

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.
5. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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.

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 10 or more](#) 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.

Name of Fee ¹	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 the actual amount spent and ordered by court or arbitrator .	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. Actual cost of insurance plus an administrative fee of 10% of the insurance premium paid.	On Demand.	If we purchase insurance for you because you fail to do so, your reimbursement, plus our administrative expenses of 10% of the insurance premium paid , 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 Fee ¹	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. Any mystery shop program will not cost more than \$500 per month.
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. You will pay the actual amounts charged to us without any increase.
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 actual 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.

Name of Fee¹	Amount	Due Date	Remarks
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.
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

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 of 10% of the premium paid 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

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.

Risk Factors

The following risk factor is added to the Risk Factor Page:

Going Concern. The auditor's report on the franchisor's financial statements expresses substantial doubt about the franchisor's ability to remain in business. This means that the franchisor may not have the financial resources to provide services to you.

Items 5 and 7

We have agreed to defer collection of initial franchise fees until the business opens.

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.

8. [We have agreed to defer collection of initial franchise fees until the business opens.](#)

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.

The following is added to the Risk Factor Page:

Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from \$567,000 to \$1,386,000. This amount exceeds the franchisor's stockholders equity as of June 30, 2025, which is \$5,468.

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.

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 September 19, 2025
Maryland	Pending Registration
Michigan	Pending Registration March 3, 2025
Minnesota	Pending Registration
New York	Pending Registration
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Virginia	Pending Registration September 25, 2025
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.