation of the Marks, fixtures, flooring, carpeting, vehicles (if applicable), and installed equipment.

(e) **Permitted Transferees**. Notwithstanding the foregoing, an Owner of less than Fifty-One Percent (51%) interest in Franchisee may transfer all or a portion of his interest in Franchisee to another Owner or to Franchisee (such person or entity being referred to as a "Permitted Transferee") and such a transfer shall not be subject to the restrictions of this Section 11 so long as: i) the Franchisee promptly notifies Franchisor of and requests Franchisor's consent to any such transfer, which consent shall not be unreasonably withheld, ii) the exiting Owner signs Franchisor's then-current form of a general release and termination agreement, and iii) Franchisee or the Owner, as applicable, pays an administrative fee equal to \$1,500.

(f) **Transfer to a Wholly Owned Entity**. Notwithstanding anything in this Section 11 to the contrary, if Franchisee consists of one or more individual(s), Franchisee may transfer its interest under this Agreement to a corporation, limited liability company or other legal entity without such a transfer being subject to the restrictions of this Section 11 so long as: (1) the legal entity is owned entirely by all of the original individual franchisees or personal guarantors hereof; (2) each and all of the obligations of Franchisee and the new legal entity are personally guaranteed by the original individual franchisees or personal guarantors hereof; (3) Franchisor receives prior written notice of the transfer along with a complete set of the new legal entity's filed, date stamped formation documents; (4) Franchisee and the new legal entity enter into a written assignment and assumption agreement in a form prescribed by Franchisor pursuant to which the new legal entity assumes and agrees to discharge all of Franchisee's obligations under this Agreement; and (5) Franchisee or the Owner, as applicable, pays an administrative fee equal to \$1,500.

(g) **Death and Disability**.

(i) **Transfer Upon Death or Disability**. Upon the death or disability of Franchisee or any Owner of Franchisee, the Franchisee's or any such Owner's executor, administrator, conservator, guardian, or other personal representative must transfer the Franchisee's interest in this Agreement, or the Owner's ownership interest in Franchisee, to a third party (which may be Franchisee's or the Owner's heirs, beneficiaries, or devisees). That transfer must be completed within a reasonable time, not to exceed nine (9) months from the date of death or disability and is subject to all of the terms and conditions in this Section 11. Failure to transfer Franchisee's interest in this Agreement, or the Owner's ownership interest in Franchisee, within this period is a breach of this Agreement. The term "disability" means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent Franchisee or the Owner from operating the Restaurant in the manner required by this Agreement and the Brand Standards

Manual or from performing its, his, or her obligations under this Agreement and the Brand Standards Manual.

(ii) **Operation upon Death or Disability.** During the period between death or disability of Franchisee or any Owner of Franchisee and the completion of the transfer described in Section 11(g)(i), the Restaurant still must be operated in accordance with the terms and conditions of this Agreement. Upon the death or disability of Franchisee or any Owner of Franchisee, the Franchisee's or any such Owner's executor, administrator, conservator, guardian, or other personal representative must within a reasonable time, not to exceed thirty (30) days from the date of death or disability, appoint an Operating Partner (unless Franchisee or the Owner had previously appointed an Operating Partner who remains responsible for the day-to-day operation of the Restaurant). Any new Operating Partner must complete Franchisor's standard training program at Franchisee's expense, sign Franchisor's then-current form of confidentiality and non-compete agreement and comply with any of Franchisor's then-current requirements for acceptance of an Operating Partner.

(iii) **Step-in on Death or Disability.** Not in lieu of any additional rights Franchisor may have, upon death or disability of Franchisee or any Owner of Franchisee, Franchisor may, but need not, assume operational authority for the Restaurant (or appoint a third party to assume operational authority) and take possession of the Premises until the transfer pursuant to Section 11(g)(i) is completed. The terms and conditions for the exercise of Franchisor's step-in right are set forth in Section 17(c).

(h) **Non-Waiver.** Franchisor's consent to transfer any interest in Franchisee or the Franchised Business granted through this Agreement will not constitute a waiver of any claims it may have against the transferring party, nor will it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

12. Covenants Against Unfair Competition.

(a) **Franchisee's Covenant Against Unfair Competition – During Term.** Franchisee acknowledges it will receive valuable, specialized training and Confidential Information (as defined in Section 13) regarding the production, service, operational, sales, promotional, and marketing methods of the KONALA concept that Franchisor has developed through monetary and other resource expenditures that provide competitive advantages to Franchisor's System. During the Term, Franchisee and its Owners will not, without Franchisor's prior written consent for themselves, or through, on behalf of, or in conjunction with any other person or entity:

(i) own, manage, engage in, be employed by, advise, make loans to, or have any other interest in, as a partner, owner, officer, executive, managerial employee, director, salesperson or consultant for, any Competitive Business (as defined in Section 12(f)); or

(ii) offer or grant franchises or licenses for any Competitive Business; or

(iii) become a franchisee or licensee of any Competitive Business; or

(iv) perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(b) **Franchisee's Non-Solicitation Covenant – During Term.** Franchisee acknowledges it will receive customer and vendor information that is considered Confidential Information of the Franchisor. During the Term, Franchisee and its Owners will not, without Franchisor's prior written consent for themselves, or through, on behalf of, or in conjunction with any other person or entity:

(i) solicit, divert or attempt to solicit or divert any person or party who is or was a customer of the Franchised Business at any time during the term of this Agreement, to any Competitive Business, by direct or indirect inducement or otherwise, as Franchisee agrees that all goodwill associated with Franchisee's operation under the Marks and the System, and all customer information associated therewith, inure to Franchisor; or

(ii) solicit, divert, or attempt to solicit or divert, any vendor that has done business with the Franchised Business to provide supplies, products, equipment, merchandise, or services to a Competitive Business, by direct or indirect inducement or otherwise.

(c) **Franchisee's Covenant Against Unfair Competition – Post-Term.** In partial consideration for Franchisor allowing Franchisee to license Franchisor's Marks and Confidential Information, Franchisee and each of the Franchisee's Owners covenant and agree that for a period of two (2) years after the termination, expiration, or non-renewal of this Agreement, regardless of the reason for such termination, expiration, or non-renewal ("Restrictive Period"), Franchisee and its Owners shall not, within the Protected Territory (as defined in Section 12(e) below) engage in any of the following:

(i) franchise, license, or own an interest in any Competitive Business, including as franchisor, licensor, franchisee or licensee, provided that the purchase of a publicly traded security of a corporation engaged in such business or service shall not in itself be deemed violative of this Section 12(c) so long as Franchisee does not own themselves or through their spouses or partners more than one percent (1%) of the securities of such corporation; or

(ii) engage in any Competitive Business as an officer, director, employee, consultant, manager, or operator, or independent contractor in any capacity in which Franchisee or its Owners would be in a position to use or disclose Confidential Information.

(d) **Franchisee's Non-Solicitation Covenant – Post-Term.** In partial consideration for Franchisor allowing Franchisee to license Franchisor's Marks and Confidential Information, Franchisee and each of the Franchisee's Owners covenant and agree that during the Restrictive Period, Franchisee and its Owners shall not, within the Protected Territory engage in any of the following:

(i) solicit, divert, or induce or attempt to solicit, divert, or induce for, or on behalf of, any Competitive Business any person or entity who was an employee of, independent contractor to, consultant to, or other service provider to the Franchised Business as of the date of termination, expiration, or non-renewal of this Agreement or who was an employee of, independent contractor to, consultant to, or other service provider to the Franchised Business during the one (1) year period prior to the date of termination, expiration, or non-renewal of this Agreement, to work for the Competitive Business; or

(ii) solicit, divert, induce or attempt to solicit, divert, or induce any person or entity who is an employee of, independent contractor to, consultant to, or other service provider to Franchisor, Franchisor's affiliates, or Franchisor's other franchisees to terminate or alter in any way its, his, or her relationship with Franchisor, Franchisor's affiliates, or Franchisor's other franchisees; or

(iii) solicit, divert, or induce or attempt to solicit, divert, or induce any persons who were employees of, independent contractors to, consultants to, or any other service provider to Franchisor, Franchisor's affiliates, or Franchisor's other franchisees at the time of the termination, expiration, or non-renewal of this Agreement for, or on behalf of, any Competitive Business to work for any Competitive Business; or

(iv) solicit, divert, or attempt to solicit or divert, any vendor that has done business with

the Franchised Business within one (1) year of the Restrictive Period to provide supplies, products, equipment, merchandise, or services to a Competitive Business, by direct or indirect inducement or otherwise;

(v) solicit, divert or attempt to solicit or divert any person or party that was a customer of the Franchised Business during the one (1) year period prior to the expiration, termination, or non-renewal of this Agreement, to any Competitive Business, by direct or indirect inducement or otherwise.

(e) **Protected Territory.** For purposes of this Section 12, the term “Protected Territory” means the following:

(i) The Location and any geographic area which is within a five (5) mile radius of the Location or any other KONALA outlet, whether owned by Franchisee, Franchisor, Franchisor’s affiliates or any other franchisee; or

(ii) Only in the event the foregoing is determined by a court of law to be too broad, the Location and any geographic area which is within a one (1) mile radius of the Location or any other KONALA outlet, whether owned by Franchisee, Franchisor, Franchisor’s affiliates or any other franchisee; or

(iii) Only in the event the foregoing is determined by a court of law to be too broad, the Location and any geographic area which is within a one (1) mile radius of the Location; or

(iv) Only in the event the foregoing is determined by a court of law to be too broad, the Location.

(f) **Competitive Business.** For purposes of this Section 12, the term “Competitive Business” means any business or commercial activity, other than a KONALA business that Franchisee is authorized by Franchisor to operate, that receives Ten Percent (10%) or more of its gross revenues from the sale of protein bowls and salads.

(g) **Reasonableness.** The foregoing in-term and post-termination covenants against unfair competition with respect to similar Competitive Businesses shall apply regardless of how or why the Agreement terminates, expires, or does not renew. The parties agree that the foregoing covenants contained in this Section 12 contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect Franchisor’s goodwill or Franchisor’s other business interest and its franchisees and the provisions do not prevent Franchisee or its Owners from earning a living. Franchisee agrees that the scope of activities prohibited in this Section 12, and the length of the term and geographical restrictions in this Section 12, are necessary to protect the legitimate business interests and are fair and reasonable and are not the result of overreaching, duress, or coercion of any kind. Franchisee’s full, uninhibited, and faithful observance of each of the covenants in this Section 12 will not cause any undue hardship, financial or otherwise. Enforcement of each of the covenants in this Section 12 will not impair Franchisee’s or its Owners’ ability to obtain employment commensurate with Franchisee’s or its Owners’ abilities or on terms fully acceptable to Franchisee or otherwise to obtain income required for the comfortable support of Franchisee and its Owners and their families, and the satisfaction of the needs of all of Franchisee’s and its Owners’ creditors. Franchisee’s and its Owners’ special knowledge of the Franchised Business (and anyone acquiring this knowledge through Franchisee or its Owners) is such as it would cause Franchisor serious injury and loss if Franchisee or its Owners (or anyone acquiring this knowledge through Franchisee or its Owners) were to use this knowledge to the benefit of a competitor or were to compete with Franchisor or its franchisees. The covenants in this Section 12 are to be construed as independent of any other covenant or provision of this Agreement. The

existence of any claim Franchisee or any of its Owners may have against Franchisor or any of its affiliates (regardless of whether arising under this Agreement) is not a defense to the enforcement of these covenants against Franchisee or its Owners. In the event of any violation of the provisions of this Section 12, the Restrictive Period shall be extended by a period of time equal to the period of the violation. Franchisee and Franchisor agree that the running of the applicable post-termination Restrictive Period shall be tolled during any period of such violation.

(h) Managerial and Supervisory Employees. Franchisee covenants that it shall cause all persons who are involved in managerial or supervisory positions with Franchisee to enter into an agreement to be bound by provisions substantially similar to Sections 12 and 13 of this Agreement. Franchisee agrees to provide Franchisor with copies of such executed agreement upon request. If Franchisee has reason to believe that any person has violated any such provisions of this Agreement, Franchisee shall promptly notify Franchisor and cooperate with Franchisor to protect Franchisor against unfair competition, infringement, or other unlawful use of the Marks, trade secrets, recipes, or System of the Franchisor. Franchisee further grants Franchisor the right, but not the obligation, to prosecute any such lawsuits at Franchisor's expense on behalf of Franchisee.

13. Trade Secrets and Confidential Information.

Franchisee understands and agrees that Franchisor has disclosed or will hereafter disclose to Franchisee certain confidential or proprietary information and trade secrets (collectively, "Confidential Information"). Except as necessary in connection with the operation of the Restaurant and as approved by Franchisor, Franchisee shall not, during the Term or at any time after the expiration, non-renewal, or termination of this Agreement, regardless of the cause of termination, directly or indirectly, use for its own benefit or communicate or divulge to, or use for the benefit of any other person or entity, any Confidential Information. Franchisee, the Owners, and all guarantors of this Agreement will divulge Confidential Information only to personnel, if any, who must have access to it in order to operate the Restaurant and only while this Agreement is in effect. Further, Franchisee will require all personnel having access to any Confidential Information to execute an agreement, requiring them to maintain the confidentiality of information they receive in connection with their employment at the Restaurant. Those agreements will be in a form satisfactory to Franchisor. "Confidential Information" includes any information, not generally known to the public, in any form, relating to the System and/or the Restaurant and its operations, including all trade secrets of the Restaurant; all knowledge, know-how, standards, methods, and procedures related to the establishment and operation of the Restaurant not generally known to the public; all records pertaining to clients, suppliers, and other service providers of, and/or related in any way to, the Restaurant (such as all names, addresses, phone numbers, e-mail addresses for clients and suppliers; client purchase records and mail lists); product formulas, recipes or methods of production; electronic code, designs, marketing materials, and business, sales, and marketing strategies; financial information; databases; training materials; knowledge of the franchise system; and any other data and information that Franchisor or its affiliates designate as confidential, including all information contained in the Manuals.

14. Insurance.

(a) Types and Extent of Coverage. Franchisee shall obtain and maintain throughout the Term such insurance coverages with such limits as specified below (or such greater amounts of insurance as may be required by the terms of any lease or mortgage relating to the Premises):

- **GENERAL LIABILITY:** Each Occurrence requirement with minimums \$1,000,000; General Aggregate requirement with minimums of \$2,000,000; Products / Completed Operations Aggregate requirement with minimums of \$2,000,000; Personal & Advertising Injury requirement with minimums of \$1,000,000; Damage to Rented Premises requirement with minimums \$50,000; Medical Expenses requirement with minimums

\$5,000; Additional Insured is Required; Policy Type is Occurrence; Stop Gap for Monopolistic States is Required; Carrier Type is Admitted; Carrier Rating is \geq A- VII, AM Best.

- **FRANCHISEE OWNED COMMERCIAL AUTO:** Combined Single Limit requirement with minimums \$1,000,000; Hired Auto is Required; Non-Owned Auto is Required; Additional Insured is Required; Waiver of Subrogation is Required; Primary & Non-Contributory is Required; Carrier Rating is \geq A- VII, AM Best.
- **WORKERS COMPENSATION & EMPLOYERS LIABILITY:** Bodily Injury by Disease, Each Accident requirement with minimums \$1,000,000; Bodily Injury by Disease, Policy Limit requirement with minimums \$1,000,000; Bodily Injury by Disease, Each Employee requirement with minimums \$1,000,000; Required regardless of state laws is Required; Cannot exclude owner-operators is Required; Waiver of Subrogation is Required; Carrier Rating is \geq A- VII, AM Best.
- **PROPERTY / BUSINESS INTERRUPTION:** Business Personal Property requirement with minimums \geq \$250,000 Full replacement cost value; Building is Case by case, depending on building size, lease agreement and triple net; Tenant Improvements requirement with minimums \geq \$600,000 Full replacement cost value; Equipment Coverage is Full cover; Business Interruption is 18 Months ALS; Franchisor Royalties is Included; Carrier Rating is \geq A- VII, AM Best.
- **CYBER LIABILITY:** Each Occurrence requirement with minimums \$500,000; Aggregate requirement with minimums \$500,000; Social Engineering requirement with minimums \$100,000; Co-Defendant is Required.
- **EMPLOYMENT PRACTICES LIABILITY:** Occurrence requirement with minimums \$250,000; Aggregate requirement with minimums \$250,000; 3rd Party Liability is Included; Wage & Hour requirement with minimums \geq \$25,000; Max Deductible requirement with minimums \$10,000; Co-Defendant is Required.

The following are optional coverages:

- **BUILD-OUT / BUILDERS RISK:** Hard Costs are recommended with minimums Full replacement cost value; Soft Costs are recommended with minimums Full replacement cost value; Business Interruption is Optional.
- **CRIME:** Each Claim is recommended with minimums \$100,000; 3rd party crime is recommended with minimums \$100,000; Form is Loss Discovered.
- **UMBRELLA:** Occurrence is recommended with minimums \$1,000,000; Aggregate is recommended with minimums \$1,000,000; Underlying Coverages are General Liability; Carrier Rating is recommended with minimums \geq A- VII, AM Best.
- **WORKPLACE VIOLENCE:** Legal Liability Coverage is recommended with minimums \$500,000; Business Interruption is recommended with minimums of \$250,000; Victim Crisis Counseling is recommended with minimums of \$25,000 per person; Reputational Risk Management is recommended with minimums of \$50,000 per incident.

The General Liability policy must name the Franchisor as an Additional Insured for liability arising out of your operations, ongoing and completed, utilizing ISO Forms CG 20 33 12 19 – Automatic

Additional Insured (Ongoing Operations) and CG 20 39 12 19 – Automatic Additional Insured (Completed Operations). Coverage must be on a primary and non-contributory basis, meaning it will pay before any other applicable insurance the Additional Insureds may have.

The Commercial Auto policy must name the Franchisor as an Additional Insured. This coverage must be on a primary and non-contributory basis.

A Waiver of Subrogation is required for General Liability, Commercial Auto, and Workers' Compensation policies, preventing the insurer from seeking recovery from the Franchisor.

(b) Other Insurance Requirement. Franchisee shall obtain from a nationally recognized insurance company and at all times during the term of this Agreement maintain in force and pay the premiums for all types of insurance listed above with complete operations coverage. All policies of insurance required to be maintained hereunder shall: (i) be written as primary policy coverage and not “excess over” or contributory with any other applicable insurance, including Franchisor’s insurance; (ii) shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer(s)’ liability; (iii) shall not contain any special limitations on the scope of coverage afforded to Franchisor; (iv) shall provide that any failure by Franchisee or any of Franchisee’s employees, agents, subcontractors, or suppliers, to comply with any notice, reporting, or other similar provisions of such policies shall not affect the coverage provided to Franchisor. From time to time in Franchisor’s sole discretion, Franchisor may increase or modify such limits of liability or require additional types of coverage, including cyber liability coverage. The insurance policies shall name Franchisor and any affiliates, officers, members, owners, subsidiaries, and employees Franchisee designates as an “additional insured” and shall expressly protect both Franchisor and Franchisee (and any other additional insured) on a primary and non-contributory basis and shall require the insurer to defend both Franchisee and Franchisor (and any other additional insured) in any action while reserving Franchisor’s right to involve counsel of Franchisor’s own choosing in protection of its own and system wide interests. Additionally, Franchisee’s insurance policy must waive on behalf of Franchisee’s insurer any right of subrogation by the insurance company against Franchisor and Franchisor’s officers, shareholders, and employees. Franchisee understands that doing so does not necessarily furnish Franchisee with protection levels adequate to Franchisee’s needs and that Franchisee’s obligation to indemnify Franchisor as set forth above in this Agreement may exceed the amount of insurance Franchisee is required to obtain or does obtain. At least thirty (30) days prior to the time any insurance is first required to be carried by Franchisee and at least thirty (30) days prior to opening, Franchisee will deliver or caused to be delivered to Franchisor Certificates of Insurance evidencing the proper coverage with limits not less than those required by this Agreement and evidencing that Franchisor is named as an additional insured under such policy on a primary and non-contributory basis as required in this Agreement. At least thirty (30) days prior to expiration of any such policy, Franchisee shall deliver to Franchisor Certificates of Insurance evidencing that Franchisee has procured proper renewal or replacement coverage with limits not less than those required by this Agreement and reflecting that Franchisor and its affiliates are additional insured under the policy on a primary and non-contributory basis as required herein. All Certificates will expressly provide that at least thirty (30) days’ prior written notice will be given to Franchisor in the event of any alteration to, or cancellation of, the coverage evidenced by the Certificates of Insurance. Franchisee Indemnifying Parties obligations to indemnify Franchisor Indemnified Parties as separate from and in addition to these insurance obligations.

(c) Franchisor’s Rights. Franchisor, or its insurer, shall have the right to participate in discussions with Franchisee’s insurance company or any claimant (in conjunction with Franchisee’s insurance company) regarding any claim of liability, and Franchisee agrees to adopt Franchisor’s reasonable recommendations to its insurance carrier regarding the settlement of any such claims.

(d) Failure to Procure. Should Franchisee for any reason fail to procure or maintain the insurance required by this Agreement, Franchisor will have the right and authority to immediately procure

such insurance deemed to be necessary and to charge the amount of the cost to procure and maintain such insurance to Franchisee, along with a reasonable fee for Franchisor's expenses in procuring the insurance, Franchisor is authorized to collect from Franchisee all insurance related expenses paid on behalf of Franchisee through automatic electronic bank transfers as provided for in Section 3 of this Agreement.

15. Termination.

(a) **Automatic Termination.** Franchisee shall be in default under this Agreement, and this Agreement and all rights granted to Franchisee herein shall automatically terminate without notice to Franchisee in the event that (i) Franchisee makes a general assignment for the benefit of creditors or a petition in bankruptcy is filed by Franchisee; (ii) a petition in bankruptcy is filed against and not opposed by Franchisee; (iii) Franchisee is adjudicated as bankrupt or insolvent; (iv) a bill in equity or other proceeding is filed for the appointment of a receiver or other custodian for Franchisee's business or assets if filed and consented to by Franchisee; (v) a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; (vi) proceeding for a composition with creditors under any state or federal law should be instituted by or against Franchisee; (vii) a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless an appeal or supersedeas bond is filed); (viii) Franchisee is dissolved; (ix) any portion of Franchisee's interest in the Franchised Business becomes subject to an attachment, garnishments, levy or seizure by any credit or any other person claiming against or in the rights of Franchisee; (x) execution is levied against Franchisee's business or property; or (xi) the real or personal property of Franchisee's Franchised Business shall be sold after levy thereupon by any sheriff, marshal, or constable.

(b) **Termination upon Notice.** Franchisee shall be in default and Franchisor may, at its option, terminate this Agreement and all rights granted herein, without affording Franchisee any opportunity to cure the default, effective upon date the notice is deemed received pursuant to Section 20 and in no event five (5) days after Franchisor sent such notice, upon the occurrence of any of the following events:

(i) Franchisee at any time ceases to operate or otherwise abandons the Franchised Business for more than three (3) days without Franchisor's prior written permission; or

(ii) Franchisee forfeits the right to do or transact business in the jurisdiction where the Restaurant is located, or loses the right to possession of the Premises; provided, however, that if any such loss of possession results from the governmental exercise of the power of eminent domain, or if, through no fault of Franchisee the Premises are damaged or destroyed, then Franchisee shall have forty-five (45) days after either such event in which to apply for Franchisor's approval to relocate or reconstruct the premises (which approval shall not be unreasonably withheld), provided, Franchisee shall either relocate or commence and diligently pursue reconstruction of the Restaurant within sixty (60) days after the event; or

(iii) Except as otherwise permitted in this Agreement, any Owner of more than twenty-five percent (25%) interest in Franchisee transfers all or part of such interest or Franchisee transfers any interest in the Franchised Business or a material portion of the assets of the Franchised Business or Franchisee; or

(iv) Franchisee or an Owner of more than twenty-five percent (25%) of Franchisee is convicted of, or pleads guilty or no contest to, (A) a felony, (B) a crime involving moral turpitude, (C) a crime harming children, (D) fraudulent conduct, or (E) any other crime or offense that is reasonably likely to have an adverse effect on the Chain, the Marks or the goodwill associated therewith, or Franchisee or an Owner is proven to have engaged in any of the above; provided, that if the act or conviction involves an Owner, Franchisor will not terminate this Agreement if Franchisee notifies Franchisor promptly after it learns of the event constituting the default, and

within fifteen (15) days of the date of the notice, either (a) the person or entity that committed the wrongful act divests his or its entire interest in Franchisee, or (b) Franchisee obtains Franchisor's consent for such owner to maintain his or its ownership interest; or

(v) An approved transfer is not effected within nine (9) months of the death or disability of any individual Franchisee; or the death or disability of any owner of an interest in Franchisee; or

(vi) Twice within a twelve (12) month period or three (3) times within a three (3) year period, Franchisee is given notice of being in default under any of the terms or requirements of this Agreement; whether or not such defaults are timely cured after notice; or

(vii) Franchisee or any Owner fails to comply with any of the covenants of Franchisee set forth in this Agreement; or

(viii) Franchisee or any Owner or Operating Partner makes any material misrepresentation to Franchisor or breaches any warranty of representation made to Franchisor, whether in this Agreement or otherwise; or

(ix) Franchisee knowingly or intentionally maintains false books or records or knowingly submits any false records, statement or report to Franchisor; or

(x) Franchisee, any Owner, or Operating Partner by act or omission, materially impairs the value of, or the goodwill associated with, the Chain, any of the Marks or the System; or

(xi) Franchisee, after curing a default pursuant to the terms this Agreement, commits the same act of default again within six (6) months; or

(xii) Franchisee, any Owner, or Operating Partner takes, withholds, misdirects, or appropriates for its own use any funds from Franchisee's employees' wages for employees' taxes, FICA, insurance or benefits, or generally fails to deal fairly and honestly with Franchisee's employees or customers; or

(xiii) Franchisee loses or is denied any federal, state or local license that Franchisee must possess in order to operate the Franchised Business; or

(xiv) Any of the following occur prior to the opening date: (A) any representations or warranties of Franchisee and/or the Operating Partner prove to be inaccurate or false, (B) the Operating Partner fails to take or pass any of Franchisor's required training, (C) the Operating Partner and/or Franchisee fails to pass any credit or character check performed by or on behalf of Franchisor, and/or (D) Operating Partner and/or Franchisee fail to timely or diligently perform any duties or obligations during the period prior to the opening date; or

(xv) Franchisee is found liable by any judicial, administrative, or arbitral body for violation of federal, state, or local laws barring discrimination on the basis of race, sex, national origin, age or sexual orientation, or is found liable for any common law civil claim the facts of which are grounded in allegations of discrimination on the basis of race, sex, national origin, age, or sexual orientation; or

(xvi) Franchisee operates under any trademark not approved by Franchisor or otherwise uses any trademark not approved by Franchisor in the operation of the Restaurant; or

(xvii) Franchisee opens the Restaurant without prior written approval from Franchisor.

(c) Termination after Opportunity to Cure. Except for those defaults provided for under Sections 15(a) or 15(b), Franchisee shall be in default hereunder for any failure to maintain or comply with any of the terms, covenants, specifications, standards, procedures or requirements imposed by this Agreement or in any Brand Standards Manual, policy and procedure statement or other written document provided by Franchisor, or to carry out the terms of this Agreement in good faith. For such defaults, Franchisor will provide Franchisee with written notice and fifteen (15) days to cure or, if a default cannot reasonably be cured within fifteen (15) days, to initiate within that time substantial and continuing action to cure such default and to provide Franchisor with evidence of such actions. If the defaults specified in such notice are not cured within the fifteen (15) day period, if substantial and continuing action to cure has not been initiated, or if the default is not curable Franchisor may, at its option, terminate this Agreement upon written notice to Franchisee. Such defaults shall include, without limitation, the occurrence of any of the following events:

(i) Franchisee fails to construct or remodel or to commence operating the Restaurant in accordance with this Agreement (including the timelines), Franchisee fails to provide prior to opening a commitment letter from a financial institution representing sufficient working capital within the range identified in Item 7 of the Franchise Disclosure Document provided to Franchisee, or Franchisee fails to obtain the Premises within the required timeline; or

(ii) Franchisee fails, refuses, or neglects to promptly pay any monies owing to Franchisor, its affiliates or the Brand Development Fund when due or to submit the financial or other information required under this Agreement; or

(iii) Any Owner of twenty-five percent (25%) or less of Franchisee makes a transfer of such interest in violation of this Agreement; provided, however, that Franchisee's right to cure such a default shall be conditioned upon Franchisee immediately notifying Franchisor of the improper transfer and taking all actions necessary to either (a) obtain Franchisor's approval thereof, or (b) if approval is not desired or the transfer or transferee is not approved by Franchisor, to re-acquire the interest so transferred; or

(iv) A threat or danger to public health or safety results from the construction, maintenance, or operation of the Restaurant; or

(v) Franchisee, an Owner, or an Operating Partner misuses or makes any unauthorized use of the System or the Marks; or

(vi) Franchisee, an Operating Partner, or any Owner(s) commits acts of abuse, abuses customers, uses employees who do not meet Franchisor's then-current standards and training requirements, uses illegal drugs or abuses alcohol, or permits unlawful activities at Franchisee's business; or

(vii) Franchisee submits to Franchisor on two (2) or more separate occasions at any time during the Term or any renewal hereof, any reports or other data, information or supporting records which understate the Net Sales of the Franchised Business, the Continuing Royalties and/or any other sums owed to Franchisor for any period of, or periods aggregating, three (3) or more weeks, and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error; or

(viii) If Franchisee fails to maintain a good credit rating by failing to make prompt payment of undisputed bills, invoices or statements from suppliers of products and services; or

(ix) Franchisee fails to have sufficient funds in the Account; or

- (x) Franchisee fails to use an approved good, service, or supplier where required, or uses an unauthorized good, service, or supplier; or
- (xi) Franchisor receives repeated customer complaints about the Restaurant; or
- (xii) Franchisee maintains false books or records or submits any false records, statement or report to Franchisor; or
- (xiii) Franchisee fails to have an Operating Partner for the Restaurant in accordance with the terms of this Agreement or fails to have the Operating Partner complete the Franchisor initial training program prior to operating the Restaurant; or
- (xiv) Franchisee fails to maintain certain quality standards as institute by Franchisor and as set forth in the Brand Standards Manual and elsewhere.

Franchisee hereby authorizes Franchisor to notify any lender, creditor, customer or landlord of Franchisee or the Franchised Business upon the occurrence of any default under this Section 15, or any event or circumstances which the giving or notice or passage of time or both would constitute an event of default under this Section 15, and to otherwise communicate with such lenders, creditors, customers or landlords with respect to any such default, or any such event or circumstance.

(d) **Relief in Equity.** Franchisee agrees that neither termination of this Agreement nor an action at law, nor both, would be an adequate remedy for a breach or default by Franchisee, or by any other persons bound by this Agreement, in the performance of any obligation relating to Franchisor's Marks or indicia, the trade secrets revealed to Franchisee in confidence pursuant to this Agreement or the obligations of Franchisee and such other persons upon and after termination of this Agreement. The parties therefore agree that in the event of any such breach or default, in addition to all other remedies provided elsewhere in this Agreement or by law, Franchisor shall be entitled to relief in equity from a judge or arbitrator, at its option, (including a temporary restraining order, temporary or preliminary injunction and permanent mandatory or prohibitory injunction) to restrain the continuation of any such breach or default or to compel compliance with such provisions of this Agreement.

(e) **Termination by Franchisee.** This Agreement shall automatically terminate upon delivery of notice of termination to Franchisor, if Franchisor fails to perform any material obligation imposed upon it by this Agreement, and (i) Franchisor has failed to cure the failure within ninety (90) days after receiving written notice from Franchisee of a material breach, or, (ii) if such failure cannot be cured within ninety (90) days, Franchisor has failed to take reasonable steps to initiate the cure of the failure. If Franchisee terminates the Agreement, Franchisee shall comply with the requirements of Section 16.

(f) **Limitation of Services or Benefits.** Franchisor shall have the right, but not the obligation, to temporarily or permanently limit or remove certain services or benefits provided or required to be provided to Franchisee hereunder in lieu of exercising its right to terminate this Agreement pursuant to the terms hereof, including, without limitation, eliminating Franchisee's right to use Franchisor's website free of charge, restricting or removing Franchisee's right to purchase products directly or indirectly from Franchisor or its affiliates, limiting Franchisor's advertising and promotional assistance, and restricting or removing Franchisee's right to use any Computer Systems which are provided by or proprietary to Franchisor or its affiliate, if any. Nothing in this Section 15(f) constitutes a waiver of any other right or remedy of Franchisor under this Agreement. Franchisee acknowledges that Franchisor's exercise of its rights pursuant to this Section 15(f) shall not be deemed a constructive termination. Any services or benefits removed or limited pursuant to this Section 15(f) may be reinstated at any time in Franchisor's sole discretion.

(g) **Cross-Defaults.** Any default by Franchisee (or any Owner or affiliate of Franchisee) under this Agreement shall be a default under any other agreement between Franchisor (or any affiliate of Franchisor) and Franchisee (or any Owner or affiliate of Franchisee). Any such default under any other agreement or any other obligation between Franchisor (or any affiliate of Franchisor) and Franchisee (or any Owner or affiliate of Franchisee) shall be a default under this Agreement. Any default by Franchisee (or any Owner or affiliate of Franchisee) under any lease, sublease, loan agreement, or security interest may be regarded as a default under this Agreement, regardless of whether or not any such agreements are between Franchisee (or any Owner or affiliate of Franchisee) and Franchisor (or any affiliate of Franchisor).

(h) **Extended Cure Period.** Notwithstanding anything to the contrary in this Agreement, Franchisor reserves the right to grant to Franchisee in Franchisor's sole discretion an extended cure period for any breach. Franchisee acknowledges that Franchisor's decision to grant such an extended cure period shall not operate as a waiver of any of Franchisor's rights and that Franchisor can choose to condition such an extension upon the signing of a general release by Franchisee; Owners; guarantors of the Franchisee; and their respective predecessors, parents, affiliates, subsidiaries, shareholders, members, partners, officers, directors, managers, employees, agents, representatives, attorneys, accountants, personal representatives, heirs, executors, administrators, successors, and assigns. If any law applicable to this Section 15 requires a longer notice period prior to termination of this Agreement than is specified in this Agreement, a different standard of "good cause," or the taking of some other action not required under this Agreement, the prior notice, "good cause" standard, and/or other action required by such law will be substituted for the comparable provisions in this Agreement.

(i) **Noncompliance.** Without waiving Franchisor's rights that Franchisor may have, and in Franchisor's sole discretion, Franchisor may elect not to terminate Franchisee's franchise agreement as a result of a default. In the event a default occurs, Franchisor may elect to give written notification (a "Notice of Noncompliance") to Franchisee that its Franchised Business is not in compliance with the terms and conditions of this Agreement. Such Notice of Noncompliance shall state a period for Franchisee to cure the noncompliance, which shall be a period not less than thirty (30) days. For a period of six (6) months from and after the date of such Notice of Noncompliance, Franchisee shall reimburse Franchisor for reasonable costs that Franchisor incurs with respect to the Franchised Business, including without limitation the costs of any audit or inspection of the Restaurant in excess of Franchisor's normal audit program, any mystery shopping for the Restaurant during such six (6) month period in excess of Franchisor's normal mystery shopping program applied to all franchised businesses, additional training that Franchisor determines is required to bring the Franchised Business up to Franchisor's standards, and any personnel costs incurred by Franchisor at the Restaurant to ensure the proper management and operation of the Franchised Business. Nothing in this subsection shall limit Franchisor's termination rights as otherwise set forth in this Agreement, which Franchisor reserves the right to exercise at any time.

(j) **Step In Rights.** In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right, or any other rights Franchisor may have against Franchisee, upon a failure to meet any of the requirements of this Agreement or upon a failure to cure any default within the applicable time period (if any), Franchisor has the right, but not the obligation, to, assume operational authority for the Restaurant (or appoint a third party to assume operational authority) and take possession of the Premises until such time as Franchisor determines that the default has been cured, and Franchisee is otherwise in compliance with this Agreement. The terms and conditions for the exercise of Franchisor's step-in right are set forth in Section 17(c).

16. Obligations upon Termination, Non-Renewal, or Expiration.

(a) **Obligations.** Upon termination, non-renewal, or expiration of this Agreement, all rights granted hereunder to Franchisee shall terminate and revert to Franchisor, and Franchisee shall have the following obligations with respect to the Franchised Business:

(i) **Cease to Operate.** Franchisee shall immediately cease to operate the business licensed under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a KONALA franchisee with respect to such business;

(ii) **Cease to use Information.** Franchisee shall immediately and permanently cease to use, in any manner whatsoever, all trade secrets, Confidential Information, methods, procedures and techniques used by or associated with the System, and the Mark, “KONALA”, and all other Marks and distinctive forms, slogans, signs, symbols, logos and devices associated with the KONALA Chain and System;

(iii) **Cease use of Marks.** Franchisee shall immediately and permanently cease to use, in any manner whatsoever, the Mark “KONALA” and any other trade name, trade dress, décor, branding materials, trade or service mark, or other commercial symbol that indicates or suggests a connection or association with us. If Franchisor does not execute its rights to purchase as described in this Section 16, Franchisee shall de-identify the Premises within fifteen (15) days of the notice from Franchisor that Franchisor is not going to exercise its rights. The de-identification procedures include removing all references to Konala, complying with Franchisor’s instructions to remove trade dress items, branding items, signage, color schemes, fixtures, and décor items from the Restaurant;

(iv) **Return Franchisor’s Property.** Franchisee shall immediately return to Franchisor any property held or used by Franchisee which is owned by Franchisor, including the Customer List, and shall cease to use, and either destroy or convey to Franchisor, all signs, advertising materials, displays, stationery, forms, and any other materials that bear or display the Marks. Franchisee shall immediately deliver to Franchisor all manuals, policy and procedure statements, instructions, Brand Standards Manual; and other materials related to operating the Franchised Business, including, without limitation, brochures, charts and any other materials provided by Franchisor and all copies thereof, and shall neither retain nor convey to another any copy or record of any of the foregoing. Franchisee shall deliver to Franchisor all login credentials associated with any Online Presence, including any directory, marketing, website, point-of-sale, social media, and all other accounts and systems affiliated with the Restaurant;

(v) **Cancel Assumed Names.** Franchisee shall take such actions as may be necessary to cancel any assumed name or similar registration which contains the Mark “KONALA” or any other Marks of Franchisor, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with its obligation within thirty (30) days after termination, non-renewal, or expiration of this Agreement;

(vi) **Pay All Sums Due.** Franchisee shall promptly pay all sums owed to Franchisor. Such sums shall include all damages, costs, and expenses, including reasonable attorneys’ fees, incurred by Franchisor as a result of the default and the termination. Any outstanding obligations to Franchisor shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures and inventory owned by Franchisee located on the Premises on the date this Agreement is terminated, expires, or does not renew;

(vii) **Pay All Subsequent Amounts.** Franchisee shall pay to Franchisor all damages, costs and expenses including reasonable attorneys’ fees, incurred by Franchisor subsequent to the termination, non-renewal, or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any term, covenant or provision of this Agreement;

(viii) **Cooperate with Franchisor’s Assumption Rights.** Franchisor shall have the option, to be exercised within thirty (30) days of termination, non-renewal, or expiration, to assume

Franchisee's assumed name or equivalent registration and business licenses, telephone numbers, telephone directory listings and advertisements (whether in print or part of an Internet directory), and e-mail addresses and/or Internet domain names which contain the Mark of Franchisor or its affiliates, and Franchisee shall sign all documents necessary to permit Franchisor to assume Franchisee's rights in such items. Franchisor shall have the right to require Franchisee to deliver to Franchisor all login credential associated with any Online Presence, including a directory, marketing, Website, and social media accounts. If Franchisor elects not to exercise this option, Franchisee shall take all action necessary to cancel each of the items listed above and shall furnish Franchisor with evidence satisfactory to prove its compliance within fifteen (15) days after receiving notice of Franchisor's termination, non-renewal, or expiration of this Agreement and the expiration of the option granted herein. In the event Franchisee fails to timely do so, Franchisor shall have the right, for which purpose Franchisee hereby appoints Franchisor as its attorney-in-fact, to obtain such cancellation on Franchisee's behalf and at Franchisee's expense;

(ix) **Continuing Obligations.** Franchisee shall comply with the covenants contained in this Agreement, including, but not limited to, the covenants, not to compete and the covenants not to disclose trade secrets or Confidential Information;

(x) **Leased Premises.** Franchisee shall, if Franchisor so requests, assign to Franchisor or its designee any interest which Franchisee has in any lease for the Premises, or any other agreement related to the Premises. Franchisee will do whatever is necessary to effectuate and complete the assignment. In the event Franchisor does not elect to exercise its option to acquire any lease for the Premises, and unless otherwise directed by Franchisor, Franchisee shall, within ten (10) days after termination, non-renewal, or expiration of this Agreement, make such modifications and alterations to the Premises as may be necessary to remove any KONALA trade dress and to distinguish the appearance of the Premises from that of other KONALA restaurants and shall make such specific additional changes thereto as Franchisor may reasonably request;

(xi) **Owned Premises.** Franchisee shall, if Franchisor so requests and if Franchisee owns the real property on which the Restaurant is located, lease the Premises to Franchisor on substantially the same terms and conditions contained in Franchisee's lease for the Premises, or if no lease exists or if the existing lease is not commercially reasonable, then on commercially reasonable terms. The lease shall be for an initial ten (10) year term, with two (2) five (5) year successor terms (at Franchisor's option). If the parties cannot agree on the rent to be charged under the lease within thirty (30) days after the expiration, termination, or non-renewal of the Agreement, the rent will be determined by a qualified independent appraiser. Franchisee and Franchisor shall each present their proposed rent, and the independent appraiser will select the most commercially reasonable rent from the two proposals. The independent appraiser's determination will be binding on the parties. If the parties are not able to agree on an independent appraiser within forty-five (45) days of the termination, non-renewal, or expiration of this Agreement, each party will select an independent appraiser. The independent appraisers chosen will then select a third independent appraiser whose determination will be binding on the parties. The parties agree to select their respective appraisers within fifty-five (55) days after the termination, non-renewal, or expiration of this Agreement and the two appraisers chosen are obligated to appoint the third appraiser within fifteen (15) days after the date on which the last of the two party-appointed appraisers is appointed. Franchisor and Franchisee will bear the cost of their own appraisers and share equally the reasonable fees and expenses of the third appraiser. The parties will take reasonable actions to cause the third appraiser to complete his or her appraisal within fifteen (15) days after the third appraiser's appointment. During the period when the parties are determining the rent and having the appraisal, Franchisor shall have the right but not the obligation to occupy the Premises. Promptly after the determination of the rent, Franchisor shall pay any rent due to Franchisee for any time Franchisor occupied the Premises while the rent was being determined;

(xii) **Third Party Notice.** Franchisee shall notify the telephone company, all telephone directory publishers, and all domain name registries and Internet service providers, or any provider of an Online Presence, of the termination or expiration of Franchisee's right to use any telephone, facsimile, Online Presence, or other numbers names and telephone directory listings, Online Presences, associated with any Mark, authorize the transfer of these numbers, names, and directory listings to Franchisor or at Franchisor's direction, and/or instruct the telephone company, domain name registries, Online Presence service provider, and Internet service providers to forward all calls, e-mails and electronic communications made to Franchisee's names, numbers, or addresses to names, numbers, or addresses Franchisor specifies. If Franchisee fails to do so, Franchisor may take whatever action and sign whatever documents Franchisor deems appropriate on Franchisee's behalf to effect these events;

(xiii) **Client List.** Franchisee shall comply with Franchisor's instructions relating to Franchisee Data and shall immediately transfer all ownership interest in Franchisee Data, at Franchisor's request and in accordance with all applicable law; and

(xiv) **Computer Systems.** Franchisee shall comply with Franchisor's instructions relating to the Computer System, Franchisee Data, and the Customer List.

(b) **Franchisor's Right to Purchase.** Upon termination, non-renewal, or expiration of this Agreement, Franchisor shall have the following rights:

(i) **Purchase Rights.** If Franchisor requests, Franchisee shall sell to Franchisor any assets used in connection with the operation of Franchisee's Restaurant. Franchisor has the right, but not the obligation, to exercise this right by providing Franchisee with written notice of Franchisor's election within sixty (60) calendar days after the termination, non-renewal, or expiration of this Agreement and paying Franchisee the book value for such assets within sixty (60) calendar days of such notice. For purposes of this paragraph, "book value" means the amount Franchisee actually paid for the assets less depreciation (calculated by using the straight-line depreciation method on a ten (10) year depreciation schedule irrespective of the depreciation method or schedule Franchisee uses for accounting purposes). Notwithstanding the foregoing, to the extent that Franchisor exercises Franchisor's right to purchase any assets that are subject to a lease or finance agreement, the purchase price of such assets shall equal the amount of Franchisee's remaining obligations under the lease or finance agreement, as applicable. Franchisor shall be entitled to offset the purchase price by the amount of money owed by Franchisee to Franchisor for any payments necessary to acquire clear title to property or for any other debt. If Franchisor exercises Franchisor's option to purchase, pending the closing of such purchase, Franchisor has the right to appoint a manager to maintain operation of the Restaurant, or Franchisor may require that Franchisee close the Restaurant during such period without removing any assets. Franchisee is required to maintain in force all insurance policies required under this Agreement until the date of such closing. Franchisor has the unrestricted right to assign this option to purchase the Restaurant and its assets. Franchisor will be entitled to all customary warranties and representations in connection with Franchisor's purchase of Franchisee's assets, including, without limitation, representations and warranties as to ownership and condition of and title to the assets; liens and encumbrances on the assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise. Franchisor may purchase all or only a portion of the assets of the Restaurant and may exclude from its purchase any assets or cash, for any reason, in Franchisor's sole discretion. Franchisor shall have the right to set off and apply any amounts due to Franchisee pursuant to this subsection against any and all other amounts which may be due from Franchisee to Franchisor.

(ii) **Appraisal.** If Franchisor and Franchisee cannot agree on the purchase price for any of the assets to be purchased, the purchase price will be determined by a qualified independent appraiser. Franchisee and Franchisor shall each present their proposed purchase price, and the independent appraiser will select the most commercially reasonable purchase price from the two proposals. The independent appraiser's determination will be binding on the parties. If the parties are not able to agree on an independent appraiser within forty-five (45) days of the termination, non-renewal, or expiration of this Agreement, each party will select an independent appraiser. The independent appraisers chosen will then select a third independent appraiser whose determination will be binding on the parties. The parties agree to select their respective appraisers within fifty-five (55) days after the termination, non-renewal, or expiration of this Agreement and the two appraisers chosen are obligated to appoint the third appraiser within fifteen (15) days after the date on which the last of the two party-appointed appraisers is appointed. Franchisor and Franchisee will bear the cost of their own appraisers and share equally the reasonable fees and expenses of the third appraiser. The parties will take reasonable actions to cause the third appraiser to complete his or her appraisal within fifteen (15) days after the third appraiser's appointment.

17. **Independent Contractor; Indemnification.**

(a) **Independent Contractor.** It is understood and agreed by the parties that this Agreement creates only a contractual relationship between the parties subject to the normal rule of contract law. This Agreement does not create a fiduciary relationship between the parties and Franchisee is and shall remain an independent contractor. Franchisee agrees to hold itself out to the public as an independent contractor, separate and apart from Franchisor. Franchisee agrees that it shall not make any contract, agreement, warranty, or representation on Franchisor's behalf without Franchisor's prior written consent, and Franchisee agrees that it shall not incur any debt or other obligation in Franchisor's name. This Agreement shall not be deemed to confer any rights or benefits to any person or entity not expressly named herein.

(b) **Indemnification.**

(i) **Franchisee's Obligation to Indemnify.** Franchisee, Owners, and Guarantors ("Franchisee Indemnifying Parties") agree to fully protect, indemnify, defend, reimburse, and hold Franchisor; Franchisor's predecessors, parents, affiliates, and subsidiaries; and their respective shareholders, members, partners, officers, directors, managers, employees, agents, representatives, attorneys, accountants, guarantors, successors, and assigns, in both their corporate and individual capacities (collectively, "Franchisor Indemnified Parties") harmless from and against all liabilities, losses, obligations, claims, demands, damages (consequential or otherwise), penalties, fines, costs, and expenses (including attorneys' fees) of any nature whatsoever (collectively, "Losses") incurred in connection with any action, suit, proceeding, claim, demand, judgment, investigation, inquiry, assessment, or formal or informal inquiry (regardless if reduced to judgment), or any settlement of the foregoing, of whatsoever nature (collectively, "Action"), arising from any of the following: (1) Franchisee Indemnifying Parties' actual or alleged violation of any law, rule, regulation, or ordinance; (2) damage to property; (3) injury to or death or disability of any person; (4) negligence, recklessness, misconduct, or criminal conduct by the Franchisee Indemnifying Parties', the Operating Principal, or any of Franchisee's employees or agents; (5) data breaches; (6) Franchisee Indemnifying Parties' breach of this Agreement or any representations and warranties they make herein; (7) infringement of any intellectual property rights; (8) product recalls; (9) any failure to warn or give instructions related to any products or services provided by Franchisor Indemnified Parties or by Franchisee; (10) any labor or employment law disputes relating to the Premise or the Franchised Business or claims arising out of Franchisee's employment practices, including claims that any of the Franchisor Indemnified parties are the employer, joint employer, or co-employer of Franchisee or Franchisee's agents, employees, or contractors; (11) any acts, errors, or omissions of the Franchised Business, the Franchisee Indemnifying Parties, and their employees, contractors,

and agents; (12) any third party claim that arises from or is connected with the ownership, establishment, use, non-use, possession, condition, operation, closure, or maintenance of the Premises and the Franchised Business. Franchisee Indemnifying Parties agree that this obligation to indemnify is regardless of the cause or concurrent or contributing fault or negligence of the Franchisor Indemnified Parties. Franchisee Indemnifying Parties hereby waive all claims against Franchisor Indemnified Parties arising from any of the foregoing. Franchisor Indemnified Parties shall not be liable for any act or omission of Franchisee Indemnifying Parties, or their employees, contractors, or agents connected to or arising from the ownership, establishment, use, non-use, possession, condition, operation, or maintenance of the Premises and the Franchised Business

(ii) Indemnification Procedures. Franchisee will also notify Franchisor by telephone of any Action within forty-eight (48) hours after such Action is initiated and in writing within four (4) days after such Action is initiated. Franchisor Indemnified Parties shall have the right, in their sole discretion, and at Franchisee's expense and risk, to: (1) retain counsel of their own choosing to represent them with respect to any claim; and (2) control the response thereto and the defense thereof, including the right to enter into settlements or take any other mitigating, remedial, corrective, or other actions they deem appropriate. Franchisee Indemnifying Parties must reimburse Franchisor Indemnified Parties for all of Franchisor Indemnified Parties' costs, expenses, and all attorneys' fees immediately upon Franchisor Indemnified Parties' request. Franchisee Indemnifying Parties shall not, without the prior written consent of the Franchisor Indemnified Party, (A) settle or compromise any claim or consent to the entry of any judgment with respect to any claim which does not include a written release from liability of such claim for the Franchisor Indemnified Parties, or (B) settle or compromise any claim in any manner that may adversely affect the Franchisor Indemnified Parties. Franchisee Indemnifying Parties agree to give their full cooperation to Franchisor Indemnified Parties in assisting with the defense of any such claim. Franchisor Indemnified Parties' undertaking of defense and/or settlement will in no way diminish Franchisee Indemnifying Parties' obligations to indemnify Franchisor Indemnified Parties and to hold Franchisor Indemnified Parties harmless. Under no circumstance will Franchisor Indemnified Parties be required to seek recovery from any insurer or other third party or otherwise mitigate Franchisor Indemnified Parties' or the third parties' losses to maintain a claim for indemnification against Franchisee Indemnifying Parties. Franchisee Indemnifying Parties agree that any failure to pursue recovery from third parties or mitigate loss will in no way reduce the amounts recoverable by Franchisor Indemnified Parties from Franchisee.

(iii) Survival. Any and all of the Franchisee Indemnifying Parties' indemnification obligations under this Agreement shall survive the expiration, non-renewal, or sooner termination of this Agreement.

(c) Step-In Rights Generally. In the event Franchisor exercises its step-in rights in accordance with the terms as set forth above, Franchisee must (in addition to paying all other amounts owed due under this Agreement) reimburse Franchisor or a designated third party for all reasonable costs and overhead, if any, incurred in connection with its operation of the Restaurant including, without limitation, costs of personnel for supervising and staffing the Restaurant and their travel and lodging accommodations, plus Franchisor's then-current Management Fee. Franchisee agrees that Franchisor or the third party may use monies from the Net Sales of the Restaurant for these reimbursements and fees. If Franchisor (or a third party it appoints) undertakes to operate the Restaurant pursuant to the exercise of Franchisor's step-in rights, Franchisee agrees to indemnify and hold Franchisor or the third party (and Franchisor's or the third party's representative(s) and employees) harmless from and against any fines, claims, suits or proceedings which may arise out of Franchisor's or the third party's operation of the Restaurant. Franchisor (or a third party) has a duty to utilize only reasonable efforts to operate the Restaurant and will not be liable to Franchisee, Franchisee's Owners, or their respective heirs, beneficiaries, or devisees for any debts, losses, or obligations the Restaurant incurs, or to any of Franchisee's or its Owners' creditors for any products, other assets, or

services the Restaurant purchases, while Franchisor (or a third party) manages it. The Management Fee shall be equal to the greater of Six Hundred Dollars (\$600) per day or ten percent (10%) of Net Sales ("Management Fee"). The Franchisee shall pay the Management Fee for as long as the Franchisor or the third party is operating the Restaurant. The Management Fee is due weekly and is based on the Restaurant's weekly Net Sales.

18. Franchisee Representations.

(a) FRANCHISEE ACKNOWLEDGES THAT IT HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE PROPOSED FRANCHISE AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS AND THAT ITS SUCCESS WILL BE LARGELY DEPENDENT UPON THE ABILITY OF FRANCHISEE AS AN INDEPENDENT BUSINESS OWNER OR BUSINESS. FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY WARRANTY, OR GUARANTEE, OR REPRESENTATION OTHER THAN AS SET FORTH IN THE DISCLOSURE DOCUMENT, EXPRESS OR IMPLIED, FROM ANY EMPLOYEE OR AGENT OF FRANCHISOR AS TO THE POTENTIAL SALES VOLUMES, PROFITS, OR LEVEL OF SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT OR THE SUITABILITY OF THE ACCEPTED LOCATION OF THE RESTAURANT. FRANCHISOR HAS NOT REPRESENTED THAT (I) FRANCHISEE WILL EARN, CAN EARN, OR IS LIKELY TO EARN A GROSS OR NET PROFIT, (II) FRANCHISOR HAS KNOWLEDGE OF THE RELEVANT MARKET, OR (III) THE MARKET DEMAND WILL ENABLE FRANCHISEE TO EARN A PROFIT FROM THE FRANCHISED BUSINESS;

(b) FRANCHISEE ACKNOWLEDGES THAT IT RECEIVED A COPY OF THE COMPLETE FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, THE ATTACHMENTS THERETO, AND THE AGREEMENTS RELATED THERETO, IF ANY, AT LEAST FOURTEEN (14) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS SIGNED OR CONSIDERATION PAID.

(c) FRANCHISEE ACCEPTS THE TERMS, CONDITIONS AND COVENANTS CONTAINED IN THIS AGREEMENT AS BEING REASONABLE AND NECESSARY TO MAINTAIN FRANCHISOR'S STANDARDS OF QUALITY, SERVICE AND UNIFORMITY AND IN ORDER TO PROTECT AND PRESERVE THE GOODWILL OF THE MARKS. FRANCHISEE ACKNOWLEDGES THAT OTHER FRANCHISEES OF FRANCHISOR HAVE BEEN OR WILL BE GRANTED FRANCHISES AT DIFFERENT TIMES AND IN DIFFERENT SITUATIONS. FRANCHISEE FURTHER ACKNOWLEDGES THAT THE PROVISIONS OF THE FRANCHISE AGREEMENTS PURSUANT TO WHICH SUCH FRANCHISES WERE GRANTED MAY VARY MATERIALLY FROM THOSE CONTAINED IN THIS AGREEMENT AND THAT FRANCHISEE'S OBLIGATIONS ARISING HEREUNDER MAY DIFFER SUBSTANTIALLY FROM OTHER FRANCHISEES; AND

(d) FRANCHISEE RECOGNIZES THAT THE SYSTEM MAY EVOLVE AND CHANGE OVER TIME AND THAT THE LICENSE AND OPERATION OF THE FRANCHISED BUSINESS INVOLVE AN INVESTMENT OF SUBSTANTIAL RISK AND ITS SUCCESS IS DEPENDENT PRIMARILY UPON THE BUSINESS ACUMEN AND EFFORTS OF FRANCHISEE AND OTHER FACTORS BEYOND FRANCHISOR'S CONTROL. FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE FRANCHISE AND HAD AMPLE TIME AND OPPORTUNITY TO CONSULT WITH INDEPENDENT PROFESSIONAL ADVISORS, INCLUDING BUT NOT LIMITED TO LAWYERS AND ACCOUNTANTS, AND HAS NOT RELIED UPON ANY EXPRESS OR IMPLIED GUARANTEE AS TO POTENTIAL

VOLUMES, REVENUES, PROFITS OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY FRANCHISEE. EVEN THOUGH THIS AGREEMENT CONTAINS PROVISIONS REQUIRING FRANCHISEE TO OPERATE THE FRANCHISED BUSINESS IN COMPLIANCE WITH FRANCHISOR'S SYSTEM: (1) FRANCHISOR OR FRANCHISOR'S AFFILIATES DO NOT HAVE ACTUAL OR APPARENT AUTHORITY TO CONTROL THE DAY-TO-DAY CONDUCT AND OPERATION OF FRANCHISEE'S BUSINESS OR EMPLOYMENT DECISIONS; AND (2) FRANCHISEE AND FRANCHISOR DO NOT INTEND FOR FRANCHISOR OR FRANCHISOR'S AFFILIATES TO INCUR ANY LIABILITY IN CONNECTION WITH OR ARISING FROM ANY ASPECT OF FRANCHISOR'S SYSTEM OR FRANCHISEE'S USE OF THE FRANCHISOR SYSTEM OR THE OPERATION OF THE FRANCHISED BUSINESS, WHETHER OR NOT IN ACCORDANCE WITH THE REQUIREMENTS OF THE BRAND STANDARDS MANUAL.

(e) IF FRANCHISEE IS A CORPORATION, A LIMITED LIABILITY COMPANY OR A PARTNERSHIP, FRANCHISEE MAKES THE FOLLOWING REPRESENTATIONS AND WARRANTIES: (1) FRANCHISEE IS DULY ORGANIZED AND VALIDLY EXISTING UNDER THE LAWS OF THE STATE OF ITS FORMATION; (2) FRANCHISEE IS QUALIFIED TO DO BUSINESS IN THE STATE OR STATES IN WHICH THE RESTAURANT IS LOCATED; (3) EXECUTION OF THIS AGREEMENT AND THE DEVELOPMENT AND OPERATION OF THE FRANCHISED BUSINESS IS PERMITTED BY ITS GOVERNING DOCUMENTS; AND (4) FRANCHISEE'S ARTICLES OF INCORPORATION, ARTICLES OF ORGANIZATION OR WRITTEN PARTNERSHIP AGREEMENT SHALL AT ALL TIMES PROVIDE THAT FRANCHISEE'S ACTIVITIES ARE LIMITED EXCLUSIVELY TO THE DEVELOPMENT AND OPERATION OF KONALA FRANCHISED BUSINESS.

(f) IF FRANCHISEE IS AN INDIVIDUAL, OR A PARTNERSHIP COMPRISED SOLELY OF INDIVIDUALS, FRANCHISEE MAKES THE FOLLOWING ADDITIONAL REPRESENTATIONS AND WARRANTIES: (A) EACH INDIVIDUAL HAS EXECUTED AN AGREEMENT WHEREBY THEY AGREE TO BE BOUND BY ALL THE TERMS OF THIS AGREEMENT; (B) EACH INDIVIDUAL SHALL BE JOINTLY AND SEVERALLY BOUND BY, AND PERSONALLY LIABLE FOR THE TIMELY AND COMPLETE PERFORMANCE AND ANY BREACH OF, EACH AND EVERY PROVISION OF THIS AGREEMENT; AND (C) NOTWITHSTANDING ANY TRANSFER FOR CONVENIENCE OF OWNERSHIP, PURSUANT TO THIS AGREEMENT, EACH INDIVIDUAL SHALL CONTINUE TO BE JOINTLY AND SEVERALLY BOUND BY, AND PERSONALLY LIABLE FOR THE TIMELY AND COMPLETE PERFORMANCE AND ANY BREACH OF, EACH AND EVERY PROVISION OF THIS AGREEMENT. IF FRANCHISEE VIOLATES A TERM OR CONDITION CONTAINED WITHIN THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO, WITHHOLDING ANY MONIES OWED TO FRANCHISOR IN THE ABSENCE OF A COURT ORDER PERMITTING THE WITHHOLDING OF SUCH MONIES, FRANCHISEE SHALL REIMBURSE FRANCHISOR FOR ALL REASONABLE COSTS INCURRED BY FRANCHISOR IN PURSUING THE ENFORCEMENT OF THIS AGREEMENT. THESE COSTS SHALL INCLUDE, BUT NOT BE LIMITED TO, COURT COSTS AND FEES, ACCOUNTING COSTS AND FEES, EXPERT WITNESS COSTS AND FEES, REASONABLE ATTORNEYS' FEES, THE REASONABLE VALUE OF FRANCHISOR'S EMPLOYEES' TIME, WITNESS FEES AND TRAVEL EXPENSES INCURRED BY FRANCHISOR. THE RECOVERY OF THE COSTS AND FEES SPECIFIED ABOVE SHALL INCLUDE THE RECOVERY OF ALL COSTS AND FEES INCURRED BY FRANCHISOR RELATING TO OR ARISING FROM ANY AND ALL DEFENSES, COUNTERCLAIMS AND/OR CROSSCLAIMS ASSERTED BY FRANCHISEE OR THE PERSONAL GUARANTORS UNDER THIS AGREEMENT. THIS OBLIGATION WILL GIVE RISE TO AND REMAIN A LIEN IN FAVOR OF FRANCHISOR AGAINST ANY AND ALL OF THE PERSONAL PROPERTY, GOODWILL, CASH, FURNISHINGS, EQUIPMENT, SIGNS, FIXTURES AND INVENTORY OWNED BY FRANCHISEE AND LOCATED ON AND AROUND

THE PREMISES OPERATED PURSUANT TO THIS AGREEMENT UNTIL FRANCHISEE IS IN FULL COMPLIANCE WITH THIS AGREEMENT AND ANY AMOUNTS OWED ARE PAID IN FULL. ALL COSTS TO BE COLLECTED BY FRANCHISOR PURSUANT TO THIS PROVISION SHALL BE COLLECTED VIA ELECTRONIC BANK TRANSFER AS SPECIFIED IN THIS AGREEMENT.

(g) IF FRANCHISEE IS A CORPORATION, A LIMITED LIABILITY COMPANY OR A PARTNERSHIP, FRANCHISEE HAS PROVIDED TO FRANCHISOR A CURRENT LIST OF ALL OWNERS AND FRANCHISEE AGREES THAT FRANCHISEE WILL ADVISE FRANCHISOR OF ANY AND ALL CHANGES IN OWNERSHIP.

(h) IF FRANCHISEE IS A CORPORATION, FRANCHISEE SHALL MAINTAIN STOP-TRANSFER INSTRUCTIONS AGAINST THE TRANSFER ON ITS RECORDS OF ANY VOTING SECURITIES, AND EACH STOCK CERTIFICATE OF THE CORPORATION SHALL HAVE CONSPICUOUSLY ENDORSED UPON ITS FACE THE FOLLOWING STATEMENT: “ANY ASSIGNMENT OR TRANSFER OF THIS STOCK IS SUBJECT TO THE RESTRICTION IMPOSED ON ASSIGNMENT BY FRANCHISOR, PURSUANT TO FRANCHISE AGREEMENT(S) TO WHICH THE CORPORATION IS A PARTY.” IF FRANCHISEE IS A LIMITED LIABILITY COMPANY, EACH MEMBERSHIP OR MANAGEMENT CERTIFICATE OR OTHER EVIDENCE OF INTEREST IN FRANCHISEE SHALL HAVE CONSPICUOUSLY ENDORSED UPON ITS FACE THE FOLLOWING STATEMENT: “ANY ASSIGNMENT OR TRANSFER OF AN INTEREST IN THIS LIMITED LIABILITY COMPANY IS SUBJECT TO THE RESTRICTIONS IMPOSED ON ASSIGNMENT BY FRANCHISOR PURSUANT TO FRANCHISE AGREEMENT(S) TO WHICH THE LIMITED LIABILITY COMPANY IS A PARTY.” IF FRANCHISEE IS A PARTNERSHIP, ITS WRITTEN AGREEMENT SHALL PROVIDE THAT OWNERSHIP OF AN INTEREST IN THE PARTNERSHIP IS HELD SUBJECT TO, AND THAT FURTHER ASSIGNMENT OR TRANSFER IS SUBJECT TO, ALL RESTRICTIONS IMPOSED ON ASSIGNMENT BY THIS AGREEMENT.

(i) FRANCHISEE ACKNOWLEDGES THAT UNDER APPLICABLE U.S. LAW, INCLUDING, WITHOUT LIMITATION, EXECUTIVE ORDER 13224, SIGNED ON SEPTEMBER 23, 2001 (THE “ORDER”), FRANCHISOR IS PROHIBITED FROM ENGAGING IN ANY TRANSACTION WITH ANY SPECIALLY DESIGNATED NATIONAL OR BLOCKED PERSON. “SPECIALLY DESIGNATED NATIONAL” OR “BLOCKED PERSON” SHALL MEAN (1) THOSE PERSONS DESIGNATED BY THE U.S. DEPARTMENT OF TREASURY’S OFFICE OF FOREIGN ASSETS CONTROL FROM TIME TO TIME AS A “SPECIALLY DESIGNATED NATIONAL” OR “BLOCKED PERSON” OR SIMILAR STATUS, (2) A PERSON ENGAGED IN, OR AIDING ANY PERSON ENGAGED IN, ACTS OF TERRORISM, AS DEFINED IN THE ORDER, OR (3) A PERSON OTHERWISE IDENTIFIED BY GOVERNMENT OR LEGAL AUTHORITY AS A PERSON WITH WHOM FRANCHISOR IS PROHIBITED FROM TRANSACTING BUSINESS. CURRENTLY, A LISTING OF SUCH DESIGNATIONS AND THE TEXT OF THE ORDER ARE PUBLISHED AT THE WEBSITE: WWW.USTREAS.GOV/OFFICES/ENFORCEMENT/OFAC. ACCORDINGLY, FRANCHISEE REPRESENTS AND WARRANTS TO FRANCHISOR THAT AS OF THE DATE OF THIS AGREEMENT, NEITHER FRANCHISEE NOR ANY PERSON HOLDING ANY OWNERSHIP INTEREST IN FRANCHISEE, CONTROLLED BY FRANCHISEE, OR UNDER COMMON CONTROL WITH FRANCHISEE IS A SPECIALLY DESIGNATED NATIONAL OR BLOCKED PERSON, AND THAT FRANCHISEE (1) DOES NOT, AND HEREAFTER SHALL NOT, ENGAGE IN ANY TERRORIST ACTIVITY; (2) IS NOT AFFILIATED WITH AND DOES NOT SUPPORT ANY INDIVIDUAL OR ENTITY ENGAGED IN, CONTEMPLATING, OR SUPPORTING TERRORIST ACTIVITY; AND (3) IS NOT ACQUIRING THE RIGHTS GRANTED UNDER THIS AGREEMENT WITH THE INTENT TO GENERATE FUNDS TO CHANNEL TO ANY INDIVIDUAL OR ENTITY ENGAGED IN, CONTEMPLATING, OR SUPPORTING TERRORIST ACTIVITY, OR TO OTHERWISE SUPPORT OR FURTHER ANY TERRORIST ACTIVITY. FRANCHISEE AGREES

THAT FRANCHISEE SHALL IMMEDIATELY PROVIDE WRITTEN NOTICE TO FRANCHISOR OF THE OCCURRENCE OF ANY EVENT WHICH RENDERS THE REPRESENTATIONS AND WARRANTIES IN THIS SECTION INCORRECT.

(j) Franchisee covenants that during the Term, it will at all times faithfully, honestly and diligently perform its obligations under this Agreement, and that it will continuously exert its best efforts to promote and enhance the business of the Franchised Business and other franchised businesses established and operated by Franchisee under the System.

(k) Franchisee and all guarantors hereof acknowledge and agree that the obligations regarding the use of confidential information and trade secrets set forth in this Agreement will apply throughout the Term and after the expiration, non-renewal, or termination of this Agreement, without limitation as to time or geographic scope. Franchisee covenants that upon termination, non-renewal, or expiration, Franchisee will immediately and permanently cease to use, in any manner whatsoever, any confidential information, trade secrets, methods, procedures and techniques associated with the System.

(l) Franchisee hereby acknowledges and agrees that Franchisor's acceptance of a site and/or Territory does not constitute an assurance, representation or warranty of any kind, express or implied, as to the suitability of the site and/or Territory for the Restaurant or for any other purpose. Franchisor's acceptance of a site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that may have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to Franchisor's acceptance of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from Franchisor's criteria could change, thereby altering the potential of a site or lease. Such factors are unpredictable and are beyond Franchisor's control. Franchisor shall not be responsible for the failure of a site accepted by Franchisee to meet Franchisee's expectations as to revenue or operational criteria. Franchisee further acknowledges and agrees that its acceptance of a franchise for the operation of the Restaurant at the site is based on its own independent investigation of the suitability of the site.

(m) Franchisee agrees and acknowledges that upon executing this Agreement, Franchisor has not provided any financial information relative to the performance of any prospective or existing Konala Restaurant, except as may have been stated in Item 19 of the Franchise Disclosure Document provided. Upon signing this Agreement, should Franchisee desire such financial information, Franchisee will make its request at least ninety (90) days after the Effective Date by submitting to Franchisor a Request for Financial Information (Attachment 6). Franchisee agrees that the financial information Franchisor may provide to Franchisee is in no way a projection or promise, and that Franchisee shall use the data only as informational. Franchisee acknowledges that any financial information Franchisor may share with Franchisee pursuant to this request is not and will not be considered a representation or warranty of performance for its Franchised Business and any financial information Franchisor may share with Franchisee pursuant to this request shall be deemed to be a permissible disclosure since Franchisee has entered into this Agreement prior to any such disclosure. Franchisee agrees to a full release and shall hold Franchisor and its agents and representatives harmless and agrees that it shall not seek any legal action whatsoever based upon any financial information it receives from Franchisor pursuant to this request.

19. Governing law, Jurisdiction and Venue.

(a) Internal Dispute Resolution; Mediation.

(i) Internal Dispute Resolution. Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor's management, after providing notice as set forth in this

Agreement, and make every effort to resolve the dispute internally. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

(ii) Mediation. Before Franchisee and Franchisor may bring an action against the other, Franchisor and Franchisee must first meet to mediate the dispute (except as otherwise provided below). Any such mediation shall be non-binding. Mediation shall be conducted under the rules established by the International Franchise Association endorsed National Franchise Mediation Program, and in accordance with its then-current rules for mediation of franchise disputes (and in the event such program is not then in existence, by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes). Notwithstanding the previous sentence, the parties may mutually agree on a mediator and/or procedures and/or venue for mediation. The non-binding mediation provided for herein shall be commenced by the party requesting mediation (the "complainant") providing written notice of the request for mediation (the "request") to the party with whom mediation is sought (the "respondent"). The request shall specify with reasonable particularity the matter or matters on which non-binding mediation is sought. A copy of the request shall be given by the complainant simultaneously to Franchisor if Franchisor is not a complainant or respondent. Non-binding mediation commenced under this Section 19(a) shall be concluded within sixty (60) days of the issuance of the request or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatever. Complainant and respondent shall each bear its own costs of mediation, and each shall bear one-half the cost of the mediator or mediation service. The mediator selected shall have experience in franchise matters.

(b) Arbitration. Franchisee acknowledges that it has and will continue to develop a substantial and continuing relationship with Franchisor at its principal offices in the State of Idaho, where Franchisor's decision-making authority is vested, franchise operations are conducted and supervised and where Agreement was rendered binding. Therefore, the parties agree that, to the extent that any disputes cannot be resolved directly between Franchisee and Franchisor and following compliance with the applicable mediation requirements set forth in Section 19(a) above, any action arising out of or relating to this Agreement or the making, performance, or interpretation thereof shall upon thirty (30) days' written notice by either party be resolved, except as elsewhere expressly provided in this Agreement, upon application by any such party by binding arbitration in Kootenai County, Idaho in accordance with the Federal Arbitration Act under the Commercial Arbitration Rules then prevailing of the American Arbitration Association, including without limitation the Optional Rules for Emergency Measures of Protection ("AAA"), and not under any state arbitration laws, and judgment on the arbitration award may be entered in any court of competent jurisdiction. Franchisee and Franchisor agree that arbitration shall be conducted on an individual—not a class-wide— basis. The Federal Arbitration Act shall apply to all arbitration and arbitration venue questions. Any award by the arbitrator(s) shall be final, binding and nonappealable, except for errors of law. The matter shall be heard by one (1) arbitrator mutually selected by the parties who shall have at least ten (10) years' experience in practicing franchise law during which franchise law is or has been their primary area of practice and shall have substantial experience in the preparation of franchise agreements and franchise disclosure documents. Franchisee understands that by agreeing to arbitrate it gives up jury and appeal and other rights it might have in court.

(c) Waiver. FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE THEIR RIGHT TO (AND FRANCHISEE'S OWNERS AND GUARANTORS, IF APPLICABLE) IRREVOCABLY WAIVE AND SURRENDER THEIR RIGHT TO PURSUE A JUDICIAL REMEDY OF ANY CLAIM ARISING OUT OF, OR RELATED TO THIS DISPUTE, EXCEPT AS ELSEWHERE EXPRESSLY PROVIDED IN THIS AGREEMENT.

(d) **Injunctive Relief.** Notwithstanding the provisions of Section 19(a) above, Franchisee agrees that Franchisor, at its option, will have the right to seek preliminary injunctive relief from a court of competent jurisdiction, to restrain any conduct by Franchisee, the Owners, or the guarantors that (i) could materially damage the good will associated with the System, the Marks, and the Chain (including but not limited to conduct related to trademark or other intellectual property infringement), (ii) that involves the disclosure or use of Franchisor's Confidential Information, including but not limited to the Franchisee Data, or (iii) that relates to Franchisee's, the Owners', or a managerial employee's covenants against unfair competition or solicitation, provided that if Franchisee counters, as Franchisee may, by initiating arbitration, Franchisor agrees to arbitrate the entire dispute thereafter except preliminary injunctive relief (and permanent injunctive relief also, if Franchisee will not agree that the preliminary injunction shall remain effective indefinitely until the arbitrator shall dissolve it), leaving the court action pending, if it chooses, to facilitate enforcement.

(e) **Prevailing Party, Attorney's Fees and Costs.** The non-prevailing party agrees to reimburse the prevailing party for all expenses reasonably incurred (including attorney's fees): (i) to enforce the terms of this Agreement, an obligation owed to Franchisor by Franchisee and/or the Owners, or an obligation owed to Franchisee by Franchisor; and (ii) in the defense of any claim that one party asserts against the other party on which the prevailing party substantially prevails in court, arbitration or other formal legal proceedings, whether incurred prior to or in preparation for such proceedings or thereafter. In the event Franchisor is the prevailing party, Franchisor has the right to reimburse Franchisor through EFT transfer for any legal fees.

(f) **JURY TRIAL AND CLASS ACTION WAIVER.** **FRANCHISOR AND FRANCHISEE (AND FRANCHISEE'S OWNERS AND GUARANTORS, IF APPLICABLE) IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY FRANCHISOR AND FRANCHISEE. NEITHER FRANCHISEE NOR FRANCHISOR SHALL SEEK TO LITIGATE OR ARBITRATE AGAINST THE OTHER PARTY TO THIS AGREEMENT OR SUCH PARTY'S AFFILIATES, EITHER AS A REPRESENTATIVE OF, OR ON BEHALF OF, ANY OTHER PERSON, CLASS, OR ENTITY ANY DISPUTE, CONTROVERSY, OR CLAIM OF ANY KIND ARISING OUT OF, OR RELATING TO, THIS AGREEMENT, THE RIGHTS AND OBLIGATIONS OF THE PARTIES, THE SALE OF THE FRANCHISE, OR OTHER CLAIMS OR CAUSES OF ACTION RELATING TO THE PERFORMANCE OF EITHER PARTY TO THIS AGREEMENT. NO LITIGATION, ARBITRATION OR OTHER ACTION OR PROCEEDING UNDER THIS AGREEMENT SHALL ADD AS A PARTY, BY CONSOLIDATION, JOINDER, OR IN ANY OTHER MANNER, ANY PERSON OR PARTY OTHER THAN FRANCHISEE AND FRANCHISOR AND ANY PERSON IN PRIVITY WITH, OR CLAIMING THROUGH, IN THE RIGHT OF, OR ON BEHALF OF, FRANCHISEE OR FRANCHISOR, UNLESS BOTH FRANCHISEE AND FRANCHISOR CONSENT IN WRITING. FRANCHISOR HAS THE ABSOLUTE RIGHT TO REFUSE SUCH CONSENT. FRANCHISEE AGREES AND ACKNOWLEDGES THAT ANY PROCEEDING DIRECTLY OR INDIRECTLY ARISING FROM OR RELATING TO THIS AGREEMENT, THE RELATIONSHIP BETWEEN THE PARTIES, OR ANY AGREEMENT OR RELATIONSHIP BETWEEN FRANCHISEE AND ANY AFFILIATE OF FRANCHISOR WILL BE CONSIDERED UNIQUE ON ITS FACTS AND SHALL NOT BE BROUGHT AS A CLASS OR GROUP ACTION. FRANCHISEE MAY NOT ARBITRATE ON A CLASS-WIDE BASIS (OR JOIN ANY THIRD-PARTY CLAIM).**

(g) **WAIVER OF CERTAIN DAMAGES.** **EXCEPT FOR FRANCHISEE INDEMNIFYING PARTIES' OBLIGATIONS TO INDEMNIFY FRANCHISOR INDEMNIFIED PARTIES UNDER THIS AGREEMENT AND CLAIMS FRANCHISOR BRINGS AGAINST FRANCHISEE FOR ITS UNAUTHORIZED USE OF THE MARKS, UNAUTHORIZED USE OR DISCLOSURE OF CONFIDENTIAL INFORMATION, OR BREACH OF FRANCHISEE'S NON-**

COMPETITION OR NON-SOLICITATION COVENANTS, FRANCHISOR AND FRANCHISEE (AND FRANCHISEE'S OWNERS AND GUARANTORS, IF APPLICABLE) WAIVE ANY RIGHT TO OR CLAIM FOR PUNITIVE, CONSEQUENTIAL, MULTIPLE, INCIDENTAL OR OTHER DAMAGES IN EXCESS OF THE ECONOMIC DAMAGES ACTUALLY SUSTAINED, WHETHER ASSERTED AS A RELATED OR INDEPENDENT TORT, AS A BREACH OF CONTRACT, OR AS ANY OTHER CLAIM OR CAUSE OF ACTION BASED ON STATUTORY OR COMMON LAW. EXCEPT FOR ANY SPECIFIC WRITTEN WARRANTIES EXPRESSLY PROVIDED IN CONNECTION WITH A SPECIFIC ITEM, FRANCHISOR SHALL NOT BE LIABLE TO ANY PERSON OR ENTITY IN RELATION TO ANY GOODS AND/OR SERVICES (INCLUDING ANY ASPECT OF THE LABOR OR INSTALLATION OF ANY EQUIPMENT, OR PRODUCTS) PROVIDED BY FRANCHISOR, FRANCHISOR'S AFFILIATES AND/OR ANY PERSON/COMPANY REFERRED/APPROVED BY FRANCHISOR OR THEM. SUCH ITEMS ARE PROVIDED WITHOUT ANY WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE BEING EXPRESSLY DISCLAIMED.

(h) Remedies Cumulative. All rights and remedies conferred upon Franchisee and Franchisor by this Agreement and by law shall be cumulative of each other, and neither the exercise nor the failure to exercise any such right or remedy shall preclude the exercise of any other such right or remedy.

(i) Governing Law. This Agreement and any claim or controversy arising out of or relating to rights and obligations of the parties under this Agreement and any other claim or controversy between the parties shall be governed by and construed under the laws of the State of Idaho and any dispute between the parties shall be governed by and determined in accordance with the substantive law of the State of Idaho and the Federal Arbitration Act, which laws shall prevail in the event of any conflict of law. The venue for any arbitration concerned with the enforcement and interpretation of this Agreement shall be Kootenai County, Idaho. Nothing in this Subsection 19(i) is intended, or shall be deemed, to make any Idaho law regulating the offer or sale of franchises or the franchise relationship applicable to this Agreement if such law would not otherwise be applicable. Any and all claims and actions arising out of or relating to this agreement, the relationship of franchisee and franchisor, or franchisee's operation of the franchised business, brought by franchisee against franchisor, shall be commenced within one (1) year from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred.

20. Notices.

Except as otherwise provided in this Agreement, all notices, requests, demands and other communications required or permitted to be given or made under this Agreement shall be in writing and shall be given (i) by personal delivery, (ii) by registered or certified mail, return receipt requested, postage prepared, or (iii) by delivery to a nationally recognized overnight courier service, in each case, addressed as follows:

If intended for Franchisor, addressed to

KONALA FRANCHISING LLC
Attn: Chief Executive Officer
107 E 7th Ave.
Post Falls, ID 83854

With a copy (which shall not constitute notice) to:

FISHER ZUCKER, LLC
Attn: Lane Fisher
21 South 21st Street
Philadelphia, PA 19103

If intended for Franchisee, addressed to

the notice address set forth in the Franchise Rider, or,

if Franchisee has opened its Franchised Business, the address of the accepted Location of the Franchised Business, or

in either case, to such other address as may have been designated by notice to the other party.

Notice shall be deemed given and effective upon the first to occur of receipt, when proper delivery is refused, or two (2) calendar days after deposit in registered or certified U.S. Mail or with a nationally recognized overnight courier, as described above. Any notice that gives the sender evidence of delivery, rejected delivery, or delivery that is not possible because the recipient moved and left no forwarding address will be deemed to have been given at the date and time of receipt, rejected, and/or attempted delivery.

Additionally, Franchisor may provide the notice described in this Section 20 by email or other electronic system to (a) the email address set forth on the Franchise Rider, (b) the email address Franchisor has approved or provided for Franchisee to use with the Franchised Business, or (c) another electronic account that Franchisor has approved or provided for Franchisee to use with the Franchised Business. Such email notices shall be deemed given and effective upon the day on which the email was sent, unless Franchisor receives notice of rejected delivery by the email account or other electronic account.

21. Miscellaneous.

(a) **Severability.** The invalidity or unenforceability of any one or more provision of this Agreement shall in no way affect any other provision. If any court of competent jurisdiction determines any provision of this Agreement to be invalid, illegal or unenforceable, that portion shall be deemed severed from the rest, which shall remain in full force and effect as though the invalid, illegal or unenforceable portion had never been a part of this Agreement.

(b) **Construction.** All references herein to the masculine, neuter, or singular shall be construed to include the masculine, feminine, neuter, or plural, as the case may require. All acknowledgements, warranties, representations, covenants, agreements, and obligations herein made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all those executing this Agreement as Franchisee.

(c) **Entire Agreement.** This Agreement, the documents incorporated herein by reference and the exhibits attached hereto, comprise the entire agreement between the parties and all prior understandings or agreements concerning the subject matter hereof are canceled and superseded by this Agreement. This Agreement may not be amended orally but may be amended only by a written instrument signed by the parties. Franchisee expressly acknowledges that no oral promises or declarations were made to it and that the obligations of Franchisor are confined exclusively to those set forth in this Agreement. Franchisee understands and assumes the business risks inherent in this enterprise. Notwithstanding the foregoing, nothing in any franchise agreement is intended to disclaim the express representations made in the Franchise Disclosure Document.

(d) **Assignees.** This Agreement shall be binding upon the heirs, successors, permitted assigns and legal representatives of the parties.

(e) **Amendments.** Franchisor reserves the right to amend this Agreement if a Franchise Agreement change proposed by Franchisor is agreed to by seventy percent (70%) of the then-current Franchisees. Further, except for those permitted to be made unilaterally by Franchisor, no supplement,

amendment or variation of the terms of this Agreement shall be valid unless made in writing and signed by the parties hereto.

(f) Waivers. No failure of Franchisor to exercise any right given to it hereunder, or to insist upon strict compliance by Franchisee with any obligation, agreement or undertaking hereunder, and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Franchisor's right to demand full and exact compliance by Franchisee and shall not affect or impair Franchisor's rights with respect to any subsequent default of the same or of a different nature, nor shall any delay or omission of Franchisor to exercise any right arising from such default affect or impair Franchisor's rights as to such default or any subsequent default. Franchisor has the unrestricted right to elect to not enforce (or to selectively enforce) any provision of this Agreement or any other agreement, standard or policy, whether with respect to Franchisee and/or any other franchisee or other person, or any affiliate of Franchisee or Franchisor, without liability.

(g) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same Agreement. The Parties may utilize electronic means, including electronic mail, to transmit and execute the agreement or PDF copies of the Agreement and all electronically transmitted copies of the Agreement shall be deemed as valid. Electronic signatures shall be treated for all purposes as originals.

(h) Headings. The headings used in the Agreement are for convenience only, and the paragraphs shall be interpreted as if such headings were omitted.

(i) Time of Essence. Franchisee agrees and acknowledges that time is of the essence with regard to Franchisee's obligations hereunder, and that all of Franchisee's obligations are material to Franchisor and this Agreement.

(j) Agreement Binding Upon Signature of Franchisor. Franchisee acknowledges that this Agreement shall not take effect until its acceptance and execution by an officer of Franchisor.

(k) Evolving Agreements. Franchisee acknowledges that Franchisor has entered, and will continue to enter, into agreements with other Franchisees that may contain provisions, conditions, and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that Franchisor and Franchisees other than Franchisee may have different rights and obligations does not affect the parties' duty to comply with this Agreement.

(l) Delegation. Franchisor shall have the right to delegate Franchisor's duties under this Agreement to any affiliated or non-affiliated entity, agent, or employee and Franchisee agrees to such assignment without any right to approve such actions.

(m) Final Act. The last signature applied to this Agreement shall be the signature of Franchisor's officer at Franchisor's headquarters in Idaho. Franchisee acknowledges that this Agreement shall not take effect until its acceptance and execution by Franchisor's authorized officer. This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same Agreement. This Agreement may, but is not required to, be executed using electronic signatures. Electronic signatures shall be treated for all purposes as originals.

(n) Fines. For each instance where Franchisee fails to obtain prior written approval for advertisements, fails to attend required training or franchisor sponsored conventions, offers unauthorized menu items, fails to timely submit reports, or otherwise fails to comply with KONALA System's operating standards, Franchisor shall, at Franchisor's option, have the right to levy a fine in an amount up to One Thousand Dollars (\$1,000) per occurrence. The imposition of a fine pursuant to this subsection shall not

act as a waiver of any of Franchisor's other remedies under this Agreement. Furthermore, Franchisor has the right to collect any such fines by means of EFT.

(o) **Covenant of Good Faith.** No covenant of good faith and fair dealing shall be implied into this Agreement, except that if applicable law shall imply such a covenant in this Agreement, Franchisor and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply such a covenant, Franchisee acknowledges that (a) this Agreement grants Franchisor the discretion to make decisions, take actions, and refrain from taking actions not inconsistent with Franchisor's explicit rights and obligations hereunder that may favorably or adversely affect Franchisee's interests; (b) Franchisor will use its judgment in exercising such discretion based on Franchisor's assessment of its own interests and balancing those interests against the interests of Franchisee and other franchisees within the Chain generally; (c) Franchisor will have no liability to Franchisee for the exercise of its discretion, so long as such discretion is not exercised in bad faith toward Franchisee; and (d) in absence of such bad faith, no trier of fact in any legal action shall substitute its judgment for Franchisor's judgment so exercised.

(p) **Modification of Agreement.** If any term or provision, or any portion thereof, of this Agreement, or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the comparable provisions hereto, and Franchisor will have the right, in its sole discretion, to modify such invalid or enforceable provision, specification, standard or operating procedure to the extent required to be valid and enforceable.

(q) **Territory Boundaries.** Territory boundaries are as described in the Franchise Rider.

(r) **Security Agreement.** Franchisee agrees to give no security interests, pledges or encumbrances in Franchisee's inventory, leasehold, fixtures, securities or franchise agreement without the prior written approval of Franchisor, which shall not be deemed a consent to assignment. Franchisor will not unreasonably withhold approval but is legitimately concerned to ensure: (a) that Franchisee will not lose the business; (b) that the business not be lost to the franchise system; and (c) that Franchisor not have to defend a claim to franchisee rights by anyone it shall not have agreed to accept as a franchisee. In order to secure the prompt performance of Franchisee's obligations under this Agreement, Franchisee grants Franchisor and Franchisor takes a first priority security interest in all of Franchisee's assets, including without limitation, all present and after acquired inventory and equipment wherever located, accounts, deposit accounts, chattel paper, instruments, contract rights (including Franchisee's rights under this Agreement) and general intangibles, including payment intangibles, and all proceeds and products thereof including insurance proceeds. All items in which a security interest is granted are referred to as the "Collateral". This Agreement and the Franchise granted to Franchisee hereunder may not be used by Franchisee as collateral or be the subject of a security interest, lien, levy, attachment or execution by Franchisee's creditors, any financial institution, or any other party, except with Franchisor's prior written approval. The Security Interest is to secure payment of the following (the "Indebtedness"): (a) all amounts due under this Agreement or otherwise by Franchisee; (b) all sums which Franchisor may, at Franchisor's option, expend or advance for the maintenance, preservation, and protection of the Collateral, including, without limitation, payment of rent, taxes, levies, assessments, insurance premiums, and discharge of liens, together with interest, or any other property given as security for payment of the Indebtedness; (c) all expenses, including reasonable attorneys' fees, which Franchisor incurs in connection with collecting any or all Indebtedness secured hereby or in enforcing or protecting Franchisor's rights under the Security Interest and this Agreement; and (d) all other present or future, direct or indirect, absolute or contingent, liabilities, obligations, and indebtedness of Franchisee to Franchisor or third parties under this Agreement, however created, and specifically including all or part of any renewal or extension of this Agreement, whether or not Franchisor executes any extension agreement or renewal instruments. Franchisee will from time to time as Franchisor requires join with Franchisor in executing any additional documents and one or

more financing statements pursuant to the Uniform Commercial Code (and any assignments, extensions, or modifications thereof) in form satisfactory to Franchisor. Upon default and termination of Franchisee's rights under this Agreement, Franchisor shall have the immediate right to possession and use of the Collateral. Franchisee agrees that, upon the occurrence of any default set forth above, the full amount remaining unpaid on the Indebtedness secured shall, at Franchisor's option and without notice, become due and payable immediately, and Franchisor shall then have the rights, options, duties, and remedies of a secured party under, and Franchisee shall have the rights and duties of a debtor under the Uniform Commercial Code of Idaho (or other applicable law), including, without limitation, Franchisor's right to take possession of the Collateral and without legal process to enter any premises where the Collateral may be found. Any sale of the Collateral may be conducted by Franchisor in a commercially reasonable manner. Reasonable notification of the time and place of any sale shall be satisfied by mailing to Franchisee pursuant to the notice provisions set forth above. This Agreement shall be deemed a Security Agreement and a Financing Statement. This Agreement may be filed for record in the real estate records of each county in which the Collateral, or any part thereof, is situated and may also be filed as a Financing Statement in the counties or in the office of the Secretary of State, as appropriate, in respect of those items of Collateral of a kind or character defined in or subject to the applicable provisions of the Uniform Commercial Code as in effect in the appropriate jurisdiction.

(s) **Policies Subject to Change.** Any policies that Franchisor adopts and implements from time to time to guide Franchisor in its decision-making are subject to change, are not a part of this Agreement, and are not binding on Franchisor.

(t) **Right to Refuse Approval.** Except where this Agreement expressly obligates Franchisor reasonably to approve or not unreasonably to withhold approval of any of Franchisee's actions or requests, Franchisor has the absolute right to refuse any request Franchisee makes or to withhold approval of any of Franchisee's proposed, initiated, or completed actions that require Franchisor's approval.

(u) **Joint and Several Liability.** If two (2) or more persons are at any time the owners of the Franchise and the Restaurant, whether as partners or joint venturers, their obligations and liabilities to Franchisor will be joint and several. References to "owner" mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in Franchisee (or a transferee of this Agreement and the Restaurant or an ownership interest in Franchisee), including, without limitation, any person who has a direct or indirect interest in Franchisee (or a transferee), this Agreement, the Franchise, or the Restaurant and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets.

FRANCHISEE ACKNOWLEDGES THAT, IN ALL OF ITS DEALINGS WITH FRANCHISOR'S OWNERS, OFFICERS, DIRECTORS, EMPLOYEES, AND REPRESENTATIVES, THESE INDIVIDUALS ACT ONLY IN THEIR REPRESENTATIVE CAPACITY AND NOT IN AN INDIVIDUAL CAPACITY. FRANCHISEE ACKNOWLEDGES THAT THIS AGREEMENT AND ALL BUSINESS DEALINGS BETWEEN FRANCHISEE AND THESE INDIVIDUALS AS A RESULT OF THIS AGREEMENT ARE SOLELY BETWEEN FRANCHISEE AND FRANCHISOR. NOTWITHSTANDING THE FOREGOING, IF FRANCHISOR ENGAGES ANY BROKER, THAT BROKER WILL BE SOLELY LIABLE FOR ITS CONDUCT WITH FRANCHISEE EXCEPT THAT FRANCHISOR WILL REMAIN LIABLE FOR THE BROKER'S CONDUCT SOLELY TO THE EXTENT OF FRANCHISOR'S OWN CRIMINAL, INTENTIONAL OR GROSSLY NEGLIGENT CONDUCT IN ENGAGING THE BROKER. IN ADDITION, FRANCHISOR MAKES NO WARRANTY AS TO FRANCHISEE'S ABILITY TO OPERATE THE FRANCHISED BUSINESS IN THE JURISDICTION IN WHICH THE RESTAURANT WILL BE OPERATED. FRANCHISEE MUST SEEK OR OBTAIN ADVICE OF COUNSEL SPECIFICALLY ON THIS ISSUE. IF LEGISLATION IS ENACTED, OR A REGULATION PROMULGATED, BY ANY GOVERNMENTAL BODY THAT PREVENTS FRANCHISEE FROM OPERATING THE FRANCHISED BUSINESS, FRANCHISOR IS

NOT LIABLE FOR DAMAGES NOR REQUIRED TO INDEMNIFY FRANCHISEE IN ANY MANNER
WHATSOEVER OR TO RETURN ANY MONIES RECEIVED FROM FRANCHISEE.

[SIGNATURES ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, parties hereto have duly executed this Agreement on the day, month and year first written above.

FOR OHIO RESIDENTS AND FRANCHISEES WITH TERRITORIES AND/OR ACCEPTED LOCATIONS IN OHIO: You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

Franchisor:

KONALA FRANCHISING LLC

By: _____

Name: _____

Title: _____

Franchisee:

By: _____

Name: _____

Title: _____

**[FOR OHIO RESIDENTS AND FRANCHISEES WITH TERRITORIES AND/OR
ACCEPTED LOCATIONS IN OHIO]**

Notice of cancellation

(Enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to KONALA FRANCHISING LLC, 107 E 7th Ave., Post Falls, ID 83854, 775-225-9902 not later than midnight of _____.

I hereby cancel this transaction.

(Purchaser's Signature)

(Date) _____

**[FOR OHIO RESIDENTS AND FRANCHISEES WITH TERRITORIES AND/OR
ACCEPTED LOCATIONS IN OHIO]**

Notice of cancellation

(Enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to KONALA FRANCHISING LLC, 107 E 7th Ave., Post Falls, ID 83854, 775-225-9902 not later than midnight of _____.

I hereby cancel this transaction.

(Purchaser's Signature)

(Date) _____

ATTACHMENT 1 TO FRANCHISE AGREEMENT

FRANCHISE RIDER

Initial Franchise Fee

_____ The Initial Franchise Fee, which is due and payable upon execution of this Franchise Agreement, is Forty Thousand Dollars (\$40,000) for the right to open a single KONALA Restaurant.

_____ The Initial Franchise Fee, which is due and payable upon execution of this Franchise Agreement, is Thirty Thousand Dollars (\$30,000) for the right to open a single KONALA Restaurant with the veteran’s discount.

_____ If Franchisee commits to develop between five and nine Restaurants, the Multi-Unit Development Fee payable upon signing the Multi-Unit Agreement is One Hundred and Twenty Thousand Dollars (\$120,000) for the right to open three (3) Restaurants, plus a deposit of Twenty Thousand Dollars (\$20,000) (50% of the Initial Franchise Fee) for each additional Restaurant in excess of three (3). The remaining Twenty Thousand Dollars (\$20,000) (50% of the Initial Franchise Fee) for each additional Restaurant in excess of three (3) is due and payable upon signing the lease for each location.

_____ If Franchisee commits to develop ten or more Restaurants, the Multi-Unit Development Fee payable upon signing the Multi-Unit Agreement is Two Hundred Thousand Dollars (\$200,000) for the right to open five (5) Restaurants, plus a deposit of Twenty Thousand Dollars (\$20,000) (50% of the Initial Franchise Fee) for each additional Restaurant in excess of five (5). The remaining Twenty Thousand Dollars (\$20,000) (50% of the Initial Franchise Fee) for each additional Restaurant in excess of five (5) is due and payable upon signing the lease for each location.

Royalty

The Royalty shall be six percent (6%) of weekly Net Sales of the Franchised Business. For purposes of this Attachment 1, “Net Sales” shall mean the total revenue generated by your Konala Restaurant, including all revenue generated from the sale and provision of any and all products and services at or through your Franchised Business and all proceeds from any business interruption insurance related to the non-operation of your Franchised Business, whether such revenues are evidenced by cash, check, credit, charge, account, barter or exchange. Net Sales includes the redemption of gift cards. “Net Sales” does not include (a) tips received by employees through their employment with the Franchised Business, (b) any sales tax and equivalent taxes that are collected by the Franchised Business for or on behalf of any governmental taxing authority and paid thereto, or (c) gift cards when sold, or (d) for items sold pursuant to coupons or other discounts, Net Sales also excludes the amount discounted from the purchase price of such item “Net Sales” does not include the amount discounted from the purchase price of services and products that have been discounted pursuant to coupons or other promotions. The Continuing Royalty shall be due on the Tuesday of each calendar week for the sales during the previous business week, ending on Saturday.

The following address is Franchisee’s address under Section 20 of the Franchise Agreement.

Franchisee’s Address for Notice:

Email Address:

Already-Accepted Location and Territory (If Applicable)

If the Location has already been selected by Franchisee and accepted by Franchisor, then the following is the Franchisee’s Location and Territory for the term of the Franchise Agreement:

Location: _____
Territory: _____

Unassigned Location and Territory (If Applicable)

If no Location has been determined at the time this Franchise Agreement is executed, then the Location will be within the following area, provided the exact location will be subject to Franchisor’s review and acceptance: _____ (the “Prospective Market Area”).

If Franchisee has not been accepted to operate at a specific Location at the time the Franchise Agreement is approved, Franchisor reserves the right to sell franchises—and grant territories to others who will operate KONALA Franchised Businesses—in and around the Prospective Market Area. Franchisee may then be required to choose a final location outside of any protected territory given to any other franchisee, and that territory may be outside of the Prospective Market Area set forth above.

When Franchisee selects its desired location for the Franchised Business, Franchisee must follow the acceptance process set forth in Section 6 of the Franchise Agreement and Franchisor’s Brand Standards Manual. If Franchisor accepts Franchisee’s proposed location, Franchisor will send Franchisee its form site acceptance letter (“Site Selection Acceptance Letter”). The location set forth in the Site Selection Acceptance Letter shall constitute the “Location” of the Franchised Business pursuant to Section 1 of the Franchise Agreement.

ATTACHMENT 2 TO FRANCHISE AGREEMENT

LEASE RIDER

This Lease Rider is executed as of this date of _____, by and between _____ (“Tenant”) and _____ (“Landlord”) as a Rider to the lease dated _____ (as amended, renewed, and/or extended from time to time, the “Form Lease”) for the Premises located at _____ (“Premises”).

In the event of a conflict between the terms and conditions set forth within this Rider and the terms and conditions set forth in the Form Lease to which this Rider is attached, the terms and conditions set forth within this Rider shall govern and control.

1. **Permitted Use.** The Premises are leased to Tenant for the operation of a franchised business specializing in protein bowls and salads. The Tenant may also use the Premises for promotions, celebrations, meetings, and other group functions where Tenant’s services and products will be offered or sold. Landlord covenants that from and after the date hereof, Landlord shall not permit any other tenant to operate a store in the same shopping center as the Premises that receives Ten Percent (10%) or more of its gross revenues from the sale of protein bowls and salads.

2. **Signage.** Notwithstanding anything contained within the Form Lease to the contrary, Tenant shall, subject to the requirements of local law, have the right to utilize its standard signage and other Marks and identification on both the exterior and within the interior of the Premises as approved by KONALA FRANCHISING LLC an Idaho limited liability company and franchisor of the KONALA concept (“Franchisor”).

3. **Assignment and Subletting.** Landlord’s consent to an assignment of the Form Lease or subletting of the Premises shall not be required in connection with an assignment or subletting as a part of a merger, reorganization or sale of all or substantially all of Tenant’s assets or business or an assignment or sublet to Franchisor, any parent, subsidiary or affiliated corporation of Tenant or Franchisor, or another KONALA franchisee. Landlord shall approve as an assignee or sublettee any tenant who has become a transferee of the Franchise Agreement by and between Tenant and Franchisor (the Franchise Agreement”) as a result of a merger, reorganization or sale of all or substantially all of Tenant’s assets. Tenant shall also have the right, without the consent of Landlord, to assign the Form Lease to a company incorporated or to be incorporated by Tenant or a partnership formed or to be formed by Tenant, provided that Tenant owns or beneficially controls a majority of the issued and outstanding shares of capital stock of the company or is the managing general partner of the partnership.

4. **Notices; Opportunity to Cure.** Copies of any demand letters, default notices, or other similar notices of non-compliance (“Notice”) sent by Landlord to Tenant shall also be sent to Franchisor at the following address:

Trace Miller
KONALA
KONALA FRANCHISING LLC
107 E. 7th Ave.
Post Falls, ID 83854

In the event Tenant fails to cure or otherwise remedy the subject matter of the Notice, and prior to exercising any remedies under the Form Lease, Landlord shall grant Franchisor the identical period of time in which to cure same (said cure period to commence immediately upon Notice from Landlord to Franchisor (at the address set forth herein) that Tenant has failed to cure in a timely manner) and Landlord agrees to accept

the performance of Franchisor within said period of time as performance by Tenant pursuant to the terms of the Form Lease.

5. Option to Lease. Landlord hereby agrees that, in the event of (a) the termination, non-renewal, or expiration of the Franchise Agreement by and between Tenant and Franchisor; (b) the termination of the Form Lease for any cause whatsoever including, without limitation, a default by Tenant under the Form Lease after expiration of any applicable notice and cure periods; or (c) Tenant's failure to exercise any extension option contained in the Form Lease, or (d) upon the expiration of the Form Lease and any rights to extension or renewal, Franchisor shall have the option to lease the Premises pursuant to the same terms and conditions as are contained in the Form Lease, in accordance with the following:

(a) Landlord agrees to promptly give Notice to Franchisor (at the address set forth herein) in the event the Form Lease is terminated as the result of a default by Tenant or in the event Tenant fails to exercise any remaining options to extend the term of the Form Lease;

(b) If Franchisor elects to lease the Premises, Franchisor shall notify Landlord in writing of its election to exercise this option to lease within thirty (30) days after (1) termination, non-renewal, or expiration of the Franchise Agreement; (2) Franchisor's receipt of Notice from Landlord that the Form Lease has been terminated; or (3) receipt of Notice from Landlord that Tenant has failed to exercise an option to extend the term of the Form Lease; or (4) Notice from Landlord that the Form Lease and any rights to extension or renewal will expire;

(c) If Franchisor elects to lease the Premises, Franchisor shall sign and deliver to Landlord a lease containing all of the same terms and conditions (including rental rates, terms and remaining options to extend the term of the Form Lease) as are contained in the Form Lease; provided, however, that Franchisor's leasehold interest shall not be subject to any defaults or claims that may exist between Landlord and Tenant and any such lease shall permit Franchisor to assign the lease or sublease the Premises to a franchisee of Franchisor for use as a KONALA franchised location; and

(d) Nothing contained herein shall affect Landlord's right to recover any and all amounts due under the Form Lease from Tenant or to exercise any right of Landlord against Tenant as provided under the Form Lease.

6. De-identification. Landlord and Tenant hereby acknowledge that in the event the Franchise Agreement expires or is terminated, Tenant is obligated under the Franchise Agreement to take certain steps to de-identify the location as a KONALA franchise location operated by Tenant. Landlord agrees to cooperate fully with Franchisor in enforcing such provisions of the Franchise Agreement against Tenant, including allowing Franchisor, its employees and agents to enter and remove signs, decor and materials bearing or displaying any marks, designs or logos of Franchisor; provided, however, that Landlord shall not be required to bear any expense thereof. Tenant agrees that if Tenant fails to de-identify the Premises promptly upon termination, non-renewal, or expiration as required under the Franchise Agreement, Franchisor may cause all required de-identification to be completed at Tenant's sole cost and expense.

7. Assignment of Interest. This Rider is binding and shall inure to the benefit of Landlord, Tenant, and Franchisor, their assigns, and successors-in-interest. Franchisor is an intended beneficiary of this Rider, provided Franchisor shall have no liability for any of Tenant's obligations under the Form Lease. Franchisor signs below for the limited purpose of acknowledging and agreeing to the provisions of this Rider.

8. Non-disturbance from Mortgage Lenders. It is a condition of the Form Lease being subordinated to any mortgage, deed of trust, deed to secure debt or similar encumbrance on the Premises

that the holder of such encumbrance agrees not to disturb Tenant's rights under the Form Lease or Tenant's possession of the Premises, so long as Tenant is not in default of its obligations under the Form Lease beyond any applicable grace or cure period provided therein. If a mortgage, deed of trust or deed to secure debt currently encumbers the Premises, it is a condition precedent to Tenant's obligations under the Form Lease that the holder of such encumbrance enters into a written recordable form of subordination and non-disturbance agreement with Tenant, in a form reasonably acceptable to Tenant, as described above.

9. Security Interest. Any security interest and/or landlord's lien of Landlord in Tenant's trade fixtures, trade dress, signage, equipment and other personal property is hereby subordinated to any security interest and pledge granted to Franchisor in such items.

LANDLORD:

TENANT:

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Agreed to:

FRANCHISOR:

KONALA FRANCHISING LLC

By: _____
Name: _____
Title: _____

ATTACHMENT 3 TO FRANCHISE AGREEMENT

INTERNET, SOCIAL MEDIA, AND TELEPHONE ASSIGNMENT

This Assignment Agreement (“Assignment”) is made, and entered into, between KONALA FRANCHISING LLC, an Idaho limited liability company (“Franchisor”) and the undersigned Franchisee (“Franchisee”).

RECITALS

- A. Franchisor has developed a unique system for operating a healthier fast-food restaurant emphasizing protein bowls and salads (“System”);
- B. Franchisor and Franchisee have entered into a Franchise Agreement dated _____ (“Franchise Agreement”), pursuant to which Franchisee was granted the right to operate a KONALA franchised business (“Restaurant”) under the System; and
- C. It is the desire of and in the best interests of Franchisor and the System that in the event the Franchise Agreement terminates, expires, or is not renewed, the telephone numbers (including any personal or other cellphone numbers used with the Restaurant), telephone directory listings, internet addresses, and social media accounts used by Franchisee in connection with the operation of its KONALA franchised business are assigned to Franchisor.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing and Franchisor agreeing to enter into the Franchise Agreement, Franchisor and Franchisee agree as follows:

1. Franchisee hereby agrees to assign to Franchisor: (i) those certain telephone numbers, including any personal or other cellphone number used in connection with the Restaurant, and regular, classified or other telephone directory listings used by Franchisee in connection with operating the KONALA franchised business, including any personal or other cellphone numbers used in connection with the franchised business, (ii) all e-mail addresses that use the Marks or that are used by Franchisee in connection with the operation of the Restaurant, (iii) any Online Presence (as that term is defined in the Franchise Agreement) which uses the Marks, which Franchisee uses in connection with the operation of the Restaurant, or which Franchisee has been permitted by Franchisor to create, and (iv) all rights, title, and interest in the content of any Online Presence, whether now-existing or adopted by Franchisee in the future (collectively, the “Listings”).
2. This Assignment is for collateral purposes only and, except as specified herein, Franchisor will have no liability or obligation of any kind whatsoever arising from or in connection with Franchisee’s use of the Listings unless and until Franchisor notifies the telephone company, listing agencies, internet service providers, or other parties that provide the Listings (collectively, the “Providers”) to effectuate the assignment pursuant to the terms hereof.
3. Upon termination, expiration, or nonrenewal of the Franchise Agreement (without renewal or extension), Franchisor will have the right and is hereby empowered to effectuate the

assignment of the Listings to itself or to any third party it designates. In the event Franchisor exercises its assignment rights Franchisee will have no further right, title or interest in the Listings; provided, however, Franchisee will pay all amounts owed in connection with the Listings, including all sums owed to Franchisor, Franchisor's affiliates, or Franchisor's approved suppliers under existing contracts for the Listings and immediately, at the Franchisor's request, (i) take any other action as may be necessary to transfer the Listings to the Franchisor or Franchisor's designated agent, (ii) install and maintain, at Franchisee's sole expense, an intercept message, in a form and manner acceptable to Franchisor on any or all of the Listings; (iii) disconnect, cancel, delete, remove, or discontinue the Listings; (iv) relist any Listing in a different location or with a new provider, whether published or online; (v) modify the Listing and any content in the Listing; (vi) provide all login or other access credentials to the Listings; and/or (vii) cooperate with Franchisor or its designated agent in undertaking any or all of the foregoing.

4. Franchisee appoints Franchisor as Franchisee's attorney-in-fact, to act in Franchisee's place, for the purpose of assigning any Listings covered by the Assignment to Franchisor or Franchisor's designated agent or taking any other actions required of Franchisee under this Agreement. Franchisee grants Franchisor full authority to act in any manner proper or necessary to the exercise of the forgoing powers, including full power of substitution and execution or completion of any documents required or requested by any Provider to transfer or modify such Listings, and Franchisee ratifies every act that Franchisor may lawfully perform in exercising those powers. This power of attorney shall be effective for a period of two (2) years from the date of expiration, termination, or nonrenewal of Franchisee's rights under the Agreement for any reason. Franchisee intends that this power of attorney be coupled with an interest. Franchisee declares this power of attorney to be irrevocable and renounces all rights to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney shall not be affected by the subsequent incapacity of Franchisee. This power is created to secure performance of a duty to Franchisor and is for consideration.

5. The parties agree that the Providers may accept Franchisor's written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor's exclusive rights in and to the Listings upon such termination, expiration or nonrenewal of the Franchise Agreement and that such assignment shall be made automatically and effective immediately upon a Provider's receipt of such notice from Franchisor or Franchisee. The parties further agree that if the Providers require that the parties execute the Providers' assignment forms or other documentation at the time of termination, expiration or nonrenewal of the Franchise Agreement, Franchisor's execution of such forms or documentation on behalf of Franchisee shall effectuate Franchisee's consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination, expiration, or non-renewal of the Franchise Agreement.

6. The validity, construction and performance of this Assignment is governed by the laws of the State in which Franchisor is located. All agreements, covenants, representations and warranties made in this Agreement survive the signing of this Agreement. All Franchisor's rights inure to Franchisor's benefit and to the benefit of Franchisor's successors and assigns.
Agreed to this date of _____.

FRANCHISEE:

By: _____

Name: _____

Title: _____

FRANCHISOR:

KONALA FRANCHISING LLC

By: _____

Name: _____

Title: _____

**ATTACHMENT 4 TO FRANCHISE AGREEMENT
PERSONAL GUARANTY AND AGREEMENT TO BE BOUND PERSONALLY BY THE
TERMS AND CONDITIONS OF THE FRANCHISE AGREEMENT**

In consideration of the execution of the Franchise Agreement (the "Agreement") between KONALA FRANCHISING LLC ("Franchisor") and _____ ("Franchisee") dated of even date herewith, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in the Agreement, to be paid, kept and performed by the Franchisee, including without limitation the dispute resolution and indemnification provisions of the Agreement.

Further, except for those designated as "Spouse" and not "Owner" in the signature block below, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Agreement, including but not limited to the non-compete, dispute resolution, and indemnification provisions, and agree that this Personal Guaranty will be construed as though the undersigned and each of them executed an agreement containing the identical terms and conditions of the Agreement.

The undersigned's liability under this undertaking shall be direct, immediate, and independent of the liability of, and shall be joint and several with, Franchisee and the other guarantors of Franchisee. The undersigned shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so. Franchisor may proceed against the undersigned and Franchisee jointly and severally, or Franchisor may, at its option, proceed against the undersigned, without having commenced any action, or having obtained any judgment against Franchisee. The undersigned agrees to pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

In addition, the undersigned consents and agrees that: (1) the undersigned's liability will not be contingent or conditioned upon Franchisor's pursuit of any remedies against the Franchisee or any other person; (2) such liability will not be diminished, relieved or otherwise affected by the Franchisee's insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Agreement, or the amendment or extension of the Agreement with or without notice to the undersigned; (3) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Personal Guaranty, which shall be continuing and irrevocable during the term of the Agreement; and (4) this Personal Guaranty shall apply in all modifications to the Agreement of any nature agreed to by Franchisee with or without the undersigned receiving notice thereof.

The undersigned waive: (1) notice of demand for payment of any indebtedness or on performance of any obligations hereby guaranteed; (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; (3) any right he/she may have to require that an action be brought against the Franchisee or any other person as a condition of liability; (4) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed; and (5) notice of any changes permitted by the terms of the Agreement or agreed to by the Franchisee.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Personal Guaranty will inure to the benefit of Franchisor's successors and assigns.

PERSONAL GUARANTORS:

Signature: _____
Name: _____
Address: _____

Owner or Spouse: _____

Signature: _____
Name: _____
Address: _____

Owner or Spouse: _____

Signature: _____
Name: _____
Address: _____

Owner or Spouse: _____

Signature: _____
Name: _____
Address: _____

Owner or Spouse: _____

ATTACHMENT 5A TO FRANCHISE AGREEMENT

NONDISCLOSURE AND NONCOMPETITION AGREEMENT

This Nondisclosure and Noncompetition Agreement ("Agreement") is made and entered into as of _____ by and between KONALA FRANCHISING LLC, a Idaho limited liability company ("Franchisor"), located at KONALA FRANCHISING LLC, and _____ ("Associate"), who resides at _____. All initially capitalized terms not otherwise defined herein shall have the meanings set forth in the Franchise Agreement.

RECITALS

A. The Franchisor is engaged in the business of franchising healthier fast-food restaurants emphasizing protein bowls and salads ("Franchised Business"). The Franchised Businesses are operated under the Franchisor's trademark "KONALA" and other service marks, trademarks, logo types, architectural designs, trade dress and other commercial symbols (collectively, the "Marks");

B. The Franchisor has developed methods for establishing, operating and promoting Franchised Businesses pursuant to the Franchisor's Confidential Information (defined below) and such Confidential Information as may be further developed from time to time by the Franchisor ("System");

C. The Franchisor and its affiliates have established substantial goodwill and an excellent reputation with respect to the quality of products and customer service, which goodwill and reputation have been and will continue to be of major benefit to the Franchisor;

D. Associate desires to become involved with a _____ ("Franchisee"), a franchisee of the Franchisor that operates a Franchised Business in _____ in the capacity of an owner, officer, partner, director, or agent of the Franchised Business, or is a spouse or domestic partner of an owner of a Franchised Business, and will become privileged as to certain Confidential Information. Associate may or may not have signed the Franchise Agreement or Guaranty and Assumption of Franchisee's Obligations form; and

E. Associate and the Franchisor have reached an understanding with regard to nondisclosure by Associate of Confidential Information and with respect to noncompetition by Associate with the Franchisor and other franchisees of the Franchisor. Associate agrees to the terms of this Agreement as partial consideration for the Franchisor's willingness to allow Associate to engage in a business relationship with Franchisor or Franchisee using the Franchisor's Confidential Information.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate and the Franchisor, intending legally to be bound, agree as follows:

1. Definitions.

(a) "Associate" shall mean the individual described in the first paragraph of this Agreement.

(b) "Competitive Business" as used in this Agreement means any business or commercial activity, other than a KONALA business that Franchisee is authorized by Franchisor to operate, that receives Ten Percent (10%) or more of its gross revenues from the sale of protein bowls and salads.

(c) “Confidential Information” shall include, without limitation, any information, not generally known to the public, in any form, relating to the System and/or the Restaurant and its operations, including all trade secrets of the Restaurant; all knowledge, know-how, standards, methods, and procedures related to the establishment and operation of the Restaurant not generally known to the public; all records pertaining to clients, suppliers, and other service providers of, and/or related in any way to, the Restaurant (such as all names, addresses, phone numbers, e-mail addresses for clients and suppliers; client purchase records and mail lists); product formulas, recipes or methods of production; electronic code, designs, marketing materials, and business, sales, and marketing strategies; financial information; databases; training materials; knowledge of the franchise system; and any other data and information that Franchisor or its affiliates designate as confidential, including all information contained in the Manuals.

(d) “Franchise Agreement” shall mean the franchise agreement between Franchisor and Franchisee dated _____ as amended or renewed from time to time.

(e) “Location” shall mean the approved location of Franchisee’s Franchised Business.

(f) “Protected Territory” shall mean:

(i) The Location and any geographic area which is within a five (5) mile radius of the Location or any other KONALA outlet, whether owned by Franchisee, Franchisor, Franchisor’s affiliates or any other franchisee as of the first date of the Restrictive Period; or

(ii) Only in the event the foregoing is determined by a court of law to be too broad, the Location and any geographic area which is within a one (1) mile radius of the Location or any other KONALA outlet, whether owned by Franchisee, Franchisor, Franchisor’s affiliates or any other franchisee as of the first date of the Restrictive Period; or

(iii) Only in the event that the foregoing is determined by a court of law to be too broad, the Location and any geographic area which is within a one (1) mile radius of the Location as of the first date of the Restrictive Period; or

(iv) Only in the event the foregoing is determined by a court of law to be too broad, the Location as of the first date of the Restrictive Period.

(g) “Restrictive Period” shall mean a period of two (2) years that begins the earlier of (i) the date of termination, expiration, or non-renewal of the Franchise Agreement, regardless of the reason for such termination, expiration, or non-renewal, or (ii) the date Associate’s association with Franchisee or the Franchised Business ends for any reason, including but not limited to, divorce, separation, sale, termination, or transfer.

(h) “Term” shall have the meaning defined in the Franchise Agreement.

(i) “Territory” shall have the meaning defined in the Franchise Agreement.

2. In-Term Covenant Against Unfair Competition. During the Term, Associate will not, without Franchisor’s prior written consent for themselves, or through, on behalf of, or in conjunction with any other person or entity:

(i) own, manage, engage in, be employed by, advise, make loans to, or have any other

interest in, as a partner, owner, officer, executive, managerial employee, director, salesperson or consultant for, any Competitive Business; or

(ii) offer or grant franchises or licenses for any Competitive Business; or

(iii) become a franchisee or licensee of any Competitive Business; or

(iv) perform any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

3. Post-Termination Covenant Against Unfair Competition. Associate covenants and agrees that for the Restrictive Period Associate shall not, within the Protected Territory, engage in any of the following:

(i) franchise, license, or own an interest in any Competitive Business, including as franchisor, licensor, franchisee or licensee, provided that the purchase of a publicly traded security of a corporation engaged in such business or service shall not in itself be deemed violative of this Section 7 so long as Associate does not own themselves or through his or her spouses or partners more than one percent (1%) of the securities of such corporation; or

(ii) engage in any Competitive Business as an officer, director, employee, consultant, manager, operator, or independent contractor in any capacity in which Associate would be in a position to use or disclose Confidential Information.

4. Injunction. Associate hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Franchisor shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which the Franchisor may be entitled. Associate agrees that the Franchisor may obtain such injunctive relief, without posting a bond or bonds totaling Five Hundred Dollars (\$500) or more, but upon due notice, and Associate's sole remedy in the event of the entry of such injunctive relief shall be dissolution of such injunctive relief, if warranted, upon a hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by Associate.

5. Reasonableness of Restrictions. Associate acknowledges and agrees that the restrictions set forth in this Agreement are reasonable and necessary for the protection of the Confidential Information and that any violation of this Agreement would cause substantial and irreparable injury to Franchisor, and that Franchisor would not have entered into a business relationship with Associate or Franchisee or enter into this Agreement or the Franchise Agreement without receiving Associate's unrestricted promise to preserve the confidentiality of the Confidential Information. In any litigation concerning the entry of any requested injunction against Associate, Associate, for value, voluntarily waives such defenses as Associate might otherwise have under the law of the jurisdiction in which the matter is being litigated relating to any claimed "prior breach" on the part of the Franchisor; it being specifically understood and agreed between the parties that no action or lack of action on the part of the Franchisor will entitle or permit Associate to disclose any such Confidential Information in any circumstances.

6. Effect of Waiver. The waiver by Franchisor of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

7. Binding Effect. This Agreement shall be binding upon and inure to the benefit of Associate and the Franchisor and their respective heirs, executors, representatives, successors and assigns.

8. Entire Agreement. This instrument contains the entire agreement of Associate and the Franchisor relating to the matters set forth herein. It may not be changed verbally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

9. Governing Law; Jurisdiction and Venue. The laws of Idaho (without giving effect to its conflicts of law principles) govern all matters arising under and relating to this Agreement, including torts. In the event of a breach or threatened breach by Associate of this Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of Idaho, and irrevocably agrees that venue for any action or proceeding shall be in the state and federal courts of Idaho. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of Idaho. Notwithstanding the foregoing, in the event that the laws of the state where Associate resides prohibit the aforesaid designation of jurisdiction and venue, then such other state's laws shall control.

10. Severability. If any provision of this Agreement shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement that shall otherwise remain in full force and effect.

11. Attorneys' Fees. In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in such litigation, as determined by the court in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

12. Miscellaneous. Due to the importance of this Agreement to Franchisor, any claim Associate has against Franchisor is a separate matter and does not entitle Associate to violate, or justify any violation of, this Agreement. Associate agrees that all the words and phrases used in this Agreement will have the same meaning as used in the Franchise Agreement, unless herein defined.

IN WITNESS WHEREOF, the parties have signed this Agreement on the date first above written.

ASSOCIATE:

FRANCHISOR:

KONALA FRANCHISING LLC

By: _____

Name: _____

Title: _____

ATTACHMENT 5B TO FRANCHISE AGREEMENT

NONDISCLOSURE AND NON-SOLICITATION AGREEMENT

This Nondisclosure and Non-Solicitation Agreement ("Agreement") is made and entered into as of _____ by and between KONALA FRANCHISING LLC, an Idaho limited liability company ("Franchisor"), located at KONALA FRANCHISING LLC, and _____ ("Associate"), who resides at _____. All initially capitalized terms not otherwise defined herein shall have the meanings set forth in the Franchise Agreement.

RECITALS

A. The Franchisor is engaged in the business of franchising healthier fast-food restaurants emphasizing protein bowls and salads ("Franchised Business"). The Franchised Businesses are operated under the Franchisor's trademark "KONALA" and other service marks, trademarks, logo types, architectural designs, trade dress and other commercial symbols (collectively, the "Marks");

B. The Franchisor has developed methods for establishing, operating and promoting Franchised Businesses pursuant to the Franchisor's Confidential Information (defined below) and such Confidential Information as may be further developed from time to time by the Franchisor ("System");

C. The Franchisor and its affiliates have established substantial goodwill and an excellent reputation with respect to the quality of products and customer service, which goodwill and reputation have been and will continue to be of major benefit to the Franchisor;

D. Associate desires to become involved with _____ ("Franchisee"), a franchisee of the Franchisor that operates a Franchised Business in _____ in the capacity of an owner, officer, partner, director, or agent of the Franchised Business, or is a spouse or domestic partner of an owner of a Franchised Business and will become privileged as to certain Confidential Information. Associate may or may not have signed the Franchise Agreement or Guaranty and Assumption of Franchisee's Obligations form; and

E. Associate and the Franchisor have reached an understanding with regard to nondisclosure by Associate of Confidential Information and with respect the solicitation of customers, vendors, and employees by Associate. Associate agrees to the terms of this Agreement as partial consideration for the Franchisor's willingness to allow Associate to engage in a business relationship with Franchisor or Franchisee using the Franchisor's Confidential Information.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate and the Franchisor, intending legally to be bound, agree as follows:

1. Definitions.

(a) "Associate" shall mean the individual described in the first paragraph of this Agreement.

(b) “Competitive Business” as used in this Agreement means any business or commercial activity, other than a KONALA business that Franchisee is authorized by Franchisor to operate, that receives Ten Percent (10%) or more of its gross revenues from the sale of protein bowls and salads.

(c) “Confidential Information” shall include, without limitation, any information, not generally known to the public, in any form, relating to the System and/or the Restaurant and its operations, including all trade secrets of the Restaurant; all knowledge, know-how, standards, methods, and procedures related to the establishment and operation of the Restaurant not generally known to the public; all records pertaining to clients, suppliers, and other service providers of, and/or related in any way to, the Restaurant (such as all names, addresses, phone numbers, e-mail addresses for clients and suppliers; client purchase records and mail lists); product formulas, recipes or methods of production; electronic code, designs, marketing materials, and business, sales, and marketing strategies; financial information; databases; training materials; knowledge of the franchise system; and any other data and information that Franchisor or its affiliates designate as confidential, including all information contained in the Manuals.

(d) “Franchise Agreement” shall mean the franchise agreement between Franchisor and Franchisee dated _____ as amended or renewed from time to time.

(e) “Location” shall mean the approved location of Franchisee’s Franchised Business.

(f) “Protected Territory” shall mean:

(i) The Location and any geographic area which is within a five (5) mile radius of the Location or any other KONALA outlet, whether owned by Franchisee, Franchisor, Franchisor’s affiliates or any other franchisee as of the first date of the Restrictive Period; or

(ii) Only in the event the foregoing is determined by a court of law to be too broad, the Location and any geographic area which is within a one (1) mile radius of the Location or any other KONALA outlet, whether owned by Franchisee, Franchisor, Franchisor’s affiliates or any other franchisee as of the first date of the Restrictive Period; or

(iii) Only in the event that the foregoing is determined by a court of law to be too broad, the Location and any geographic area which is within a one (1) mile radius of the Location as of the first date of the Restrictive Period; or

(iv) Only in the event the foregoing is determined by a court of law to be too broad, the Location as of the first date of the Restrictive Period.

(g) “Restrictive Period” shall mean a period of two (2) years that begins the earlier of (i) the date of termination, expiration, or non-renewal of the Franchise Agreement, regardless of the reason for such termination, expiration, or non-renewal, or (ii) the date Associate’s association with Franchisee or the Franchised Business ends for any reason, including but not limited to, divorce, separation, sale, termination, or transfer.

(h) “Term” shall have the meaning defined in the Franchise Agreement.

(i) “Territory” shall have the meaning defined in the Franchise Agreement.

2. Confidential Information. Associate and the Franchisor acknowledge that the Confidential Information that is developed and utilized in connection with the operation of the Franchised Business is unique and the exclusive property of the Franchisor or its affiliates. Associate acknowledges that any unauthorized disclosure or use of the Confidential Information would be wrongful and would cause irreparable injury and harm to the Franchisor or its affiliates. Associate further acknowledges that the Franchisor or its affiliates have expended a great amount of effort and money in obtaining and developing the Confidential Information, that the Franchisor or its affiliates have taken numerous precautions to guard the secrecy of the Confidential Information, and that it would be very costly for competitors to acquire or duplicate the Confidential Information.

3. Nondisclosure of Confidential Information. During the Term and any renewal Term of the Franchise Agreement and for all periods after the Term and any renewal Term of the Franchise Agreement, Associate shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Franchisor or the Franchised Business, any of the Confidential Information of the Franchisor or its affiliates.

4. Exceptions to Disclosing Confidential Information. Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to the following: (a) information that was in the public domain prior to being communicated to Associate through no fault of Associate; (b) information that entered the public domain after it was Communicated to Associate through no fault of Associate; (c) information that was in Associate's possession free of any obligation of confidence at the time it was communicated to Associate; or (d) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that Associate is legally compelled to disclose the information, if Associate has notified the Franchisor before disclosure and used Associate's best efforts, and afforded the Franchisor the opportunity, to obtain an appropriate protective order or other assurance satisfactory to the Franchisor of confidential treatment for the information required to be so disclosed.

5. Covenant Against Solicitation. During the Term, Associate will not, without Franchisor's prior written consent for themselves, or through, on behalf of, or in conjunction with any other person or entity:

(i) solicit, divert or attempt to solicit or divert any person or party that is or has been a customer of Franchised Business at any time during the term of this Agreement, to any Competitive Business, by direct or indirect inducement or otherwise, as Franchisee agrees that all goodwill associated with Franchisee's operation under the Marks and the System, and all customer information associated therewith, inure to Franchisor; or

(ii) solicit, divert, or attempt to solicit or divert, any vendor that does has done business with Franchisee to provide supplies, products, equipment, merchandise, or services to a Competitive Business, by direct or indirect inducement or otherwise.

6. Post-Termination Covenant Against Solicitation. Associate covenants and agrees that for the Restrictive Period Associate shall not, within the Protected Territory, engage in any of the following:

(i) solicit, divert, or induce or attempt to solicit, divert, or induce for, or on behalf of, any Competitive Business any person or entity who was an employee of, independent contractor

to, consultant to, or other service provider to the Franchised Business as of the first day of the Restrictive Period with whom Associate had a business relationship through Associate's association with Franchisee or who was an employee of, independent contractor to, consultant to, or other service provider to the Franchised Business within one (1) year prior to the Restrictive Period with whom Associate had a business relationship through Associate's association with Franchisee, to work for the Competitive Business; or

(ii) solicit, induce or attempt to solicit or induce any person or entity who is an employee of, independent contractor to, consultant to, or other service provider to the Franchised Business, Franchisee, Franchisor, Franchisor's affiliates, or Franchisor's other franchisees as of the first day of the Restrictive Period or within one (1) year of the Restrictive Period to terminate or alter in any way its, his, or her relationship with the Franchised Business, Franchisee, Franchisor, Franchisor's affiliates, or Franchisor's other franchisees as of the date of the Restrictive Period; or

(iii) solicit, divert, or induce or attempt to solicit, divert, or induce any persons who were employees of, independent contractors to, consultants to, or any other service provider to Franchisor, Franchisor's affiliates, or Franchisor's other franchisees as of the first day of the Restrictive Period or within one (1) year of the Restrictive Period for, or on behalf of, any Competitive Business to work for any Competitive Business; or

(iv) solicit, divert, or attempt to solicit or divert, any vendor that has done business with the Franchised Business within one (1) year of the Restrictive Period to provide supplies, products, equipment, merchandise, or services to a Competitive Business, by direct or indirect inducement or otherwise; or

(v) solicit, divert or attempt to solicit or divert any person or party that has been a customer of Franchised Business as of the first day of the Restrictive Period or within one (1) year of the Restrictive Period, to any Competitive Business, by direct or indirect inducement or otherwise.

7. Injunction. Associate hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Franchisor shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which the Franchisor may be entitled. Associate agrees that the Franchisor may obtain such injunctive relief, without posting a bond or bonds totaling Five Hundred Dollars (\$500) or more, but upon due notice, and Associate's sole remedy in the event of the entry of such injunctive relief shall be dissolution of such injunctive relief, if warranted, upon a hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by Associate.

8. Reasonableness of Restrictions. Associate acknowledges and agrees that the restrictions set forth in this Agreement are reasonable and necessary for the protection of the Confidential Information and that any violation of this Agreement would cause substantial and irreparable injury to Franchisor, and that Franchisor would not have entered into a business relationship with Associate or Franchisee or enter into this Agreement or the Franchise Agreement without receiving Associate's unrestricted promise to preserve the confidentiality of the Confidential Information. In any litigation concerning the entry of any requested injunction against Associate, Associate, for value, voluntarily waives such defenses as Associate might otherwise have under the law of the jurisdiction in which the matter is being litigated relating to any claimed "prior breach" on the part of the Franchisor; it being specifically understood and agreed between

the parties that no action or lack of action on the part of the Franchisor will entitle or permit Associate to disclose any such Confidential Information in any circumstances.

9. Effect of Waiver. The waiver by Franchisor of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

10. Binding Effect. This Agreement shall be binding upon and inure to the benefit of Associate and the Franchisor and their respective heirs, executors, representatives, successors and assigns.

11. Entire Agreement. This instrument contains the entire agreement of Associate and the Franchisor relating to the matters set forth herein. It may not be changed verbally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

12. Governing Law; Jurisdiction and Venue. The laws of Idaho (without giving effect to its conflicts of law principles) govern all matters arising under and relating to this Agreement, including torts. In the event of a breach or threatened breach by Associate of this Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of Idaho, and irrevocably agrees that venue for any action or proceeding shall be in the state and federal courts of Idaho. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of Idaho. Notwithstanding the foregoing, in the event that the laws of the state where Associate resides prohibit the aforesaid designation of jurisdiction and venue, then such other state's laws shall control.

13. Severability. If any provision of this Agreement shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement that shall otherwise remain in full force and effect.

14. Attorneys' Fees. In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in such litigation, as determined by the court in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

15. Miscellaneous. Due to the importance of this Agreement to Franchisor, any claim Associate has against Franchisor is a separate matter and does not entitle Associate to violate, or justify any violation of, this Agreement. Associate agrees that all the words and phrases used in this Agreement will have the same meaning as used in the Franchise Agreement, unless herein defined.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have signed this Agreement on the date first above written.

ASSOCIATE:

FRANCHISOR:

KONALA FRANCHISING LLC

By: _____
Name: _____
Title: _____

ATTACHMENT 6 TO FRANCHISE AGREEMENT

FORM OF REQUEST FOR FINANCIAL INFORMATION

This Request for Financial Information cannot be utilized by a resident of the State of Washington.

KONALA FRANCHISING LLC (“Franchisor”) and _____ (“Franchisee”, “we”) are parties to a certain Franchise Agreement dated _____ for the operation of a “Konala” Restaurant (“Franchise Agreement”).

We hereby acknowledge that we became a franchisee of Franchisor on _____ pursuant to the above referenced Franchise Agreement of same date. This request for financial information is made on _____, which is at least ninety (90) days after the date we executed said Franchise Agreement, and we are now requesting the assistance of the Franchisor by supplying us with financial information and financial modeling information relative to Konala Restaurants. Franchisor agrees to release any such financial information to Franchisee, and Franchisee represents and warrants the following facts:

1. Franchisee acknowledges and understands the Federal Trade Commission prohibits franchisors from supplying prospecting franchisees any financial information whatsoever unless that information is already disclosed in the Franchise Disclosure Document (“FDD”) and Franchisee acknowledges that no individual, corporate officer, member of the management team, or salesperson (including third-party sales brokers) of Franchisor has ever provided any financial information whatsoever prior to Franchisee becoming a franchisee of Franchisor, except as may be included in Item 19 of the FDD received by Franchisee.
2. Franchisee acknowledges that any financial information Franchisor may share with Franchisee pursuant to this request is not and will not be considered a representation or warranty of performance for Franchisee’s outlet and any financial information Franchisor may share with Franchisee pursuant to this request shall be deemed to be a permissible disclosure since Franchisee has entered into its Franchise Agreement prior to any such disclosure and Franchisee agrees to a full release and hold harmless of the Franchisor and its agents and representatives and agrees that it shall not seek any legal action whatsoever based upon any financial information Franchisee receives from Franchisor pursuant to this request.

Franchisee hereby agrees to indemnify and hold harmless, pay, or reimburse Franchisor, upon demand, for all reasonable costs and expenses (including reasonable attorney costs) incurred by Franchisor in connection with any claims brought by or on behalf of Franchisee against Franchisor based on the financial information provided, including reasonable attorneys’ fees incurred by Franchisor in defending against any such claims.

By executing this Release and Hold Harmless, we, individually, and on behalf of our heirs, legal representatives, successors and assigns, hereby forever release and discharge Franchisor and its officers, directors, employees, agents and servants, including its subsidiary and affiliated corporations, their respective officers, directors, employees, agents and servants, from any and all claims relating to or arising under any agreements between the parties executed prior to the date of this Release and Hold Harmless, including, but not limited to, any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, securities, or antitrust laws of the United States, or of any state or territory thereof.

FRANCHISEE

ATTACHMENT 7 TO FRANCHISE AGREEMENT
FORM OF INITIAL TRAINING ACKNOWLEDGMENT

Date: _____

To KONALA FRANCHISING LLC:

By signing below, the undersigned hereby acknowledges that KONALA FRANCHISING LLC, and its designees, have provided to Franchisee and applicable Franchisee representatives the initial training required pursuant to the Franchise Agreement dated _____ between KONALA FRANCHISING LLC (“Franchisor”) and _____ (“Franchisee”) for a Konala Restaurant located at: _____ (the “Franchised Business”).

You further represent and warrant that Franchisor has satisfactorily completed all of its obligations pursuant to Article 4 of the Franchise Agreement, including but not limited to the following: site selection guidance, reviewing the grand opening advertising campaign, providing management and operations advice, providing a list of approved suppliers and providing the initial training program. You acknowledge and affirm that you have been trained to the point that you are fully satisfied that you and your team are fully capable of opening and operating the Franchised Business. By executing this Acknowledgement, you individually, and on behalf of your heirs, legal representatives, successors and assigns, hereby forever releases and discharges Franchisor and its officers, directors, employees, and its representatives, and agents, including their respective subsidiary and affiliated companies, their respective officers, directors, employees, and agents, from any and all claims relating to or arising under any agreements between the parties executed prior to the date of this Acknowledgment.

You hereby agree to indemnify and hold harmless, pay, or reimburse Franchisor, upon demand, for all reasonable costs and expenses (including reasonable attorney costs) incurred by Franchisor in connection with any claims brought by you or on your behalf against Franchisor based on any alleged failure to provide adequate training or to provide any other services performed by Franchisor, including reasonable attorneys’ fees incurred by Franchisor in defending against any such claims.

By executing this Release and Hold Harmless, you, individually, and on behalf of your heirs, legal representatives, successors and assigns, hereby forever release and discharge Franchisor and its officers, directors, employees, agents and servants, including its subsidiary and affiliated corporations, their respective officers, directors, employees, agents and servants, from any and all claims relating to or arising under any agreements between the parties executed prior to the date of this Release and Hold Harmless, including, but not limited to, any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, securities, or antitrust laws of the United States, or of any state or territory thereof.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have signed this Acknowledgment on the date first above written.

TRAINEE:

Name: _____

Title: _____

Date: _____

ATTACHMENT 8 TO THE FRANCHISE AGREEMENT

FORM OF GRAND OPENING TRAINING ACKNOWLEDGMENT AND CONSENT TO OPEN

Date: _____

To KONALA FRANCHISING LLC:

By signing below, the undersigned hereby acknowledges that KONALA FRANCHISING LLC, and its designees, have provided to Franchisee and applicable Franchisee representatives the initial training required pursuant to the Franchise Agreement dated _____ between KONALA FRANCHISING LLC (“Franchisor”) and _____ (“Franchisee”) for a Konala Restaurant located at: _____ (the “Franchised Business”).

You further represent and warrant that Franchisor has satisfactorily completed all of its obligations pursuant to Article 4 of the Franchise Agreement, including but not limited to the following: on-site training for up to five (5) days. You acknowledge and affirm that you have been trained to the point that you are fully satisfied that you and your team are fully capable of opening and operating the Franchised Business. By executing this Acknowledgement, you individually, and on behalf of your heirs, legal representatives, successors and assigns, hereby forever releases and discharges Franchisor and its officers, directors, employees, and its representatives, and agents, including their respective subsidiary and affiliated companies, their respective officers, directors, employees, and agents, from any and all claims relating to or arising under any agreements between the parties executed prior to the date of this Acknowledgment.

You hereby agree to indemnify and hold harmless, pay, or reimburse Franchisor, upon demand, for all reasonable costs and expenses (including reasonable attorney costs) incurred by Franchisor in connection with any claims brought by you or on your behalf against Franchisor based on any alleged failure to provide adequate training or to provide any other services performed by Franchisor, including reasonable attorneys’ fees incurred by Franchisor in defending against any such claims.

By executing this Release and Hold Harmless, you, individually, and on behalf of your heirs, legal representatives, successors and assigns, hereby forever release and discharge Franchisor and its officers, directors, employees, agents and servants, including its subsidiary and affiliated corporations, their respective officers, directors, employees, agents and servants, from any and all claims relating to or arising under any agreements between the parties executed prior to the date of this Release and Hold Harmless, including, but not limited to, any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, securities, or antitrust laws of the United States, or of any state or territory thereof.

Upon the execution of this Release and Hold Harmless, Franchisor hereby grants Franchisee the right to open the Franchised Business to the public.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have signed this Acknowledgment on the date first above written.

TRAINEE:

Name: _____
Title: _____
Date: _____

ATTACHMENT 9 TO THE FRANCHISE AGREEMENT

FORM OF SITE SELECTION RELEASE

[Date]

[Franchisee]

[Address Line 1]

[Address Line 2]

Re: Konala Franchising LLC (“Franchisor” or “us”) and _____ (“Franchisee” or “you”) dated _____ (the “Franchise Agreement”).

Dear [Franchisee]:

You hereby acknowledge that Franchisor and its designees have provided you with written site and market testing criteria. You agree to assume all costs, liabilities, expenses and responsibility for locating, obtaining and developing a site for the restaurant within the designated territory, and for constructing and equipping the restaurant at such site. You acknowledge that the location, selection, procurement and development of a site for the restaurant is your responsibility; that in discharging such responsibility you shall consult with real estate, general contractors and other professionals of your choosing; and that our acceptance of your request and any location assistance you request does not constitute a representation, promise, warranty or guarantee, express or implied, by us that the restaurant operated at that site will be profitable or otherwise successful. You further acknowledge and agree that your choice of a specific site for the operation of the Franchised Restaurant is based on your own independent investigation of the suitability of the site. You understand the costs to purchase, equip and make the site operational as a KONALA may exceed the estimate provided for in our Franchise Disclosure Document. It shall be your responsibility to work with real estate, general contractors and other professionals to understand these overages and how best to accommodate for them. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if the site fails to meet your expectations. You will know all costs and timetables prior to forming your opinion and sending us your request for approval.

[If you have made a special request for a site that doesn’t meet our brand and/or site selection criteria, you hereby acknowledge that Franchisor has advised you that the proposed site does not meet Franchisor’s brand and/or site selection criteria and that Franchisor would not otherwise approve of the proposed site absent this Release. You hereby assume all risks, responsibilities, and consequences associated with selecting and operating the restaurant at the proposed site, including, without limitation (a) reduced sales potential, customer traffic, and market visibility, (b) operational difficulties or increased expenses, and (c) the possibility of business failure.]

You understand and acknowledge the Franchisor cannot possibly advise you on every potential location in the system and Franchisor never approves a location, only your request for approval. Franchisee hereby agrees to indemnify and hold harmless, pay or reimburse Franchisor, upon demand, for all reasonable costs and expenses (including reasonable attorney costs) incurred by Franchisor in connection with any claims brought by or on behalf of Franchisee against Franchisor based on any alleged failure to provide adequate training or to provide any other services performed by the Franchisor, including reasonable attorney’s fees incurred by Franchisor in defending against any such claims.

By executing this Release and Hold Harmless, you, individually, and on behalf of your heirs, legal representatives, successors and assigns, hereby forever releases and discharges us and our officers, directors, employees, agents and servants, including our subsidiary and affiliated companies, their respective officers,

directors, employees, Fransmart, LLC and its representatives, agents and servants, from any and all claims relating to or arising under any agreements between the parties executed prior to the date of this Release and Hold Harmless, including, but not limited to, any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, securities, or antitrust laws of the United States, or of any state or territory thereof.

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

ATTACHMENT 10 TO THE FRANCHISE AGREEMENT
FORM OF ADDENDUM TO THE FRANCHISE AGREEMENT

ADDENDUM TO FRANCHISE AGREEMENT

FORM

This Addendum to Franchise Agreement (the “Agreement”) is hereby made and entered into on _____ (the “Effective Date”), by and between: (i) Konala Franchising LLC, an Idaho limited liability company with a business address at 107 E 7th Ave., Post Falls, ID 83854 (“Franchisor”); and (ii) _____, a _____ (“Franchisee”). Each party to this Agreement may, at times, be referred to as a “Party” and collectively as the “Parties.”

BACKGROUND

A. Contemporaneous with the execution of this Agreement, Franchisor and Franchisee are entering into a franchise agreement (the “Franchise Agreement”) pursuant to which Franchisee will obtain the right and undertake the obligation to operate a franchised business (the “Franchised Business”).

B. Franchisee, after reviewing the proposed Franchise Agreement, requested certain modifications prior to its execution, which are reflected in this Agreement.

C. Franchisor is willing to amend the Franchise Agreement, subject to the terms and conditions of this Agreement.

AGREEMENT

1. Background; Definitions.

a. The Parties agree and acknowledge that the Background portion of this Agreement, including all definitions, representations and provisions set forth therein, is hereby incorporated by reference as if fully set forth in this Section.

b. For purposes of this Agreement, if a capitalized term in this Agreement is not specifically defined herein, that term shall be given the same definition that the term is afforded in the Franchise Agreement, as applicable.

2. [Insert Negotiated Changes Here].

3. **Release.** As consideration for Franchisor entering into this Agreement, Franchisee, on behalf of itself and its past, present, and future parents, subsidiaries, affiliates, successors, assigns, guarantors, and each of their respective owners, officers, directors, shareholders, members, managers, managing members, employees, agents, representatives, and heirs (collectively, the “Franchisee Releasers”), hereby fully, irrevocably, and unconditionally releases, acquits, and forever discharges Franchisor and its past, present, and future parents, subsidiaries, affiliates, predecessors, successors, assigns, and each of their respective officers, directors, shareholders, members, managers, employees, agents, owners, servants, and representatives (collectively, the “Franchisor Releasees”) from and against any and all claims (including any claim for fraud or fraud in the inducement), debts, liabilities, obligations, costs, expenses (including attorneys’ fees), damages, actions, causes of action, suits, proceedings, rights, or remedies of any kind or nature whatsoever, whether in law or equity, whether known or unknown, suspected or unsuspected, fixed or contingent, accrued or unaccrued, that any Franchisee Releaser now has, ever had, or may hereafter have against any of the Franchisor Releasees arising on or before the Effective Date of this Agreement, including, without limitation, any claims arising out of or relating to: (i) the offer,

negotiation, or sale of the Franchise Agreement, the rights granted thereunder, or any other franchise or related rights granted by Franchisor; (ii) the respective rights and obligations under the Franchise Agreement, this Agreement, or other agreement or instrument entered into in connection with the Franchise Agreement or any related business relationship between any Franchisee Releasor and any Franchisor Releasee; and (iii) any alleged violation of, or claims under, any federal, state, or local franchise, business opportunity, antitrust, consumer protection, or similar statute, rule, regulation, or common law applicable to the Parties' relationship. The Franchisee Releasors expressly waive and relinquish the protection of any law or doctrine that would otherwise limit the scope of this Release to known or suspected claims. Franchisee represents, warrants, and covenants that: (a) it has not assigned, transferred, or otherwise conveyed any of the claims released herein; (b) it shall not, directly or indirectly, initiate, participate in, assist, encourage, or cooperate with any action, arbitration, investigation, or proceeding against any Franchisor Releasee relating to the matters released herein; (c) this Release is binding upon and enforceable against Franchisee and all Franchisee Releasors; and (d) this Release shall survive and remain enforceable notwithstanding the expiration, termination, rejection, or invalidation of the Franchise Agreement, this Agreement, or any other agreement.

4. **Confidentiality.** The Parties agree to maintain the confidentiality of this Agreement as well as the discussions and negotiations leading to the execution of this Agreement, and must not disclose the terms of this Agreement to any person or persons, except (a) their professional advisors for legitimate business purposes or otherwise as required by law, or (b) as the other Party otherwise specifically approves in writing in advance of such disclosure.

5. **Authority; Acknowledgment.** Franchisor and Franchisee agree and acknowledge that they have the legal power, right, and authority to make this Agreement.

6. **Advice of Counsel.** Each Party acknowledges that the terms of this Agreement have been completely read and are fully understood and voluntarily accepted, after having a reasonable opportunity to retain and confer with counsel. This Agreement is entered into after a full investigation by the Parties, and the Parties are not relying upon any statements or representations not embodied in this Agreement.

7. **Construction of Language.** The language of this Agreement will be construed according to its fair meaning, and not strictly for or against either Party. In the event of an ambiguity or if a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by all of the Parties, and no presumptions or burdens of proof shall arise in favor of any Party by virtue of the authorship of any of the provisions of this Agreement. Headings are for reference purposes and do not control interpretation.

8. **Entire Agreement.** The Franchise Agreement and this Agreement constitute the entire, full, and complete agreement between the Parties concerning the matters herein and supersede any and all prior agreements. In the event of a conflict between the terms of the Franchise Agreement and this Agreement, the terms of this Agreement shall control. Except as amended by this Agreement, the Parties agree and acknowledge that all the other terms and conditions of the Franchise Agreement are hereby ratified and confirmed, including the provisions related to governing law, venue, dispute resolution, waivers and other enforcement-related provisions that shall also apply to all claims, disputes or causes of action arising out of or related to this Agreement.

IN WITNESS WHEREOF, the Parties hereto, intending to be legally bound, have duly executed and delivered this Agreement on the date first written above.

FRANCHISOR

FRANCHISEE

KONALA FRANCHISING LLC

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

ATTACHMENT 11 TO THE FRANCHISE AGREEMENT
FORM OF SUBLEASE AGREEMENT

FRANCHISE_____

SUBLEASE DATE_____

SUBLEASE
KONALA RE, LLC
with

KEY CONTRACT DATA

Name of Subtenant: _____

State of Formation: _____

Type of Entity: _____ LLC _____ Corp. _____ Other: _____

Franchise Agreement Date:

_____ Same as Sublease Date on Cover Page

_____ Other: _____

Commencement Date of Sublease: ____

Security Deposit: \$ _____

Other Pre-Opening Costs Deposit: \$ _____

Subtenant's email address: _____

SUBLEASE

THIS SUBLEASE (the “**Sublease**”), is made on the date shown on the cover page hereof (the “**Sublease Date**”), by and between **KONALA RE, LLC**, an Idaho limited liability company, (“**Sublandlord**”), and the party identified as Subtenant in the Key Contract Data at the beginning of this Sublease (“**Subtenant**”).

In consideration of the covenants contained in this Sublease, the parties agree as follows:

1 PROPERTY LEASED

- 1.1 **Leased Premises.** Sublandlord leases to Subtenant and Subtenant leases from Sublandlord the premises described in the Master Lease (defined below) attached hereto (the “Premises”), subject to any and all reservations, restrictions, easements, rights of way, limitations, and conditions of record, if any. The purpose of this Sublease is so that Subtenant can operate a Konala Restaurant under the terms of the Franchise Agreement with Konala Franchising LLC (“Franchisor”) dated as shown in the Key Contract Data at the beginning of this Sublease (“Franchise Agreement”).
- 1.2 **Master Lease.** The Premises are subject to a lease between Sublandlord as tenant and the landlord identified therein (the “**Master Landlord**”), a copy of which is attached hereto as **Exhibit A** (the “**Master Lease**”).
 - 1.2.1 Acknowledgment, Acceptance, and Assumption of Master Lease. The Subtenant acknowledges and agrees that the Premises are leased under the Master Lease. The Subtenant acknowledges and accepts that Exhibit A contains a true and correct copy of the Master Lease. The Subtenant understands, accepts, and assumes all obligations of the Sublandlord under the Master Lease by and through this Sublease. Any conflict between this Section 1.2 and the other provisions of this Sublease shall be resolved in favor of this Section 1.2.
 - 1.2.2 Subordination to Master Lease. This Sublease is secondary and subordinate to the Master Lease. If the Master Lease ends, for any reason, the Subtenant shall promptly vacate and surrender the Premises, and the Sublease ends without liability and/or obligation to the Sublandlord.
 - 1.2.3 Costs and Obligations. All costs, common area maintenance fees, expenses, charges, assessments, and rent escalations accruing under the Master Lease, any restrictions imposed upon Sublandlord, together with all repairs, replacements, restorations, and any other obligations required to be performed by Sublandlord as tenant under the Master Lease shall be binding upon Subtenant. In the event the obligations and restrictions imposed on Subtenant under the Sublease conflict with the obligations and restrictions imposed upon Sublandlord as tenant under the Master Lease, then the more burdensome and restrictive of such obligations and restrictions shall prevail and be binding upon Subtenant.
 - 1.2.4 Consent and Approvals. With respect to any consent or approval required to be obtained of Master Landlord under the Master Lease (by way of illustration and without limitation, consent to alterations), Sublandlord’s sole obligation, upon written request by Subtenant, shall be to seek the approval or consent of Master Landlord. Subtenant acknowledges and agrees that Sublandlord shall not be liable to Subtenant with respect to any delay, default or failure of Master Landlord to grant

such consent or approval or in the performance by the Master Landlord of its obligations and covenants under the Master Lease unless such is the result of acts or misconduct of Sublandlord. Neither shall the Rent, Additional Rent or other Additional Charges nor shall any obligations of Subtenant under the Sublease be affected. Subtenant further acknowledges and agrees that any rights afforded Sublandlord under the Master Lease, including, but not limited to, any options to extend or renew the term of the Master Lease, options to purchase the Premises, rights of first refusal to purchase the Premises and restrictions against competition are not passed on to or conferred upon Subtenant under this Sublease. Subtenant acknowledges that only Sublandlord has the benefit of and the right to exercise or enforce such rights of the Master Lease and the failure of Sublandlord to exercise or enforce such rights shall not be a default under the Sublease nor entitle Subtenant to make any claim against Sublandlord.

- 1.2.5 Extension Options. In the event the Master Lease contains extension or renewal options, Subtenant shall provide written notice to Sublandlord of its desire for the Sublandlord to exercise the option at least one hundred eighty days (180) prior to the date on which Sublandlord must notify the Master Landlord of its intention to exercise the option. If Subtenant fails to provide Sublandlord written notice of its desire, in its sole discretion, Sublandlord may elect not to extend or renew the Master Lease. Furthermore, in its sole discretion, Sublandlord may elect not to extend or renew the Master Lease if Subtenant shall be in default in the performance of any of the terms of the Master Lease, this Sublease or the Franchise Agreement during the period one hundred eighty (180) days prior to the date Sublandlord must give notice to Master Landlord.
- 1.2.6 Master Landlord's Default. If Master Landlord fails to perform its duties under the Master Lease, Subtenant must give written notice thereof to Sublandlord describing Master Landlord's default in detail. Upon receipt of the notice, Sublandlord shall then promptly notify Master Landlord and demand performance as required in the Master Lease. In the event Subtenant wishes to engage the services of an attorney to settle any disputes arising out of the Master Lease, all fees and costs shall be borne by Subtenant, it being understood that Sublandlord is under no obligation to bring or defend any action brought by or against Subtenant, Sublandlord or Master Landlord.
- 1.2.7 Agreements with Master Landlord. Subtenant shall not make any agreement with Master Landlord which could modify, cancel, or terminate the Master Lease.

2 TERM

- 2.1 **Term.** The term of this Sublease (the “**Term**”) shall commence on the date shown in the Key Contract Data at the beginning of this Sublease (the “**Commencement Date**”). The Term of this Sublease shall expire at midnight one full day before the expiration of the Master Lease (the “**Expiration Date**”) unless sooner terminated as provided in this Sublease.
- 2.2 **Possession.** Possession of the Premises shall be delivered to Subtenant on the Commencement Date or as provided in the Master Lease, whichever is later.
- 2.3 **Holdover.** Subtenant may only hold over at the expiration of the Term with the written consent of Sublandlord. During such holdover tenancy, Subtenant shall pay to Sublandlord two hundred percent (200%) of the Rent amount that existed immediately prior to the

Expiration Date. Subtenant agrees to comply with all holdover provisions contained in the Master Lease.

2.4 End of Term.

2.4.1 Fixtures and Personal property. At the expiration or earlier termination of this Sublease, any fixtures located on the Premises and not already owned by Sublandlord shall become the property of Sublandlord. Except as otherwise provided in the Master Lease or the Franchise Agreement, and only if Subtenant has fully complied with the Master Lease, Sublease, and Franchise Agreement, Sublandlord hereby waives any right to claim any personal property owned or leased by Subtenant and located on the Premises. Subject to the terms of the Franchise Agreement, the personal property may then be removed by Subtenant or Sublandlord provided that the Premises are restored to their original condition, reasonable wear and tear excepted. Any such personal property not removed within thirty (30) days after the Sublease expiration or termination shall be deemed abandoned and become the property of Sublandlord.

2.4.2 Joint Inspection. During a period no earlier than three (3) weeks and no later than one (1) week prior to the end of the Term, Sublandlord and Subtenant shall conduct a joint inspection of the Premises, and Sublandlord shall make a list of any items of repair and maintenance that may be needed to put the Premises in good condition and repair, reasonable wear and tear excepted, which Subtenant shall pay for. If the items on such list cannot be completed by Subtenant by the end of the Term, then Subtenant shall pay to Sublandlord by the end of the Term the reasonable cost of such repairs. Subtenant's obligation to make such payment shall survive the termination of this Sublease.

3 RENT, ADDITIONAL CHARGES, AND ADDITIONAL RENT.

3.1 **Rent.** Subtenant shall pay Sublandlord or its designee the base rent amount indicated on **Exhibit B** (the "**Base Rent**"), to be due and payable in monthly installments in advance on the first day of each month during the Term of this Sublease. If no Base Rent is included on Exhibit B, or if Sublandlord directs Subtenant to do so, then Subtenant shall make all rental payments directly to Master Landlord in the manner set forth in the Master Lease until and unless Sublandlord directs Subtenant to do otherwise. The first monthly installment of the Base Rent shall be due on the Commencement Date, or at the time provided in the Master Lease if Subtenant is to make rental payments directly to Master Landlord. If this Sublease shall commence on any day other than the first day of a calendar month, the monthly installment for the first and last month of the Term shall be prorated.

3.2 **Additional Charges.** Subtenant and Sublandlord agree that the rent accruing under this Sublease shall be net to Sublandlord and that all taxes, costs, common area maintenance fees, expenses and charges of every kind and nature (the "**Additional Charges**") relating to the Premises or payable under the Master Lease that may arise or become due during the Term or any extension of this Sublease, shall be paid by Subtenant to Sublandlord or its designee (which may be Master Landlord), and that Subtenant shall indemnify and save harmless Sublandlord from and against all such Additional Charges. All Additional Charges, and all interest and penalties that may accrue on these Additional Charges, as well as all other damages, costs and expenses, including, without limitation, reasonable attorneys' fees and other legal and court costs that Sublandlord may incur in enforcing this Sublease, and any

and all other sums that may become due by reason of Subtenant's default or failure to comply with its obligations under this Sublease, shall be deemed to be "**Additional Rent**". The Base Rent and Additional Rent shall collectively be referred to as the "**Rent**." In the event of non-payment of Rent in any form, Sublandlord shall have all rights and remedies provided herein and under law.

- 3.3 **Method of Payment.** Subtenant shall make all payments to Sublandlord or its designee (which may be Master Landlord) by the method or methods, and with the frequency, that Sublandlord designates and requires from time to time. Subtenant shall furnish Sublandlord, its bank, or other financial institution, and any other recipient of payment with such information and authorizations as may be necessary to permit such persons to make withdrawals by the method or methods designated or required by Sublandlord. Subtenant shall bear all expenses, if any, and pay Sublandlord its third-party costs associated with such authorizations and payments.
- 3.4 **Security Deposit.** Sublandlord acknowledges receipt from Subtenant of the Security Deposit amount shown in the Key Contract Data, which may be paid to Master Landlord as the security deposit referred to in the Master Lease. If paid to Master Landlord, in accordance with the terms of the Master Lease, Subtenant shall be entitled to the rights of Sublandlord to the security deposit, except that any portion thereof that is returned to Sublandlord by Master Landlord may first be applied to any amounts that Subtenant owes to Sublandlord or its affiliate under this Sublease or any other agreement.
- 3.5 **Other Pre-Opening Costs.** Sublandlord acknowledges receipt from Subtenant of the Other Pre-Opening Costs Deposit amount shown in the Key Contract Data at the beginning of this Sublease, which shall be held in a non-interest bearing escrow account and shall be returned to Subtenant, without interest, upon the opening of this location for business.
- 3.6 **Late Charges.** All Rent and any other charges shall be paid to Sublandlord without notice or demand and without abatement, deduction or set-off, except as otherwise expressly provided in this Sublease. All payments not paid when due shall bear interest at the lesser of eighteen percent (18%) or the maximum rate allowed by law in the state where the Premises are located.

4 **INSURANCE**

- 4.1 **Insurance Obligations.** During the Term, at its own cost and expense, Subtenant shall procure and maintain the very same insurance coverages and policies as the Sublandlord under the Master Lease for the Premises, but for the benefit of Sublandlord, ensuring that Sublandlord is named as an additional insured and that all policies are aligned with the interests and requirements of the Sublandlord. Subtenant also shall comply with the same or related obligations as the Sublandlord under the Master Lease, but for the benefit of Sublandlord, ensuring that performance of those obligations is aligned with the interests and requirements of the Sublandlord.
- 4.2 **Joint Efforts.** Subtenant and Sublandlord shall cooperate in attempts to collect any insurance proceeds that may be due in the event of loss, and Subtenant shall execute and deliver to Sublandlord such proofs of loss and other instruments which may be required for the purpose of recovering these proceeds.

- 4.3 **Waiver of Subrogation.** Subtenant agrees to look solely to the proceeds of its own insurer for indemnity against exposure for loss of property or business interruption. Subtenant warrants that its property and business interruption insurers shall have no rights against Sublandlord by virtue of assignment, subrogation, loan agreement or otherwise.
- 4.4 **Cancellation of Insurance.** If any insurance policy covering the Premises or any part of it is canceled or is threatened by the insurer to be canceled, or if the coverage thereunder is reduced in any way by the insurer for any reason, and if Subtenant fails to remedy the condition giving rise to cancellation, threatened cancellation, or reduction of coverage within five (5) business days after notice thereof by Sublandlord, Sublandlord may, at its option, either (i) reenter the Premises forthwith by leaving upon the Premises a notice in writing of its intention to do so or (ii) enter the Premises and remedy the condition giving rise to such cancellation, threatened cancellation or reduction. Subtenant shall immediately pay the cost to Sublandlord (which cost may be collected by Sublandlord as Additional Rent) and Sublandlord shall not be liable for any damage or injury caused to any property of Subtenant or of others located on the Premises as a result of any such entry, unless resulting from its own sole gross negligence, or intentional or willful act or omission.
- 4.5 **Loss and Damage.** Sublandlord shall not be liable for any death or injury occurring on the Premises, nor for the loss of or damage to any of the personal property or other property of Subtenant or of others by theft or otherwise, unless resulting from its own sole gross negligence, or intentional or willful act or omission. Without limiting the generality of the foregoing, Sublandlord shall not be liable for any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, dampness, gas, electricity, water, rain, snow, or leaks from any part of the Premises or from the pipes, appliances or plumbing works or from the roof, street or subsurface or from any other place by any other cause whatsoever, unless resulting from its own sole gross negligence, or intentional or willful act or omission. Sublandlord shall not be liable for any such damage caused by other persons or occupants of adjacent property, or the public, or caused by operations in construction of any private, public or quasi-public work. All of the personal property or any other property of Subtenant kept or stored on the Premises shall be kept or stored at the risk of Subtenant.

5 **THE PREMISES**

- 5.1 **Use and Services.** During the Term of this Sublease, Subtenant shall continuously operate a Konala Restaurant in accordance with the Franchise Agreement. The Premises shall not be used for any other purpose.
- 5.2 **Repairs and Maintenance.** Subtenant shall, at all times during the Term, at its own cost and expense, put, keep, and maintain the Premises and all fixtures and personal property located on it in good order and condition, reasonable wear and tear excepted. Subtenant shall make all necessary and desirable repairs, restorations, and replacements thereof, structural and nonstructural, foreseen or unforeseen (hereinafter collectively called "**Repairs**"), and shall use all reasonable precautions to prevent waste, damage, and injury.

In the event that Subtenant fails or neglects to make all necessary Repairs or fulfill its other obligations as set forth above, Sublandlord or its agents may enter the Premises for the purpose of making such Repairs or fulfilling those obligations. All reasonable costs and expenses incurred as a consequence of Sublandlord's action shall be repaid by Subtenant to Sublandlord within fifteen (15) days after Subtenant receives copies of receipts showing payment by Sublandlord for such Repairs or other obligations.

- 5.3 **Build-Out and Alterations.** Sublandlord may terminate this Sublease on ten (10) days' written notice and Sublandlord may offer this location to another franchisee if: a) Subtenant does not commence construction of the Premises within seven (7) days after obtaining occupancy from Master Landlord by expeditiously ordering its equipment, submitting all necessary funds, and making application for required permits and licenses; or b) Subtenant does not complete the build-out of the Konala Restaurant and then open and operate the Konala Restaurant as set forth in the Master Lease. In such an event, Subtenant's security deposit referred to in Section 3.4 shall be forfeited.

Subtenant agrees that it will at its own cost and expense make such reasonable alterations to the interior or exterior of the Premises as may reasonably be requested by Sublandlord from time to time in order to modify the appearance of the Premises to reflect the then current image of the Konala brand. Subtenant shall not at any time make any alteration, change, addition, or improvement (hereinafter collectively called "**Alterations**") in or to the interior or exterior of the Premises without the prior written consent of Sublandlord.

In the event Sublandlord provides written consent, Subtenant may perform Alterations at its sole expense, ensuring they are executed in a good and workmanlike manner without compromising the Premises' structural integrity or value or otherwise violating the Master Lease or the Franchise Agreement. Alterations must adhere to approved plans and specifications, with necessary governmental approvals obtained prior to commencement. Subtenant is responsible for any increased insurance premiums and, for Alterations exceeding \$20,000, must provide a surety bond or other security as required by Sublandlord. All Alterations must comply with applicable building codes. Ownership of improvements to the Premises under this Section shall be determined pursuant to Section 2.4.1.

- 5.4 **Liens.** Should Subtenant cause any Alterations or Repairs to be made to the Premises, or cause any labor to be performed or material to be furnished, neither Sublandlord nor the Premises shall under any circumstances be liable for the payment of any expense incurred, and all such Alterations and Repairs shall be made and performed at Subtenant's expense. If, because of any act or omission of Subtenant, any mechanic's or other lien, charge, claim or order for the payment of money shall be filed against the Premises or against Sublandlord, Subtenant shall, at its own cost and expense, cause it to be canceled and discharged of record or bonded within thirty (30) days after notice of filing. In the event that Subtenant fails to cause any such mechanics' or other lien, charge or order to be canceled and discharged or bonded, then, in addition, to any other right or remedy of Sublandlord, Sublandlord may, at its option, cancel or discharge it by paying the amount claimed to be due into court or directly to any claimant and the amount so paid by Sublandlord and all costs and expenses including attorneys' fees incurred for the cancellation or discharge of such lien, plus a ten percent (10%) surcharge, shall be due from Subtenant to Sublandlord payable on demand.
- 5.5 **Signs.** Upon prior written approval of Sublandlord, Subtenant shall only place signs or symbols on the Premises that are consistent with applicable terms in the Master Lease and Franchise Agreement.
- 5.6 **Inspection.** Master Landlord, Sublandlord, or their representatives shall have the right to enter the Premises at reasonable hours of any day to ascertain if the Premises are in proper repair and condition, provided, that such persons will make every reasonable effort not to interfere with Subtenant's operation of the business.

- 5.7 **License and Laws.** Subtenant shall, at its own cost and expense, obtain all necessary licenses and/or permits that may be required for the conduct of its business; and Subtenant shall, at its own cost and expense, promptly observe and comply with all present and future laws, ordinances, requirements, orders, directions, rules and regulations (referred to generally as “**Regulations**”) of governmental authorities having or claiming jurisdiction over the Premises or the conduct of Subtenant’s business.
- 5.8 **Damage or Destruction.** If, during the Term, the Premises or the personal property or fixtures on or in it are destroyed or damaged in whole or in part by fire or other cause, Subtenant shall give Sublandlord immediate notice, and Subtenant, at its own cost and expense, shall cause the prompt repair, replacement and rebuilding of same (“**Restoration**”). The restored building, personal property or fixtures shall reflect the then current image of the Konala brand. Sublandlord shall in no event be called upon to repair, replace or rebuild any such buildings, fixtures, or personal property, nor to pay any of the costs or expenses beyond or in excess of any insurance proceeds, as provided in this Sublease. Subtenant shall defend, indemnify, and hold Sublandlord harmless from and against any damage, cost, or expenses arising from any damage or destruction to the Premises, unless resulting from Sublandlord’s own sole gross negligence, or intentional or willful act or omission..
- 5.9 **Disclaimer.** The taking of possession of the Premises by Subtenant shall be conclusive evidence that Subtenant has accepted the Premises “AS IS,” including any latent or patent defects. Subtenant acknowledges that Subtenant is relying on its own independent inspection.
- 5.10 **Contracts.** Subtenant shall not without Sublandlord’s written consent enter into any service contract or agreement relating to the furnishing of any services to the Premises or the occupants of it unless such contract or agreement shall by its terms be terminable on no more than thirty (30) days’ notice or shall expressly provide that it shall not become binding on Sublandlord in the event that this Sublease is terminated or expires. Subtenant shall furnish Sublandlord with copies of all service contracts or agreements affecting the Premises that are now in existence or that are subsequently entered into.

6 **TAXES AND OTHER CHARGES**

- 6.1 **Payment.** If Sublandlord chooses to pay any taxes or charges related to the Premises, Subtenant must reimburse Sublandlord within 30 days of receiving an invoice. If Sublandlord does not pay taxes or charges related to the Premises, Subtenant must pay all such charges by their due date to avoid penalties. Subtenant must provide proof of payment upon request, and charges will be divided for the fiscal periods when the Sublease starts and ends.

7 **INDEMNIFICATION**

- 7.1 Subtenant shall indemnify, defend with counsel reasonably acceptable to Sublandlord and save Sublandlord and its affiliates, and the shareholders, officers, directors, employees, and agents of Sublandlord and its affiliates, harmless from and against all costs, expenses, liabilities, losses, damages, injunctions, suits, actions, fines, penalties, claims and demands of every kind or nature including reasonable attorneys’ fees, (collectively, “**Claims**”) by or on behalf of any person, party or governmental authority whatsoever arising out of (a) any failure or alleged failure by Subtenant to perform any of its obligations under this Sublease, (b) any accident, injury or damage that occurs in or about the Premises, (c) any matter arising out of the condition, occupation, maintenance, alteration, repair, use or operation of the Premises or any part of it, (d) the contest or challenge by Subtenant of any imposed tax,

assessment, or other Charges, or (e) any other matter arising from or relating to Subtenant's occupation of the Premises; provided that Subtenant shall not indemnify Sublandlord if or to the extent such Claims are caused by Sublandlord's gross negligence, or intentional or willful misconduct.

8 ENFORCEMENT

8.1 **Default.** Each of the following events is a default and a breach of this Sublease by Subtenant:

- 8.1.1 If Subtenant files any proceeding under the United States Bankruptcy Code, any other federal or state bankruptcy, reorganization, receivership, insolvency or other similar law affecting the rights of creditors generally, or for dissolution under the laws of the United States or of any state, or voluntarily takes advantage of any such law or act or is dissolved or makes an assignment for the benefit of creditors;
- 8.1.2 If involuntary Proceedings under the United States Bankruptcy Code, any other federal or state bankruptcy, reorganization, receivership, insolvency or other similar law or for the dissolution of a corporation are instituted against Subtenant or if a receiver or trustee is appointed of all or substantially all of the property of Subtenant and such Proceedings are not dismissed or such receivership or trusteeship vacated within ninety (90) days after such institution or appointment;
- 8.1.3 If Subtenant vacates, abandons, or ceases doing business on the Premises or indicates its intention to do so;
- 8.1.4 If this Sublease or the estate of Subtenant is transferred to any other person or party, except in a manner permitted by the terms of the Master Lease, Franchise Agreement and this Sublease;
- 8.1.5 If Subtenant fails to pay Sublandlord any installment of the Rent or Additional Charges when it becomes due and payable and fails to make such payment within ten (10) days after written notice by Sublandlord to Subtenant;
- 8.1.6 If Subtenant fails to perform any of its nonmonetary obligations under this Sublease and such non-performance continues for a period within which performance is required to be made by specific provision of the Master Lease, Franchise Agreement, and this Sublease or, if no such period is provided, for a period of thirty (30) days after written notice thereof by Sublandlord to Subtenant; or, if such performance cannot be reasonably had within such thirty day period, Subtenant has not in good faith commenced such performance within such thirty day period or has not diligently proceeded therewith to completion;
- 8.1.7 If Subtenant or any manager or officer of Subtenant knowingly or intentionally falsifies any report required to be furnished to Sublandlord pursuant to the terms of this Sublease and fails to notify Sublandlord of such falsification within sixty (60) days of submission of such report;
- 8.1.8 If Subtenant fails to comply with any provision of the Master Agreement or Franchise Agreement relating to the Premises.

In the event of a default under this Section 8.1, Sublandlord shall have such remedies as are provided under this Sublease and under applicable law.

- 8.2 **Cure by Sublandlord.** After expiration of the applicable period of notice, or without notice in the event of any emergency, Sublandlord at its option may, but shall not be obligated to, make any payment required of Subtenant or perform any obligation of Subtenant, and the amount Sublandlord pays, or the cost of its performance, together with interest thereon, and attorney's and other fees and costs incurred, shall be deemed to be an additional charge payable by Subtenant on demand. Sublandlord shall have the right to enter the Premises for the purpose of correcting or remedying any default, but neither any expenditure nor any such performance by Sublandlord shall be deemed to waive or release Subtenant's default or the right of Sublandlord to take such action as may be otherwise permissible in the case of default. Sublandlord shall have no liability to Subtenant for any loss or damages resulting from any such action by Sublandlord, and entry by Sublandlord shall not constitute breach of the Franchise Agreement, this Sublease, or any applicable agreement, covenant, or law or an eviction.
- 8.3 **Sublandlord's Remedies.** If Subtenant is in default under this Sublease, Sublandlord may, at its option, in addition to such other remedies as may be available under applicable law:
- 8.3.1 terminate this Sublease and Subtenant's right of possession and retake possession for Sublandlord's account. In such event, Sublandlord may repair and alter the Premises in any manner as Sublandlord deems reasonably necessary or advisable. All reasonable and necessary expenses of every nature that Sublandlord may incur such as (by way of illustration and not limitation) those for attorneys' fees, brokerage, advertising, and refurbishing the Premises, shall become immediately due and payable by Subtenant to Sublandlord; or
- 8.3.2 terminate Subtenant's right of possession, but not this Sublease, retake possession of the Premises for Subtenant's account, repair, and alter the Premises in any manner as Sublandlord deems reasonably necessary or advisable, and relet the Premises or any part of it, as the agent of Subtenant, for the whole or any part of the remainder of the Term or for a longer period, and Sublandlord may grant concessions or free rent or charge a higher rent, at its sole discretion. Out of any rent collected or received from subtenants or as a result of such letting or reletting, Sublandlord shall first pay to itself all expenses of every nature that Sublandlord may reasonably incur such as (by way of illustration and not limitation) those for attorneys' fees, brokerage, advertising, and refurbishing the Premises in good order or preparing them for reletting; and second, Sublandlord shall pay to itself any balance remaining on account of the liability of Subtenant for the sum equal to all Rent, Additional Rent and other Additional Charges due from Subtenant through the Expiration Date. Should Sublandlord, pursuant to this Section 8.3, not collect Rent that, after deductions is sufficient to fully pay to Sublandlord a sum equal to all Rent, Additional Rent and other Additional Charges payable through the Expiration Date, the balance or deficiency shall, at the election of Sublandlord, be paid by Subtenant on the first of each month; or
- 8.3.3 stand by and do nothing, and hold Subtenant liable for all Rent, Additional Rent, and other Additional Charges payable under this Sublease through the Expiration Date.

If Sublandlord does not notify Subtenant which remedy it is pursuing, or if Sublandlord's notice to Subtenant does not expressly state that Sublandlord is exercising its remedies under Section 8.3.1 or Section 8.3.3, then it shall be deemed that Sublandlord is pursuing the remedy set forth in Section 8.3.2. If Sublandlord

exercises the option in Section 8.3.1 or 8.3.2, Subtenant agrees to immediately and peacefully surrender the Premises to Sublandlord, and if Subtenant refuses to do so, Sublandlord may without further notice reenter the Premises either by force or otherwise and dispossess Subtenant by summary proceedings or otherwise, as well as the legal representative(s) of Subtenant and/or other occupant(s) of the Premises, and remove their effects.

- 8.4 **Acceleration.** If Sublandlord exercises the remedies in Section 8.3.3 of this Sublease, Subtenant shall immediately pay to Sublandlord as damages for loss of the bargain caused by Subtenant's default, and not as a penalty, in addition to any other damages, an aggregate sum that represents the present value of the full amount of the Rent, Additional Rent and all other Additional Charges payable by Subtenant hereunder that would have accrued for the balance of the Term.
- 8.5 **Lawsuits.** Suit or suits for the recovery of the deficiency or damage or for any installment or installments of Rent, Additional Rent or any other charge due under this Sublease may be brought by Sublandlord at any time or, at Sublandlord's election, from time to time, and nothing in this Sublease shall be deemed to require Sublandlord to wait until the Expiration Date to bring suit.
- 8.6 **Waiver.** Subtenant expressly waives service of any notice of intention to reenter. Subtenant waives any and all rights to recover or to regain possession of the Premises or to reinstate or to redeem this Sublease as permitted or provided by any statute, law, or decision now or hereafter in force and effect. No receipt of monies by Sublandlord from Subtenant after the cancellation or termination of the Sublease shall reinstate, continue or extend the Sublease, or affect any prior notice given to Subtenant or operate as a waiver of the right of Sublandlord to enforce the payment of Rent and Additional Rent then due or subsequently falling due, or operate as a waiver of the right of Sublandlord to recover possession of the Premises by suit, action, proceeding or other remedy, and any and all moneys so collected shall be deemed to be payments on account of the use and occupancy of the Premises, or at the election of Sublandlord, on account of Subtenant's liability under this Sublease.
- 8.7 **Proof of Claim.** Nothing in this Article shall limit or prejudice the right of Sublandlord to prove and obtain as liquidated damages in any bankruptcy, insolvency, receivership, reorganization or dissolution proceeding an amount equal to the maximum allowed by any statute or rule of law governing such proceeding, whether or not such amount is greater, equal to or less than the amount of the damages referred to in any of the preceding sections.
- 8.8 **Injunction.** In the event of a breach or a threatened breach by Subtenant of any of its Sublease obligations, Sublandlord shall have the right to enjoin and restrain the breach and to invoke any remedy allowed by law or in equity, in addition to other remedies provided in this Sublease.
- 8.9 **Independent Rights.** The rights and remedies of Sublandlord are distinct, separate, and cumulative, and no one of them, whether or not exercised by Sublandlord, shall be deemed to be to the exclusion of any of the others.
- 8.10 **Non-Waiver.** The failure of Sublandlord to insist upon strict performance of any of Subtenant's obligations under this Sublease shall not be deemed a waiver of any rights or remedies that Sublandlord may have and shall not be deemed a waiver of any subsequent

breach or default by Subtenant. The exercise of any of Sublandlord's options under the Sublease shall not be deemed to be the exclusive remedy of Sublandlord.

8.11 **Waiver of Exemption from Distress.** Subtenant agrees that notwithstanding anything contained in any statute, enactment or other law of the state in which the Premises are located or of any other jurisdiction, none of the personal property located on the Premises shall be exempt from levy for distress for Rent in arrears, and that if Subtenant makes any claim for such an exemption, this Sublease may be pleaded as an estoppel against Subtenant in any appropriate action.

8.12 **Franchise Agreement.** Notwithstanding anything in this Sublease to the contrary, this Sublease is conditioned upon the faithful performance by Subtenant of the Franchise Agreement, and a default in the terms of the Franchise Agreement shall be a default of this Sublease.

9 NO RENT ABATEMENT

Unless specifically provided in this Sublease, no abatement, diminution, or reduction of Rent, Additional Rent, Additional Charges or other compensation shall be claimed by or allowed to Subtenant, or any persons claiming under Subtenant, under any circumstances, whether for inconvenience, discomfort, interruption of business, or otherwise.

10 CONDEMNATION

In the event that the Premises or any part of it is taken in condemnation proceedings or by exercise of any right of eminent domain, Subtenant shall have no right to participate in any condemnation proceedings and shall not have the right to any award, and Sublandlord may terminate this Sublease upon written notice to Subtenant.

11 SUBORDINATION

This Sublease shall be fully subordinate to any mortgage and/or collateral assignment of lease against the Premises that Master Landlord, the fee owner, Sublandlord and/or their assigns has or subsequently obtains upon the Premises; provided, however, that any such mortgage and/or collateral assignment of Sublease against the Premises granted by Sublandlord shall provide that Subtenant's possession of the Premises pursuant to this Sublease shall not be disturbed in the event of a default by Sublandlord so long as Subtenant shall be in compliance under the terms hereof. This Sublease shall be fully subordinate and subject to the Master Lease and any senior lease now, or hereafter affecting the Premises.

Subtenant hereby grants a power of attorney to Sublandlord with full power to act as its attorney in fact and to execute on behalf of Subtenant any and all documents that may be required by a mortgagee and/or assignee evidencing Subtenant's full subordination of Subtenant's interest to any mortgage and/or collateral assignment of Sublease that may be entered into by Sublandlord, Master Landlord, the fee owner or their assigns. Subtenant hereby agrees to execute, without charging Sublandlord, any and all documents that it is requested to execute to evidence this subordination.

12 ASSIGNMENT

12.1 **By Sublandlord.** This Sublease shall be fully assignable by Sublandlord or its assigns.

- 12.2 **By Subtenant.** Subtenant cannot assign, mortgage, pledge, or sublet the lease, or allow others to use the Premises, without Sublandlord's written consent. If the lease is transferred or sublet, Sublandlord can collect rent from the new party, but this does not waive any lease terms or release Subtenant from their obligations. Each new action requires separate consent from Sublandlord.

13 ESTOPPEL CERTIFICATE

Subtenant must, within five days of a request, provide a written certification to Sublandlord or other specified parties which confirms the status of the Sublease, including any modifications, rent payments, possession acceptance, and any defaults. It must be in a recordable form which can be relied upon by Sublandlord and others.

14 HAZARDOUS SUBSTANCES

- 14.1 **Compliance with Laws.** Subtenant must comply with all laws regarding hazardous materials at its own cost and expense, including any necessary cleanup or monitoring.
- 14.2 **Indemnification by Subtenant.** Subtenant must indemnify and defend Sublandlord against any claims or costs related to hazardous substances on the Premises, including legal and environmental fees. This obligation continues even after the Sublease ends.

15 MISCELLANEOUS

- 15.1 **Notices.** Every notice, approval, consent or other communication authorized or required by this Sublease shall be effective if given in one of the following ways: (i) by email to Sublandlord at [NOTICE ADDRESS] and to Subtenant at the email address provided in the Key Contract Data at the beginning of this Sublease; (ii) in writing and hand delivered to either party; or (iii) in writing and sent for next business day delivery by FedEx, UPS, or other nationally-recognized courier. Notices sent via hand delivery or via nationally-recognized courier shall be addressed directly to Sublandlord at its offices at Attn: [ADD MAILING ADDRESS], and to Subtenant at the Premises, or at such other address as either party shall from time to time designate in writing. Email notices must contain the capitalized words "LEGAL NOTICE" in the subject line. The sender of an email notice must request a read receipt and the recipient must allow a read receipt to be sent on or before the next business day. Email notices shall be effective upon receipt by the sender of the read receipt from the recipient of the notice. Hand-delivered notices shall be deemed to be effective upon delivery, if delivered. Notices sent for next business day delivery by nationally recognized courier shall be deemed to be effective on the next business day.
- 15.2 **Construction.** In the event that any of the provisions of this Sublease shall be held invalid, such invalidation shall not serve to affect the remaining portion of this Sublease. To the extent permitted by the laws of the state where the Premises are located, this Sublease shall be governed by and construed in accordance with the laws of the State of Idaho, and otherwise shall be governed by and construed in accordance with the laws of the State where the Premises are located.
- 15.3 **Successors.** This Sublease shall bind Sublandlord and Subtenant and their successors, heirs, assigns, administrators, and legal representatives, as the case may be.
- 15.4 **Counterparts.** This Sublease may be executed in counterparts, and all counterparts together shall be construed as one and the same document. Executed counterparts of this Sublease with signatures sent by electronic mail (i.e., in PDF format) or signed electronically via DocuSign may be used in the place of original signatures of this Sublease. The parties intend

to be bound by the signatures of the electronically mailed or signed signatures and the delivery of the same shall be effective as delivery of an original executed counterpart of this Sublease.

- 15.5 **No Agency.** The parties hereto agree that the business relationship created by this Sublease is solely that of Sublandlord and Subtenant. Nothing contained in this Sublease shall make Subtenant an agent, legal representative, partner, subsidiary, joint venturer, or employee of Sublandlord. Subtenant shall have no right or power to, and shall not, bind or obligate Sublandlord in any way, manner, or thing whatsoever, nor represent that it has any right to do so.
- 15.6 **Time of the Essence.** Time shall be of the essence in every part of this Sublease.
- 15.7 **Binding Effect.** This Sublease shall become immediately binding on the parties to this Sublease on the date the last party signs it, notwithstanding that the Term of this Sublease may commence upon a future date.
- 15.8 **Headings.** The table of contents preceding this Sublease and the headings of the paragraphs and subparagraphs are inserted solely for the convenience of reference and shall not constitute a part of this Sublease, nor limit, define or describe the scope or intent of this Sublease.
- 15.9 **Joint and Several Liability.** If Subtenant consists of more than one person, each individual's liability under this Sublease shall be joint and several.
- 15.10 **Entire Agreement.** This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, negotiations, and representations, whether oral or written, relating to such subject matter. No amendment or modification of this Agreement shall be valid or binding unless made in writing and signed by both Parties. Any waiver of any term or condition of this Agreement must also be in writing and signed by the Party against whom such waiver is sought to be enforced. If any provision herein is invalid, it shall be considered deleted from this Sublease and shall not invalidate the remaining provisions.
- 15.11 **Personal Guaranty.** Subtenant and each Owner must sign the Guaranty attached hereto as Exhibit C as a condition to the effectiveness of this Sublease (an "**Owner**" is any owner of any interest, directly or indirectly, in Subtenant.)

IN WITNESS WHEREOF, Sublandlord and Subtenant have respectively signed this Sublease as of the date indicated on the first page of this Sublease.

SUBLANDLORD:
KONALA RE, LLC,
an Idaho limited liability company

By: _____

Name: _____

Its: _____

SUBTENANT:

By: _____

Name: _____

Its: _____

EXHIBIT A

[MASTER LEASE]

EXHIBIT B

[BASE RENT AMOUNT]

EXHIBIT C

PERSONAL GUARANTY

This Guaranty dated _____ is made and entered into by the undersigned (each a “**Guarantor**,” and collectively “**Guarantors**”) for the benefit of Konala RE, LLC, an Idaho limited liability company (“**Sublandlord**”).

RECITALS

- A. Each Guarantor is an owner of _____, (the “**Subtenant**”).
- B. Subtenant and Sublandlord entered into a Sublease dated _____, as amended, extended, or renewed (the “**Sublease**”) for the purpose of operating a Konala restaurant (the “**Restaurant**”) at the Premises.
- C. Capitalized terms not otherwise defined herein shall have the same meaning as in the Sublease.

AGREEMENT

As an inducement to, and in consideration of Sublandlord entering into the Sublease with Subtenant, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Guarantor agrees to the following:

- 1. Each Guarantor unconditionally guarantees to Sublandlord the (i) prompt payment of any money now due, or that at any time, may become due or owing to Sublandlord by Subtenant under the Sublease; and the (ii) full performance and discharge by Subtenant of all of Subtenant’s obligations under the Sublease now due, or that at any time, may become due or owing (collectively, the “**Obligations**”). This is a guarantee of payment and not of collection.
- 2. Each Guarantor promises to promptly and fully render any payment or performance required under the Sublease upon demand if Subtenant fails or refuses to timely render such payment or performance.
- 3. Each Guarantor waives: (i) notice of demand for payment of all or any part of the Obligations, (ii) protest, notice of protest and notice of default, (iii) any right to require that any action be brought against Subtenant or any other person or entity as a condition of liability, and (iv) any and all other notices, and legal or equitable defenses to which such Guarantor may be entitled. Sublandlord may extend, modify, or release any Obligation or settle, adjust, or compromise any claims against Subtenant, without notice to Guarantors and without any effect on any Guarantor’s obligations hereunder.
- 4. Each Guarantor’s liability will not be contingent or conditioned upon Sublandlord’s pursuit of any remedies against Subtenant or any other person or entity. Further, such liability will not be diminished, relieved or otherwise affected by an extension of time, credit, or other indulgence which Sublandlord may grant Subtenant, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims.
- 5. No term, condition or provision of this Guaranty shall be deemed to be waived by Sublandlord, without the express written consent of Sublandlord. Any such waiver will extend only to the

particular circumstances specified in writing by the Sublandlord. Neither forbearance, nor indulgence by Sublandlord will constitute a waiver of any provision of this Guaranty.

6. Each Guarantor acknowledges that the Sublease may be extended, amended, or renewed by mutual agreement between Subtenant and Sublandlord, and each Guarantor expressly consents to any such modification of the Sublease.
7. This is a continuing guarantee. Nothing but payment and satisfaction in full of the Obligations will release Guarantors from their respective obligations pursuant to this Guaranty. Notice of acceptance of this Guaranty is waived.
8. This Guaranty shall not be impaired by any modification, supplement, renewal, extension, or amendment of the Sublease or any of the Obligations, nor by any modification, release, or other alteration of any of the Obligations hereby guaranteed.
9. The liability of each Guarantor hereunder is primary, direct, and unconditional and may be enforced without requiring Sublandlord first to resort to any other right, remedy, or security.
10. No Guarantor hereunder shall have any right of subrogation, reimbursement, or indemnity whatsoever, unless and until the Obligations are paid or performed in full.
11. If any Guarantor hereunder should at any time die, become incapacitated, become insolvent or make a composition, trust mortgage or general assignment for the benefit of creditors, or if a proceeding under the United States Bankruptcy Code or any similar law affecting the rights of creditors generally shall be filed or commenced by, against or in respect of any guarantor hereunder, any and all obligation of that guarantor shall, at Sublandlord's option, immediately become due and payable without notice.
12. If any payment or transfer to Sublandlord which has been credited against any Obligation is voided or rescinded or required to be returned by Sublandlord, whether or not in connection with any event or proceeding described in Section 11, the Guaranty shall continue in effect or be reinstated as though such payment, transfer or recovery had not been made.
13. Except as otherwise provided herein, the Guaranty shall be construed as an absolute, unconditional, continuing and unlimited obligation of each Guarantor hereunder without regard to the regularity, validity or enforceability of any of the Obligations, and without regard to whether any Obligation is limited, modified, voided, released or discharged in any proceeding under the United States Bankruptcy Code or any similar law affecting the rights of creditors generally.
14. Any termination of the Guaranty shall be applicable only to Obligations accruing after termination or having their inception after the effective date of such termination and shall not affect Obligations having their inception prior to such date.
15. The death or incapacity of any Guarantor hereunder shall not result in the termination of the Guaranty.
16. Any and all present and future debts and obligations of Subtenant to any Guarantor hereunder are hereby waived and postponed in favor of and subordinated to the full payment and performance of the Obligations.

17. Each Guarantor hereunder waives to the greatest extent permitted by law: notice of acceptance hereof; presentment and protest of any instrument and notice thereof; notice of default or intent to accelerate; notice of foreclosure; notice of any modification, release or other alteration of any of the Obligations or of any security and all other notices to which any guarantor hereunder might otherwise be entitled.
18. Each Guarantor hereunder waives to the greatest extent permitted by law: any defense arising by virtue of the lack of authority, death or disability of such Guarantor; or any defense based upon an election of remedies by Sublandlord which destroys or otherwise impairs the subrogation rights of such Guarantor or the right of such Guarantor to proceed against the Subtenant for reimbursement, or both.
19. Upon the bankruptcy, winding-up or distribution of any of the assets of Subtenant or any Guarantor, Sublandlord's rights will not be affected or impaired by its omission to prove its claim or prove its full claim. Sublandlord may prove such claims as it sees fit and may refrain from proving any claim.
20. This Guaranty will be jointly and severally binding upon each Guarantor, and their respective heirs, executors, administrators, successors, and assigns, and will inure to the benefit of Sublandlord, its successors and assigns. No Guarantor may assign this Guaranty without the express written consent of Sublandlord.

IN WITNESS WHEREOF, each Guarantor has executed and delivered this Guaranty as of the date written above.

GUARANTORS:

By: _____

Address: _____

Email: _____

By: _____

Address: _____

Email: _____

EXHIBIT B-1

RESTAURANT DIRECTORY/LISTING OF CURRENT FRANCHISEES AS OF JUNE 30, 2025

Current Franchisees

None

†This franchisee has been granted the rights to open multiple Restaurants pursuant to a Multi-Unit Agreement.

Former Franchisees

Name	Address	City	ST	Zip	Phone
Conrad Manfred*†	343 Technology Center Way	Rock Hill	SC	29730	(803) 329-5727

†This franchisee has been granted the rights to open multiple Restaurants pursuant to a Multi-Unit Agreement.

List of Franchisees with a Signed Franchise Agreement as of June 30, 2025, but Were Not Open as of June 30, 2025

Name	City	ST	Phone
Eric Garside†	Rathdrum	ID	208-449-3014
Anthony Menicola†	Mahwah	NJ	201-674-3234
Paul Dunn† Sylvia Dunn Tyson Adams Laird Adams Melanie Adams	Salty Lake City	MT	509-981-3961

†This franchisee has been granted the rights to open multiple Restaurants pursuant to a Multi-Unit Agreement.

EXHIBIT B-2

**LISTING OF CERTAIN PAST FRANCHISEES
AS OF JUNE 30, 2024**

There are no franchisees who have had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under their franchise agreement during our most recently completed fiscal year or who have not communicated with us within 10 weeks of the issuance date of this FDD.

None.

EXHIBIT C
FINANCIAL STATEMENTS

KONALA FRANCHISING LLC

FINANCIAL REPORT

AS OF DECEMBER 31, 2023

KONALA FRANCHISING LLC

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	3
Balance Sheet	5
Statement of Operations	6
Statement of Changes in Members' Equity	7
Statement of Cash Flows	8
Notes to Financial Statements	9



Independent Auditor's Report

To the Member
Konala Franchising LLC
Post Falls, Idaho

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying balance sheet of Konala Franchising LLC as of December 31, 2023, and the related statements of operations, member's equity, and cash flows for the period from February 21, 2021 (Inception) through December 31, 2023, and the notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Konala Franchising LLC as of December 31, 2023, and the results of their operations and their cash flows for the period from February 21, 2023 (Inception) through December 31, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there

is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Konala Franchising LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about Konala Franchising LLC's ability to continue as a going concern for a reasonable period of time.

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

Reese CPA LLC

Ft. Collins, Colorado
January 1, 2024

**KONALA FRANCHISING LLC
BALANCE SHEET
AS OF DECEMBER 31, 2023**

	2023
ASSETS:	
CURRENT ASSETS	
Cash and equivalents	\$ 9,985
TOTAL CURRENT ASSETS	9,985
NON-CURRENT ASSETS	-
TOTAL ASSETS	\$ 9,985
LIABILITIES AND MEMBER'S EQUITY:	
CURRENT LIABILITIES	\$ -
TOTAL CURRENT LIABILITIES	-
NON-CURRENT LIABILITIES	-
TOTAL LIABILITIES	-
MEMBER'S EQUITY	9,985
TOTAL LIABILITIES AND MEMBER'S EQUITY	\$ 9,985

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

KONALA FRANCHISING LLC
STATEMENT OF OPERATIONS
FOR THE PERIOD FROM FEBRUARY 21, 2023 (INCEPTION) THROUGH DECEMBER 31, 2023

	<u>2023</u>
REVENUES	\$ -
OPERATING EXPENSES	15
OPERATING (LOSS)	<u>(15)</u>
OTHER INCOME (EXPENSE)	-
NET (LOSS)	<u><u>\$ (15)</u></u>

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

KONALA FRANCHISING LLC
STATEMENT OF CHANGES IN MEMBER'S EQUITY
FOR THE PERIOD FROM FEBRUARY 21, 2023 (INCEPTION) THROUGH DECEMBER 31, 2023

	Member Contributions	Accumulated Earnings	Total Member's Equity
BALANCE, FEBRUARY 21, 2023 (INCEPTION)	\$ -	\$ -	\$ -
Member contributions	10,000	-	10,000
Net (loss)	-	(15)	(15)
BALANCE, DECEMBER 31, 2023	\$ 10,000	\$ (15)	\$ 9,985

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

KONALA FRANCHISING LLC
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM FEBRUARY 21, 2023 (INCEPTION) THROUGH DECEMBER 31, 2023

	2023
CASH FLOWS FROM OPERATING ACTIVITIES	
Net (loss)	\$ (15)
Adjustments to reconcile net income to net cash provided by operating activities:	
Net cash provided by operating activities	<u>(15)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Member contributions	10,000
Net cash provided by financing activities	<u>10,000</u>
 NET INCREASE IN CASH	9,985
CASH, BEGINNING	<u>-</u>
CASH, ENDING	<u><u>\$ 9,985</u></u>

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

**KONALA FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Konala Franchising LLC (“Company”) was formed on February 21, 2023, (Inception) in the State of Idaho as a limited liability company. The Company grants franchises for the right to own and operate a healthier fast-food restaurant emphasizing protein bowls and salads. The franchisor, KONALA FRANCHISING LLC, provides services to franchisees including assistance with training, operations, advertising, purchasing, and promotional techniques.

Affiliates

KONALA LLC (“KONALA POST FALLS”) was formed on March 16, 2022, in the State of Idaho. KONALA POST FALLS own the trademarks and intellectual property. KONALA POST FALLS has licensed to us the right to use and sublicense to the Company’s franchisee the right to use certain trademarks and other intellectual property. KONALA POST FALLS does not offer any products or services to our franchisees, except, indirectly, the trademarks. Since May 2023, KONALA POST FALLS operates a KONALA business. KONALA POST FALLS does not offer and has never offered franchises in any line of business.

Location Information

The following table summarizes the number of locations open and operating for the period from February 21, 2023 (Inception) through December 31, 2023:

	2023
Locations in operation, beginning	1
Locations opened	-
Locations terminated or closed	-
Locations in operation, ending	1
Franchised locations	-
Affiliate owned locations	1

A summary of significant accounting policies follows:

Development Stage Operations

The Company’s planned franchising activities, as previously described, have not yet commenced. Since its inception the Company has not sold any franchises or earned any revenue. The Company’s activities are subject to significant risks and uncertainties, including failing to secure additional capital to fund operations until the Company achieves break-even operational status.

KONALA FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

Preparation of the Company's financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. The Company had no cash equivalents as of December 31, 2023.

Accounts Receivable

Timing of revenue recognition may be different from the timing of invoicing to customers. The Company records an accounts receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized subsequent to invoicing. Management evaluates individual customers' receivables considering their financial condition, credit history and current economic conditions. Accounts receivable are written off if deemed uncollectible and recoveries of accounts receivable previously written off are recorded as income when received. The Company did not have any accounts receivable or allowance for doubtful accounts as of December 31, 2023, and did not charge-off any accounts receivable during the period from February 21, 2023 (Inception) through December 31, 2023.

Property, Plant & Equipment

The Company has adopted ASC 360 – Property, Plant and Equipment. Property and equipment are stated at historical cost. Depreciation is provided using straight-line method based on the estimated useful lives of the related assets (generally three to seven years). The Company had no property, plant & equipment as of December 31, 2023.

Intangible Assets

The Company has adopted ASC 350, Intangibles – Goodwill and Other that requires that goodwill and intangible assets with indefinite lives no longer be amortized to earnings but be tested for impairment at least annually. Intangible assets with finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which it is expected to contribute directly or indirectly to future cash flows. Intangible assets with infinite lives are reviewed for impairment if events or changes in circumstances indicate that the carrying value might not be recoverable. The Company had no intangible assets as of December 31, 2023.

KONALA FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The member of the Company has elected to be taxed as a Subchapter S Corporation under the provisions of the Internal Revenue Code. Under those provisions, taxable income and losses of the Company are reported on the income tax return of its member and no provisions for federal or state taxes have been recorded on the accompanying balance sheet.

The Company adopted ASC 740-10-25-6 “Accounting for Uncertainty in Income Taxes”, that requires the Company to disclose uncertain tax positions. Under the standard an entity may only recognize or continue to recognize tax positions that meet a “more likely than not” threshold upon examination by taxing authorities.

Revenue Recognition

The Company recognizes revenue under the guidance of ASC 606 – “Contracts with Customers”. The Company’s revenue mainly consists of franchise fees and royalties.

Each franchise agreement is comprised of several performance obligations. The Company identifies those performance obligations, determines the contract price for each obligation, allocates the transaction price to each performance obligation and recognizes revenue when the Company has satisfied the performance obligation by transferring control of the good or service to the franchisee. The Company is using the practical expedient under the guidance of ASU 2021-02 and is treating all pre-opening activities as distinct from the franchise license as defined in the next paragraph. Any amount of the initial franchise fee not allocated to pre-opening activities is determined to be a single performance obligation and will be recorded as deferred revenue and recognized as revenue over the term of the contract which is currently ten years. The Company has no revenue from initial fees during the period from February 21, 2023 (Inception) through December 31, 2023.

When a franchisee purchases a Konala franchise, the Company grants the franchisee the right to use the proprietary methods, techniques, trade dress, trademarks, and logos (“the license”) for a specific period of time and in a specific territory. The license is symbolic intellectual property. Revenues related to the license are continuing royalties and are 6% of gross revenue per week. These revenues will be used to continue the development of the Company’s brand, the franchise system and provide on-going support for the Company’s franchisees. The royalties are billed weekly and are recognized as revenue when earned. The Company has no revenue from royalties during the period from February 21, 2023 (Inception) through December 31, 2023.

Other Auxiliary Revenue

Fees charged by the company for products or other services are recognized as revenue upon delivery of the service or products to the franchisee and when receipt of payment for the services or products is relatively certain. The Company had no revenue from other auxiliary revenue for the period from February 21, 2023 (Inception) through December 31, 2023.

KONALA FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Brand Development Fund Contribution

The Company has the right to collect a brand development fund fee of up to 4% of gross revenues of each franchise location. Currently the fee is 2% of gross revenue. The Company had no contributions to the fund for the period from February 21, 2023 (Inception) through December 31, 2023.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense for the period from February 21, 2023 (Inception) through December 31, 2023, was \$0.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, the carrying amounts approximate fair value due to their short maturities.

Recently Issued Accounting Pronouncements

The Company has adopted all recently issued Accounting Standards Updates ("ASU"). The adoption of the recently issued ASUs, including those not yet effective, is not anticipated to have a material effect on the financial position or results of operations of the Company.

NOTE 2 – COMMITMENTS AND CONTINGENCIES

Litigation

The Company may be party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

NOTE 3 - SUBSEQUENT EVENTS

Date of Management's Evaluation

Management has evaluated subsequent events through January 1, 2024, the date on which the financial statements were available to be issued.

KONALA FRANCHISING LLC

FINANCIAL REPORT

AS OF JUNE 30, 2024

KONALA FRANCHISING LLC

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	3
Balance Sheets	5
Statements of Operations	6
Statements of Changes in Members' Equity	7
Statements of Cash Flows	8
Notes to Financial Statements	9



Independent Auditor's Report

To the Member
Konala Franchising LLC
Post Falls, Idaho

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying balance sheet of Konala Franchising LLC as of June 30, 2024, and 2023, and the related statements of operations, member's equity, and cash flows for the year ended June 30, 2024, and for the period from February 21, 2023 (Inception) through June 30, 2023, and the notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Konala Franchising LLC as of June 30, 2024 and 2023, and the results of their operations and their cash flows for the year ended June 30, 2024 and for the period from February 21, 2023 (Inception) through June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there

is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Konala Franchising LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about Konala Franchising LLC's ability to continue as a going concern for a reasonable period of time.

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

Reese CPA LLC

Ft. Collins, Colorado
December 6, 2024

**KONALA FRANCHISING LLC
BALANCE SHEETS**

	AS OF JUNE 30,	
	2024	2023
ASSETS:		
CURRENT ASSETS		
Cash and equivalents	\$ 9,985	\$ -
TOTAL CURRENT ASSETS	9,985	-
NON-CURRENT ASSETS	-	-
TOTAL ASSETS	\$ 9,985	\$ -
LIABILITIES AND MEMBER'S EQUITY:		
CURRENT LIABILITIES	\$ -	\$ -
TOTAL CURRENT LIABILITIES	-	-
NON-CURRENT LIABILITIES	-	-
TOTAL LIABILITIES	-	-
MEMBER'S EQUITY	9,985	9,985
TOTAL LIABILITIES AND MEMBER'S EQUITY	\$ 9,985	\$ 9,985

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

KONALA FRANCHISING LLC
STATEMENTS OF OPERATIONS
FOR THE PERIOD FROM FEBRUARY 21, 2023 (INCEPTION) THROUGH JUNE 30, 2023
AND THE YEAR ENDED JUNE 30, 2024

	2024	2023
REVENUES	\$ -	\$ -
OPERATING EXPENSES	15	-
OPERATING (LOSS)	(15)	-
OTHER INCOME (EXPENSE)	-	-
NET (LOSS)	\$ (15)	\$ -

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

KONALA FRANCHISING LLC
STATEMENTS OF CHANGES IN MEMBER'S EQUITY
FOR THE PERIOD FROM FEBRUARY 21, 2023 (INCEPTION) THROUGH JUNE 30, 2023
AND THE YEAR ENDED JUNE 30, 2024

	Member Contributions	Accumulated Earnings	Total Member's Equity
BALANCE, FEBRUARY 21, 2023 (INCEPTION)	\$ -	\$ -	\$ -
Member contributions	10,000	-	10,000
Net (loss)	-	-	-
BALANCE, DECEMBER 31, 2023	10,000	-	10,000
Member contributions	-	-	-
Net (loss)	-	(15)	(15)
BALANCE, JUNE 30, 2024	\$ 10,000	\$ (15)	\$ 9,985

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

KONALA FRANCHISING LLC
STATEMENTS OF CASH FLOWS
FOR THE PERIOD FROM FEBRUARY 21, 2023 (INCEPTION) THROUGH JUNE 30, 2023
AND THE YEAR ENDED JUNE 30, 2024

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)	\$ (15)	\$ -
Adjustments to reconcile net income to net cash provided by operating activities:		
Net cash provided by operating activities	(15)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Member contributions	10,000	-
Net cash provided by financing activities	10,000	-
NET INCREASE IN CASH	9,985	-
CASH, BEGINNING	-	-
CASH, ENDING	\$ 9,985	\$ -

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

**KONALA FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Konala Franchising LLC (“Company”) was formed on February 21, 2023, (Inception) in the State of Idaho as a limited liability company. The Company grants franchises for the right to own and operate a healthier fast-food restaurant emphasizing protein bowls and salads. The franchisor, KONALA FRANCHISING LLC, provides services to franchisees including assistance with training, operations, advertising, purchasing, and promotional techniques.

Affiliates

KONALA LLC (“KONALA POST FALLS”) was formed on March 16, 2022, in the State of Idaho. KONALA POST FALLS own the trademarks and intellectual property. KONALA POST FALLS has licensed to us the right to use and sublicense to the Company’s franchisee the right to use certain trademarks and other intellectual property. KONALA POST FALLS does not offer any products or services to our franchisees, except, indirectly, the trademarks. KONALA POST FALLS operates multiple KONALA business locations. KONALA POST FALLS does not offer and has never offered franchises in any line of business.

A summary of significant accounting policies follows:

Development Stage Operations

The Company’s planned franchising activities, as previously described, recently commenced. The Company’s activities are subject to significant risks and uncertainties, including failing to secure additional capital to fund operations until the Company achieves break-even operational status.

Basis of Presentation

The accompanying financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

Preparation of the Company’s financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. The Company had no cash equivalents as of June 30, 2024, and 2023.

KONALA FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

The timing of revenue recognition may be different from the timing of invoicing to customers. The Company records an accounts receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized subsequent to invoicing. Management evaluates individual customers' receivables considering their financial condition, credit history and current economic conditions. Accounts receivable are written off if deemed uncollectible and recoveries of accounts receivable previously written off are recorded as income when received. The Company did not have any accounts receivable or allowance for doubtful accounts as of June 30, 2024, and June 30, 2023, and did not charge-off any accounts receivable for the year ended June 30, 2024, and for the period from February 21, 2023 (Inception) through June 30, 2023.

Property, Plant & Equipment

The Company has adopted ASC 360 – Property, Plant and Equipment. Property and equipment are stated at historical cost. Depreciation is provided using straight-line method based on the estimated useful lives of the related assets (generally three to seven years). The Company had no property, plant & equipment as of June 30, 2024, and June 30, 2023.

Intangible Assets

The Company has adopted ASC 350, Intangibles – Goodwill and Other that requires that goodwill and intangible assets with indefinite lives no longer be amortized to earnings but be tested for impairment at least annually. Intangible assets with finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which it is expected to contribute directly or indirectly to future cash flows. Intangible assets with infinite lives are reviewed for impairment if events or changes in circumstances indicate that the carrying value might not be recoverable. The Company had no intangible assets as of June 30, 2024, and June 30, 2023.

Income Taxes

The member of the Company has elected to be taxed as a Subchapter S Corporation under the provisions of the Internal Revenue Code. Under those provisions, taxable income and losses of the Company are reported on the income tax return of its member and no provisions for federal or state taxes have been recorded on the accompanying balance sheet.

The Company adopted ASC 740-10-25-6 “Accounting for Uncertainty in Income Taxes”, that requires the Company to disclose uncertain tax positions. Under the standard an entity may only recognize or continue to recognize tax positions that meet a “more likely than not” threshold upon examination by taxing authorities.

KONALA FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Company recognizes revenue under the guidance of ASC 606 – “Contracts with Customers”. The Company’s revenue mainly consists of franchise fees and royalties.

Each franchise agreement is comprised of several performance obligations. The Company identifies those performance obligations, determines the contract price for each obligation, allocates the transaction price to each performance obligation and recognizes revenue when the Company has satisfied the performance obligation by transferring control of the good or service to the franchisee. The Company is using the practical expedient under the guidance of ASU 2023-02 and is treating all pre-opening activities as distinct from the franchise license as defined in the next paragraph. Any amount of the initial franchise fee not allocated to pre-opening activities is determined to be a single performance obligation and will be recorded as deferred revenue and recognized as revenue over the term of the contract, which is currently ten years. The Company has no revenue from initial fees for the year ended June 30, 2024, and for the period from February 21, 2023 (Inception) through June 30, 2023.

When a franchisee purchases a Konala franchise, the Company grants the franchisee the right to use the proprietary methods, techniques, trade dress, trademarks, and logos (“the license”) for a specific period of time and in a specific territory. The license is symbolic intellectual property. Revenues related to the license are continuing royalties and are 6% of gross revenue per week. These revenues will be used to continue the development of the Company’s brand, the franchise system and provide on-going support for the Company’s franchisees. The royalties are billed weekly and are recognized as revenue when earned. The Company has no revenue from royalties for the year ended June 30, 2024, and for the period from February 21, 2023 (Inception) through June 30, 2023.

Other Auxiliary Revenue

Fees charged by the company for products or other services are recognized as revenue upon delivery of the service or products to the franchisee and when receipt of payment for the services or products is relatively certain. The Company had no revenue from other auxiliary revenue for the year ended June 30, 2024, and for the period from February 21, 2023 (Inception) through June 30, 2023.

Brand Development Fund Contribution

The Company has the right to collect a brand development fund fee of up to 4% of gross revenues for each franchise location. Currently the fee is 2% of gross revenue. The Company made no contributions to the fund for the year ended June 30, 2024, and for the period from February 21, 2023 (Inception) through June 30, 2023.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense for the year ended June 30, 2024, and for the period from February 21, 2023 (Inception) through June 30, 2023., was \$0 and \$0.

KONALA FRANCHISING LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, the carrying amounts approximate fair value due to their short maturities.

Recently Issued Accounting Pronouncements

The Company has adopted all recently issued Accounting Standards Updates ("ASU"). The adoption of the recently issued ASUs, including those not yet effective, is not anticipated to have a material effect on the financial position or results of operations of the Company.

NOTE 2 – COMMITMENTS AND CONTINGENCIES

Litigation

The Company may be party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

NOTE 3 - SUBSEQUENT EVENTS

Date of Management's Evaluation

Management has evaluated subsequent events through December 6, 2024, the date on which the financial statements were available to be issued.

Konala Franchising LLC

Financial Statements

As of June 30, 2025 and for the year then ended

Konala Franchising LLC

Financial Statements

As of June 30, 2025 and for the year then ended

Table of Contents

Independent Auditor's Report.....	3
Financial Statements	
Balance Sheet.....	5
Statement of Operations.....	6
Statement of Changes in Member's Equity.....	7
Statement of Cash Flows.....	8
Notes to Financial Statements.....	9



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Independent Auditor's Report

To the Member
Konala Franchising LLC
Post Falls, Idaho

Report on the Financial Statements

Opinion

We have audited the financial statements of Konala Franchising LLC (the "Company"), which comprise the balance sheet as of June 30, 2025, and the statements of operations, changes in member's equity and cash flows for the year then ended and related notes to the financial statements.

In our opinion, the accompanying financial statements presents fairly, in all material respects, the financial position of Konala Franchising LLC as of June 30, 2025, and the results of its operations, changes in member's equity and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of this financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used, and the reasonableness of, significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

A+G LLP

Dallas, Texas
September 15, 2025

Balance Sheet

As of June 30,

2025

Assets

Current assets:

Cash and cash equivalents	\$ 200,099
Unbilled revenue	120,000
Prepaid expenses	10,078
Deferred costs	6,001
Due from affiliate	5,000
Total current assets	341,178

Deferred costs, net	212,191
---------------------	---------

Total assets	\$ 553,369
---------------------	-------------------

Liabilities and Member's Equity

Current liabilities:

Accounts payable	\$ 60,000
Accrued expenses	12,659
Due to affiliate	38,573
Deferred revenue	21,714
Total current liabilities	132,946

Long-term liabilities:

Deferred revenue, net	414,955
-----------------------	---------

Member's equity	5,468
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Total liabilities and member's equity	\$ 553,369
--	-------------------

Statement of Operations

For the year ended June 30,

2025

Revenues:

Franchise fee revenue	\$ 53,331
Royalty revenue	6,445
Brand development fund revenue	2,148
Other revenues	140
Total revenues	62,064

General and administrative expenses:

Advertising and marketing	1,700
Brand development fund expense	39,475
Commissions	16,758
Personnel costs	206,003
Professional fees	60,606
Other general and administrative expenses	16,111
Total general and administrative expenses	340,653

Loss from operations (278,589)

Other expense:

Interest expense (217)

Net loss **\$ (278,806)**

Statement of Changes in Member's Equity

For the year ended June 30,

2025

Balance, beginning of year	\$ 9,985
Net loss	(278,806)
Contribution from member	274,289
Balance, end of year	\$ 5,468

Statement of Cash Flows

For the year ended June 30,

2025

Operating Activities

Net loss	\$ (278,806)
Changes in operating assets and liabilities:	
Prepaid expenses	(10,078)
Deferred costs	(218,192)
Accounts payable	60,000
Accrued expenses	12,659
Due to affiliate	38,573
Deferred and unbilled revenue	316,669
Net cash used by operating activities	<u>(79,175)</u>

Investing Activities

Net cash provided by investing activities

-

Financing Activities

Net advance to affiliate	(5,000)
Contribution from member	274,289
Net cash provided by financing activities	<u>269,289</u>

Net increase in cash and cash equivalents 190,114

Cash and cash equivalents, beginning of year 9,985Cash and cash equivalents, end of year \$ 200,099

NOTES TO FINANCIAL STATEMENTS

1. Organization and Operations**Description of Business**

Konala Franchising LLC, an Idaho limited liability company, was formed on February 21, 2023 (“Inception”). References in the financial statement footnotes to “Company”, “we”, “us” and “our” refer to the business of Konala Franchising LLC.

The Company is a limited liability company, and therefore, the member is not liable for the debts, obligations or other liabilities of the Company, whether arising in contract, tort or otherwise, unless the member has signed a specific guarantee.

The Company was formed for the purpose of granting franchises the right to operate a Konala restaurant offering protein bowls and salads, various side dishes, fresh fruit, salads, craft sodas and other related food and beverage products at an accepted brick and mortar location (the “Restaurant”).

During the year ended June 30, 2025, Konala LLC, our affiliate, owned the trademarks and other intellectual property related to the KONALA franchise system. Konala LLC licensed the trademarks and other intellectual property to the Company under a perpetual license agreement (the “License”). The License grants the Company the right to use the trademarks and other intellectual property for the purpose of licensing them to franchisees of the Company. On August 11, 2025, pursuant to an assignment and assumption agreement, Konala LLC assigned the trademarks and other intellectual property to the Company’s affiliate, Konala IP LLC (the “Assignment”). Subsequent to the Assignment, the Company entered into a perpetual license agreement with Konala IP LLC in which the Company licensed the trademarks and other intellectual property.

The table below reflects the status and changes in franchised outlets for the year ended June 30, 2025.

Franchised Outlets				
<u>Year</u>	<u>Start of Year</u>	<u>Opened</u>	<u>Closed or Ceased Operations – Other reasons</u>	<u>End of Year</u>
2025	0	1	1	0

Affiliate-owned Outlets				
<u>Year</u>	<u>Start of Year</u>	<u>Opened</u>	<u>Closed or Ceased Operations – Other reasons</u>	<u>End of Year</u>
2025	1	2	0	3

Going Concern

The accompanying financial statement has been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company is in the start-up phase of its business plan and has sustained losses from operations for the period from Inception to June 30, 2025 and may be dependent upon additional funding from its member and affiliate. These factors raise substantial doubt about the Company’s ability to continue as a going concern.

The Company’s member and its affiliate have committed to providing the necessary funding to ensure the Company has sufficient liquidity to satisfy its obligations for at least twelve months following the issuance of the financial statement.

After considering the financial wherewithal of its member and affiliate to provide financial support to the Company to ensure the continued financial viability of the Company for at least twelve months following the issuance of the financial statement, management concluded that substantial doubt about the Company’s ability to continue as a going concern has been alleviated. Accordingly, this financial statement does not include any adjustments that would be required were the Company not be able to continue as a going concern.

NOTES TO FINANCIAL STATEMENTS

2. Significant Accounting Policies**Basis of Accounting**

The Company uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). Under this method, revenue is recognized when earned and expenses are recognized as incurred.

Use of Estimates

The preparation of the financial statements and accompanying notes in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Estimates are used for the following, among others: revenue recognition. Actual results could differ from those estimates.

Fiscal Year

Our fiscal year has historically ended on December 31st. Effective July 1, 2024, the Company's member approved a change in the Company's fiscal year from a year ending on December 31st to a year beginning on July 1st and ending June 30th of each year.

Fair Value Measurements

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company's financial instruments consist primarily of cash and cash equivalents, unbilled revenue, prepaid expenses, accounts payable and accrued expenses. The carrying values of cash and cash equivalents, unbilled revenue, prepaid expenses, accounts payable and accrued expenses are considered to be representative of their respective fair values due to the short-term nature of these instruments.

Assets and liabilities that are carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets and liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Cash and Cash Equivalents

For purposes of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered cash equivalents.

Revenue Recognition**Franchise fee revenue**

The Company recognize revenue in accordance with the Financial Accounting Standard Board ("FASB") ASC 606-10-25, Revenue from Contracts with Customers. In January 2021, the FASB issued ASU 2021-02, "Franchisors – Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient." ASU 2021-02 provides a practical expedient that simplifies the application of ASC 606 about identifying performance obligations and permits franchisors that are not public entities to account for pre-opening services listed within the guidance as distinct from the franchise license. The Company has adopted ASU 2021-02 and implemented the guidance on its revenue recognition policy.

NOTES TO FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)**Revenue Recognition (continued)****Franchise fee revenue (continued)**

The Company sells individual franchises. The franchise agreements typically require the franchisee to pay an initial, non-refundable fee prior to opening the respective location(s), continuing royalty and other fees on a weekly basis based upon a percentage of franchisees gross sales. A franchise agreement establishes a Restaurant developed in one defined geographic area and provides for a 10-year initial term with the option to renew for two additional 5-year terms. Subject to the Company's approval, a franchisee may generally renew the franchise agreement upon its expiration. If approved, a franchisee may transfer a franchise agreement to a new or existing franchisee, at which point a transfer fee is typically paid by the current owner and a franchise agreement is signed with the new franchisee.

Under the terms of its franchise agreements, the Company typically provides franchise rights, pre-opening services such as training and ongoing services. The Company considers certain pre-opening activities and the franchise rights and related ongoing services to represent two separate performance obligations. The franchise fee revenue is allocated to the two separate performance obligations using a residual approach. The Company estimates the value of performance obligations related to certain pre-opening activities deemed to be distinct based on cost plus an applicable margin, and assigned the remaining amount of the initial franchise fee to the franchise rights and ongoing services. Revenue allocated to preopening activities is recognized when (or as) these services are performed, no later than opening date. Revenue allocated to franchise rights and ongoing services is recognized on a straight line basis over the contractual term of the franchise agreement, as this ensures that revenue recognition aligns with the customer's access to the franchise right. Renewal fees are recognized over the renewal term of the respective franchise from the start of the renewal period. Transfer fees are recognized over the contractual term of the transfer agreement.

The Company enters into multi-unit development agreements with certain franchisees. The development agreements generally provide the franchisee with the right to open a specified number of new Restaurants over a specified period of time. A franchise agreement is required for each Restaurant specified in the development agreement. The development agreements typically require the franchisee to pay an initial non-refundable fee upon execution of the agreement. The development fee is then applied proportionately to each franchise agreement.

Royalty revenue

Royalty revenue is based on six percent of the Restaurant's gross sales. Royalty revenue is recognized during the respective franchise agreement as earned each period as the underlying Restaurant sales occur.

Brand development fund revenue

The Company maintains a brand development fund to advertise, market and promote the Konala brand and the franchise network. Funds are collected from franchisees based on an agreed-upon percentage of franchised stores' gross revenue and used to pay costs of, or associated with, marketing, advertising, promotional programs, public relations, and costs to administer the brand development fund. Although brand development fund revenue is not a separate performance obligation distinct from the underlying franchise right, the Company acts as the principal as it is primarily responsible for the fulfillment and control of the brand development services. As a result, the Company records brand development fund contributions in revenue and related brand development fund expenditures in expenses in the statements of operations. When brand development fund revenue exceeds the related brand development fund expenses in a reporting period, brand development fund expenses are accrued up to the amount of the brand development fund revenue recognized. Brand development fund revenue is contributed by franchisees based on two percent of the Restaurants' gross revenue and is recognized as earned.

Other revenue

Other revenue consists of technology fee revenue and is recognized as earned.

NOTES TO FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)**Advertising and marketing**

All costs associated with advertising and marketing are expensed in the period incurred.

Income Taxes

The Company is a single member limited liability company and as such is considered a disregarded entity under the provisions of the Internal Revenue Code. Under those provisions, the Company does not pay federal corporate income taxes on its taxable income. Instead, the member is taxed on the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements. The company recognizes income tax related interest and penalties in interest expense and other general and administrative expenses, respectively.

The Company's member files income tax returns in the U.S. federal jurisdiction and the state jurisdictions in which the Company operates. The Company is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Company is subject to routine audits by taxing jurisdictions from the inception February 21, 2023; however, there are currently no audits for any tax periods in progress.

In accordance with FASB ASC 740-10, Income Taxes, the Company is required to disclose uncertain tax positions. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Company has analyzed tax positions taken for filing with the Internal Revenue Service and state jurisdictions where it operates. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's financial condition, results of operations or cash flows. Accordingly, the Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2025.

Recent Accounting Pronouncements

In July 2025, the FASB issued ASU No. 2025-05, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets". This accounting standard amends ASC 326-20 to provide a practical expedient (for all entities) and an accounting policy election (available to all entities other than public business entities) related to the estimation of expected credit losses for current accounts receivable and current contract assets that arise from transactions accounted for under ASC 606. ASU No. 2025-05 will be effective for fiscal years, and interim periods within those years, beginning after December 15, 2025. Early adoption is permitted, with prospective application. The Company is currently evaluating the impact of adopting ASU No. 2025-05 on its financial statements.

We reviewed other significant newly-issued accounting pronouncements and concluded that they either are not applicable to our operations or that no material effect is expected on our financial statements as a result of future adoption.

Subsequent Events

In accordance with FASB ASC 855, Subsequent Events, the Company has evaluated subsequent events through September 15, 2025, the date on which these financial statements were available to be issued. Except as disclosed in Notes 1, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTES TO FINANCIAL STATEMENTS

3. Certain Significant Risks and Uncertainties

The Company maintains its cash in a bank deposit account that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash or cash equivalents. The Company maintains its deposits in one financial institution.

4. Revenue and Related Contract Balances**Disaggregation of Revenue**

The following table disaggregates revenue by source for the year ended June 30:

	<u>2025</u>
Point in time:	
Franchise fee revenue	\$ 46,746
Royalty revenue	6,445
Brand development fund revenue	2,148
Other revenue	140
Total point in time	<u>\$ 55,479</u>
Over time:	
Franchise fee revenue	6,585
Total revenues	<u>\$ 62,064</u>

Contract Assets

Contract assets consist of unbilled revenue. Unbilled revenue consists of franchise fee revenue from franchisees for which a billing has not occurred.

Contract Costs

Contract costs consist of deferred costs resulting from broker fees and commissions incurred when the franchise rights are sold to franchisees. The Company classifies these contract assets as deferred costs on the balance sheet. The following table reflects the change in contract assets for the year ended June 30:

	<u>2025</u>
Deferred costs – beginning of year	\$ -
Expense recognized during the year	(16,758)
New deferrals	234,950
Deferred costs – end of year	<u>\$ 218,192</u>

The following table illustrates estimated expenses expected to be recognized over the remaining term of the associated franchise agreements as of June 30, 2025:

2026	\$ 6,001
2027	6,001
2028	6,001
2029	6,001
2030	6,001
Thereafter	188,187
Total	<u>\$ 218,192</u>

NOTES TO FINANCIAL STATEMENTS

4. Revenue and Related Contract Balances (continued)**Contract Liabilities**

Contract liabilities consist of deferred revenue resulting from initial franchise fees paid by franchisees. The Company classifies these contract liabilities as deferred revenue on the balance sheet. The following table reflects the change in contract liabilities for the year ended June 30:

	2025
Deferred revenue – beginning of year	\$ -
Revenue recognized during the year	(53,331)
New deferrals	490,000
Deferred revenue – end of year	\$ 436,669

The following table illustrates estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of June 30, 2025:

2026	\$ 21,714
2027	10,914
2028	10,914
2029	7,274
2030	3,639
Thereafter	382,214
Total	\$ 436,669

5. Related Party Transactions**Transactions with affiliates**

In January 2025, the Company advanced funds to Food Bunker, LLC, an entity in which the Company's sole member has an ownership interest. As of June 30, 2025, the Company had an amount due of \$5,000 from this affiliate.

The Company and its affiliate, Konala LLC frequently advance funds and pay expenses on behalf of one another for payment of general and administrative expenses. As of June 30, 2025, the Company had an amount due to this affiliate of \$38,573. The amount due to this affiliate is unsecured, bears no interest, and is due on demand.

6. Commitments and Contingencies**Litigation**

The Company may be party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of the management, all matters are of such nature, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

EXHIBIT D

STATE SPECIFIC INFORMATION

RIDERS TO FRANCHISE AGREEMENT FOR SPECIFIC STATES

STATE OF CALIFORNIA

If your franchise is located in California, the following will apply:

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

1. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPLCA.GOV.

2. No person or franchise broker listed in Item 2 of the disclosure document is subject to any currently effective order of any national securities association or national securities exchange as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a, et seq., suspending or expelling such persons from membership in such association or exchange.

3. THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

4. Item 17 Additional Paragraphs:

- A. California Business and Professional Code Sections §§ 20000 through 20043 provide rights to the franchisee concerning the termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
- B. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101, et seq.).
- C. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
- D. The franchise agreement requires litigation to occur in California with the costs being borne by each party, unless the disputed provision in the franchise agreement provides for payment by the losing party of the prevailing party's attorneys' fees and costs of litigation. This provision may not be enforceable under California law.
- E. The franchise agreement requires application of the laws of California. This provision may not be enforceable under California law.

5. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California. The franchise agreement requires binding arbitration. The arbitration will occur at Kootenai, California with the costs being borne by the prevailing party.

6. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

7. You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code

§§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

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

**ILLINOIS ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
NOTICE TO PROSPECTIVE FRANCHISEES IN THE STATE OF ILLINOIS**

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

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

KONALA FRANCHISING LLC

FRANCHISEE/DEVELOPER

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date Signed: _____

Date Signed: _____

**ILLINOIS ADDENDUM TO THE FRANCHISE AGREEMENT AND
MULTI-UNIT AGREEMENT**

Illinois law governs the Franchise Agreement and Multi-Unit Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

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

KONALA FRANCHISING LLC

FRANCHISEE/DEVELOPER

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date Signed: _____

Date Signed: _____

**INDIANA ADDENDUM TO THE FRANCHISE AGREEMENT AND
MULTI-UNIT AGREEMENT**

ALL FRANCHISE AGREEMENTS AND MULTI-UNIT AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE STATE OF INDIANA ARE HEREBY AMENDED AS FOLLOWS:

1. Any agreement executed in and operative within the State of Indiana shall be governed by applicable Indiana franchise laws and the right of any franchisee to institute a civil action or initiate arbitral proceedings within the State of Indiana shall not be deemed to have been abridged in any form or manner by any provisions contained in this Agreement.
2. In compliance with Indiana Code 12-2-2.7-1(9), any provisions in this Franchise Agreement relating to non-competition upon the termination or non-renewal of the Franchise Agreement shall be limited to a geographic area not greater than the Franchise Area granted in this Franchise Agreement and shall be construed in accordance with Indiana Code 23-2-2.7-1(9).
3. Indiana Code section 23-2-2.7-1(10) prohibits the choice of an exclusive forum other than Indiana.
4. Indiana Code section 23-2.2.7-1(10) prohibits the limitation of litigation. The Indiana Secretary of State has interpreted this section to prohibit provisions in contracts regarding liquidated damages. Accordingly, any provisions in the Franchise Agreement regarding liquidated damages may not be enforceable.
5. In compliance with Indiana Code 23-2-2.7-1(10), any inference contained in this Franchise Agreement to the effect that the Franchisor “is entitled” to injunctive relief shall, when applicable to a Franchise Agreement executed in and operative within the State of Indiana, hereby be deleted, understood to mean and replace the words “may seek”.
6. Indiana Code section 23-2-2.5 and 23-2-2.7 supersedes the choice of law clauses of the Franchise Agreement.
7. Indiana Code section 23-2.2.7-1 makes it unlawful for a franchisor to terminate a franchise without good cause or to refuse to renew a franchise on bad faith.
8. Any reference contained in this Franchise Agreement to a prospective franchisee's “exclusive Franchise Area” shall, in any Franchise Agreement executed in and operative within the State of Indiana, hereby be deleted and replaced with the words “non-exclusive Franchise Area”.
9. In compliance with Indiana Code 23-2-2.7-1(5), any requirement that the Franchisee must execute a release upon termination of this Agreement shall not be mandatory and is hereby made discretionary. However, Franchisee shall execute all other documents necessary to fully rescind all agreements between the parties under this Agreement.
10. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving and claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The undersigned hereby acknowledge and agree that this addendum is hereby made part of and incorporated into the foregoing Franchise Agreement.

KONLA FRANCHISING LLC

FRANCHISEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date Signed: _____

Date Signed: _____

MARYLAND ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT

3. Item 17 of the disclosure document shall be amended as follows:

The general release required as a condition of the sale of an existing franchise by a franchisee shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. Despite the provisions of Item 17, the franchise may sue in the State of Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

Any provision in the Franchise Disclosure Document or agreement(s) which provide for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

4. The FDD shall be amended as follows:

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

MARYLAND ADDENDUM TO THE FRANCHISE AGREEMENT AND MULTI-UNIT AGREEMENT

THE FRANCHISE AGREEMENT AND MULTI-UNIT AGREEMENT TO WHICH THIS ADDENDUM IS ATTACHED AND INCORPORATED IS HEREBY AMENDED AS FOLLOWS:

1. Despite anything to the contrary contained in the Franchise Agreement, the general release required as a condition of the resale of an existing franchise by a franchisee shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
2. Franchisee may sue in the State of Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.
3. Any acknowledgements and representations contained in the Franchise Agreement are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred by Konala Franchising LLC under the Maryland Franchise Registration and Disclosure Law.
4. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving and claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The undersigned hereby acknowledge and agree that this addendum is hereby made part of and incorporated into the foregoing Franchise Agreement.

KONALA FRANCHISING LLC

FRANCHISEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date Signed: _____

Date Signed: _____

MINNESOTA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT

For franchises and franchisees subject to the Minnesota Franchise Act, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the Konala Franchising LLC Franchise Disclosure Document.

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

Item 13

Konala Franchising LLC will protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or will indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the marks to the extent required by Minnesota law.

Item 17.

Minnesota law provides franchisees with certain termination and nonrenewal rights. As of the date of this Franchise Disclosure Document, Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 provides that any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of Minnesota or, in the case of a partnership or corporation, organized or incorporated under the laws of Minnesota, or purporting to bind a person acquiring any franchise to be operated in Minnesota to waive compliance or which has the effect of waiving compliance with any provision of §§80C.01 to 80C.22 of the Minnesota Franchises Act, or any rule or order thereunder, is void.

Minn. Stat. §80.C.21 and Minn. Rule 2860.4400J prohibits Konala Franchising LLC requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

To the extent you are required to execute a general release in favor of Konala Franchising LLC, such release shall exclude liabilities arising under the Minnesota Franchises Act, Minn. Stat. §80C.01 *et seq.* as provided by Minn. Rule 2860.4400J.

MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT AND MULTI-UNIT AGREEMENT

This Amendment shall pertain to franchises sold in the State of Minnesota and shall be for the purpose of complying with Minnesota statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement and/or Development Agreement to the contrary, the Agreement shall be amended as follows:

1. Minnesota law provides franchisees with certain termination and nonrenewal rights. As of the date of this Agreement, Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Franchise Agreement.

2. Konala Franchising LLC will protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or will indemnify you from any loss, costs or expenses arising out of any claim, suit, or demand regarding the use of the marks to the extent required by Minnesota law.

3. The Franchise Agreement shall be supplemented by the following provision:

Pursuant to Minn. Stat. Sec. 80C.21, nothing in this Agreement shall, in any way abrogate or reduce any of your rights as provided in Minnesota Statutes, Chapter 80C, including but not limited to the right to submit matters to the jurisdiction of the courts of Minnesota.

4. Minn. Stat. '80.C.21 and Minn. Rule 2860.4400J prohibit Konala Franchising LLC from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

5. To the extent you are required to execute a general release in favor of Konala Franchising LLC, such release shall exclude liabilities arising under the Minnesota Franchises Act, Minn. Stat. '80C.01 *et seq.* as provided by Minn. Rule 2860.4400J.

6. Any claims brought pursuant to the Minnesota Franchises Act, '80.C.01 *et seq.* must be brought within 3 years after the cause of action accrues. To the extent that any provision of the Franchise Agreement imposes a different limitations period, the provision of the Act shall control.

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

KONALA FRANCHISING LLC

FRANCHISEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date Signed: _____

Date Signed: _____

NEW YORK ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT NOTICE TO PROSPECTIVE FRANCHISEES IN THE STATE OF NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust; trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or

department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added at the end of Item 4:

Neither Konala Franchising LLC, nor its affiliates, officers, or directors during the 10 year period immediately preceding the date of the offering prospectus have (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one (1) year after the officer or general partner of the franchisor held this position in the company or partnership.

4. The following are revisions to Item 5 of the disclosure document:

The Initial Franchise Fee is to be used for the purpose of sales development, training, and marketing costs as set forth in Item 7.

5. The following is added to the end of the “Summary” section of Item 17(c), titled “**Requirements for franchisee to renew or extend,**” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Section 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the “Summary” section of Item 17(j), titled “**Assignment of contract by franchisor**”

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

8. The following is added to the end of the “Summary” section of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of Law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

**NEW YORK ADDENDUM TO THE FRANCHISE AGREEMENT
AND MULTI-UNIT AGREEMENT**

ALL FRANCHISE AGREEMENTS AND MULTI-UNIT AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE STATE OF NEW YORK ARE HEREBY AMENDED AS FOLLOWS:

The foregoing choice of law should not be considered a waiver of any right conferred upon Franchisor or upon Franchisee by the General Business Law of the State of New York, Article 33.

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

The undersigned hereby acknowledge and agree that this addendum is hereby made part of and incorporated into the foregoing Franchise Agreement.

KONALA FRANCHISING LLC

FRANCHISEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date Signed: _____

Date Signed: _____

VIRGINIA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Konala Franchising LLC for use in the Commonwealth of Virginia shall be amended as follows:

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

Additional Disclosure: The following statements are added to Item 17:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

VIRGINIA ADDENDUM TO THE FRANCHISE AGREEMENT AND MULTI-UNIT AGREEMENT

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

KONALA FRANCHISING LLC

FRANCHISEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date Signed: _____

Date Signed: _____

WASHINGTON

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, AND RIDER TO THE FRANCHISE AGREEMENT, AND RELATED AGREEMENTS

The following statement is added to the Franchise Agreement:

"The Securities Division of the State of Washington Department of Financial Institutions requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement and the franchisee is open for business."

Sections 4(c) of the Franchise Agreement shall not apply to Washington franchisees.

The following language included in Section 12(g) of the Franchise Agreement shall not apply to Washington franchisees:

"The parties agree that the foregoing covenants contained in this Section 12 contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect Franchisor's goodwill or Franchisor's other business interest and its franchisees and the provisions do not prevent Franchisee or its Owners from earning a living. Franchisee agrees that the scope of activities prohibited in this Section 12, and the length of the term and geographical restrictions in this Section 12, are necessary to protect the legitimate business interests and are fair and reasonable and are not the result of overreaching, duress, or coercion of any kind. Franchisee's full, uninhibited, and faithful observance of each of the covenants in this Section 12 will not cause any undue hardship, financial or otherwise. Enforcement of each of the covenants in this Section 12 will not impair Franchisee's or its Owners' ability to obtain employment commensurate with Franchisee's or its Owners' abilities or on terms fully acceptable to Franchisee or otherwise to obtain income required for the comfortable support of Franchisee and its Owners and their families, and the satisfaction of the needs of all of Franchisee's and its Owners' creditors. Franchisee's and its Owners' special knowledge of the Franchised Business (and anyone acquiring this knowledge through Franchisee or its Owners) is such as it would cause Franchisor serious injury and loss if Franchisee or its Owners (or anyone acquiring this knowledge through Franchisee or its Owners) were to use this knowledge to the benefit of a competitor or were to compete with Franchisor or its franchisees."

The following statement is added to Section 17(b) the Franchise Agreement:

"Franchisee Indemnifying Parties shall have no obligation to indemnify or hold harmless an indemnified party for losses to the extent that they are determined to have been caused solely and directly by the indemnified party's negligence, willful misconduct, strict liability, or fraud."

Sections 18(a) and 18(d) of the Franchise Agreement shall not apply to Washington franchisees.

The following language included in Section 21(c) of the Franchise Agreement shall not apply to Washington franchisees:

"Franchisee expressly acknowledges that no oral promises or declarations were made to it and that the obligations of Franchisor are confined exclusively to those set forth in this Agreement. Franchisee understands and assumes the business risks inherent in this enterprise."

The following language included in Section 21(e) of the Franchise Agreement shall not apply to Washington franchisees:

“Franchisor reserves the right to amend this Agreement if a Franchise Agreement change proposed by Franchisor is agreed to by seventy percent (70%) of the then-current Franchisees.”

The following language included above the signature block of the Franchise Agreement shall not apply to Washington franchisees:

“IF FRANCHISOR ENGAGES ANY BROKER, THAT BROKER WILL BE SOLELY LIABLE FOR ITS CONDUCT WITH FRANCHISEE EXCEPT THAT FRANCHISOR WILL REMAIN LIABLE FOR THE BROKER’S CONDUCT SOLELY TO THE EXTENT OF FRANCHISOR’S OWN CRIMINAL, INTENTIONAL OR GROSSLY NEGLIGENT CONDUCT IN ENGAGING THE BROKER.”

The following risk factor is added to the FDD:

Use of Franchise Brokers. The franchisor uses the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Carefully evaluate any information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor’s current and former franchisees to ask them about their experience with the franchisor.

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee’s earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In

addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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

[Signature on the following page]

The undersigned does hereby acknowledge receipt of this addendum.

FRANCHISOR:

FRANCHISEE:

KONALA FRANCHISING LLC

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

WASHINGTON
WASHINGTON ADDENDUM TO MULTI-UNIT AGREEMENT

The following statement is added to the Multi-Unit Agreement:

"The Securities Division of the State of Washington Department of Financial Institutions requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement and the franchisee is open for business. In addition, the development fee will be prorated and collected as each unit is opened."

The following statement is added to Section 12.2 of the Multi-Unit Agreement:

"Indemnifying Parties shall have no obligation to indemnify or hold harmless an indemnified party for losses to the extent that they are determined to have been caused solely and directly by the indemnified party's negligence, willful misconduct, strict liability, or fraud."

The following language included in Section 12.8 of the Multi-Unit Agreement shall not apply to Washington franchisees:

"and Multi-Unit Developer agrees that they have executed this Agreement without reliance upon any such representation or promise."

Section 13.2 of the Multi-Unit Agreement shall not apply to Washington franchisees.

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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

[Signature on the following page]

The undersigned does hereby acknowledge receipt of this addendum.

FRANCHISOR:

Multi-Unit Developer:

KONALA FRANCHISING LLC

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

EXHIBIT E

STATE AND FEDERAL REGULATORY AUTHORITIES

FEDERAL TRADE COMMISSION

Franchise Rule Coordinator
Federal Trade Commission Division of Marketing Practices
Pennsylvania Avenue at Sixth Street, N.W., Room 238
Washington, D.C. 20580
Telephone: (202) 326-2970

STATE FRANCHISE REGULATORS AND AGENTS FOR SERVICE OF PROCESS

CALIFORNIA:
Commissioner of Financial Protection &
Innovation
Dept. of Financial Protection and Innovation
320 West 4th St., Ste. 750
Los Angeles, California 90013
Telephone: (213) 576-7500 or
Toll Free Telephone: (866) 275-2677

CONNECTICUT:
Eric Wilder, Director of Securities
Connecticut Department of Banking
Securities and Business Investment Division
260 Constitution Plaza
Hartford, CT 06103-1800
Telephone: (860) 240-8233

HAWAII:
Commissioner of Securities
of the State of Hawaii
Department of Commerce and
Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813
Telephone: (808) 586-2722

ILLINOIS (Registered Agent):
Tanya Solov, Director of Securities
Office of the Secretary of State
Securities Department
69 West Washington Street, Suite 1220
Chicago, IL 60602
Telephone: (312) 793-3884

ILLINOIS (Regulatory Authority):
Kwame Raoul
Illinois Attorney General

500 South Second Street
Springfield, Illinois 62706
Telephone: (217) 782-4465

INDIANA:
Chris Naylor, Securities Commissioner
Franchise Section
Indiana Securities Division
Secretary of State
Room E-111
302 West Washington Street
Indianapolis, IN 46204
Telephone: (317) 232-6681

IOWA:
Jim Mumford, Securities Administrator
Director of Regulated Industries Unit
Iowa Securities Bureau
330 Maple Street
Des Moines, IA 50319-0066
Telephone: (515) 281-5705

MARYLAND (Registered Agent):
Maryland Securities Commissioner
200 St. Paul Place
Baltimore, Maryland 21202-2020
Telephone: (410) 576-6360

MARYLAND (Regulatory Authority):
Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, MD 21202-2020
Telephone: (410) 576-6360

MICHIGAN (Regulatory Authority):
Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney General
525 W. Ottawa Street
Lansing, MI 48909
Telephone: (517) 373-1152

MICHIGAN (Registered Agent):
Linda Cena, Securities Director
Office of Financial & Insurance Regulation
525 West Allegan
1st Floor Constitution Hall
Lansing, MI 48909
Telephone: (517) 241-6345

MINNESOTA (Regulatory Authority):
Minnesota Dept. of Commerce
Securities-Franchise Registration
85 7th Place East, Suite 280
Saint Paul, MN 55101-2198
Telephone: (651) 539-1500

MINNESOTA (Agent for Service of Process):
Commissioner of Commerce
85 7th Place East, Suite 280
Saint Paul, MN 55101-2198
Telephone: (651) 539-1500

NEW YORK (Administrator/Regulatory
Authority)
NYS Department of Law
Investor Protection Bureau
28 Liberty St., 21st FL
New York, NY 10005
Telephone: (212) 416-8222

NEW YORK (Agent for Service of Process)
Secretary of State
99 Washington Avenue
Albany, NY 12231

NORTH DAKOTA:
North Dakota Securities Department
Fifth Floor State Capitol, Dept. 414
600 East Boulevard
Bismarck, ND 58505-0510
Telephone: (701) 328-2910

OKLAHOMA:
Oklahoma Securities Dept.
First National Center
120 N. Robinson Suite 860
Oklahoma City, OK 73102
Telephone: (405) 280-7700

RHODE ISLAND:
Division of Securities
1511 Pontiac Ave
John O. Pastore Complex- Bld. 69-1
Cranston, RI 02920
Telephone: (401) 462-9500

SOUTH DAKOTA:
Division of Insurance
Securities Regulation
124 S. Euclid, Ste. 104
Pierre, SD 57501
Telephone: (605) 773-3563

TEXAS:
Hope Andrade
Secretary of State
P.O. Box 12697
Austin, TX 78711-2697
Telephone: (512) 463-5701

UTAH:
Division of Consumer Protection
Utah Department of Commerce
160 East 300 South
SM Box 146704
Salt Lake City, UT 84114-6704
Telephone: (801) 530-6601

VIRGINIA (Registered Agent):
Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219
Telephone: (804) 371-9733

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

WASHINGTON:
Address for Service of Process:
Department of Financial Institutions
Securities Division
150 Israel Road, SW
Tumwater, WA 98504-1200
Telephone: (360) 902-8760

Mailing Address:
Department of Financial Institutions
Securities Division
PO Box 41200
Olympia, WA 98507

WISCONSIN:
Franchise Office
Wisconsin Securities Commission
P.O. Box 1768
Madison, WI 53701
Telephone: (608) 266-3364

EXHIBIT F
MULTI-UNIT AGREEMENT

TABLE OF CONTENTS

	PAGE
RECITALS	1
I. GRANT OF DEVELOPMENT RIGHTS.....	1
II. MULTI-UNIT DEVELOPER’S DEVELOPMENT OBLIGATION.....	2
III. EXCLUSIVITY	3
IV. TERM OF MULTI-UNIT AGREEMENT	4
V. FEES	4
VI. EXECUTION OF INDIVIDUAL FRANCHISE AGREEMENTS.....	5
VII. ASSIGNABILITY, TRANSFER, AND SUBFRANCHISING	6
VIII. CONFIDENTIALITY AND COVENANT AGAINST UNFAIR COMPETITION ...	9
IX. TERMINATION.....	11
X. CORPORATE OR PARTNERSHIP MULTI-UNIT DEVELOPER	12
XI. ARBITRATION	13
XII. GENERAL CONDITIONS AND PROVISIONS	14
XIII. SUBMISSION OF AGREEMENT AND ACKNOWLEDGMENT	17
Attachment 1 – Development Area and Multi-Unit Development Fee	
Attachment 2 – Minimum Development Obligations	
Attachment 3 -- Owner’s Guaranty and Assumption of Developer’s Obligations	

MULTI-UNIT AGREEMENT

THIS MULTI-UNIT AGREEMENT (“Agreement”) is made and entered as of _____ (“Effective Date”) by and between KONALA FRANCHISING LLC (“Franchisor”) and _____ (“Multi-Unit Developer”), with reference to the following facts:

RECITALS

A. Franchisor is the owner of certain proprietary and other property rights and interests in and to the “KONALA” name and such other trademarks, trade names, service marks, logotypes, insignias, trade dress and designs (collectively “Marks”) used in connection with the development, operation and maintenance of KONALA franchised restaurants (each a “Restaurant” and collectively the “Chain”) specializing in protein bowls and salads (“Franchised Business”). Franchisor and its affiliates have developed distinctive business formats, systems, methods, procedures, designs, layouts, standards and specifications, including consistency and uniformity of products and services, for the KONALA franchised restaurants, all of which Franchisor may modify periodically (“System”).

B. Franchisor desires to expand and develop the Chain and seeks sophisticated and efficient franchisees that will develop one (1) or more Restaurants.

C. Multi-Unit Developer desires to build and operate a certain number of Restaurants and Franchisor desires to grant to Multi-Unit Developer the right to build and operate a certain number of Restaurants in a specific geographical area set forth herein under the terms and conditions which are contained in this Agreement.

The parties therefore agree as follows:

I. GRANT OF DEVELOPMENT RIGHTS

1.1 Development Area

Franchisor hereby grants to Multi-Unit Developer, and Multi-Unit Developer hereby accepts, the right during the term hereof (so long as Multi-Unit Developer and its affiliates are not in default of any of their obligations under this Agreement or any franchise agreement with Franchisor), to develop Restaurants in the development area that is more fully described in Attachment 1, which attachment is annexed hereto and incorporated herein by reference, (“Development Area”), upon the terms and subject to the conditions of this Agreement.

No person or entity other than Multi-Unit Developer shall develop or open a Franchised Business under this Agreement without Franchisor’s prior written consent, which may be withheld at Franchisor’s sole discretion. Except as set forth in Sections 3.1 below, neither Franchisor nor its affiliates shall establish or license any other party to establish a Restaurant within the Development Area as long as Franchisee fully complies with this Agreement.

This Agreement is not a franchise agreement, and only sets the framework for Multi-Unit Developer to establish Restaurants through entering into franchise agreements with Franchisor. This Agreement does not grant to Multi-Unit Developer any right to use in any manner Franchisor's Marks or the System. Multi-Unit Developer shall have no right under this Agreement to license others to use in any manner Franchisor's Marks or the System.

1.2 Franchise Agreements

The parties acknowledge that the operation of each Restaurant shall be governed by the then-current franchise agreement signed by Franchisor and Multi-Unit Developer (each, a "Franchise Agreement"). At or before the signing of this Agreement, Multi-Unit Developer must sign and deliver to Franchisor at least one Franchise Agreement for the first Restaurant to be opened by Multi-Unit Developer. Multi-Unit Developer must comply with the terms and conditions of the Franchise Agreements for each Restaurant developed pursuant to this Agreement as a part of Multi-Unit Developers obligations hereunder and Multi-Unit Developers failure to execute and comply with such Franchise Agreements shall be a breach of this Agreement. The Franchise Agreement for the second and any subsequent Restaurant shall be executed in accordance with the Development Schedule, as may be adjusted from time to time pursuant to Section 2.1, after Franchisor's written acceptance of a location for the Restaurant to be operated thereunder. Each Franchise Agreement to be executed by Multi-Unit Developer for each Restaurant to be developed hereunder shall be the then-current form of the Franchise Agreement being offered to new KONALA franchisees. Multi-Unit Developer acknowledges that Franchisor has the right, however, to charge then-current published rates for royalties, advertising fees, and any other fees charged under a Franchise Agreement.

1.3 Guaranty

Multi-Unit Developer agrees that if it is an entity, all of the owners, shareholders, members and partners of Multi-Unit Developer shall sign the Owner's Guaranty and Assumption of Developer's Obligations, annexed hereto as Attachment 3 and incorporated herein by this reference.

II. MULTI-UNIT DEVELOPER'S DEVELOPMENT OBLIGATION

2.1 Development Obligation

Multi-Unit Developer agrees to develop and open for business the number of Restaurants in the Development Area as set forth in Attachment 2, annexed hereto and incorporated herein by reference, within the time periods specified therein ("Development Schedule") (hereafter, the "Minimum Development Obligation"), including the Restaurant governed by the franchise agreement executed before or concurrently with this Agreement.

Multi-Unit Developer agrees that during the Initial Term, in addition to meeting the Minimum Development Obligation, Multi-Unit Developer will at all times faithfully, honestly, and diligently perform its obligations hereunder and will continuously exert its best efforts to develop and open for business Restaurants in the Development Area. Multi-Unit Developer further acknowledges and agrees that satisfaction of the Minimum Development Obligation does not automatically mean that Multi-Unit Developer has complied with its obligations hereunder.

2.2 Force Majeure

Should Multi-Unit Developer be unable to meet the Minimum Development Obligation solely as the result of Force Majeure, including, but not limited to strikes, war, material shortages, fires, floods, earthquakes, terrorism, and other acts of God, or by force of law (including, but not limited to any legal disability of Franchisor to deliver an FDD pursuant to Section 6.1 of this Agreement), which result in the inability of Multi-Unit Developer to construct or operate a Restaurant in the Development Area, and which Multi-Unit Developer could not by the exercise of due diligence have avoided, the Development Schedule shall be adjusted by the amount of time during which such Force Majeure shall exist.

2.3 Multi-Unit Developer Cannot Exceed Minimum Development Obligation

During the Initial Term, Multi-Unit Developer may not and has no right granted herein to, without the prior written approval of Franchisor, construct, equip, open and operate more Restaurants in the Development Area than set forth in the Minimum Development Obligation.

III. EXCLUSIVITY

3.1 Exclusivity

Multi-Unit Developer acknowledges that the rights granted in this Agreement are non-exclusive and limited. During the Initial Term, Franchisor shall not operate or grant a license to any other person to operate a Restaurant within the Development Area; provided however, that Franchisor retains the rights, among others, to:

- (a) use and license others to use, the Marks and the System for the operation of KONALA Restaurants at any location outside of the Development Area;
- (b) either directly or through affiliated entities, operate or license others to operate restaurants, food establishments or other businesses other than KONALA restaurants within or outside of the Development Area; provided, that if such business is a restaurant or food establishment that it does not primarily sell protein bowls or salads on a dine-in or carry-out basis;
- (c) open and license others to open within and outside of the Development Area KONALA restaurants at any permanent, temporary or seasonal location in enclosed malls, institutions (such as hospitals or schools), airports, casinos, parks (including theme parks), military installations, and sports arenas (“Non-Traditional Restaurants”);
- (d) either directly or through third parties, manufacture or sell, or both, within the Development Area protein bowls or salads or other food or drink products which are the same as or similar to those sold in KONALA using brand names which are the same as or similar to the Marks, provided that such items are not sold through Restaurants; and
- (e) acquire, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with locations anywhere, including arrangements in which Franchisor or any of Franchisor’s affiliates are acquired, and/or Franchisor-

owned, franchised or other businesses (including Multi-Unit Developer's Restaurants) are converted to another format, maintained under the System or otherwise.

Multi-Unit Developer expressly acknowledges that all KONALA restaurants (whether owned by Franchisor, Multi-Unit Developer or other System franchisees) may solicit business from customers without regard to the customers' geographic location. Franchisor does not warrant or represent that no other KONALA restaurant will solicit or make any sales within the Development Area, and Multi-Unit Developer hereby expressly acknowledges and agrees that such solicitations or sales may occur within the Development Area. Multi-Unit Developer recognizes and acknowledges that (i) it will compete with other KONALA restaurants which are now, or which may in the future be, located near or adjacent to the Development Area, and (ii) that such restaurants may be owned by Franchisor or its affiliates. Multi-Unit Developer further acknowledges that only Franchisor or its affiliates shall be permitted to solicit business from customers by means of computerized or other electronic remote-entry ordering systems (such as, for example, the Internet) capable of accepting orders placed from within or outside the Development Area.

IV. TERM OF MULTI-UNIT AGREEMENT

4.1 Term

The term of this Agreement ("Term") shall commence on the Effective Date and, unless sooner terminated in accordance with the provisions herein, or extended as provided in Section 2.2 above, shall continue until the earlier of (i) the Minimum Development obligation has been completed by executing Franchise Agreements for all of the associated locations or (ii) _____ months from the Effective Date of this Agreement. After expiration of the term, or earlier termination of this Agreement as provided below, Franchisor shall have the right to establish, or license to any other party, including a multi-unit developer or franchisee, to establish a KONALA restaurant anywhere within the terminated Development Area except to the extent that such establishment or license to establish would violate the Territory provisions of Multi-Unit Developer's continuing and valid Franchise Agreements.

4.2 Renewal

Multi-Unit Developer shall have no right to renew this Agreement.

V. FEES

5.1 Multi-Unit Development Fee

In consideration of the grant of the rights granted to Multi-Unit Developer in this Agreement, Multi-Unit Developer shall pay Franchisor, upon its execution of this Agreement, a multi-unit development fee in the amount set forth in Attachment 1 to this Agreement, which is equal to i) One Hundred Percent (100%) of the Initial Franchise Fee for three (3) Restaurants, plus a deposit of Fifty Percent (50%) of the Initial Franchise Fee for each additional Restaurant in excess of three (3), if you commit to develop between five (5) and nine (9) Restaurants, or ii) you will pay a multi-unit development fee of One Hundred Percent (100%) of the initial franchise fee for five (5) Restaurants, plus a deposit of 50% of the initial franchise fee for each additional Restaurant in excess of five (5) if you commit to develop ten (10) or more Restaurants. The Multi-

Unit Development Fee is fully earned and non-refundable upon Multi-Unit Developer's execution of this Agreement in consideration of the administrative and other expenses Franchisor incurs and for the development opportunities lost or deferred as a result of Franchisor's granting the development rights under this Agreement to Area Developer.

5.2 Initial Franchise Fees

Except as otherwise provided herein, Franchisor will apply the Multi-Unit Development Fee as a credit against the initial franchise fees payable under each Franchise Agreement executed pursuant to this Agreement of the total amount of the Multi-Unit Development Fee. Furthermore, in the event that Multi-Unit Developer fails to meet the Opening Deadline as listed within Exhibit A, Franchisor shall retain all other rights, including but not limited to termination of the Multi-Unit Agreement. Notwithstanding the foregoing, Multi-Unit Developer will not be entitled to any refund of its Multi-Unit Development Fee if Multi-Unit Developer fails to meet its development obligations under this Agreement.

VI. EXECUTION OF INDIVIDUAL FRANCHISE AGREEMENTS

6.1 Site acceptance, Submission of FDD, Execution of Franchise Agreement

After Multi-Unit Developer has located a site for construction of a Franchised Business, Multi-Unit Developer shall submit to Franchisor such information regarding the proposed site as Franchisor shall require, in the form that Franchisor may from time to time require, together with the terms of any proposed lease or purchase relating to such site. Franchisor may seek such additional information as it deems necessary within thirty (30) days of submission of the prospective site, and Multi-Unit Developer shall respond promptly to such request for additional information. If Franchisor does not accept the site in writing within thirty (30) days, or within thirty (30) days after a receipt of such additional information, whichever is later, the site shall be deemed rejected. Franchisor shall not unreasonably reject a proposed site.

In conjunction with and part of Franchisor's review of a proposed site for a Restaurant location, Franchisor may require that Multi-Unit Developer and its owners furnish Franchisor with financial statements, statements of the sources and uses of capital funds, budgets and other information regarding Multi-Unit Developers, its affiliates, its owners and any then-existing Restaurants Multi-Unit Developer or its affiliates own. All such information (i) will be verified by Multi-Unit Developer as being complete and accurate in all respects, (ii) must be submitted to Franchisor in accordance with its requirements and (iii) will be relied on by Franchisor in determining whether to accept the location for the proposed Restaurant. Franchisor may refuse to accept a location and sign a Franchise Agreement for a Restaurant if Multi-Unit Developer fails to demonstrate sufficient financial and management capabilities to properly develop and operate the proposed Restaurant and the then-existing Restaurants that Multi-Unit Developer or its affiliates own. Franchisor will evaluate such financial and management capabilities in accordance with the then-current standards Franchisor uses with respect to its new franchisees.

Promptly after acceptance of any site and the formation of Multi-Unit Developer's business entity, if required, Franchisor shall transmit to Multi-Unit Developer an FDD and an executed copy of the then current Franchise Agreement pertaining to the accepted site and providing for a protected Territory, if any, surrounding said Restaurant, determined by Franchisor in good faith,

in accordance with Franchisor's then current policies and standards for protected territories for similarly situated franchisee Restaurants. Immediately on receipt of the FDD, Multi-Unit Developer shall return to Franchisor a signed copy of the acknowledgment of Receipt of the FDD. After the passage of any applicable Disclosure Period, Multi-Unit Developer shall execute and deliver to Franchisor a copy of said Franchise Agreement and the initial franchise fee required pursuant to the Franchise Agreement, less the credit, if any, applicable pursuant to Section 5.2. Franchisor shall, promptly upon receipt of said document and Fee, execute and return to Multi-Unit Developer one copy of the Franchise Agreement. Multi-Unit Developer shall then procure the site by purchase or lease, and return one copy of the executed lease or, if purchased, the deed evidencing Multi-Unit Developer's right to occupy the accepted site. Notwithstanding the foregoing, if Franchisor is not legally able to deliver an FDD to Multi-Unit Developer by reason of any lapse or expiration of its franchise registration, or because Franchisor is in the process of amending any such registration or for any reason beyond Franchisor's reasonable control, Franchisor may delay acceptance of the site for Multi-Unit Developer's proposed Restaurant until such time as Franchisor is legally able to deliver an FDD.

Multi-Unit Developer acknowledges and agrees that Franchisor's acceptance of a location does not constitute a guarantee, recommendation or endorsement of the location of the Restaurant and that the success of the Restaurant depends on Multi-Unit Developer's abilities as an independent businessperson. Multi-Unit Developer acknowledges that approval of a lease or purchase agreement for the Restaurant by Franchisor does not constitute a recommendation, endorsement or guarantee by Franchisor of the suitability or profitability of the location, the lease or purchase agreement but shall simply mean that the location and terms contained in the lease or purchase agreement, meet the then-current minimum standards Franchisor uses with respect to its new franchisees or multi-unit developers.

6.2 Conditions Precedent to Franchisor's Obligations

It shall be a condition precedent to Franchisor's obligations pursuant to Section 6.1, that Multi-Unit Developer shall have performed all of his or her obligations under and pursuant to all agreements between Multi-Unit Developer and Franchisor. It shall also be a condition precedent to Franchisor's obligations pursuant to Section 6.1 that Multi-Unit Developer shall have received Franchisor's prior, written approval, which approval shall not be unreasonably withheld, to use its first Restaurant as a certified KONALA training facility where Multi-Unit Developer will train the managers and employees Multi-Unit Developer will employ for its second or subsequent Restaurants.

VII. ASSIGNABILITY, TRANSFER, AND SUBFRANCHISING

7.1 Assignability by Franchisor

Franchisor shall have the right to assign this Agreement, or any of its rights and privileges hereunder to any other person, firm or corporation without Multi-Unit Developer's prior consent; provided that, in respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall expressly assume and agree to perform such obligations.

7.2 No Sub-franchising by Multi-Unit Developer

Multi-Unit Developer shall not offer, sell, or negotiate the sale of “KONALA” franchises to any third party, either in Multi-Unit Developer’s own name or in the name and on behalf of Franchisor, or otherwise subfranchise, share, divide or partition this Agreement, and nothing in this Agreement will be construed as granting Multi-Unit Developer the right to do so.

7.3 Assignment by Multi-Unit Developer

(a) **Restriction on Transfer.** This Agreement has been entered into by Franchisor in reliance upon and in consideration of the personal skill, qualifications and trust and confidence in Multi-Unit Developer or, in the case of a corporate or partnership Multi-Unit Developer, the principal officers or partners thereof who will actively and substantially participate in the ownership and operation of the Restaurants. Therefore, neither the Multi-Unit Developer’s interest in this Agreement nor any of its rights or privileges shall be assigned or transferred, voluntarily or involuntarily, in whole or in part, by operation of law or otherwise, in any manner, except pursuant to the prior written consent of Franchisor under the conditions set forth in subsection (b) below. In addition, Multi-Unit Developer shall not in any pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever without the express prior written consent of Franchisor, which permission may be withheld for any reason whatsoever in Franchisor’s sole subjective judgment.

(b) **Conditions to Transfer.** Multi-Unit Developer shall not transfer this Agreement, any interest hereunder, or the ownership of Multi-Unit Developer unless Multi-Unit Developer, or the respective owner of Multi-Unit Developer, obtains Franchisor’s written consent. Franchisor will consent to a transfer if the transferee and its direct and indirect owners (if the transferee is an entity) meet Franchisor’s then applicable standards for new multi-unit developers. With respect to any transfer other than a minority interest transfer, immediate family transfer or transfer to one of Multi-Unit Developer’s existing owners, Franchisor shall approve the transfer if the following requirements are met:

(i) Multi-Unit Developer, or the respective owner, transfers all of its interest in the Restaurants developed under this Agreement, as well as its interest in each Franchise Agreement that governs the Restaurants;

(ii) Multi-Unit Developer pays or has paid all amounts due and owing to Franchisor or its affiliates pursuant to this Agreement, the Franchise Agreements, or any other agreement between the parties;

(iii) The proposed transferee agrees to satisfactorily complete the initial training program described in the Franchise Agreements, which training may be completed by the transferee either prior to or immediately after assignment of this Agreement, at Franchisor’s direction;

(iv) The transferee executes all of the Franchise Agreement(s) and a Multi-Unit Agreement in forms then-currently offered by Franchisor, which shall supersede this Agreement, the Franchise Agreements, and all other agreements in all respects, and which terms may differ from the terms of this Agreement and the Franchise Agreements; provided, however, the transferee will not be required to

pay any additional initial franchise fees under the Franchise Agreement(s) and the term of the Franchise Agreements and the Minimum Development Obligation shall continue to apply;

(v) Multi-Unit Developer, or the respective owner, provides written notice to Franchisor thirty (30) days' prior to the proposed effective date of the transfer containing reasonably detailed information to enable Franchisor to evaluate the terms and conditions of the proposed transfer and such terms and conditions are such, as determined in Franchisor's sole discretion, that they would not affect adversely the transferee's operation of the Restaurants;

(vi) The proposed transferee has provided Franchisor with sufficient information to assess the proposed transferee's business experience, aptitude and financial qualification, and Franchisor has determined that the proposed transferee meets such qualifications;

(vii) Multi-Unit Developer (and its owners) execute a general release, in a form satisfactory to Franchisor, of any and all known and unknown claims of any kind against Franchisor, its affiliates, and Franchisor's and its affiliates' respective officers, directors, employees and agents;

(viii) Multi-Unit Developer, the respective transferor owner or the proposed transferee pay the transfer fees pursuant to subsection (c) below;

(ix) Multi-Unit Developer (and its owners) agree to abide by the post-termination covenant not to compete set forth in Section 8.2 below; and

(x) Multi-Unit Developer, or the respective transferor owner, complies with all transfer requirements under each Franchise Agreement for each Restaurant developed hereunder.

Multi-Unit Developer and its owners acknowledge that the proposed transferee shall be evaluated for approval by Franchisor based on the same criteria as is currently being used to assess new multi-unit developers and franchisees and that such proposed transferee shall be provided, if appropriate, with such disclosures as state or federal law may require. If Multi-Unit Developer, or a transferring owner, finances any part of the sale of the transferred interest, Multi-Unit Developer, or the transferring owner, must agree that all obligations of the transferee under or pursuant to any promissory notes, agreements or security interests reserved by Multi-Unit Developer or the transferring owner in the assets of the Restaurants developed under this Agreement shall be subordinate to the transferee's obligations to pay royalties, branding contributions, or other amounts due to Franchisor and its affiliates and to otherwise comply with this Agreement and the Franchise Agreements.

(c) Transfer Fee. In the event of any proposed sale, transfer or assignment by Multi-Unit Developer or an existing owner described herein other than a minority interest transfer, immediate family transfer or transfer to one of Multi-Unit Developer's existing owners, Multi-Unit Developer, the transferring owner or the proposed transferee shall pay to Franchisor the standard transfer fee for each Restaurant governed by a Franchise Agreement executed pursuant to this Agreement, if any, plus \$1,000 for every undeveloped

restaurant under the Minimum Development Obligation for which no Franchise Agreement has been executed. This sum shall be payable in lump sum to Franchisor as one of the pre-conditions to obtaining Franchisor's written consent to any proposed transfer.

(d) Franchisor's Right of First Offer and Refusal. Prior to Multi-Unit Developer or any of Multi-Unit Developer's owners soliciting offers to transfer Multi-Unit Developer or a transferring owner's rights or interest in this Agreement, Multi-Unit Developer or the transferring owner, as applicable, shall first offer such rights or interest to Franchisor for purchase. Franchisor shall have thirty (30) days to make an offer. If Franchisor fails to make an offer or Multi-Unit Developer or the transferring owner, as applicable, rejects Franchisor's offer, Multi-Unit Developer or the transferring owner shall then be allowed to solicit offers from third parties. Thereafter, Multi-Unit Developer or the transferring Owner, as applicable, shall give Franchisor forty-five (45) days prior written notice of any intended transfer of any of its rights or interest in this Agreement to a third party. Such notice shall set forth the name of the proposed transferee and a detailed statement of all the terms and conditions of such intended or proposed transfer. Irrespective of the qualifications or acceptability of any prospective transferee, Franchisor shall have the first right and option to purchase the interest at a price equal to the fair market value of such non-cash consideration plus the amount, if any, of consideration using fair and reasonable methods. Franchisor shall make such determination as promptly as practicable, but in no event later than thirty (30) days after it has received the notice of the intended transfer. If Multi-Unit Developer or the transferring owner disagree with the value as determined by Franchisor, then Multi-Unit Developer, or the transferring owner and Franchisor shall each hire an appraiser (or a single appraiser, if they agree) to value the non-cash consideration. If the appraisals are within twenty percent (20%) of each other, then the difference between the two shall be equally divided to establish the price at which Franchisor may exercise its first right and option. If the difference between the appraisals is greater than twenty percent (20%), then the issue of the fair market value of such consideration shall be determined by a third appraiser selected by the other two appraisers and whose decision shall be final, except that it may not be lower or higher than the lowest appraisal and highest appraisal, respectively, determined by the first two appraisers. Should the proposed transfer not involve the payment of any consideration, Franchisor has the option to purchase the interest at a price equal to Fifteen Thousand Dollars (\$15,000) multiplied by the number of Restaurants for which Franchise Agreements have not yet been executed pursuant to Minimum Development Obligation. Within thirty (30) days after Franchisor receives notice of a proposed transfer for no consideration or solely for cash, or if the proposed transfer will not be solely for cash, within ten (10) days after a determination is made of the fair market value of the non-cash consideration, Franchisor will notify Multi-Unit Developer and the transferring owner, if applicable, in writing that it is (a) exercising its right of first refusal, (b) approving the transfer pursuant to this Section 7.3 or (c) denying approval of the transfer pursuant to Section 7.3.

VIII. CONFIDENTIALITY AND COVENANT AGAINST UNFAIR COMPETITION

8.1 In Term Competition

During the Initial Term, neither Multi-Unit Developer, its affiliate, nor any shareholder, member, partner, officer, director, or member of Multi-Unit Developer or its affiliate shall either

directly or indirectly, own, operate, advise, be employed by, or have any interest in any business that receives Ten Percent (10%) or more of its gross revenue from the sale of protein bowls and salads (“Competitive Business”) except to the extent permitted under a Franchise Agreement with Franchisor or unless Franchisor shall consent thereto in writing, which consent Franchisor can withhold for any reason.

8.2 Post-Term Competition

Following the termination of this Agreement for any reason, Multi-Unit Developer, its affiliate, and any shareholder, member, partner, officer, director, or member of Multi-Unit Developer shall not for a period of two (2) years directly or indirectly, own, operate, advise, be employed by, or have any interest in any Competitive Business within five (5) miles of Multi-Unit Developer’s Development Area, any other development area or any KONALA restaurant in existence at the time of termination except as permitted under a Franchise Agreement with Franchisor. The parties have attempted in Section 8.1 above and in this Section 8.2 to limit the Multi-Unit Developer’s right to compete only to the extent necessary to protect Franchisor from unfair competition. The parties hereby expressly agree that if the scope or enforceability of Section 8.1 or 8.2 is disputed at any time by Multi-Unit Developer, a court or arbitrator, as the case may be, may modify either or both of such provisions to the extent that it deems necessary to make such provision(s) enforceable under applicable law. In addition, Franchisor reserves the right to reduce the scope of either, or both, of said provisions without Multi-Unit Developer’s consent, at any time or times, effective immediately upon notice to Multi-Unit Developer.

8.3 Trade Secrets and Confidential Information

Multi-Unit Developer understands and agrees that Franchisor has disclosed or will hereafter disclose to Multi-Unit Developer certain confidential or proprietary information and trade secrets. Except as necessary in connection with the performance of obligations under this Agreement and any Franchise Agreement executed with Franchisor, Multi-Unit Developer shall not, during the Initial Term or at any time after the expiration or termination of this Agreement, regardless of the cause of termination, directly or indirectly, use for its own benefit or communicate or divulge to, or use for the benefit of any other person or entity, any trade secrets, confidential information, knowledge or know-how concerning the recipes, food products, advertising, marketing, designs, or methods of operation of the Restaurant or the System. Multi-Unit Developer shall disclose to its employees only such confidential, proprietary or trade secret information as is necessary to operate its business hereunder and then only while this Agreement is in effect. Any and all information, knowledge, or know-how, including without limitation, drawings, materials, equipment, marketing, recipes, and other data which Franchisor designates as secret or confidential shall be deemed secret and confidential for purposes of this Agreement.

All ideas, concepts, techniques or materials concerning Franchised Business, whether or not protectable intellectual property and whether created by or for Multi-Unit Developer or its owners or employees, must be promptly disclosed to Franchisor and will be deemed the exclusive property of Franchisor and works made-for-hire for Franchisor, and no compensation will be due to Multi-Unit Developer or its owners or employees therefor. Franchisor may incorporate such items into the System. To the extent any item does not qualify as a “work made-for-hire” for Franchisor, Multi-Unit Developer hereby assigns ownership of that item, and all related rights to that item, to Franchisor and shall sign any assignment or other document as Franchisor reasonably

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

IX. TERMINATION

9.1 Termination by Franchisor

This Agreement may be terminated by Franchisor for cause upon delivery of notice of termination to Multi-Unit Developer in the event of any material breach by Multi-Unit Developer of this Agreement. Material breach, as used herein, shall specifically include, among other things, the following:

(a) Multi-Unit Developer fails to meet Minimum Development Obligations set forth in Section 2.1 above;

(b) If Multi-Unit Developer is otherwise in breach of any provision of this Agreement and does not cure such breach within 15 days upon notice;

(c) If Multi-Unit Developer, or its owners, have made any material misrepresentation or omission in Multi-Unit Developer's application or in any report, claim, request for reimbursement or other similar document submitted to Franchisor, including, without limitation, any financial statement;

(d) Any attempt by Multi-Unit Developer to sell, assign, transfer or encumber in whole or in part any or all rights and obligations under this Agreement, in violation of the terms of this Agreement, or without the written consents required, pursuant to this Agreement; or

(e) At the election of Franchisor, in the event of any material breach by Multi-Unit Developer, or its owners or affiliates, of an individual Franchise Agreement or any other agreement between Franchisor and its affiliates and Multi-Unit Developer and its owners and affiliates, upon notice, if any, specified in the Franchise Agreement or other agreement.

9.2 Effect of Termination

Upon expiration or non-renewal of the Initial Term, or upon the prior termination of this Agreement, Multi-Unit Developer shall have no further right to construct, equip, own, open or operate additional Restaurants which are not, at the time of such termination or expiration, the subject of a then-existing Franchise Agreement between Multi-Unit Developer, or its affiliate, and Franchisor which is in full force and effect, and Franchisor may itself construct, equip, open, own or operate, or license others to construct, equip, open, own or operate Restaurants in the Development Area, except as may be otherwise be prohibited under the terms of a Franchise Agreement between Multi-Unit Developer, or its affiliate, and Franchisor which is in full force and effect.

9.3 Survival of Obligations

In the event of termination of this Agreement for any reason or following expiration or non-renewal of the Initial Term, you shall remain subject to the provisions of Section 8 of this Agreement regarding covenants not to compete, and any other covenants contained in this Agreement which, by their terms, require performance by the parties after the expiration or termination of this Agreement, shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

9.4 Material Breach. This Agreement may be terminated by Franchisor for cause without notice or opportunity to cure, except for such notice as may be required by law, in the event of any material breach by Multi-Unit Developer of this Agreement. Material breach, as used herein, shall specifically include, among other things uncured or incurable default under any Franchise Agreement between Franchisee and Franchisor.

X. CORPORATE OR PARTNERSHIP MULTI-UNIT DEVELOPER

10.1 Corporate or Partnership Multi-Unit Developer

(a) If Multi-Unit Developer is a corporation, limited liability company, or limited partnership, there is set forth below the name and address of each shareholder, member, or partner of Multi-Unit Developer:

NAME	ADDRESS	NUMBER OF SHARES OR PERCENTAGE INTEREST

(b) The address where Multi-Unit Developer’s financial records, and corporate, Franchisor, or partnership records, as applicable, are maintained is:

(c) If Multi-Unit Developer is a corporation, limited liability company, or partnership, there is set forth below the names, and addresses and titles of Multi-Unit Developer’s principal officers, members, or partners who will be devoting their full time to the Restaurants or Multi-Unit Developer:

NAME

ADDRESS

(d) Multi-Unit Developer shall notify Franchisor in writing within ten (10) days of any change in the information set forth in subsections (a) through (c) above.

(e) Multi-Unit Developer promptly shall provide such additional information as Franchisor may from time-to-time request concerning all persons who may have any direct or indirect financial interest in Multi-Unit Developer.

(f) If Multi-Unit Developer is a corporation or partnership, each of the owners or partners, as applicable, of Multi-Unit Developer shall, by executing this Agreement, fully, unconditionally and irrevocably guarantee the performance by Multi-Unit Developer of all of its obligations hereunder. In addition, Multi-Unit Developer shall upon Franchisor's request cause all of its current and future owners and partners to execute Franchisor's standard form of Guarantee.

XI. ARBITRATION

11.1 Arbitration

Multi-Unit Developer acknowledges that it has and will continue to develop a substantial and continuing relationship with Franchisor at its principal offices in the State of Idaho, where Franchisor's decision-making authority is vested, and franchise operations are conducted and supervised. Therefore, the parties agree that, to the extent that any disputes cannot be resolved directly between Multi-Unit Developer and Franchisor, any action arising out of or relating to this Agreement or the making, performance, or interpretation thereof shall upon thirty (30) days written notice by either party be resolved, except as elsewhere expressly provided in this Agreement, upon application by any such party by binding arbitration in the Kootenai County, Idaho, in accordance with the Federal Arbitration Act under the Commercial Arbitration Rules then prevailing of the American Arbitration Association, including without limitation the Optional Rules for Emergency Measures of Protection ("AAA"), and not under any state arbitration laws, and judgment on the arbitration award may be entered in any court of competent jurisdiction. Multi-Unit Developer and Franchisor agree that arbitration shall be conducted on an individual - not a class-wide basis. Furthermore, Multi-Unit Developer and Franchisor agree that the arbitrator or arbitrators shall not have authority to declare any Mark owned by Franchisor, its affiliate or that is otherwise a part of the System to be generic or invalid. The Federal Arbitration Act shall apply to all arbitration and arbitration venue questions. Any award by the arbitrator(s) shall be final, binding and non-appealable, except for errors of law. The matter shall be heard by one (1) arbitrator mutually selected by the parties who shall have at least ten (10) years' experience in practicing franchise law during which franchise law is or has been their primary area of practice and shall have substantial experience in the preparation of franchise agreements and franchise disclosure documents. Multi-Unit Developer understands that by agreeing to arbitrate it gives up jury and appeal and other rights it might have in court.

11.2 Injunctive Relief

Notwithstanding the provisions of Section 11.1 above, Multi-Unit Developer agrees that Franchisor, at its option, will have the right to seek preliminary injunctive relief from a court of competent jurisdiction, or in the first instance from an Arbitrator, to restrain any conduct by Multi-Unit Developer in the development or operation of Restaurants that could materially damage the goodwill associated with the Marks, the System and the Chain, provided that if Multi-Unit Developer counters, as Multi-Unit Developer may, by initiating arbitration, Franchisor agrees to arbitrate the entire dispute thereafter except preliminary injunctive relief (and permanent injunctive relief also, if Multi-Unit Developer will not agree that the preliminary injunction shall remain effective indefinitely until the arbitrator shall dissolve it), leaving the court action pending, if it chooses, to facilitate enforcement. Multi-Unit Developer agrees Franchisor will not be required to post a bond to obtain any injunctive relief with respect to use of the Marks.

XII. GENERAL CONDITIONS AND PROVISIONS

12.1 Relationship of Multi-Unit Developer to Franchisor

It is expressly agreed that the parties intend by this Agreement to establish between Franchisor and Multi-Unit Developer the relationship of franchisor and franchisee. It is further agreed that Multi-Unit Developer has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Neither Franchisor nor Multi-Unit Developer is the employer, employee, agent, partner or co-venturer of or with the other, each being independent. Multi-Unit Developer agrees that it will not hold itself out as the agent, employee, partner or co-venturer of Franchisor. All employees hired by or working for Multi-Unit Developer shall be the employees of Multi-Unit Developer and shall not, for any purpose, be deemed employees of Franchisor or subject to Franchisor control. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof.

12.2 Indemnification

Multi-Unit Developer; Owners; guarantors of the Multi-Unit Developer; for themselves and on behalf of their respective predecessors, parents, affiliates, subsidiaries, shareholders, members, partners, officers, directors, managers, employees, agents, representatives, attorneys, accountants, personal representatives, heirs, executors, administrators, successors, and assigns ("Indemnifying Parties") shall indemnify and hold harmless Franchisor; Franchisor's predecessors, parents, affiliates, and subsidiaries; and their respective shareholders, members, partners, officers, directors, managers, employees, agents, representatives, attorneys, accountants, guarantors, successors, and assigns, in both their corporate and individual capacities (collectively, "Indemnified Parties") from all liabilities, losses, obligations, claims, demands, damages (consequential or otherwise), penalties, fines, costs, and expenses (including attorneys' fees) of any nature whatsoever, from anyone whomsoever, directly or indirectly arising or growing out of, or otherwise connected with, Multi-Unit Developer actions or failure to act, under this Agreement, or the operation of Multi-Unit Developer's Restaurants developed under this Agreement. For purposes of this indemnification, claims shall mean and include all obligations, actual and

consequential damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. Franchisor shall have the right to defend any such claim against Franchisor or its affiliate. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

12.3 No Consequential Damages for Legal Incapacity

Franchisor shall not be liable to Multi-Unit Developer for any consequential damage, including but not limited to lost profits, interest expense, increased construction or occupancy costs, or other costs and expenses incurred by Multi-Unit Developer by reason of any delay in the delivery of Franchisor's FDD caused by legal incapacity during the Initial Term, or other conduct not due to the gross negligence or misfeasance of Franchisor.

12.4 Waiver and Delay

No waiver by Franchisor of any breach or series of breaches or defaults in performance by Multi-Unit Developer, and no failure, refusal or neglect of Franchisor to exercise any right, power or operation given to it hereunder or under any Franchise Agreement between Franchisor and Multi-Unit Developer, whether entered into before, after or contemporaneously with the execution hereof or to insist upon strict compliance with or performance of Multi-Unit Developer's obligations under this Agreement or any Franchise Agreement between Franchisor and Multi-Unit Developer, whether entered into before, after or contemporaneously with the execution hereof, shall constitute a waiver of the provisions of this Agreement with respect to any subsequent breach thereof or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

12.5 Successors and Assigns

This Agreement shall be binding upon and inure to the benefit of all the successors and assigns of Franchisor and shall be binding upon and inure to the benefit of Multi-Unit Developer and his or their respective heirs, executors, administrators, successors and assigns, subject to the prohibitions against assignment contained herein.

12.6 Joint and Several Liability

If Multi-Unit Developer consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to Franchisor are joint and several.

12.7 Governing Law

This Agreement and any claim or controversy arising out of or relating to rights and obligations of the parties under this Agreement and any other claim or controversy between the parties shall be governed by and construed under the laws of the State of Idaho and any dispute between the parties shall be governed by and determined in accordance with the substantive law of the State of Idaho and the Federal Arbitration Act, which laws shall prevail in the event of any conflict of law.

12.8 Entire Agreement

This Agreement, the documents incorporated herein by reference and the attachments hereto, comprise the entire agreement between the parties and all prior understands or agreements concerning the subject matter hereof are canceled and superseded by this Agreement, except that nothing in this Agreement or any related agreement is intended to disclaim any representations made in the Franchise Disclosure Document. Multi-Unit Developer represents that there are no contemporaneous agreements or understandings between the parties relating to the subject matter of this Multi-Unit Agreement that are not contained herein. No officer or employee or agent of Company has any authority to make any representation or promise not contained in this Agreement or any FDD for prospective franchisees required by applicable law, and Multi-Unit Developer agrees that they have executed this Agreement without reliance upon any such representation or promise. This Agreement cannot be modified or changed except by written instruments signed by all of the parties hereto. The representations made in this paragraph are not intended to, nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

12.9 Titles for Convenience

Section and paragraph titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

12.10 Gender

All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any section or paragraph hereof may require.

12.11 Severability

Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance, or regulation contrary to which the parties have no legal right to contact, the latter shall prevail, but in such event the provisions of this Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. In the event that any part, section, article, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provisions shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

12.12 Counterparts

This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. One (1) or more counterparts can be delivered by facsimile or .pdf file transmission.

12.13 Fees and Expenses

Should any party hereto commence any action or proceeding for the purpose of enforcing, or preventing the breach of, any provision hereof, whether by arbitration, judicial or quasi-judicial action or otherwise, or for damages for any alleged breach of any provision hereof, or for a declaration of such party’s rights or obligations hereunder, then the prevailing party shall be reimbursed by the losing party for all costs and expenses incurred in connection therewith, including, but not limited to, reasonable attorneys’ fees for the services rendered to such prevailing party.

12.14 Notices

All notices, requests, demands and other communications required or permitted to be given or made under this Agreement shall be in writing and shall be given (i) by personal delivery, or (ii) by registered or certified mail, return receipt requested, postage prepared, or by delivery to a nationally-recognized overnight courier service, in each case, addressed as follows, or to such other person or entity as either party shall designate by notice to the other in accordance herewith:

Franchisor: KONALA FRANCHISING LLC
Attn: Chief Executive Officer
107 E 7th Ave.
Post Falls, ID 83854

With a copy (which shall not constitute notice) to:

FISHER ZUCKER, LLC
Attn: Lane Fisher
21 South 21st Street
Philadelphia, PA 19103

Franchisee: _____

Notice shall be deemed received (i) in the case of hand delivery, on the same date as the notice is delivered, (ii) in the case of overnight courier, overnight courier the next business day after the notice is sent, or (iii) in the case of certified mail, three (3) days after the date the notice is deposited in the mail.

XIII. SUBMISSION OF AGREEMENT AND ACKNOWLEDGEMENT

13.1 Submission of Agreement

The submission of this Agreement does not constitute an offer, and this Agreement shall become effective only upon the execution thereof by Franchisor and Multi-Unit Developer. THIS AGREEMENT SHALL NOT BE BINDING ON FRANCHISOR UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY FRANCHISOR’S CHIEF EXECUTIVE OFFICER, PRESIDENT, OR VICE PRESIDENT OF FRANCHISE OPERATIONS. THIS

AGREEMENT SHALL NOT BECOME EFFECTIVE UNTIL AND UNLESS MULTI-UNIT DEVELOPER SHALL HAVE BEEN FURNISHED BY FRANCHISOR WITH ALL DISCLOSURE DOCUMENTS, IN WRITTEN FORM, WHICH MAY BE REQUIRED UNDER OR PURSUANT TO APPLICABLE LAW, FOR REQUISITE TIME PERIODS.

13.2 Acknowledgment

MULTI-UNIT DEVELOPER ACKNOWLEDGES THAT IT SHALL HAVE SOLE AND COMPLETE RESPONSIBILITY FOR THE CHOICE OF LOCATIONS AT WHICH THE FRANCHISED BUSINESSES WILL BE OPERATED; THAT FRANCHISOR HAS NOT (AND SHALL NOT BE DEEMED TO HAVE, EVEN BY FRANCHISOR'S ACCEPTANCE OF THE SITES THAT ARE PART OF THE DEVELOPMENT AREA OR THAT WILL BECOME THE LOCATIONS AT WHICH THE FRANCHISED BUSINESSES WILL BE OPERATED) GIVEN ANY REPRESENTATION, PROMISE, OR GUARANTEE OF MULTI-UNIT DEVELOPER'S SUCCESS AT THE LOCATION; AND THAT MULTI-UNIT DEVELOPER SHALL BE SOLELY RESPONSIBLE FOR ITS OWN SUCCESS AT THE FRANCHISED BUSINESSES LOCATIONS.

MULTI-UNIT DEVELOPER, AND ITS OWNERS AND PARTNERS, AS APPLICABLE, JOINTLY AND SEVERALLY ACKNOWLEDGE THAT THEY HAVE CAREFULLY READ THIS AGREEMENT AND ALL OTHER RELATED DOCUMENTS TO BE EXECUTED CONCURRENTLY OR IN CONJUNCTION WITH THE EXECUTION HEREOF, THAT THEY HAVE OBTAINED THE ADVICE OF COUNSEL IN CONNECTION WITH ENTERING INTO THIS AGREEMENT, THAT THEY UNDERSTAND THE NATURE OF THIS AGREEMENT, AND THAT THEY INTEND TO COMPLY AND BE BOUND THEREBY.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the first date set forth above.

ACCEPTED ON THIS DATE OF _____.

FRANCHISOR

KONALA FRANCHISING LLC
An Idaho limited liability company

By _____
Name _____
Title _____
Date _____

MULTI-UNIT DEVELOPER

By _____
Name _____
Title _____
Date _____

FOR OHIO RESIDENTS AND FRANCHISEES WITH TERRITORIES AND/OR ACCEPTED LOCATIONS IN OHIO: You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

**[FOR OHIO RESIDENTS AND FRANCHISEES WITH TERRITORIES AND/OR
ACCEPTED LOCATIONS IN OHIO]**

Notice of cancellation

(Enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to KONALA FRANCHISING LLC, 107 E. 7th Ave. Post Falls, ID 83854, 775-225-9902, not later than midnight of _____.

I hereby cancel this transaction.

(Purchaser's Signature)

(Date) _____

**[FOR OHIO RESIDENTS AND FRANCHISEES WITH TERRITORIES AND/OR
ACCEPTED LOCATIONS IN OHIO]**

Notice of cancellation

(Enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to KONALA FRANCHISING LLC, 107 E. 7th Ave. Post Falls, ID 83854, 775-225-9902, not later than midnight of _____.

I hereby cancel this transaction.

(Purchaser's Signature)

(Date) _____

ATTACHMENT 1 TO MULTI-UNIT AGREEMENT
DEVELOPMENT AREA

MULTI-UNIT DEVELOPMENT FEE

Franchisee's Multi-Unit Development Fee shall be \$ _____ for the right to open _____ locations.

ATTACHMENT 2 TO MULTI-UNIT AGREEMENT
MINIMUM DEVELOPMENT OBLIGATIONS

Number of Restaurants	Date of Franchise Agreement Execution	Date of Opening	Cumulative Number to be in Operation
1			
2			
3			
4			
5			

(a) Guarantor's liability under this undertaking shall be direct, immediate, and independent of the liability of, and shall be joint and several with, Multi-Unit Developer and the other owners of Multi-Unit Developer;

(b) Guarantor shall render any payment or performance required under the Agreement upon demand if Multi-Unit Developer fails or refuses punctually to do so;

(c) This undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Multi-Unit Developer or any assignee or successor of Multi-Unit Developer or by any abandonment of the Agreement by a trustee of Multi-Unit Developer. Neither the Guarantor's obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Multi-Unit Developer or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency;

(d) Franchisor may proceed against Guarantor and Multi-Unit Developer jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Multi-Unit Developer. Guarantor hereby waives the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed; and

(e) Guarantor agrees to pay all reasonable attorneys' fees, and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

Guarantor agrees to be personally bound by the arbitration obligations under Section 11.1 of the Agreement, including, without limitation, the obligation to submit to binding arbitration the claims described in Section 11.1 of the Agreement in accordance with its terms. All terms not defined herein shall have the definition set forth in the Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the undersigned has affixed his signature on the same day and year as the Agreement was executed.

GUARANTOR(S):

Signature: _____
Print Name: _____
Date: _____
Percentage Ownership in Multi-Unit Developer /Spouse: _____

Signature: _____
Print Name: _____
Date: _____
Percentage Ownership in Multi-Unit Developer /Spouse: _____

Signature: _____
Print Name: _____
Date: _____
Percentage Ownership in Multi-Unit Developer /Spouse: _____

Signature: _____
Print Name: _____
Date: _____
Percentage Ownership in Multi-Unit Developer /Spouse: _____

Signature: _____
Print Name: _____
Date: _____
Percentage Ownership in Multi-Unit Developer /Spouse: _____

EXHIBIT G

SAMPLE MUTUAL RELEASE KONALA FRANCHISING LLC

[This Agreement is a sample form currently in use and is subject to change.]

FULL AND FINAL GENERAL RELEASE

FOR AND IN CONSIDERATION of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by all parties, the parties agree and covenant to fully and mutually release the other as follows:

1. The Franchisee and its successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, owners, members, officers, directors, principals, employees and affiliated parties (collectively, the “Franchisee Parties”) do hereby release and forever discharge Franchisor, its successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, owners, members, officers, directors, principals, employees and affiliated parties (collectively, the “Franchisor Parties”) from any and all claims, demands, damages, actions, causes of action, or suits of any kind or nature whatsoever, both known and unknown, including, without limitation: (a) arising out of or related to the Franchisor Parties’ obligations under the franchise agreement or (b) otherwise arising from or related to the Franchisee Parties’ relationship, from the beginning of time to the date of Franchisee’s signature below, with any of the Franchisor Parties.

2. Franchisee, on Franchisee’s own behalf and on behalf of the other Franchisee Parties, further covenant not to sue any of the Franchisor Parties on any of the claims released by the preceding paragraph and represent that Franchisee has not assigned any such claims released by the preceding paragraph to any individual or entity who is not bound by this Release. It is understood and agreed that this Release is not to be construed as an admission of liability with respect to the Franchisor Parties.

3. The consideration expressly mentioned herein is the only consideration paid or to be paid by said parties hereby released. The parties acknowledge that no other party, agent, or attorney of any other party, has made any promise, or representation or warranty to induce this Release, not herein expressly set forth, and no such promises, representations or warranties are relied upon as a consideration for this Release, or otherwise, but any and all of the parties’ respective claims, of whatever nature are hereby fully and forever released, compromised and settled. Full and complete compromise, settlement, and accord and satisfaction are hereby acknowledged, and it is expressly agreed by the undersigned parties never to sue any of the other parties hereby released on any alleged promise, representation or warranty for this Release not herein expressly set forth.

4. This Agreement contains the entire agreement and understanding between the parties as to the matters specified herein and supersedes and replaces all agreements on this subject matter, whether written or oral. The terms contained herein may not be modified or amended except in writing signed by the parties. The terms of this Release are contractual and not a mere recital.

5. The undersigned further state that they have carefully read the foregoing instrument; that they know the contents thereof; that they understand and agree to each and every term and condition contained herein; that they signed the same as their own free act and deed; and that they have not assigned any rights released hereunder to any person or organization, private or governmental.

6. The parties hereby covenant and agree that each shall not make, at any time or place, any disparaging remarks, verbally or in writing, concerning any of the parties' actions or perceived omissions, regarding any matter connected with this Release Agreement or otherwise take any action that would disparage or cast doubt upon the business acumen or judgment of any other party. Each party understands and acknowledges that each other party's business and reputation are of special, unique, and extraordinary character, which gives them a particular value, the loss of which cannot reasonably be compensated in damages in an action at law. Accordingly, each party further agrees that in addition to any other rights or remedies that any other party may possess at law, any aggrieved party shall be entitled to injunctive and other equitable relief in order to prevent or remedy a breach of the provisions of this Agreement by any other party hereto.

7. The terms of this Release arose from discussions between the parties. Accordingly, no claimed ambiguity in this Release shall be construed against any party claiming to have drafted or proposed the language in question.

8. This Release shall be governed by and construed pursuant to the laws of the State of Delaware.

9. This Release may be executed in two copies, each of which shall be deemed an original.

IF THE FRANCHISED BUSINESS FRANCHISEE OPERATES UNDER THE FRANCHISE AGREEMENT IS LOCATED IN CALIFORNIA OR IF FRANCHISEE IS A RESIDENT OF CALIFORNIA, THE FOLLOWING SHALL APPLY:

SECTION 1542 ACKNOWLEDGMENT. IT IS FRANCHISEE'S INTENTION, ON FRANCHISEE'S OWN BEHALF AND ON BEHALF OF THE FRANCHISEE PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY FRANCHISEE OR THE FRANCHISEE PARTIES. FRANCHISEE RECOGNIZES THAT FRANCHISEE OR THE FRANCHISEE PARTIES MAY HAVE SOME CLAIM, DEMAND OR CAUSE OF ACTION AGAINST FRANCHISOR PARTIES OF WHICH FRANCHISEE, HE, SHE, OR IT IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH FRANCHISEE, HE, SHE, OR IT IS GIVING UP BY EXECUTING THIS RELEASE. IT IS FRANCHISEE'S INTENTION, ON FRANCHISEE'S OWN BEHALF AND ON BEHALF OF THE FRANCHISEE PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE FRANCHISEE, HIM, HER, OR IT OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT FRANCHISEE, HIM, HER, OR IT FROM ASSERTING IT AGAINST FRANCHISOR PARTIES. IN FURTHERANCE OF THIS INTENTION, FRANCHISEE, ON FRANCHISEE'S OWN BEHALF AND ON BEHALF OF THE FRANCHISEE PARTIES, EXPRESSLY WAIVES ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN THE CREDITOR'S FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY THE CREDITOR MUST HAVE MATERIALLY AFFECTED THE CREDITOR'S SETTLEMENT WITH THE DEBTOR.”

FRANCHISEE ACKNOWLEDGES AND REPRESENTS THAT FRANCHISEE HAS CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT FRANCHISEE UNDERSTANDS ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENTS THAT THIS RELEASE SHALL

BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION.

If the Franchised Business is located in Maryland or if Franchisee is a resident of Maryland, the following shall apply:

Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

If the Franchised Business is located in Washington or if Franchisee is a resident of Washington, the following shall apply:

Any general release provided for hereunder shall not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

All releases given by the Parties are intended to constitute a full, complete, unconditional and immediate substitution for any and all rights, claims, demands and causes of action whatsoever which exist, or might have existed, on the date of this document. The Parties represent and warrant that they have made such independent investigation of the facts, law and otherwise pertaining to all matters discussed, referred to or released in or by this document as the Releasing Parties, in the Releasing Parties independent judgment, believe necessary or appropriate.

[FRANCHISEE]

KONALA FRANCHISING LLC

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

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

EXHIBIT H

ACH/EFT TRANSFER AGREEMENT

AUTHORIZATION TO HONOR CHECKS AND DEBITS BY AND PAYABLE TO THE FOLLOWING PAYEE(S):

The undersigned depositor (“Franchisee” or “Payor”) hereby authorizes KONALA FRANCHISING LLC (“Franchisor” or “Payee”) to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) indicated below, and the bank designated below (“Bank”) to debit or credit such account(s) pursuant to Franchisor’s instructions.

Name of Person or Legal Entity of Franchisee: _____
ID Number: _____
Bank: _____
Branch: _____
City: _____ State: _____ Zip Code: _____
Bank Transit/ABA Number: _____
Account Number: _____

This authority is to remain in full force and effect until sixty (60) days after Franchisor has received written notification from Franchisee of its termination.

FRANCHISEE/PAYOR:

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

INDEMNIFICATION AGREEMENT

To the above-named Payee and the Bank designated:

The Payor agrees with respect to any action taken pursuant to the above authorization:

1. To indemnify the Bank and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Bank in the regular course of business for the purpose of payment, including any costs or expenses reasonably in collection therewith.
2. To indemnify Payee and the Bank for any loss arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.
3. To defend at Payor’s cost and expense any action which might be brought by any depositor or any other persons because of any actions taken by the Bank of Payee pursuant to the foregoing request and authorization, or in any manner arising by reason of the Bank’s or Payee’s participation therein.

BE SURE THAT ALL INFORMATION ASKED FOR IS PROVIDED

EXHIBIT I

FIRST ADDENDUM TO FRANCHISE AGREEMENT (to be signed by a renewing franchisee concurrently with the Franchise Agreement)

[This Agreement is a sample form currently in use and is subject to change.]

BETWEEN KONALA FRANCHISING LLC

AND

THIS FIRST ADDENDUM (“Addendum”) to the Franchise Agreement dated as of the Effective Date (“Agreement”) between KONALA FRANCHISING LLC (“Franchisor”) and _____ (“Franchisee”) is made as of the same date to amend and supplement certain terms and conditions of the Agreement. In the event of any conflict between the terms of the Agreement and the terms of this Addendum, the terms of this Addendum shall control. All capitalized terms not otherwise defined in this Addendum shall have their respective meanings set forth in the Agreement.

1. **Franchised Location.** Franchisor has previously accepted the Franchised Location as required pursuant to the Franchise Agreement. The Franchised Location is: _____.

2. **Lease Acceptance.** Franchisor has previously accepted the lease for the Franchised Location as required pursuant to the Franchise Agreement and therefore waives the requirement for lease review and acceptance (and the associated lease review fee); provided, however, that if Franchisee enters into a new lease for the Franchised Location during the term of the Agreement, all lease review and acceptance requirements shall remain applicable.

3. **Commencement of Operations.** Franchisor and Franchisee acknowledge that the Franchised Location has commenced operations as required pursuant to the Franchise Agreement.

4. **Franchisor’s Development Assistance.** Franchisee acknowledges and agrees that Franchisor has complied with its obligations under the Agreement (or Franchisee waives, as the case may be, Franchisor’s obligation) to (1) assist Franchisee in choosing the Franchised Location and determining fulfillment of the requisite criteria for the Franchised Location, such determination based on information provided by Franchisee (including those obligations set forth in the Franchise Agreement; and (2) to provide opening support services listed in the Franchise Agreement .

5. **Grand Opening.** The Section of the Franchise Agreement pertaining to a Grand Opening is deleted.

6. **Remodeling.** Franchisee will complete the remodeling and renovations of the Restaurant, at Franchisee’s expense, listed on Exhibit 1 to this addendum no later than 60 days following the Effective Date of the Agreement or at such different time as set forth in Exhibit 1.

7. **Release.** Franchisee, for itself, and its respective heirs, successors, assigns, agents and representatives, hereby fully and forever unconditionally releases and discharges Franchisor, and its predecessors, affiliates, successors, assigns, agents, representatives, employees, owners, officers, and directors (collectively referred to as “Franchisor Affiliates”) from any and all claims, demands, obligations, actions, liabilities, defenses or damages of every kind and nature whatsoever, in law or in

equity, whether known or unknown, which may hereafter be discovered, in connection with, as a result of, or in any way arising from, any relationship or transaction with Franchisor or Franchisor Affiliates, however characterized or described, from the beginning of time until the date of this Addendum.

If the Franchised Business is located in Washington or if Franchisee is a resident of Washington, the following shall apply:

Any general release provided for hereunder shall not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

8. Non-Disparagement. Franchisee agrees not to, and to use its best efforts to cause its current and former owners, officers, directors, principals, agents, partners, employees, representatives, attorneys, spouses, and successors and assigns not to, disparage or otherwise speak or write negatively, directly or indirectly, of Franchisor or Franchisor Affiliates or their respective current and former agents, principals, officers, directors, owners, members, employees, franchisees, representatives, area directors, attorneys, parents, predecessors, affiliates, subsidiaries divisions, and successors and assigns, the KONALA brand, the KONALA system, or any other service-marked or trademarked concept of Franchisor, or which would subject the KONALA brand to ridicule, scandal, reproach, scorn, or indignity or which would negatively impact the goodwill of Franchisor or its brand.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have caused this Addendum to be executed on the date first set forth above.

KONALA FRANCHISING LLC

By: _____
Title: _____
Date*: _____
(*This is the Effective Date)

FRANCHISEE:
Sign Here if you are taking the franchise as an

INDIVIDUAL(S)

(Note: Use these blocks if you marked in the Franchise Agreement that you are an individual or a partnership but the partnership is not a separate legal entity)

Sign here if you are taking the franchise as a

CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP

Print Legal Name of Entity

By: _____
Signature
Print Name: _____
Title: _____
Date: _____

Signature
Print Name: _____
Date: _____

Exhibit 1

Remodeling

EXHIBIT J

AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER

[This Agreement is a sample form currently in use and is subject to change.]

THIS AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER (“Agreement”) is made among **KONALA FRANCHISING LLC** (“Franchisor”), **[SELLER NAME(S) OR ENTITY NAME]** (“Seller”), and **[BUYER NAME(S) OR ENTITY NAME]** (“Buyer”), and, if any, the undersigned Guarantors, effective as of the Effective Date.

RECITALS

A. Seller is the franchisee pursuant to that certain franchise agreement between Franchisor and Seller, as franchisee, dated **[date of seller franchise agreement]** (the “Seller Franchise Agreement”), governing the operation of the _____ business located at **[Restaurant address]** (“Franchised Location”);

B. Buyer is the franchisee under that certain franchise agreement between Franchisor and Buyer, as franchisee, dated **[date of buyer franchise agreement]** (as amended, the “Buyer Franchise Agreement”);

C. Seller has notified Franchisor that it and Buyer have entered into an Asset Purchase Agreement, dated **[date of Asset Purchase Agreement]** (the “Purchase Agreement”), pursuant to which Seller has agreed to sell and Buyer has agreed to purchase all of the rights, obligations and assets relating to the Franchised Location (the “Interests”) and, further, that Buyer has agreed to assume the lease obligations with regard to the Franchised Location (collectively, the “Transfer”); and

D. Seller and the guarantors of the obligations of Seller (the “Seller Guarantors”) have requested that Franchisor consent to the Transfer and release Seller and the Seller Guarantors from all obligations under the Franchise Agreement and guaranty, respectively; and

E. The parties desire to set forth the terms and conditions under which Franchisor will consent to the Transfer and release.

AGREEMENT

FOR AND IN CONSIDERATION of the foregoing Recitals, which are incorporated herein, the mutual covenants expressed herein and other valuable consideration, receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. **Effective Date.** The Effective Date will be the date on which Franchisor signs this Agreement acknowledging its consent to the proposed Transfer.

2. **Proposed Transfer.** Buyer is purchasing the Interests from Seller in accordance with the terms and conditions of the “Purchase Agreement,” a copy of which has been provided to Franchisor by Seller and Buyer. Seller and Buyer represent and warrant that the form of Purchase Agreement provided to Franchisor is the final version of the agreement and is the version which has been or will be executed by them to effectuate the Transfer.

3. **Conditional Consent; Release of Guaranty.** The Seller Franchise Agreement provides that the Transfer cannot take place without the consent of Franchisor. Franchisor will consent to the Transfer, as provided in the Seller Franchise Agreement, and will release (a) Seller from any obligations arising under the Seller Franchise Agreement and (b) Seller Guarantors under any guaranty agreement (in each case except as described below) from and after the Effective Date; provided, however, such consent and release are expressly contingent upon compliance with the following terms and conditions on or before the date of the closing of the Transfer (“Closing”):

a. **Franchise Agreement.** The Seller Franchise Agreement will terminate as of the Closing, and the operation of the Franchised Location will thereafter be governed by the Buyer Franchise Agreement;

b. **Payment of Amounts Due.** Seller will pay all amounts due and owing to Franchisor through the date of Closing; including but not limited to past due royalty and advertising fees in the amount of \$ _____;

c. **Transfer Fee.** Seller shall pay a transfer fee of \$ _____ as provided in the Seller Franchise Agreement;

d. **Financial Statements.** Seller will provide Franchisor with all required monthly financial statements for the Franchised Location through the date of Closing;

e. **Training.** Buyer or Buyer’s designated representative(s) shall have satisfactorily completed the initial training program as described in the Buyer Franchise Agreement prior to the Closing;

f. **Right to Possession.** Buyer will provide satisfactory evidence to Franchisor that Buyer has the right to possession of the premises or property for the Franchised Location by way of lease assignment (with all required landlord consents) or otherwise;

g. **Site Selection Assistance.** Buyer acknowledges and agrees that Franchisor has satisfied any and all obligations under the Buyer Franchise Agreement with respect to site selection and development assistance;

h. **Remodeling.** Seller and Buyer shall ensure that all of the items reflected on the Pre-Sale Inspection which is attached hereto have been completed;

i. **Purchase Agreement.** The Purchase Agreement will not be amended, and the terms of the transaction thereunder will not be changed except with the prior written consent of Franchisor; and

j. **Buyer Loans.** Buyer shall provide Franchisor with copies of all loan documents or loan commitments evidencing all debt taken on by Buyer in connection with the purchase of the Franchised Location.

4. **Waiver of Right of First Refusal.** Franchisor hereby waives any right of first refusal to purchase the Interests it may have pursuant to the Seller Franchise Agreement.

5. **Release of Franchisor.** Seller, the Seller Guarantors and Buyer, and each of them, for themselves and their affiliates, employees, officers, directors, successors, assigns, and other representatives, hereby fully and forever unconditionally release and discharge Franchisor, and its

affiliates, parents, subsidiaries, area directors and agents and their respective employees, owners, members, officers, directors, successors, assigns, guarantors and other representatives (the "Released Parties"), from any and all claims, demands, obligations, actions, liabilities and damages of every kind or nature whatsoever, in law or in equity, whether known or unknown to them, which they may have against the Released Parties as of the date of this Agreement, or which may thereafter be discovered, accrued, or sustained, in connection with, as a result of, or in any way arising from, any relations or transactions with the Released Parties, however characterized or described, including but not limited to, any claims arising from the Seller Franchise Agreement, the Buyer Franchise Agreement or the Purchase Agreement or the transactions described herein.

If the Franchised Business is located in Washington or if Franchisee is a resident of Washington, the following shall apply:

Any general release provided for hereunder shall not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

If the Franchised Location is located in California or if either Buyer or Seller is a resident of California, the following shall apply:

Section 1542 Acknowledgment. It is the intention of Seller and Buyer in executing this Agreement that this instrument be and is a general release which shall be effective as a bar to each and every claim, demand or cause of action released by Seller and/or Buyer. Each of Seller and Buyer recognizes that he, she or it may have some claim, demand or cause of action against the Release Parties of which he, she, or it is totally unaware and unsuspecting, which he, she or it is giving up by executing this Agreement. It is the intention of each of Seller and Buyer in executing this instrument that it will deprive him, her or it of such claim, demand or cause of action and prevent him, her or it from asserting it against the Released Parties. In furtherance of this intention, Seller and Buyer expressly waive any rights or benefits conferred by the provisions of Section 1542 of the California Civil Code, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Each of Seller and Buyer acknowledges and represents that he, she, or it has consulted with legal counsel before executing this Agreement and that he, she, or it understands its meaning, including the effect of Section 1542 of the California Civil Code, and expressly consents that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including, without limitation, those relating to the release of unknown and unsuspected claims, demands and causes of action.

6. Termination of Seller Franchise Agreement and Guaranties. Franchisor and Seller acknowledge and agree that, as of the date of Closing, upon the Transfer and upon compliance with the conditions set forth in Section 3 above, the Seller Franchise Agreement and the guaranties (if any) will automatically terminate and neither Seller nor Seller Guarantors shall have any further rights or obligations thereunder except that neither Seller nor any Seller Guarantor shall be released from:

- a. any obligations to pay money to Franchisor owed under either the Seller Franchise Agreement or the guaranty prior to Closing; or
- b. the provisions of the Seller Franchise Agreement that, either expressly or by their nature, survive termination, non-renewal, or expiration of the Seller Franchise Agreement

(including without limitation the post-termination restrictive covenants, audit rights, dispute resolution and notice, and confidentiality provisions of the Seller Franchise Agreement).

7. **Acknowledgment.** Buyer and Seller acknowledge that although Franchisor or its affiliates, employees, officers, directors, successors, assigns, and other representatives may have been involved in Buyer's purchase of the Interests from Seller, Buyer and Seller have assumed sole and full responsibility for making the final decision to purchase and sell the Interests and each has consulted, or has had the opportunity to consult but, of its own accord, elected not to consult, with its own legal and financial advisors. Buyer further understands that as part of analyzing the purchase of the Interests from Seller, it is Buyer's responsibility to meet with or otherwise gather necessary information from the appropriate parties which may or may not affect Buyer's purchase of the Interests from Seller.

8. **Additional Documents.** Buyer and Seller agree to execute such additional documents as may be necessary to complete the Transfer as contemplated by the Purchase Agreement, the Seller Franchise Agreement and the Buyer Franchise Agreement.

9. **Miscellaneous Provisions.** This Agreement will be construed and enforced in accordance with, and governed by, the laws of the state of Delaware. This Agreement may not be modified or amended or any term hereof waived or discharged except in writing signed by the party against whom such amendment, modification, waiver or discharge is sought to be enforced. The headings of this Agreement are for convenience and reference only and will not limit or otherwise affect the meaning hereof. This Agreement may be executed in any number of counterparts and sent via facsimile, each of which will be deemed an original but all of which taken together will constitute one and the same instrument. All capitalized terms used, but not defined, herein shall have the meanings ascribed to them in the applicable franchise agreement.

10. **Non-Disparagement.** In consideration of the accommodations provided to Seller, the Seller Guarantors and Buyer and concessions made by Franchisor and its affiliates under this Agreement, Seller, the Seller Guarantors and Buyer agree not to, and to use their best efforts to cause their current and former owners, officers, directors principals, agents, partners, employees, representatives, attorneys, spouses, and successors and assigns not to, disparage or otherwise speak or write negatively, directly or indirectly, of Franchisor or the Released Parties or their respective current and former agents, principals, officers, directors, owners, members, employees, franchisees, representatives, area directors, attorneys, parents, predecessors, affiliates, subsidiaries divisions, and successors and assigns, the KONALA brand, the KONALA system, or any other service-marked or trademarked concept of Franchisor, or which would subject the KONALA brand to ridicule, scandal, reproach, scorn, or indignity or which would negatively impact the goodwill of Franchisor or its brand.

THUS, signed by the parties shown below and made effective as of the Effective Date.

SELLER(S): If Seller is a legal entity, name of entity: _____

By: _____
Name: _____
Title (if applicable): _____

SIGNATURES CONTINUE ON FOLLOWING PAGE

SELLER GUARANTORS:

Print Name: _____

Print Name: _____

Print Name: _____

Print Name: _____

BUYER(S): If Buyer is a legal entity, name of entity: _____

By: _____
Name: _____
Title (if applicable): _____

ACCEPTED:

KONALA FRANCHISING LLC

By: _____
Title: _____
Date*: _____

*This date is the Effective Date

PRE-SALE INSPECTION

EXHIBIT K

BRAND STANDARDS MANUAL TABLE OF CONTENTS

Table of Contents

I.	Introduction	6
II.	Pre-Opening and Start Up	17
	a. Site Selection and Approval	18
	1. Brand Deck	20
	b. Lease Negotiations and Legal Requirements	25
	c. Construction and Build-Out Process	27
	1. Build your A-TEAM	27
	2. Design and Permitting	28
	d. Equipment & Supply Procurement	29
	1. Clark National Accounts	29
	i. Rational Combi Oven Set Up	29
	2. Vendor Set Up	32
	i. Tech Stack Set Up	33
	e. Initial Training Requirements	36
	1. HQ Training with FBC	36
	2. Post-Training Support	45
	f. Grand Opening Strategies	45
	1. Pre-Opening Marketing and Branding	45
	i. Picking Day	46
	ii. Temporary Signage	46
	iii. Brand Awareness	47
	2. VIP Day Soft Opening	48
	3. Grand Opening Day Promotions	49
	4. Grand Opening Support	50
III.	Daily Operations	51
	a. Store Hours	52

b.	Creating the Right Atmosphere	55
c.	Opening and Closing Procedures	57
d.	Menu Execution and Quality Control	62
e.	Customer Service Standards	66
f.	Handling Customer Complaints & Feed Back	69
g.	Drive-Thru, Walk-in, Online Ordering	76
h.	Konala Kards and Employee Job Aids	79
1.	Prep and Recipe Kards	82
2.	Bowl Builds	129
3.	Kitchen Set Up	146
4.	Cleaning Kards	160
5.	Safety Kards	172
6.	Customer Signage	179
i.	Food Preparation and Safety Procedures	183
1.	Product Ordering and Receiving	185
j.	Money Handling & Reconciliation	188
k.	Cleaning and Maintenance Standards	192
IV.	Training & Team Development	197
a.	New Employee Onboarding	198
b.	Training Schedule and Konala Kard Integration	207
c.	Performance Management and Evaluation	230
d.	Building a High-Performance Team	231
e.	Leadership Development & Growth Pathways	232
f.	Employee Retention and Motivation Strategies	233
g.	Time Management & Productivity Tips	235
h.	Staff Scheduling & Labor Costs	236
i.	Labor Cost Management	238
V.	Marketing and Brand Growth	241
a.	Local Store Marketing and Community Outreach	242

b.	Social Media Marketing from Konala	234
c.	Digital and Print Advertising Strategies	244
d.	Customer Loyalty and Engagement Programs	244
1.	Toast Loyalty	244
e.	Upselling and Sales Techniques	245
f.	Seasonal Promotions and Limited Time Offers	246
g.	Public Relations and Media Outreach	247
VI.	Financial Management	249
a.	Understanding Key Financial Metrics	250
b.	Cost Controls: Food, Labor, and Overhead	251
c.	Sales Forecasting and Business Growth	252
d.	Handling Royalties and Fees	253
e.	Vendor Relations & Ordering Practices	254
f.	Troubleshooting	255
g.	Budgeting and Cash Flow Management	256
h.	Profit and Loss Analysis	257
i.	Managing Inventory and Reducing Waste	258
VII.	Health, Safety, and Compliance	259
a.	Submitting Health Department Form	260
b.	Food Safety and Sanitation Standards	269
c.	Health Department Inspections	270
d.	OSHA and Workplace Safety Requirements	271
e.	Crisis Management and Problem Solving	272
f.	Handling Negative Reviews and Reputation Management	272
g.	Fire Safety and Security Measures	273
h.	Work Place Injury Prevention and Reporting	274
i.	Insurance Requirements	275
VIII.	Leadership and Ownership Mindset	278
a.	Konala Book List	279

b.	Extreme Ownership – Take Responsibility	284
c.	Problem Solving Frameworks	284
d.	Leading by Example	285
e.	Creating a Positive Team Culture	285
f.	Setting and Enforcing Expectations	285
g.	Time Management for Franchise Success	286
h.	Decision Making and Conflict Resolution	286
i.	Coaching and Employee Development	287
IX.	52 Week Franchise Owner Roadmap	288
a.	Week 1-4: Grand Opening & Operations	289
b.	Week 5-8: Team Development and Leadership	289
c.	Week 9-12: Financial Performance and Cost Control	290
d.	Week 13-24: Scaling Sales and Building Community Presence	290
e.	Week 25-36: Strengthening Leadership and Efficiency Improvements	290
f.	Week 37-52: Long Term Growth and Franchise Owner Independence	291
X.	Long Term Franchise Owner Success	292
a.	Expanding to Multi-Unit Ownership	293
b.	Advanced Marketing Strategies	293
c.	System-Wide Brand Growth Initiatives	294
d.	Stay Aligned with Konala’s Vision	294
e.	Continuing Education and Innovation	294
f.	Leveraging Technology for Operational Efficiency	295
g.	Strategic Growth Resources and Partnerships	295

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Not Registered
Hawaii	Not Registered
Illinois	Pending Registration
Indiana	Pending Registration
Maryland	Pending Registration
Michigan	Pending Registration
Minnesota	Pending Registration
New York	Pending Registration
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Virginia	Pending Registration
Washington	Not Registered
Wisconsin	Not Registered

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT L
STATEMENT OF PROSPECTIVE FRANCHISEES

FORM OF FRANCHISE COMPLIANCE CERTIFICATION

DO NOT SIGN THIS CERTIFICATION IF YOU ARE A CALIFORNIA, MARYLAND, OR WASHINGTON FRANCHISEE.

NOTICE FOR PROSPECTIVE FRANCHISEES WHO RESIDE IN, OR WHO INTEND TO OPERATE THE FRANCHISED BUSINESS IN, ANY OF THE FOLLOWING STATES: CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI (EACH, A "REGULATED STATE"):

FOR PROSPECTIVE FRANCHISEES THAT RESIDE IN OR ARE SEEKING TO OPERATE THE FRANCHISED BUSINESS IN ANY REGULATED STATE, SUCH PROSPECTIVE FRANCHISEE SHOULD NOT COMPLETE THIS QUESTIONNAIRE OR RESPOND TO ANY OF THE QUESTIONS CONTAINED IN THIS QUESTIONNAIRE.

The purpose of this Certification is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Have you received and personally reviewed our Franchise Agreement and each Addendum (if any) and related agreement (i.e., personal guaranty) attached to them?

Yes or No? _____

2. Did you receive the Franchise Agreement and each related agreement, Addendum, or Amendment (if any), containing all material terms, at least 7 days before signing any binding agreement with us or an affiliate?*

Yes or No? _____

* This does not include changes to any agreement mutually agreed upon.

3. Do you understand all of the information contained in the Franchise Agreement and each Addendum (if any) and related agreement provided to you?

Yes or No? _____

If No, what parts of the Franchise Agreement, Addendum (if any) and/or related agreements do you not understand?

4. Have you received and personally reviewed our Franchise Disclosure Document ("FDD") that was provided to you?

Yes or No? _____

5. Did you receive the FDD at least 14 days before signing the Franchise Agreement, this document or any related agreement, and before paying any funds to us or an affiliate?

Yes or No? _____

6. Did you sign a receipt for the FDD indicating the date you received it?

Yes or No? _____

7. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes or No? _____

If No, what parts of the FDD and/or Addendum do you not understand?

8. Have you discussed the benefits and risks of purchasing a KONALA franchise with an attorney, accountant or other professional advisor?

Yes or No? _____

If No, do you wish to have more time to do so?

Yes or No? _____

9. Do you understand that the success or failure of your KONALA franchise will depend in large part upon your skills and abilities, competition from other businesses, and other economic and business factors?

Yes or No? _____

10. Has any employee or other person speaking on our behalf made any statement or promise concerning the actual or possible revenues or profits of a KONALA franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes or No? _____

11. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a KONALA franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes or No? _____

12. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a KONALA franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes or No? _____

13. Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the FDD?

Yes or No? _____

14. If you have answered "Yes" to any one of questions 11-14, please provide a full explanation of each "Yes" answer in the following blank lines.

15. Do you understand that the Franchise Agreement, Addendum (if any) and related agreements contain the entire agreement between you and us concerning the KONALA franchise, meaning that any prior oral or written statements not set out in the Franchise Agreement, Addendum (if any) or related agreements will not be binding?*

Yes or No? _____

Nothing in this document or any related agreement is intended to disclaim the representations we made in the FDD that we furnished to you.

16. Do you understand that, except as provided in the FDD, nothing stated or promised by us that is not specifically set forth in the Franchise Agreement, Addendum (if any) and related agreements can be relied upon?

Yes or No? _____

17. You signed the Franchise Agreement, and Addendum (if any) and related agreements on _____, and acknowledge that no agreement or addendum is effective until signed and dated by us.

18. I agree to sign an Initial Training Acknowledgment (Attachment 7 to the franchise agreement) affirming that the Initial Training I receive from the Franchisor, and/or its designees, meets the requirements outlined in the Franchise Agreement.

19. I agree to sign a Request by Franchisee for Financial Information (Attachment 6 to the Franchise Agreement) in the event that I request to receive financial information from the Franchisor and acknowledge that such information shared pursuant to this request shall be deemed to be a permissible disclosure since I have entered into the Franchise Agreement prior to any such disclosure and I agree to fully release and hold harmless the Franchisor and its agents and representatives and agree that I will not seek any legal action whatsoever based upon any financial information I receive from Franchisor pursuant to this request.

20. I agree to enter into a formal written addendum in the event the Franchisor and I mutually agree to revise any terms of the Franchise Agreement, whether at initial signing of the Franchise Agreement or a future date. Such addendum will include a full release and hold harmless through the date of its execution.

YOU UNDERSTAND THAT YOUR RESPONSES TO THESE QUESTIONS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS COMPLIANCE CERTIFICATION,

YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

SPECIAL NOTE FOR RESIDENTS OF THE STATE OF ILLINOIS AND FRANCHISED BUSINESSES LOCATED IN ILLINOIS: Questions 1 and 5 do not apply to you.

SPECIAL NOTE FOR RESIDENTS OF THE STATE OF MARYLAND AND FRANCHISED BUSINESSES LOCATED IN MARYLAND: None of the above representations are intended to nor will they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

[Signatures on following page]

The individuals signing below for the "**Franchisee Applicant**" constitute all of the executive officers, partners, shareholders, investors and/or principals of the Franchisee Applicant, or constitute the duly authorized representatives or agents of the foregoing.

FRANCHISEE APPLICANT:

Signature: _____

Name: _____

Date: _____

Signature: _____

Name: _____

Date: _____

Signature: _____

Name: _____

Date: _____

**EXHIBIT M
RECEIPT**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If KONALA FRANCHISING LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement or make a payment to us or an affiliate in connection with the proposed franchise sale. New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Iowa requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 14 calendar days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires you to receive this Franchise Disclosure Document 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. or, if you live in New York, or Rhode Island, at the first personal face-to-face meeting.

Michigan and Washington require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever comes first.

If KONALA FRANCHISING LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and to the appropriate state agency listed on Exhibit E.

The name, principal business address and telephone number of the franchisor is: KONALA FRANCHISING LLC, 107 E. 7th Ave. Post Falls, ID 83854, 775-225-9902.

Issuance Date: September 19, 2025.

The name, principal business address, and telephone number of each franchise seller offering the franchise is:

☐	☐	☐	☐
Konala Franchising LLC TRACE MILLER 107 E. 7 th Ave. Post Falls, ID 83854 775-225-9902	Fransmart, LLC Dan Rowe 16427 N. Scottsdale Road, Ste. 340, Scottsdale, AZ 85254 703-537-5396	Fransmart, LLC Al Rowe 16427 N. Scottsdale Road, Ste. 340, Scottsdale, AZ 85254 703-537-5396	Fransmart, LLC Jolly Khabrani 16427 N. Scottsdale Road, Ste. 340, Scottsdale, AZ 85254 703-537-5396

KONALA FRANCHISING LLC, authorizes the state agencies identified on Exhibit E as our registered agent authorized to receive service of process.

I have received a disclosure document dated September 19, 2025, that included the following: Exhibit A -- KONALA Franchise Agreement, with Attachment 1 (Franchise Rider), Attachment 2 (Lease Rider), Attachment 3 (Internet, Social Media, and Telephone Assignment), Attachment 4 (Guaranty), Attachment 5A (Nondisclosure and Noncompetition Agreement), Attachment 5B (Nondisclosure and Non-Solicitation Agreement), Attachment 6 (Form of Request for Financial Information), Attachment 7 (Form of Initial Training Acknowledgment), Attachment 8 (Form of Grand Opening Training Acknowledgment and Consent to Open), Attachment 9 (Site Selection Release), Attachment 10 (Form of Addendum to Franchise Agreement), and Attachment 11 (Form of Sublease Agreement), Exhibit B-1 -- Restaurant Directory/Listing of Current Franchisees , Exhibit B-2 -- Listing of Certain Past Franchisees, Exhibit C -- Financial Statements, Exhibit D -- State Specific Information, Exhibit E -- Federal And State Regulators And Agents For Service Of Process, Exhibit G -- Sample General Release Agreement, Exhibit H -- ACH/EFT Transfer Agreement, Exhibit I -- First Addendum To Renewal Franchise Agreement, Exhibit J -- Agreement And Conditional Consent To Transfer, Exhibit K -- Brand Standards Manual, Exhibit L -- Statement of Prospective Franchisees, Exhibit M -- Receipt.

Date: _____

Name: _____

Print Address: _____

City, State, Zip: _____

RETAIN THIS COPY FOR YOUR RECORDS

Signature: _____

You may return one copy of this receipt either by signing, dating and mailing it to KONALA FRANCHISING LLC, Franchise Administration, at 107 E. 7th Ave. Post Falls, ID 83854, 775-225-9902.

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If KONALA FRANCHISING LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement or make a payment to us or an affiliate in connection with the proposed franchise sale. New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Iowa requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 14 calendar days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires you to receive this Franchise Disclosure Document 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. or, if you live in New York, or Rhode Island, at the first personal face-to-face meeting.

If KONALA FRANCHISING LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and to the appropriate state agency listed on Exhibit E.

The name, principal business address and telephone number of the franchisor is: KONALA FRANCHISING LLC, 107 E. 7th Ave., Post Falls, ID 83854, 775-225-9902.

Issuance Date: September 19, 2025.

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☐	☐	☐	☐
Konala Franchising LLC TRACE MILLER 107 E. 7 th Ave. Post Falls, ID 83854 775-225-9902	Fransmart, LLC Dan Rowe 16427 N. Scottsdale Road, Ste. 340, Scottsdale, AZ 85254 703-537-5396	Fransmart, LLC Al Rowe 16427 N. Scottsdale Road, Ste. 340, Scottsdale, AZ 85254 703-537-5396	Fransmart, LLC Jolly Khabrani 16427 N. Scottsdale Road, Ste. 340, Scottsdale, AZ 85254 703-537-5396

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Date: _____

Name: _____

Print Address: _____

City, State, Zip: _____

Signature: _____

You may return one copy of this receipt either by signing, dating and mailing it to KONALA FRANCHISING LLC, Franchise Administration, at 107 E. 7th Ave. Post Falls, ID 83854, 775-225-9902.