



FRANCHISE DISCLOSURE DOCUMENT

Karma Franchise LLC
A Minnesota limited-liability company
3515 Plymouth Blvd, #205
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Plymouth, MN 55447
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Pizza Karma

PIZZA KARMA® is a globally inspired, healthfully sourced restaurant chain featuring signature tandoor ovens to prepare pizza, wraps, wings, and other appetizers, with a menu that also includes salads and a wide selection of beverages. The restaurants offer a range of on-premises dining and carryout and delivery options. Qualified franchisees have the option to operate a food truck in addition to the restaurant.

The total investment necessary to begin operation of a Pizza Karma restaurant is ~~\$382,750~~ \$17,250 to ~~\$622,582,000~~. This includes \$33, of which \$27,000 to \$34,000 that must be paid to the franchisor or an affiliate. The total investment necessary to operate an optional add-on Pizza Karma food truck (in addition to the restaurant) is \$125,750 to \$179,750, of which \$10,000 must be paid to the franchisor or an affiliate. We may also offer you the right to develop two or more Pizza Karma restaurants. You would then sign an "Area Development Agreement" and pay a Development Fee equal to the sum of \$30,000 for the first restaurant plus \$25,000 for each additional restaurant you agree to develop. You would not then pay an initial franchise fee for each restaurant. Your estimated initial investment will vary based on the number of Pizza Karma franchises to be developed.

This Disclosure Document summarizes certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Pizza Karma's franchise group at info@pizzakarma.com.

The terms of your contract will govern your franchise relationship. Do not 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 such as a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, 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: ~~February 11, 2022~~

September 10, 2024

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 EF .
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 DE 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 Pizza Karma Restaurant 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 Pizza Karma Restaurant franchisee?	Item 20 or Exhibit EF 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.

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EXHIBITS

- A. STATE AGENCIES AND ADMINISTRATORS AND FRANCHISOR’S AGENTS FOR SERVICE OF PROCESS
- B. FRANCHISE AGREEMENT
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- ~~H.~~ H. STATE SPECIFIC ADDENDA
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- ~~J.~~ J. STATE EFFECTIVE DATES AND RECEIPTS

APPLICABLE STATE LAW MIGHT REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT. THESE ADDITIONAL DISCLOSURES, IF ANY, APPEAR IN EXHIBIT GH.

ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

Franchisor

The franchisor is Karma Franchise LLC, a Minnesota limited liability company. To simplify the language in this Disclosure Document, we will refer to Karma Franchise LLC as “we” or “us.” This Disclosure Document will refer to the person or entity that buys the franchise from us as “you”, and the term includes your partners if you are a partnership, your members if you are a limited liability company, or your shareholders if you are a corporation. If you are a corporation, partnership or limited liability company, your owners will have to guarantee your obligations and be obligated to comply with the terms of the franchise agreement and ancillary documents described in this Disclosure Document.

We are a Minnesota limited liability company organized on June 22, 2021, for the purpose of engaging in the sale of franchises of PIZZA KARMA® restaurants. Our principal business address is 3500 Vicksburg Lane N., #270,3515 Plymouth Blvd., #205 Plymouth, Minnesota, MN 55447, and our telephone number is (763) 200-4119. We conduct business under the name PIZZA KARMA® and the trademarks described in Item 13 and under no other names. Our agents for service of process are disclosed in Exhibit A. We have been offering franchises described in this disclosure document as of the date of this Disclosure Document.

Our Parent, Predecessors and Affiliates

We have no predecessor. We are a wholly owned subsidiary of our corporate parent, Naanza, LLC, a Minnesota limited liability company that was organized on March 30, 2017, with a principal business address that is the same as ours. Naanza, LLC owns the trademarks, recipes, and other proprietary information that it licenses to us.

While we do not operate a business of the type being franchised, we have three affiliates that operate businesses of the type being franchised:

~~Our affiliate~~ Our affiliate, PIZZA KARMA Eden Prairie LLC, a Minnesota limited liability company that was organized on January 2, 2024, with a principal business address of 8451 Joiner Way, Eden Prairie, Minnesota 55344, owns and operates a Pizza Karma restaurant located at the principal business address, telephone (952) 467-6100, which opened in December 2018. Previously, this restaurant was owned and operated by another affiliate of ours, EPPK Holding LLC, a Minnesota limited liability company that was organized on August 28, 2019, with a principal business address at ~~6065 Zanzibar Lane North, Plymouth, Minnesota 55446~~, owns and has operated a Pizza Karma restaurant located at 8451 Joiner Way, Eden Prairie, Minnesota 55344. Neither of these entities engage in any other business activities, provide products or services to our franchisees, nor offer franchises in any line of business.

Our affiliate, PIZZA KARMA Maple Grove LLC, a Minnesota limited liability company that was organized on October 12, 2023, with a principal business address of 11611 Fountains Drive, Maple Grove, Minnesota 55369, owns and operates a Pizza Karma restaurant located at the principal business address, telephone (952) 467-6100, since it (763) 520-9800, which opened in December 2018/2019. Previously, this restaurant was owned and operated by another affiliate of ours, MKS Dine, LLC, a Minnesota limited liability company that was organized on February 15, 2019, with a principal business address of 11611 Fountains Drive, Maple Grove, Minnesota 55369. Neither of these entities engage in any other business activities, provide products or services to our franchisees, nor offer franchises in any line of business.

~~Our affiliate, EPPK Food Truck LLC, a Minnesota limited liability company that was organized on September 9, 2021, with a principal business address at 8451 Joiner Way, Eden Prairie, Minnesota 55344, owns and has operated a Pizza Karma branded food truck in the Minneapolis, Minnesota area since June 2022. This entity does not engage in any other business activities, does not provide products or services to our franchisees, and does not offer franchises in any line of business.~~

~~Our ~~one former~~ affiliate, MKS Dine, LLC, a Minnesota limited liability company that was organized on February 15, 2019, with a principal business address at 11611 Fountains Drive, Maple Grove, Minnesota 55369, owns and has ~~formerly~~ operated a Pizza Karma restaurant ~~located at 11611 Fountains Drive, Maple Grove, Minnesota 55369, telephone (763) 520-9800, since it opened in December 2019. This entity does not engage in any other business activities, does not provide products or services to our franchisees, and does not offer franchises in any line of business.~~~~

~~Our affiliate, Karma Rasoi LLC, a Minnesota limited liability company that was organized on June 7, 2021, with a principal business address at 3515 Plymouth Blvd #205, Plymouth, Minnesota 55447, owns and has ~~(and has since been dissolved), owned and~~ operated a Pizza Karma ~~restaurant~~ outlet operating under a cloud kitchen concept, located at 517 Northtown Mall Drive, #K7, Blaine, Minnesota 55369, telephone (612) 444-1327, ~~since it opened from its opening in November 2021, until it closed in June 2022. This entity does~~ did not engage in any other business activities, ~~does not~~ provide products or services to our franchisees, ~~and does not~~ offer franchises in any line of business.~~

We have no other parents, predecessors or affiliates required to be included in this Item. Except as described above, neither we, our parent, nor our affiliates have offered franchises in any other line of business or otherwise conduct business of the type offered to you in this Disclosure Document. We, our parent, or our affiliates may provide products or services to you and other franchisees.

We or any affiliate may, in the future, own or manage other restaurants and/or offer restaurant franchises which operate under tradenames, logos, and service marks other than PIZZA KARMA, but may be similar to, and depending on their location, may compete with your Restaurant.

~~Our agents for service of process are disclosed on Exhibit A to this Disclosure Document.~~

The Franchise

We offer franchises for the operation of a restaurant under the name “PIZZA KARMA” (“~~Restaurants~~”):[®]. Your Restaurant will emphasize our global-inspired philosophy ~~of eating globally and giving locally, and~~ offer a variety of internationally inspired menu items – many of which are prepared using a tandoor oven ~~oven~~ – and, depending on the type of format you choose to open, offer either counter service on-premises dining plus carry out, or an emphasis on carry-out and delivery, with only a modest amount of on-premises dining. We refer to PIZZA KARMA[®] restaurants as “Restaurants,” we refer to Restaurants operated by us or our affiliates as “Corporate Restaurants” and we refer to Restaurants operated by our franchisees as “franchised Restaurants.” As used in this Disclosure document, “your Restaurant” means your franchised Restaurant that you will operate pursuant to the Franchise Agreement.

Your Restaurant will feature certain hallmarks of our brand, such as an eye-catching, multi-color mural wall featuring our trademark (the “**Signature Wall**”) and at least one tandoor oven. Restaurant menu items are prepared according to specified recipes and procedures and use high quality ingredients. ~~two tandoor ovens.~~ You will operate your Restaurant under the form of Franchise Agreement attached to this Disclosure Document as Exhibit B (the “**Franchise Agreement**”). We offer to enter into Franchise Agreements with qualified legal entities and persons. ~~Restaurant menu items are prepared according to specified recipes and procedures and use high quality ingredients.~~

We also offer qualified candidates the right to develop multiple Restaurants within a specific territory under the terms of an “Area Development Agreement.” The minimum number of Restaurants required to be open under the Area Development Agreement is two (2). The Area Development Agreement is attached as Exhibit C. If you sign an Area Development Agreement, you will sign a separate then-current form of the Franchise Agreement for each Restaurant you develop under your Area Development Agreement, which may differ from the current Franchise Agreement attached to this Disclosure Document.

Under the Franchise Agreement, you will operate your Restaurant at a designated location, which may be either owned by you or leased from a third party, ~~at a designated location~~ in compliance with our requirements as they are adopted from time to time. A Restaurant typically occupies 1,500 to 3,500 square feet of space and includes seating capacity of approximately 50 to 75 for on-premises dining. In limited circumstances, with our approval your Restaurant may be located in a food court or shared kitchen space, in which case it will have a smaller footprint and accommodate fewer on-premises customers. Restaurants feature, at the option of the franchisee, the availability of beer and wine. All Restaurants are constructed to our specifications as to format, size, layout, decor and the like, unless we agree otherwise.

We also offer qualified franchisees the option to purchase and operate, in addition to the brick-and-mortar Restaurant they will open and operate, a mobile “food truck” based on a 26- to 30-foot vehicle that also operates under the “PIZZA KARMA” name (a “Food Truck”). A Food Truck enables franchisees to offer a limited menu of Pizza Karma products to host external catering events and at approved venues outside of the Restaurant, such as community fairs, concerts, street festivals, and other events. You will use your Restaurant as the commissary for the Food Truck and may not use any third-party business as the commissary. Your Food Truck will not offer beer or wine. You must operate a Restaurant to qualify for a Food Truck; the Food Truck option is not available independently. Unless otherwise specified, “your Restaurant” as used in this document also encompasses the operations of your Food Truck, should you choose to incorporate the Food Truck option into your Restaurant operations, and we allow you to do so.

You will operate a Restaurant, at your expense, as an independent business utilizing our business format, procedures, designs, layouts, trade dress, standards, specifications, methods of operation, customer service standards, purchasing and sourcing procedures, training and assistance, technology standards, entertainment and promotional events, and marketing, advertising and promotional programs (the “**System**”). You must use the System at your Restaurant, which includes, without limitation, the common use and promotion of the name “PIZZA KARMA” and other service marks, trademarks, trade names, logos, emblems, signs, slogans, insignia and other commercial symbols, including the Signature Wall, that we may designate from time to time (collectively, the “**Marks**”); distinctive food products, recipes and quality standards; training; advertising and promotional programs; and ongoing assistance. We may from time to time add or delete products and/or services and change, improve, add to, and further develop the specifications, standards, procedures, methods of operation and other elements of our System, and you will be expected to follow suit. You will offer and provide products and services to the general public, at all times complying with the Franchise Agreement and our confidential operations manual (the “**Operations Manual**”) to which you will be provided access at the time of training. You may only offer services and products with our prior approval.

If you are not an individual, then you must designate one of your owners, who must be an individual person and who must be reasonably acceptable to us, to act as the decision-maker and our primary contact for your Restaurant (the “**Operating Partner**”). The Operating Partner must at all times own and control, or have the right to own and control, subject to conditions reasonably acceptable to us, not less than twenty percent (20%) of your equity and voting rights, and must have completed our training program as described herein.

Regulatory Matters

You will be subject to various federal, state and local government regulations including those relating to construction, site location, and the preparation and sale of food that apply to restaurant operations, as well as public health, sanitation and safety codes and ordinances. Since you may opt to sell beer and wine at your Restaurant, you may be required to obtain a liquor license under state and local law. You may also have liability under dram shop laws for injuries relating to the sale and consumption of these substances. Your Restaurant will also be subject to national, state, and local regulations that apply to all businesses, including the Americans With Disabilities Act, wage and hour laws, occupational health and safety (OSHA), equal employment opportunity, taxes, hazardous material, communications to employees, and business licensing requirements. Because you will accept credit cards, you will also have to comply with any general laws and regulations relating to the acceptance of credit cards, including Payment Card Industry (PCI) Data Security Standard (DSS).

You must acknowledge in the Franchise Agreement that you are responsible for keeping apprised of, and complying with, all applicable local, country, state and federal laws and regulations as they may change from time to time. You should consult with your attorney and local, county, state, and federal government agencies concerning these and other laws and ordinances that may affect the operation of a Restaurant before you sign a Franchise Agreement.

Each of your managers and other employees we designate must be ServSafe certified or must have completed a similar safety training and certificate program approved by us. You must provide us proof of this certification upon our request.

Market and Competition

Pizza Karma Restaurants offer products and services to the general public in urban and suburban locations throughout the year and compete primarily with other casual restaurants and restaurant chains that offer similar menus, including independent, regional and national pizza restaurants, but also including other fast-casual restaurants as well as fast-food, quick-service, and traditional restaurants, some of which may be a part of national or regional chains or franchise systems. The casual restaurant business is very competitive and is often driven by fierce competition. Pizza Karma Restaurants also compete with similar products sold through other distribution channels, such as through grocery locations and convenience locations. The sales of your Restaurant are not expected to be seasonal.

In addition, we may establish other Pizza Karma Restaurants in your area if permitted under the Franchise Agreement and/or sell or license others to sell products and/or services in your area. Also, we may sell related products through wholesalers, distributors, the Internet, toll-free telephone numbers, catalogs, mobile or temporary locations such as a food truck, or other similar means of distribution to customers at any location, whether or not located in your area. To the extent your Restaurant may be located near another Pizza Karma Restaurant, you may appear to or actually compete with other Pizza Karma Restaurants.

The ability of each Pizza Karma Restaurant to compete depends on its geographic location, marketing efforts, employee training, customer service, overhead costs, changing local market and economic conditions, and many other factors both within and outside your or our control. Prior business ownership and management experience is vital for new franchisees, and prior restaurant experience is highly desirable. Your people management skills, business acumen, and financial management strength, as well as your passion for the Restaurant, will all affect whether you succeed as a Pizza Karma Restaurant franchisee.

ITEM 2 **BUSINESS EXPERIENCE**

~~————~~ **Chinta Narisi Reddy / President**

~~Chinta Narisi Reddy~~ **Rajesh Khanna Selvaraj / Founder and Chief Executive Officer**

~~Rajesh Khanna Selvaraj is a co-founder of the Pizza Karma brand and serves as our President, a position he has held since our inception in June 2021. Chief Executive Officer. Mr. Reddy also serves as architect for United Health Group, a position he has held since August 2018. January 2024. Prior to that, he was one of our Directors from our inception in June 2021 until January 2024. Mr. Selvaraj has also served as Chief Executive Officer of our parent, Naanza, LLC, since October 2023. Previously, he was senior solution architect for Concord USA from May 2013 to manager at Optum Technology, LLC, in Eden Prairie, Minnesota, from December 2017. 2011 to September 2023. Mr. Reddy Selvaraj serves in his current capacities in the Minneapolis-St. Paul metropolitan area.~~

Dhivya Priya Jegenathan / Chief Operating Officer

~~Dhivya Priya Jegenathan~~ **Nagendar Mahipathi / Director of Sales and Expansion**

~~Nagendar Mahipathi serves as our Director of Sales and Expansion Chief Operating Officer, a position he she has held since January 2024. Prior to that, she was our Vice President of Operations from our inception in June 2021 until January 2024. Ms. Mr. Mahipathi Jegenathan has also served as chief executive officer of Vajraasys Limited, a position he has held Chief Operating Officer of our parent, Naanza, LLC, since June 2006. Mr. Mahipathi serves in his current capacities in the Minneapolis-St. Paul metropolitan area.~~

~~————~~ **Dhivya Priya Jegenathan / Vice President of Operations**

~~January 2024. She previously was Dhivya Priya Jegenathan serves as Vice President of Operations, a position she has held since our inception in June 2021. Ms. Jegenathan also serves as vice president of operations for our parent, Naanza, LLC, a position she has held since from June 2019. Prior to that, she was systems engineer at TCF Bank from March 2016 to June 2019. January 2024. Ms. Jegenathan serves in her current capacities in the Minneapolis-St. Paul metropolitan area.~~

~~————~~ **Amit Rudraraju / Director**

~~Amit Rudraraju serves as one of our Directors, a position he has held since our inception in June 2021. Mr. Rudraraju also serves as cloud architect for Amazon Web Services, a position he has held since December 2017. Prior to that, he served as solutions architect at Cisco Advanced Services from March 2014 to November 2017. Mr. Rudraraju serves in his current capacities in the Minneapolis-St. Paul metropolitan area.~~

~~————~~ **Ramakrishna Rachuru / Director**

~~Ramakrishna Rachuru serves as one of our Directors, a position he has held since our inception in June 2021. Mr. Rachuru also serves as lead architect at Rig Info Technologies, a position he has held since October 2000. Mr. Rachuru serves in his current capacities in the Minneapolis-St. Paul metropolitan area.~~

~~**Rajesh Khanna Selvaraj / Director and Co-Founder**~~

~~Rajesh Khanna Selvaraj is a co-founder of the Pizza Karma brand and serves as one of our Directors, a position he has held since our inception in June 2021. Mr. Selvaraj also serves as senior manager at Optum Technology, LLC, a position he has held since December 2011. Mr. Selvaraj serves in his current capacities in the Minneapolis-St. Paul metropolitan area.~~

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item 3.

ITEM 4
BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item 4.

ITEM 5
INITIAL FEES

Franchise Fee

When you sign the Franchise Agreement you must pay us an initial franchise fee of \$30,000 (“**Initial Franchise Fee**”). The Initial Franchise Fee is due in full when you sign the Franchise Agreement, and is non-refundable. The Initial Franchise Fee will be used for reviewing the initial Restaurant site you have identified and to provide initial training and other assistance for the opening of your Restaurant. We have no intention, now or in the future, of reducing the Initial Franchise Fee for any prospective franchisees, although we reserve the right to do so in our sole discretion on a case-by-case basis. ~~As we began offering franchises on the date of this Disclosure Document~~In our last fiscal year, we did not collect any Initial Franchise Fees ~~in our last fiscal year.~~

~~If you sign a food truck addendum, you must pay us an additional \$10,000 initial franchise fee (“**Food Truck Franchise Fee**”). The Food Truck Franchise Fee is due in full when you sign the food truck addendum, and is non-refundable. The Food Truck Franchise Fee will be used to provide assistance for the development and operation of your Food Truck. We have no intention, now or in the future, of reducing the Food Truck Franchise Fee for any prospective franchisees, although we reserve the right to do so in our sole discretion on a case-by-case basis.~~

We offer a reduced Initial Franchise Fee of twenty percent (20%) off the applicable initial fee in the following situations:

- ~~1. To existing franchisees of ours that are open, operating, and in good standing (i.e., not subject to any uncured default notice);~~
- ~~2. To current members of the United States Military and veterans who received an honorable discharge from a branch of the United States military;~~
- ~~3. To employees with at least two years of service to us or our affiliates; and~~
- ~~4. To qualified owners of fast-casual restaurants that meet our requirements and wish to convert their existing business and become a Pizza Karma franchisee.~~

Area Development Fee

We offer Area Development Agreements to qualified candidates to develop multiple (two or more) Restaurants. The development fee you pay when you sign an Area Development Agreement will vary depending on the number of Restaurants you commit to open. If you enter into an Area Development Agreement, you must pay a development fee (“Development Fee”) equal to the sum of \$30,000 for your first Restaurant plus \$25,000 for each additional Restaurant you agree to open under our form of Area Development Agreement. You will not pay an additional Initial Franchise Fee for any of the Restaurants we require you to develop under the Area Development Agreement. All portions of the Development Fee are payable in full when you sign the Area Development Agreement and are non-refundable. As we only began offering to enter into Area Development Agreements as of the date of this Disclosure Document, we did not collect any Development Fees in our last fiscal year.

Opening Package Expenses

Before you open, we will sell you an opening package of supplies that includes pizza platters, compostable boxes and liners, uniforms, other branded items and materials, packaging, and specialty spices. These expenses ~~are nonrefundable and will total, which we expect to range~~ from \$3,000 to \$4,000, are nonrefundable.

**ITEM 6
OTHER FEES**

Type of Fee	Amount	Due Date	Remarks (See Note 1)
ROYALTY FEE	6% of Gross Sales, subject to the Minimum Royalty Fee. (Note 3)	Due monthly by the close of business on the 10 th day of each calendar month (the “Payment Day”).	Based on Gross Sales during the previous month. We will debit your bank account. —See <u>Notes 2, 3, 4 and 5.</u>
NATIONAL SYSTEM MARKETING <u>FUND FEE</u>	Currently 1% of Gross Sales; but we reserve the right to increase to up to 2% of Gross Sales upon notice to you.	Due monthly on the Payment Day.	Based on Gross Sales during the previous month. We will debit your bank account. See <u>Notes 2, 3, 4 and 5.</u>
LOCAL ADVERTISING EXPENDITURE	At least 1% of Gross Sales.	As incurred, in connection with advertising programs that you choose.	We have the right to require that you provide us with proof that these funds were spent. If you fail to meet your required local advertising requirement per month, you must pay us the difference between the amount you spent and the required

Type of Fee	Amount	Due Date	Remarks (See Note 1)
			advertising expenditure. See <u>Note 5</u> .
TECHNOLOGY FEE	The then-current fee (currently, \$200 per month). We may increase this fee upon notice to you, provided we will not increase it to more than \$375 per month during the initial term of the Franchise Agreement.	Due monthly on the Payment Day, starting on the earlier of: (i) when your Restaurant opens, or (ii) the 12th month after you sign your Franchise Agreement.	This fee will cover certain technologies used in the operation of your Restaurant. This fee currently includes website hosting, e-mail (up to two email addresses) and , access to our electronic systems, and digital signage services . We reserve the right to increase this fee. We reserve the right to upgrade, modify, and add new technology and/or software. You will be responsible for any increase in fees that result from any upgrades, modifications, or additional software. See <u>Notes 4 and 5</u> .
TRANSFER FEE	\$10,000 or such greater amount to cover our reasonable costs and expenses associated with the transfer.	Before the consummation of the transfer or sale.	Payable when, and if, you transfer or sell your franchise. No transfer fee will be charged if you transfer your franchise to a corporation, limited liability company or other entity which you control. There are other conditions to transfer.
RENEWAL FEE	\$10,000	On or prior to renewal.	Payable when, and if, you renew your Franchise Agreement. There are other conditions to renew.
RELOCATION FEE	\$2,500	Prior to relocation.	Payable if you request to relocate your Restaurant.
ANNUAL CONVENTION REGISTRATION	Currently, \$300 per attendee, but may increase annually.	When you register for the annual convention.	If we hold an annual convention, you will pay this fee once a year, which covers registration of each attendee. See <u>Note 6</u> .

Type of Fee	Amount	Due Date	Remarks (See Note 1)
ADDITIONAL TRAINING AND ASSISTANCE	Our then-current per diem fee per trainer, plus reimbursement of expenses. Current fee is \$500 per day per trainer.	As incurred	If, at any time during your operation of your Restaurant, you request that we provide additional training, or if we determine that you require additional assistance or training, you must pay our then-current per diem training fee for each trainee, and you must reimburse us for all out of pocket costs and expenses incurred by our trainers associated with the additional training, including lodging, meals and travel arrangements of the trainers and other reasonable expenses.
QUALITY CONTROL INSPECTION PROGRAM	Will vary under the circumstances, not to exceed \$500 per day plus reimbursement of our actual expenses.	No more than quarterly during the term of the Franchise Agreement.	You must participate in our then current programs, at your cost and expense. Payable to us or to third parties as applicable.
CREDIT CARD FEES	Transaction fees are typically 3.5% of transaction amounts. Other fees may apply depending on the vendor used for credit card processing.	As incurred.	Payable if you pay your Royalty Fees, NationalSystem Marketing Fund Fees, or other payments using a credit card.
UNAUTHORIZED ADVERTISING FEE	\$500 per day of use of unauthorized advertising.	Upon demand.	This fee is payable to us if you use unauthorized advertising in violation of the terms of the Franchise Agreement. This is in addition to other remedies available to us. This may not be enforceable under state law.
PROHIBITED PRODUCT, SERVICE, SUPPLIER FEE	\$500 per day of offering or using unauthorized products or services.	If incurred.	This fee is payable to us in the event that you offer or provide any unauthorized products or services from your Restaurant, or use any unauthorized supplier. This in addition to other remedies available to us. This may not be enforceable under state law.
PRODUCT/SUPPLIER APPROVAL COSTS FOR	The greater of \$2,500 or the reasonable cost	As incurred.	This covers the cost of testing new products or inspecting new

Type of Fee	Amount	Due Date	Remarks (See Note 1)
TESTING AND EVALUATION OF PRODUCTS	of the evaluation and testing, plus reimbursement of our expenses if travel is required.		suppliers you recommend. See <u>Note 7</u> .
AUDIT EXPENSES	The actual cost of the audit, which will vary under the circumstances.	Upon demand.	Due if audit of your books shows an understatement of your total amount owed to us for any reporting period, or if the audit is needed because you failed to follow our reporting requirements. See <u>Note 8</u> .
LATE REPORT FEE	\$50 per violation.	As incurred.	Payable only if a required report, filing, certificate, or statement is not delivered when due.
INTEREST AND LATE PAYMENT FEES	The lesser of 1.5% per month or the highest rate permitted by law plus a \$50 late payment fee.	Upon demand.	You must pay us or our affiliates a late payment fee and interest on any money you owe us or any of our affiliates after the due date.
RETURNED CHECKS OR INSUFFICIENT FUNDS SERVICE FEE	\$30 per occurrence.	Upon demand.	Payable if any of your payments to us are not honored by your financial institution. This fee is in addition to interest on the amount due.
COSTS AND ATTORNEYS' FEES	Will vary under the circumstances.	Upon demand.	Payable if we prevail in any legal dispute with you.
STANDARD DEFAULT FEE	Up to \$500 per violation.	Upon demand.	In addition to any rights and remedies we may have under the Franchise Agreement, if you breach certain provisions of your Franchise Agreement and fail to cure the default during the applicable cure period, you must pay us up to \$500 per default per cure period until the default is cured to offset our expenses incurred to address the default.
CURE EXPENSES, COLLECTION COSTS, AND POST TERMINATION / EXPIRATION EXPENSES	Our cost and expenses if we take action to cure any default by you under the Franchise Agreement <u>or Area Development Agreement</u> , including costs of collection for	Upon demand.	Due only if you are in default under your Franchise <u>Agreement or Area Development Agreement</u> , in which case you must reimburse us for the expenses we incur (including reasonable attorneys' fees) as a result of your default and to

Type of Fee	Amount	Due Date	Remarks (See Note 1)
	unpaid amounts.		enforce and terminate your Franchise Agreement <u>or Area Development Agreement</u> if necessary. This also applies if your Franchise <u>Agreement or Area Development Agreement</u> terminates or expires and we incur expenses in ensuring your compliance with the post-termination and post-expiration provisions.
INDEMNIFICATION	Will vary under the circumstances.	Upon demand.	You must reimburse us if we are held liable for claims, damages or other relief arising out of your franchise operations.
LIQUIDATED DAMAGES	Will vary under the circumstances.	Upon demand.	You must pay this fee if we terminate your Franchise Agreement <u>or Area Development Agreement</u> for cause. See <u>Note 9</u> .

Note 1: Except as noted, all fees are imposed by and payable to us or our affiliates and are non-refundable.

Note 2: “Gross Sales” means the amount of sales of food, beverages, including wine and beer, and other products and merchandise sold or services rendered in, on, about or from the Restaurant, together with any other revenues derived from the operation of the Restaurant, whether by you or by any other person, whether or not in accordance with the terms of the Franchise Agreement, and whether for cash or on a charge, credit, barter or time basis, including all sales and services (i) where orders originate and/or are accepted by you in the Restaurant but delivery or performance thereof is made from or at any place other than the Restaurant or (ii) by digital, telephone or other similar orders received or filled at or in the Restaurant. If you operate a Food Truck, “Gross Sales” additionally includes the amount of sales of food, beverages, and other products and merchandise sold or services rendered in, on, about or from the Food Truck, together with any other revenues derived from the operation of the Food Truck. For purposes of determining the Royalty Fee, NationalSystem Marketing Fund Fee, and local advertising, there shall be deducted from Gross Sales: (a) the amount of refunds, allowances or discounts to customers (including coupon sales) up to 3% of the Gross Sales, provided the related sales have previously been included in Gross Sales; and (b) the amount of any excise or sales tax levied upon retail sales and paid over to the appropriate governmental authority.

Note 3: In the event your Restaurant is not open and operating in compliance with our standards within 12 months after the effective date of your Franchise Agreement, you will be required to pay us the Minimum Royalty Fee of One Thousand Five Hundred Dollars (\$1,500) per month plus six percent (6%) of your Gross Sales (if any). The Minimum Royalty Fee will be charged monthly for each month until your Restaurant opens in compliance with our standards, and will be pro-rated for partial months.

Note 4: Under the Franchise Agreement, we require that all Royalty Fees, NationalSystem Marketing Fund Fees, Technology Fees, and other fees as we may require, be paid by automated bank draft. Accordingly, you must sign an electronic transfer of funds authorization for your bank account. Gross Sales reports are

due to us by the 5th day of each month or such other day as we establish. The Royalty Fee and NationalSystem Marketing Fund Fee will be withdrawn from your designated bank account by EFT monthly on or before the Payment Day (or the next day, if it is not a business day), or such other day as we may establish, based on Gross Sales for the preceding month. If you do not report the Gross Sales, we may debit your account for 120% of the last Royalty Fee, NationalSystem Marketing Fund Fee (and other fees) that we debited. If the Royalty Fee, NationalSystem Marketing Fund Fee, and other amounts we debit are less than the fees you actually owe us, we will debit your account for the balance on a day we specify. If the Royalty Fee, NationalSystem Marketing Fund Fee, and other amounts we debit are greater than the fees you actually owe us, we will credit the excess against the amount we otherwise would debit from your account during the following month.

Note 5: ~~Company and affiliate owned~~Corporate Restaurants are not required to pay Royalty Fees or Technology Fees but do pay NationalSystem Marketing Fund Fees. ~~Company and affiliate owned~~Corporate Restaurants do not have a specific local advertising requirement, however they will make expenditures in local advertising programs as appropriate.

Note 6. The person holding a controlling interest in your business and your Operating Partner (if different) will be required to attend our annual convention each year, if one is held. If you want to send additional people to our annual convention, you will pay an additional registration fee for each person. We may increase this fee from time to time.

Note 7. If you want to purchase unapproved products, equipment, supplies, or services, or products, equipment, supplies and services from other than approved suppliers, we may require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered for evaluation and testing either to us or to an independent testing facility designated by us, or reimbursement of our expenses if travel is incurred. You must pay a charge equal to the greater of \$2,500 or the reasonable cost of the evaluation and testing, plus any travel expenses incurred by us.

Note 8. You must pay our audit expenses only if an audit of your records reveals an understatement of 2% or more of your total amount owed to us during the audit period. In addition to any unpaid amounts you may owe us, you must reimburse us for the actual costs we incur in conducting the audit, including travel, lodging, meals, and compensation of the auditing personnel that may travel to your Restaurant. The cost of the audit will depend on many factors that will vary on a case-by-case basis, like the condition and accuracy of your recordkeeping, the extent of your cooperation, the number of years of your accounting records that are reviewed during the audit process, and other circumstances unique to your particular audit. As a result, we are unable to estimate a range of these audit cost; however, these audit expenses will not exceed our actual costs.

Note 9. If we terminate your Franchise Agreement due to your breach, in addition to other amounts owed, you must pay us within 15 days after the effective date of termination liquidated damages equal to the average monthly Royalty Fees, NationalSystem Marketing Fund Fees, Technology Fees, and other amounts you paid or owed to us during the 12 months of operation preceding the effective date of termination (provided that if your Restaurant was not open during this entire 12 month period, we may use the average amount of such fees paid to us by franchisees in the System during such time period) multiplied by (a) 36 (being the number of months in three full years), or (b) the number of months remaining in the Franchise Agreement had it not been terminated, whichever is lower. If we terminate your Area Development Agreement due to your breach, in addition to any other remedies available to us, you must pay us within 15 days after the effective date of termination actual damages in an amount equal to \$10,000 for each of the Franchised Agreements you failed to sign under the Area Development Agreement.

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**ITEM 7
ESTIMATED INITIAL INVESTMENT**

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Initial Franchise Fee	\$30,000	\$30,000	Lump Sum	Upon Signing Franchise Agreement	Us
Rent and Security Deposit ⁽¹⁾	\$12,000	\$16,000	As Arranged	As Arranged	Landlord
Leasehold Improvements ⁽²⁾	\$125,000	\$225,000	As Arranged	Before Opening	Landlord, Contractors
Equipment ⁽³⁾	\$125,000	\$200,000	As Arranged	Before Opening	Approved Suppliers
Furnishings and Fixtures ⁽⁴⁾	\$15,000	\$30,000	As Arranged	Before Opening	Approved Suppliers
Décor ⁽⁵⁾	\$7,500	\$12,000	As Incurred	Before Opening	Approved Suppliers
Architectural and Design Fees ⁽⁶⁾	\$2,500	\$4,000	As Arranged	Before Opening	Architect, Engineer
Initial Technology Expenses ⁽⁷⁾	\$2,000	\$3,500	As Incurred	Before Opening	Us and Approved Suppliers
Signage ⁽⁸⁾	\$3,500	\$5,000	As Incurred	Before Opening	Approved Suppliers
Initial Inventory ⁽⁹⁾	\$10,000	\$12,500	As Incurred	Before Opening	Approved Suppliers
Smallwares ⁽¹⁰⁾	\$7,500	\$10,000	As Incurred	Before Opening	Approved Suppliers
Initial Training Expenses ⁽¹¹⁾	\$3,000	\$6,000	As Incurred	Before Opening	Us and Third Parties
Grand Opening Advertising ⁽¹²⁾	\$7,500	\$7,500	As Incurred	As Incurred	Third Parties
Licenses and Permits ⁽¹³⁾	\$1,500	\$7,500	Before Opening	Before Opening	Government Agencies

YOUR ESTIMATED INITIAL INVESTMENT - RESTAURANT

<u>Type of Expenditure</u>	<u>Amount</u>		<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment is to be Paid</u>
	<u>Low</u>	<u>High</u>			
<u>Initial Franchise Fee⁽¹⁾</u>	<u>\$24,000</u>	<u>\$30,000</u>	<u>Lump Sum</u>	<u>Upon Signing Franchise Agreement</u>	<u>Us</u>
<u>Rent and Security Deposit⁽²⁾</u>	<u>\$12,000</u>	<u>\$16,000</u>	<u>As Arranged</u>	<u>As Arranged</u>	<u>Landlord</u>
<u>Leasehold Improvements⁽³⁾</u>	<u>\$120,000</u>	<u>\$225,000</u>	<u>As Arranged</u>	<u>Before Opening</u>	<u>Landlord, Contractors</u>
<u>Equipment⁽⁴⁾</u>	<u>\$75,000</u>	<u>\$160,000</u>	<u>As Arranged</u>	<u>Before Opening</u>	<u>Approved Suppliers</u>
<u>Furnishings and Fixtures⁽⁵⁾</u>	<u>\$15,000</u>	<u>\$30,000</u>	<u>As Arranged</u>	<u>Before Opening</u>	<u>Approved Suppliers</u>
<u>Décor⁽⁶⁾</u>	<u>\$6,000</u>	<u>\$12,000</u>	<u>As Incurred</u>	<u>Before Opening</u>	<u>Approved Suppliers</u>
<u>Architectural and Design Fees⁽⁷⁾</u>	<u>\$7,500</u>	<u>\$12,500</u>	<u>As Arranged</u>	<u>Before Opening</u>	<u>Architect, Engineer</u>
<u>Initial Technology Expenses⁽⁸⁾</u>	<u>\$2,000</u>	<u>\$3,500</u>	<u>As Incurred</u>	<u>Before Opening</u>	<u>Us and Approved Suppliers</u>
<u>Signage⁽⁹⁾</u>	<u>\$3,500</u>	<u>\$7,000</u>	<u>As Incurred</u>	<u>Before Opening</u>	<u>Approved Suppliers</u>
<u>Initial Inventory⁽¹⁰⁾</u>	<u>\$7,500</u>	<u>\$12,500</u>	<u>As Incurred</u>	<u>Before Opening</u>	<u>Approved Suppliers, Us</u>
<u>Smallwares⁽¹¹⁾</u>	<u>\$5,000</u>	<u>\$7,500</u>	<u>As Incurred</u>	<u>Before Opening</u>	<u>Approved Suppliers</u>
<u>Initial Training Expenses⁽¹²⁾</u>	<u>\$4,500</u>	<u>\$9,000</u>	<u>As Incurred</u>	<u>Before Opening</u>	<u>Us and Third Parties</u>
<u>Grand Opening Advertising⁽¹³⁾</u>	<u>\$3,000</u>	<u>\$7,500</u>	<u>As Incurred</u>	<u>As Incurred</u>	<u>Third Parties</u>
<u>Licenses and Permits⁽¹⁴⁾</u>	<u>\$1,500</u>	<u>\$6,000</u>	<u>Before Opening</u>	<u>Upon Application</u>	<u>Government Agencies</u>
Professional Fees	\$750	\$1,500	As Incurred	As Incurred	Third Parties
Insurance ⁽⁴⁴¹⁵⁾	\$3,500	\$4,250 <u>\$750</u>	As Agreed	As Incurred	Insurance Companies
Office Supplies	\$500	\$750	As Incurred	As Incurred	Third Parties

<u>Type of Expenditure</u>	<u>Amount</u>		<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment is to be Paid</u>
	<u>Low</u>	<u>High</u>			
Miscellaneous	\$1,000	\$1,500	As Incurred	As Incurred	Third Parties
Additional Funds – For Initial 3 Months of Operation ⁽⁴⁵¹⁶⁾	\$25,000	\$4535,000	As Agreed	As Incurred	Various
TOTAL ESTIMATED INITIAL INVESTMENT⁽⁴⁶¹⁷⁾	\$382,750 317,250	\$622582,000			

YOUR ESTIMATED INITIAL INVESTMENT – FOOD TRUCK

<u>Type of Expenditure</u>	<u>Amount</u>		<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment is to be Paid</u>
	<u>Low</u>	<u>High</u>			
<u>Food Truck Franchise Fee</u>	<u>\$10,000</u>	<u>\$10,000</u>	<u>Lump Sum</u>	<u>Upon Signing Franchise Agreement</u>	<u>Us</u>
<u>Food Truck⁽¹⁸⁾</u>	<u>\$75,000</u>	<u>\$100,000</u>	<u>As Arranged</u>	<u>As Arranged</u>	<u>Dealer</u>
<u>Equipment and Computer Systems⁽¹⁹⁾</u>	<u>\$20,000</u>	<u>\$30,000</u>	<u>As Arranged</u>	<u>As Incurred</u>	<u>Vendors and Suppliers</u>
<u>Signage / Vehicle Wrap</u>	<u>\$6,000</u>	<u>\$9,000</u>	<u>As Arranged</u>	<u>Upon Ordering</u>	<u>Approved Vendor</u>
<u>Insurance</u>	<u>\$2,500</u>	<u>\$4,500</u>	<u>As Arranged</u>	<u>As Arranged</u>	<u>Insurance Company</u>
<u>Additional Inventory</u>	<u>\$1,500</u>	<u>\$4,000</u>	<u>As Incurred</u>	<u>As Arranged</u>	<u>Approved Suppliers</u>
<u>Licenses and Permits</u>	<u>\$750</u>	<u>\$2,250</u>	<u>As Arranged</u>	<u>Upon Application</u>	<u>Government Agencies</u>
<u>Additional Funds – For Initial 3 Months of Operation⁽²⁰⁾</u>	<u>\$10,000</u>	<u>\$20,000</u>	<u>As Agreed</u>	<u>As Incurred</u>	<u>Various</u>
<u>TOTAL ESTIMATED INITIAL INVESTMENT^(17, 20)</u>	<u>\$125,750</u>	<u>\$179,750</u>			

Notes:

We do not offer direct or indirect financing for these items. Our estimates are based on our experience, the experience of our affiliates, and our current requirements for Restaurants. The factors underlying our estimates may vary depending on several variables, and the actual investment you make in developing and opening your Restaurant may be greater or less than the estimates given, depending upon the location of your Restaurant, and current relevant market conditions. Your costs will also depend on factors such as how well you follow our methods and procedures; your management skills; your business experience and capabilities; local economic conditions; the local market for our products and services; the prevailing wage rates; competition; and sales levels reached during your initial phase of business operations. All expenditures paid to us or our affiliates are uniform and non-refundable under any circumstances once paid. All expenses payable to third parties are non-refundable, except as you may arrange for utility deposits and other payments.

1. Franchise Fee. The Initial Franchise Fee is generally \$30,000. However, we discount the fee in certain specific circumstances including a reduced initial franchise fee of \$24,000 to certain members and former members of the United States Military, to employees with at least two years of service to us or our affiliates, and to qualified owners of fast-casual restaurants that meet our requirements and wish to convert their existing business and become a Pizza Karma franchisee. Certain reduced fees are tied to you signing an Area Development Agreement and committing to open two or more Restaurants. In that case, if you meet the conditions necessary to pursue this, the Development Fee will be equal to the sum of \$30,000 for your first Restaurant plus \$25,000 for each additional Restaurant you agree to open under the Area Development Agreement.

1.2. Rent. These figures presume that you will be leasing the Restaurant premises. The estimate in the chart above includes your first month's rent payment, security deposits and utility deposits (for example, telephone, electricity, gas and water). We have assumed the security deposit to your landlord will equal one month's rent, although this may vary from landlord to landlord. The estimates assume that rent commences upon the Restaurant's opening. We are unable to estimate the total cost of purchasing suitable premises for your Restaurant or the amount of any down payment that would be required. Rent, common area maintenance fees and property taxes will vary depending upon the size of the premises, the site's condition, its location, building size, access to major streets, demand for the site, the build-out requirements and construction or other allowances from the landlord, and the requirements of individual landlords. A typical Restaurant occupies approximately 1,750 to 3,500 square feet of net rentable space. If we approve a location within a food court or shared kitchen space for your Restaurant, the net rentable space will be less. A Restaurant may be either a freestanding building, an in-line retail plaza space or an end cap plaza space, but, in any event, the Restaurant requires ample parking, good visibility and availability of prominent signage and, unless we otherwise agree, a patio. Because of the wide variation in lease rates for retail space, you should thoroughly investigate the costs of obtaining a location.

1.3. Leasehold Improvements. The cost of leasehold improvements will vary widely depending upon the size and condition of the premises, whether or not there are any existing and comparable leasehold improvements in the premises, the extent and quality of improvements desired by you over and above our minimum requirements, the landlord's cash contribution to the cost of the improvements, whether you utilize union or non-union labor, and other factors. Our estimates are based on the assumption that the Restaurant is in a suburban class B property and approximately 1,750 to 3,500 square feet. Estimates assume that the space is delivered to you at a minimum, with a level concrete floor suitable for floor covering, air-conditioning, electricity, gas, sewers, bathroom facilities, water and plumbing suitable for a restaurant business, and that you have non-union labor available to you. Among other things, you will probably need to arrange for the following items

to meet our standard plans and specifications: proper wiring and plumbing, floor covering, wall covering, partitions, lighting and fixtures, painting, cabinetry, and the like. Your costs in the area of leasehold improvements may be positively affected if you are able to receive a tenant improvement allowance or cash contribution from your landlord for the cost of improvements. The low range of these estimates assumes your space previously operated as a Restaurant, and already includes some of components of the kitchen, bar, and other features that your Restaurant will require. The low range of our estimates assumes that you obtain a tenant improvement allowance or that your landlord agrees to conduct a large portion of your build-out. These arrangements may or may not be available through your landlord.

- ~~3.4.~~ Equipment. You must purchase or lease the equipment necessary to operate your Restaurant with the brands and types of equipment that we require, including kitchen equipment. The range depends on the size of your Restaurant, whether any equipment exists in your premises, whether the equipment is new or used, transportation costs, and other factors. This estimate includes ~~two~~one guest-facing tandoor ~~oven~~oven, one handwash machine and one bottoms up beer station.
- ~~4.5.~~ Furnishings and Fixtures. You must purchase furnishings and fixtures necessary for the operation of your Restaurant, including tables, chairs, booths, and other items. The range depends on the size of your Restaurant, transportation costs, and other factors. Your costs will likely increase as your square footage increases.
- ~~5.6.~~ Décor. You must purchase décor items necessary for the operation of your Restaurant that meet our specifications and standards. This includes the Signature Wall. The range depends on the size of your Restaurant, transportation costs, and other factors. Your costs will likely increase as your square footage increases.
- ~~6.7.~~ Architectural and Design Fees. You will be required to retain the services of a qualified architect and engineer to adapt our standardized plans and specifications based on our prototype(s) Restaurant for the remodeling or build-out of your Restaurant. We may from time to time develop or approve variations with respect to our prototype locations and plans.
- ~~7.8.~~ Initial Technology Expenses. This includes the cost of our designated point of sale restaurant management system (“**POS System**”) and associated equipment and your computer system, including associated wiring and shipping costs, that you will use to manage the Restaurant and your online ordering, loyalty program, and merchant card processing. The initial costs for POS System range depending on credit approval, size of your Restaurant, and the features provided. You will also be required to pay a monthly subscription fee and processing costs. The POS System and computer system is further outlined in Item 11.
- ~~8.9.~~ Signage. The cost of signage may vary significantly depending on the location of your Restaurant, market conditions and local codes. This estimate includes costs for interior signage and up to two (2) exterior signs. In some instances, the use of additional or larger signage may be possible, with our prior written approval. The costs of these optional items are not included in the line item total above.
- ~~9.10.~~ Initial Inventory. You must purchase an initial inventory of certain items, including food, beverage, and dry goods, among other items. You will need to replenish your initial inventory on an as needed basis as such items and other supplies are used. The amount and cost of your initial and subsequent orders for all of these items will vary depending on various factors, including the size and

anticipated volume of your Restaurant's sales and the frequency of your orders. This includes the opening package of supplies that you must purchase from us or our affiliate.

- ~~10~~11. **Smallwares.** You must purchase pots, pans, kitchen utensils, silverware, glassware, plates, bowls, and other smallwares. The range depends on the size of your Restaurant, transportation costs, and other factors. Your costs will likely increase as your square footage increases.
- ~~11~~12. **Initial Training Expenses.** We provide initial training at no charge for up to two individuals, but you must arrange and pay for all food, transportation, lodging and incidental expenses for the people who attend the initial training program. Costs vary depending on the distance traveled, the type of lodging, and experience in the restaurant industry.
- ~~12~~13. **Grand Opening Advertising.** You must conduct a grand opening promotion with the opening of your Restaurant. You must pay all costs of the grand opening. Costs may vary depending on your market and the type of advertising used, however, you must spend a minimum of ~~\$7,500~~\$3,000 during the six (6) week period leading into the opening of your Restaurant or, if you purchased an existing Restaurant, sixty (60) days after the purchase of your Restaurant. While \$3,000 is the minimum, we recommend you spend \$7,500 or more on grand opening promotions.
- ~~13~~14. **Licenses and Permits.** The cost of a liquor license or a beer and wine license (as well as other licenses required to sell alcoholic beverages) can be significant, particularly where such licenses are purchased in a private sale. Further, the cost of licenses required to serve alcoholic beverages varies widely depending on the state in which your franchise is located. If you choose to sell beer and wine, you are required to obtain all such licenses for the Restaurant.
- ~~14~~15. **Insurance.** This figure is an estimate of the cost of maintaining the insurance required by the Franchise Agreement for the first three months of operation. The estimate represents an initial deposit for the coverage necessary to operate the business and represents approximately three months of coverage. Insurance costs will vary depending upon factors such as the size and location of the Restaurant.
- ~~15~~16. **Additional Funds.** This estimates the funds needed to help cover your pre-opening or pre-operations expenses and your expenses during the first three months of operation. These expenses include payroll costs (excluding any wage or salary paid to you), other miscellaneous expenses, and additional funds. You will also need to have cash on hand for your registers and safe. Your costs will vary depending on how rapidly your business grows. These figures are estimates based on ~~our past business experience~~the past business experiences of our affiliates in opening and operating restaurants and operating a food truck. We cannot guarantee that you will not have additional expenses starting your franchised business. Your costs will depend on factors like how closely you follow our methods and procedures; your management skill, experience and business knowledge; local economic conditions; the local market for our products and services; the prevailing wage rate; competition; and the sales level achieved during the initial period. All of these expenses are paid to third parties.
- ~~16~~17. **General.** We relied on our management's business acumen to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. The amount shown is based primarily upon our experience in suburban markets in Minnesota. These figures may vary considerably in other parts of the United States and assume you open a single Restaurant and, as applicable, optionally operate a single Food Truck. Your actual investment and expenditure may vary from the above estimates depending on the many

factors including where your Restaurant is situated, the size of your Restaurant, your ability to negotiate to your benefit with your landlord, your management capabilities, and the amount contributed by your landlord. In addition, your costs will depend on factors like: your compliance with our methods and procedures; your management skill; your business experience and business acumen; local economic conditions; the prevailing wage rate; and the growth of your franchise during the initial period. If you open more than one Restaurant, such as pursuant to an Area Development Agreement, you will incur these costs for each Restaurant. We do not offer direct or indirect financing to franchisees for any of these items. The availability and terms of financing will depend on factors like the availability of financing generally, your credit worthiness, collateral you pledge, policies of your lending institution, and economic conditions in your area.

18. This estimate is based on a 26- to 30-foot vehicle with a minimum 12-foot hood.
19. This estimate is based on a Food truck being equipped with our minimum requirements, which include two pizza conveyor ovens, two fryers and a sandwich prep table. This estimate also includes the POS System and associated technology equipment for your Food Truck. The initial costs for POS System range depending on credit approval and the features provided.
20. The total estimated initial investment for the Food Truck option is in addition to the total estimated initial investment for the development and opening of your Restaurant. If you choose, with our approval, to purchase and operate a Food Truck in addition to your Restaurant, your total estimated initial investment for both the Restaurant and Food Truck will range from \$443,000 to \$761,750.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases and Designated Suppliers

To ensure a uniform image and quality of products and services throughout the System, all food products, supplies, ingredients, kitchen equipment, other equipment, technology, furnishings, uniforms, fixtures, inventory, paper products, packaging, décor items, signs, beverages, smallwares, glassware and other items used, sold, displayed or distributed in your Restaurant (i) must comply with our methods, standards, specifications and requirements, and (ii) must be procured from manufacturers, distributors, and suppliers who demonstrate to our continuing reasonable satisfaction the ability to meet our standards, specifications, and requirements, who possess adequate quality controls and capacity to supply your needs promptly and reliably, and who have been approved by us in the Operations Manuals or otherwise in writing. You may not purchase or lease, offer or sell any products or services, or use at your Restaurant, any products or services that we have not previously approved as meeting our standards, specifications and requirements.

You may purchase these items from any supplier that meets our standards and specifications, unless we designate one or more exclusive suppliers for an item, in which case, you must purchase the item from such exclusive supplier(s). We may designate at any time and for any reason, a single or multiple suppliers for these items and require you to purchase exclusively from the designated supplier or suppliers, which exclusive designated supplier(s) may be us or an affiliate of ours. We may disapprove of products and suppliers based on our desire to consolidate System purchases through fewer suppliers.

As of the date of this Disclosure Document, (1) we maintain specific suppliers as the sole source of supply for certain foods, spices, supplies, and other products and services; (2) you must purchase and maintain our designated POS System hardware and software, gift cards, and credit card processing from a single supplier; and (3) we require you to purchase your beverages (including soft drinks and certain

alcoholic beverages if you offer them) from our designated suppliers; ~~and (4) we require. If you are approved to operate a Food Truck, as of the date of this Disclosure Document you will further be required to purchase and/or lease your uniforms, vehicle and all Food Truck equipment, signage, and vehicle wraps from a designated suppliers/vendors.~~

You must also adhere to our standards and specifications for the construction and design of the Restaurant, which will include requirements for the interior and exterior layout, signage, fixtures and trade dress including the color scheme and the Signature Wall. We are free to modify any of our methods, standards, specifications and requirements at our discretion. These modifications will be communicated to you via our Operations Manual or otherwise in writing. We have no obligation to make available to prospective suppliers the standards and specifications that we deem confidential. We may, at any time, change, delete, add to or modify any of our standards and specifications. These changes, deletions, additions or modifications, which will be uniform for all franchisees, may require additional expenditures by you. You must prepare all required construction plans and specifications and ensure they comply with building codes and ordinances. If your construction plans and specifications deviate from our plans and specifications, you must obtain our approval of the changes. It is your responsibility to obtain all required licenses, permits and approvals associated with constructing and operating your Restaurant.

Us and Our Affiliates as Suppliers

As of the date of this Disclosure Document, we or our affiliates are ~~(1) the sole source of (1) branded pizza platters necessary for the preparation of naan crust pizza using a tandoor oven, as well as certain food containers, boxes and compostable disposable containers, and (liners, (2) one of two approved suppliers for specialty spices, and (3) branded uniforms.~~ Otherwise, as of the date of this Disclosure Document, we or our affiliates are not suppliers of any products, supplies, equipment or other items used in the operation of the Restaurant. We may also supply you with ~~uniforms, branded~~ promotional items and materials, ~~menus~~ and other materials utilizing our registered logo at our cost plus a markup for handling, and although we are not currently requiring you to purchase ~~such these~~ goods from us, from a practical matter they may not be available from other sources. We reserve the right to designate ourselves and/or any of our affiliates as an approved supplier of additional items in the future, and we may even designate ourselves or an affiliate as the sole supplier of one or more items, in which case, you would have to buy the item from us or our affiliate at our or its then-current price. Our Operations Manual and other communications will identify our standards and specifications and the names of approved or designated suppliers. If we become a designated supplier, we may charge you a reasonable mark-up, surcharge and handling fee on any items you purchase from us. Monies you pay to us will include a profit for us.

Rebates and Allowances

In addition to the above, we and our affiliates have the right to receive payments or other benefits like rebates, discounts and allowances from authorized suppliers based upon their dealings with you and other franchisees and we may use the monies we receive without restriction for any purpose we deem appropriate or necessary. We do and reserve the right to receive payments from authorized suppliers that we retain as profit related to their dealings with our franchisees and the System, and suppliers may pay us based upon the quantities of products the System purchases from them. These payments will usually be based upon an amount per unit or percentage rebate, and generally range from 1.5% to 6% of the purchases you make from the vendor. We may receive payments from a supplier as a condition of our approval of that supplier. We do not provide any material benefits to you, such as the grant of additional franchises and/or territories, based on your use of designated or approved suppliers. There are currently no purchasing or distribution cooperatives in our System. We have negotiated price terms with some suppliers. In addition, in the future various vendors and suppliers may contribute to the cost of any annual franchise convention for the System through rebates, contributions or purchasing booths at the convention. We

negotiate supply arrangements with suppliers for the benefit of franchisees, and may continue to do so in the future.

~~As we began offering franchises as of the date of this Disclosure Document, we have not derived any revenue, rebates or material consideration from any of the required purchases or leases of goods, services or real estate described in this Disclosure Document as of the date of this Disclosure Document. In our last fiscal year ended December 31, 2023, neither we nor any affiliate received any revenue as a result of the sale of goods and services to our franchisees.~~

Other than us and our affiliates, there are currently no approved suppliers in which any of our officers own an interest.

Proportion of Purchases Subject to Specifications

Since most of the items you will purchase to begin operating your business must meet our specifications, you can expect that the items you purchase that must meet our specifications will represent more than 90% of the total purchases you will make to begin operations. Once you begin operating, we expect that these items will represent approximately 80% to 90% of your total annual expenses. There are currently no purchasing or distribution cooperatives within the System. In the future, we may require you to (i) become a member of purchasing and/or distribution cooperatives/associations/programs designated by us and/or established by us for the System, (ii) remain a member in good standing of such groups or programs and (iii) pay all membership dues or fees on purchases that are assessed by such groups or programs.

Insurance

You must obtain and maintain, at your own expense, the insurance coverage we require, and you must meet the other insurance-related obligations in the Franchise Agreement. You will be required to obtain proof of coverage and submit the same to us on a periodic basis. We specify the minimum amount of insurance coverage in the Franchise Agreement; however, you may desire to obtain greater coverages. The cost of your insurance will vary depending on the insurance carriers' charges, the terms of payment, and your insurance history.

During the term of your Franchise Agreement, you must maintain in force, at your sole cost and expense, minimum insurance coverage as follows: (i) general liability with coverage for products liability, contractual liability, personal and advertising injury, fire damage, medical expenses and dram shop/liquor liability (if you offer alcoholic beverages), in the minimum amount of \$1,000,000 per occurrence, \$3,000,000 in the aggregate; (ii) workers' compensation in at least the minimum amounts required by law, (iii) automobile liability insurance, including owned (if applicable), non-owned and hired vehicle coverage (mandatory), (iv) business interruption and extra expense insurance for actual sustained loss you sustain for 12 months, (v) personal property insurance for full repair and replacement value of all equipment, fixtures, inventory and supplies used in your Restaurant, and (vi) any insurance required by the terms of the lease with your landlord, and if there is no such lease, fire and extended coverage insurance (including, if applicable, flood and earthquake coverage) covering the building and all equipment, supplies, products, inventory, furniture, fixtures and other tangible property located in the Restaurant or on the premises in the amount of the full replacement value of such property. If you are approved to operate a Food Truck, we may specify additional minimum insurance requirements in connection with the Food Truck operations.

We may revoke our approval of particular goods or services, or of the supplier that supplies them, if we determine, in our sole discretion, that they no longer meet our standards or specifications. If you receive a written notice of revocation from us, you must stop selling disapproved products and/or stop purchasing from the disapproved supplier.

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 or Exhibit in Franchise Agreement	Section or Exhibit in Area Development Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 3 and Exhibit G	Sections 3.B.3 and 3.B.4	Items 7, 11 and 12
b. Pre-opening purchases/leases	Sections 4.01 and 9.02, Exhibit H	Not Applicable	Items 7 and 8
c. Site development and other pre-opening requirements	Sections 3, 6, 9.02	Not Applicable	Items 6, 7, 8 and 11
d. Initial and ongoing training	Section 4	Not Applicable	Items 7, 11 and 15
e. Opening	Sections 3, 4.01, 4.06, 10.01, and 14.02, Exhibit H	Sections 1.B, 3.A, and 3.B, Rider	Items 6, 7 and 11
f. Fees	Sections 4, 6, 11.02, 12, 13.02, 13.06, 15.01 and 19.06, Exhibit H	Sections 2 and 6.B, Rider	Items 5, 6, 7 and 11
g. Compliance with standards and policies/Operating Manuals	Sections 3, 9.01, 9.07, 10.04, 10.05, Exhibit H	Not Applicable	Items 8, 11, 13, 14 and 16
h. Trademarks and proprietary information	Sections 4.05, 5, 7, 10.04, 10.05, 16.02	Not Applicable	Items 11, 13 and 14
i. Restrictions on products/services offered	Section 9	Not Applicable	Items 8 and 16
j. Warranty and customer service requirements	Not Applicable	Not Applicable	Not Applicable
k. Territorial development and sales quotas	Not Applicable	Sections 1 and 3, Rider	Items 1, 5, 6 and 12
l. Ongoing product/service purchases	Section 9	Not Applicable	Item 8
m. Maintenance, appearance and remodeling requirements	Sections 9 and 15.01, Exhibit H	Not Applicable	Items 7, 11 and 17
n. Insurance	Section 9.05, Exhibit H	Not Applicable	Items 6, 7 and 8
o. Advertising	Sections 9 and 10	Not Applicable	Items 6, 7, 11 and 12
p. Indemnification	Section 17.02	Not Applicable	Item 6
q. Owner's participation/management/staffing	Section 8.03	Not Applicable	Item 15
r. Records/reports	Sections 11 and 12, Exhibit H	Not Applicable	Item 6

Obligation	Section or Exhibit in Franchise Agreement	Section or Exhibit in Area Development Agreement	Disclosure Document Item
s. Inspections/audits	Sections 4.07, 9.01 and 12	Not Applicable	Item 6
t. Transfer	Section 13, Exhibit H	Section 7	Items 6 and 17
u. Renewal	Section 15, Exhibit H	Not Applicable	Items 6 and 17
v. Post termination obligations	Sections 7 and 16	Section 6	Items 14, 15 and 17
w. Noncompetition covenants	Sections 7 and 9.10, and Exhibits C and E	Section 9	Items 14, 15 and 17
x. Dispute resolution	Section 18	Section 9	Item 17
y. Personal Guaranty	Section 8.02 and Exhibit C	Exhibit A	Item 15
z. Confidential Information	Sections 4.05, 7, and 16.02, and Exhibits C and E	Section 9	Items 11, 14 and 15

ITEM 10 **FINANCING**

Neither we nor any affiliate offers, directly or indirectly, any financing to you. We do not guarantee any of your notes, leases or obligations. We are unable to estimate whether you will be able to obtain financing for any or all of your investment or the terms of any financing.

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 Services

Under the Franchise Agreement: Before you open your Restaurant, we will:

(a) License you the Marks for use in developing, advertising, opening and operating the Restaurant. (Section 1 of the Franchise Agreement)

(b) Provide consent to (once it meets our standards and requirements) the lease, sublease or purchase agreement for your Restaurant site. We do not choose the site but you will be given site criteria based on the existing Restaurants. The site must meet these criteria, which may include demographic characteristics, traffic patterns, parking, character of neighborhood, competition from proximity to and the nature of other businesses, size, appearance, and other physical and commercial characteristics, unless we otherwise approve your site. You must submit to us all information and other data about the proposed Restaurant site that we reasonably request. You cannot operate a Restaurant without our inspection and acceptance of the site for the Restaurant. (Section 3.01 of the Franchise Agreement)

(c) Provide you with a set of standard specifications for a prototype Restaurant, which will include requirements for dimensions, design, image, interior layout, décor, fixtures, equipment, signs, furnishings and color scheme. We must approve any and all changes or revisions to these plans and specifications. (Section 3.03 of the Franchise Agreement)

(d) Identify operating assets, and food products and supplies, that you must use to develop and operate the Restaurant, which includes the minimum standards and specifications that you must satisfy, and the designated and approved suppliers from whom you must or may buy or lease these items (which may be limited to and/or include us, our affiliates, and/or other specified exclusive sources). (Sections 9.02 of the Franchise Agreement)

(e) Loan you one copy of our Operations Manual, which may consist of a number of individual manuals. (Section 4.05 of the Franchise Agreement) The table of contents of the Operations Manual is attached to this Disclosure Document as Exhibit ED.

(f) Provide an initial training program to you and/or your Operating Partner and certain of your personnel. However, you will be responsible for all fees, compensation and expenses (including transportation, lodging, food, and incidental expenses) incurred in connection with any training programs. This training is described in detail later in this Item 11. (Section 4.01 of the Franchise Agreement)

(g) If you are approved to operate a Food Truck, provide you with a set of standard specifications for the vehicle, all equipment to be used in the Food Truck operations, and specifications for vehicle wraps and signage. We must approve any and all changes or revisions to these specifications. (Exhibit H to the Franchise Agreement)

Under the Area Development Agreement: Before you open the Restaurant, we will:

(a) Approve or deny your proposed site for each of your Restaurants. (Section 3.B.3 of the Area Development Agreement)

(b) Provide you with site approval criteria. (Section 3.B.3 of the Area Development Agreement)

Post-Opening Services

Under the Franchise Agreement: Following the opening of your Restaurant and during its operation, we will:

(a) Provide periodic guidance to you with regard to the operation of your Restaurant, including improvements and changes to the System, and periodically modify the Operations Manual to reflect changes in standards, specifications, requirements and operating procedures. (Sections 4.04 and 4.05 of the Franchise Agreement)

(b) Notify you of changes to our list of approved or designated suppliers, or the termination of existing approved or designated suppliers. (Section 9 of the Franchise Agreement)

(c) We or our designee will administer the national marketing program for the development of advertising and related programs and materials, as stated in the Franchise Agreement and as described below in this Item 11 (Section 10 of the Franchise Agreement)

(d) Provide periodic and ongoing training programs for you and/or your Operating Partner and your other personnel, as we deem appropriate. This training is described in detail later in this Item 11. (Section 4.03 of the Franchise Agreement)

(e) We or a designee will periodically inspect, as we deem necessary, your Restaurant and operations to assist you in complying with your Franchise Agreement and all System standards and provide

advice based on such inspections. (Section 4.07 of the Franchise Agreement)

(f) Provide such additional advice, assistance and guidance as we may agree to, at your sole cost and expense. (Section 4.04 of the Franchise Agreement)

As the Area Development Agreement relates to the development of Restaurants, the Area Development Agreement does not require us to provide any other assistance or services during the operation of the Restaurant.

Site Selection

Under the Franchise Agreement

Before you sign your Franchise Agreement, we will work with you to determine a Territory (described in Item 12) for your Restaurant that is mutually acceptable. You select the site for your Restaurant, subject to our acceptance.

The site for your Restaurant may be leased or owned by you. The proposed site for your Restaurant must be accepted by us along with any applicable lease, sublease or purchase agreement. Our approval of a site will be based on the information you give us to review, including a site plan. The information should include: (i) square footage; (ii) traffic patterns, flow, and total count; (iii) density and income level of the surrounding population; (iv) land and building costs; (v) zoning patterns; (vi) surrounding educational and recreational facilities; (vii) terms of the lease, if any; (viii) the distance from competitive businesses, including other Restaurants; and (ix) other factors having a substantial bearing on the proposed site. In addition, you must submit for acceptance by us proposed site and construction plans and any modification to our specifications you propose. The construction of the premises must be completed according to our specifications. If you lease the premises, you and the landlord must enter into a lease reasonably acceptable to us, which includes the Lease Rider in substantially the form attached to the Franchise Agreement (currently as Exhibit G). If we do not approve a site, you must propose a new site. If we and you are unable to agree upon a site for your Restaurant and, as a result, you fail to meet required opening date, we may terminate your Franchise Agreement. Once we have all the necessary documentation for review, we typically review that information and approve or disapprove the proposed site and lease within thirty (30) days.

We expect that the time from the date you sign the Franchise Agreement to the date you open your Restaurant to be between six and nine months. The factors that affect this timing are financing, building permits, zoning, liquor license and local ordinance issues, and delayed installation of equipment, fixtures, and signs. Your Restaurant must be open and operating within 12 months after you sign the Franchise Agreement. If you are approved to operate a Food Truck, you must purchase and/or lease the Food Truck vehicle and all equipment, signage, vehicle wraps and other materials specified by us in sufficient time so that the Food Truck is ready to begin operations on your Restaurant's required opening date.

Under the Area Development Agreement

For each proposed site for a Restaurant to be developed under the Area Development Agreement, you must also obtain approval of your site as outlined above. If you sign an Area Development Agreement, you must sign individual Franchise Agreements and begin operating a Restaurant under each of those agreements within the time provided for in the Development Schedule, which may differ from the form of Franchise Agreement attached to this Disclosure Document, and find a site that meets our approval under our then-current site approval criteria. You and we will agree on a timeline for opening your Restaurants, which will set forth in the Area Development Agreement that you will sign at the same time you sign your

first Franchise Agreement. Under the timeline, you will be required to open your first Restaurant within 12 months after execution of the Area Development Agreement, and then you typically will be required to open each subsequent Restaurant every 12 months after that until you have met your total Restaurant openings commitment.

Under the Franchise Agreement and Area Development Agreement, we will be deemed to have disapproved a proposed location unless we have expressly approved it in writing. Under the Franchise Agreement and Area Development Agreement, our approval (or failure to disapprove) of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Restaurant and we are not responsible for your results in operating at any particular site that we may have recommended, reviewed, or approved. Approval by us of the site indicates only that the site meets the minimum requirements for a Restaurant. We are not responsible if a site that we approve for your Franchised Restaurant fails to meet your expectations.

Operations Manual

Exhibit CD to this Disclosure Document is a summary of the content contained in our Operations Manual. As of the date of this Disclosure Document, our Operations Manual is approximately 140 pages. In lieu of a printed document, the Operations Manual may consist of computerized documents or software, information provided on the Internet or an extranet, or any other medium we adopt periodically for use with the System and designate as part of the Operations Manual, and may consist of a number of individual manuals. (Section 4.05 of the Franchise Agreement)

Advertising

NationalSystem Marketing Fund Fee

We operate a System marketing fund (the “System Marketing Fund”) to promote Pizza Karma® Restaurants in the System and conduct other promotional and marketing activities. You will be required to pay us a National Marketing Fee, on a monthly basis, in an amount based on a percentage of your Gross Sales for the prior month. The National Marketing Fee is currently an amount marketing fee equal to 1% of your Gross Sales for the preceding month, calendar month (the “System Marketing Fund Fee”), although we have the right to increase the NationalSystem Marketing Fund Fee to an amount up to 2% of your Gross Sales for the preceding calendar month. Corporate Restaurants also pay We will deposit the NationalSystem Marketing Fee on the same basis as franchised Restaurants. This is a fee that you pay to us Fund Fee in consideration of marketing and promotional efforts that we undertake which benefit all Restaurants. This fee is not a contribution to an independent advertising fund or a pooled advertising program. Payments are accounted for as general operating revenue, and we do not provide a separate accounting for how this revenue is spent. Amounts paid to us in the form of the NationalSystem Marketing Fee may Fund that we manage.

Disbursements from the System Marketing Fund will be used by us made solely to pay our reasonable expenses relating to marketing and we incur in connection with the general promotion of the Marks and the System, including, without limitation, expenses arising from:

- Formulating, developing, producing, and implementing advertising, marketing, promotional and public relations campaigns;
- Creative development services, including improvements and iterations in Restaurant design, trade dress, logo, further development of the Marks or creation of additional Marks, graphics, and advertising and promotional items, initiatives, and concepts;

- ~~• Marketing services, including market studies, customer surveys, focus groups, sales and marketing training, customer interviews, and related matters;~~
- ~~• The engagement of third party advertising or public relations professionals or firms;~~
- ~~• Developing, producing, distributing, and placing advertising, including interior, point of sale, general print, online, and social media advertising content;~~
- Maintaining, updating, hosting, and supporting a website and mobile technology app, including Restaurant locator functionality;
- Market research and analytics;
- Engaging third-party advertising or public relations professionals or firms;
- Developing, administering, and distributing, in print or electronically, coupons, certificates, stored value card programs, and related initiatives;
- Obtaining sponsorships and endorsements;
- Creating, developing, and distributing social media content and maintaining social media channels; and
- Monitoring the adherence to customer relations standards by franchisees;
 - ~~• Personnel and overhead costs relating to the administration and execution of our marketing and promotional function; and~~
 - ~~• Any other expenses of developing and promoting the PIZZA KARMA[®] brand and PIZZA KARMA[®] Restaurants.~~

Disbursements from the System Marketing Fund additionally will be made in connection with the costs of administering the System Marketing Fund, including the cost of accounting expenses and the actual costs of salaries and fringe benefits paid to our employees engaged in administration of the System Marketing Fund. We will determine the methods of advertising, media employed and the geographic scope, contents, terms and conditions of advertising, marketing, promotional and public relations campaigns and programs. The System Marketing Fund is not a trust or escrow account, and we have no fiduciary obligations regarding the System Marketing Fund.

We will direct all programs financed by the NationalSystem Marketing Fund Fee and will have sole control over the creative concepts and materials used and their geographic, market, and media placement and allocation. We may use the NationalSystem Marketing Fund Fee to advertise locally, regionally, nationally, or internationally in print materials, on radio or television, on the internet, and through social media channels, according to our sole discretion. We intend to use the NationalSystem Marketing Fund Fee to maximize recognition of the PIZZA KARMA[®] Pizza Karma[®] brand and System as a whole, but we have no obligation to ensure that we make marketing expenditures in or affecting any particular geographic area, or to ensure that expenditures across geographic areas are proportionate in any way. System Marketing Fund Fees will not be used for advertising principally directed at the sale of franchises. At your request, we will provide you with an annual unaudited statement of the receipts and disbursements of the System Marketing Fund for the most recently completed calendar year.

Corporate Restaurants in the United States will contribute to the System Marketing Fund at the same percentage rate as a majority of Pizza Karma® Restaurants are required to pay to the System Marketing Fund. During our fiscal year ending December 31, 2023, we did not collect any System Marketing Fund Fees, and the System Marketing Fund did not make any expenditures.

Local Advertising

You must spend at least 1% of your Gross Sales annually on local advertising (e.g., marketing, promotions, publicity, social network). We have the right to require that you provide us with proof that these funds were spent. If you fail to meet your required monthly local advertising requirement, you must pay us the difference between the amount you spent and the required advertising expenditure. ~~Company or affiliate owned~~ Corporate Restaurants are not required to spend any minimum percentage of their Gross Sales on local advertising; however, they will make expenditures in local advertising programs, as appropriate.

Certain criteria will apply to any local advertising and promotions that you conduct. All of your local advertising and promotions must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. You must follow the procedures provided in the Operations Manual with respect to all advertising and promotional requirements. You may not use any advertising or promotional plans that we have not approved in writing. Your prices for products and services at your Restaurant must also be approved by us, which may be established based on your region, market or other factors, and which also apply to any delivery platforms that we allow you to use. We will have 10 days after submission to us to review your proposed advertising and promotional plans and materials and/or prices. Unless we provide our specific approval in writing of your proposed advertising and promotional plans and materials, and prices, they are deemed not approved. Any advertising that you propose to use that has either not been prepared by us or has not been approved by us in the immediately preceding 12 month period must be submitted to us for our approval before you may use it. We also reserve the right to require you to discontinue the use of any previously approved advertising, promotional, sales, or marketing materials. Any materials you request us to create or submit to us for our review will become our property, and there will be no restriction on our use or distribution of these materials. At our request, you must include certain language in your local advertising materials, such as “Franchises Available” and our Website address, telephone number, social media icons, and addresses.

You must participate in any other promotional and advertising programs that we establish. You may advertise and solicit customers within and outside of your Territory (described in Item 12). We, our affiliates, and other franchisees may advertise within your Territory. You must follow our then-current policies and may provide delivery services outside of your territory only with our approval, but as of the date of this Disclosure Document, we generally allow you to offer in-house delivery service to homes and businesses located within a five-mile radius of your Restaurant. You may utilize third-party delivery services based upon the terms of service and range of delivery that is typical for such provider, or that we may approve from time to time in our discretion.

No advertising or promotion may be conducted by you over the Internet, social media, or through other forms of electronic or digital media, whether within or outside your Territory, without our express prior written consent, which we can withhold for any or no reason. (Section 10.05 of the Franchise Agreement)

We do not have a local or regional advertising cooperative franchisees must participate in or an advertising council comprised of franchisees. Other than the ~~national system~~ marketing program, you do not have to make payments to any other advertising program of ours. You must participate in all gift certificate, gift card, loyalty, and rewards programs sponsored at any time by us. There are currently no

expected costs to you associated with the gift card program other than your responsibility to pay swipe fees on any gift cards purchased with credit cards, costs of the gift cards, and your obligation to give away product based on rewards your customers acquire and redeem. In addition, you are required to participate at your expense in all programs sponsored at any time by us to promote and reward the frequent and regular customers of Pizza Karma restaurants.

Grand Opening

You must develop and implement a grand opening promotion approved by us for your Restaurant. You must spend a minimum of ~~\$7,500~~\$3,000 in the six-week period before your grand opening. (Section 10 of the Franchise Agreement) While \$3,000 is the minimum, we recommend you spend \$7,500 or more on grand opening promotions. The grand opening promotion program must comply with our standards and specifications as set forth in the Operations Manual, and you must use advertising, marketing, and public relations programs, firms, media, and materials that we approve in writing.

Computer Hardware and Software

You will need to acquire (either by purchase or lease) the computer hardware and software system that we may specify from time to time. This system may include, without limitation, computerized data processing systems, data, audio, video, and voice storage, retrieval, and transmission systems for use at Pizza Karma Restaurants, between or among Pizza Karma Restaurants, and between and among the System and franchisor and/or franchisees; credit card, debit card, and other non-cash payment systems, and related hardware; physical, electronic, and other security systems; tablets, printers and other peripheral devices; and archival back-up systems.

Before opening your Restaurant, you must install, at your expense, our approved POS System. Currently, our restaurant management system requirements mandate that each Restaurant must have a front of the house register, back of the house printer, terminals and registers for the pizza prep and salad prep areas, and printers for the kitchen, and all related hardware and software, that meets the specifications in the Operating Manuals. You can purchase or lease the POS System directly from our designated vendor. You must use the POS System, among other things, to post all product and service sales, process and redeem gift cards, keep inventory control, post sales tax, refunds and credits, manage online ordering and loyalty programs, maintain customer information, and manage merchant card processing. You must allow us on-demand access to your POS System and we require that you maintain the POS System menu to our specifications. The cost of the POS System, with wiring, implementation, and shipping, ranges from \$1,750 to \$3,000, plus ongoing monthly subscription and processing costs, including for the use of Appfront software, which is our currently required online ordering, rewards program, and gift card integration provider, as well as for Valutec, which is our currently required gift card platform. We estimate these monthly subscription and processing fees to range from \$350 to \$550 per month depending on credit approval, card processing volume, and the features provided.

In addition to the POS System, you must have a computer system that meets our standards and specifications, including a “back office” manager’s office system that includes at least one computer initially, dedicated solely to the operation of your Restaurant that uses the current Windows® operating system or another operating system directed by us, and secure valid licenses to all software we specify, which as of the date of this Disclosure Document includes Quickbooks, Canva, Microsoft Office, Homebase scheduling, and a digital signage services such as Optisign, and such other software that we may require, which licenses we estimate to cost a total of ~~\$80~~\$130 to ~~\$150~~\$225 per month. You may be required to use other proprietary software that we designate from time to time. You may be required to sign a license or maintenance agreement, either with us or a vendor, in order to obtain and use any such software. You must also pay us a monthly Technology Fee in exchange for certain technology that we provide to you, including

website hosting, e-mail (up to two email addresses) ~~and~~, access to our electronic systems, and digital signage services. The Technology Fee is \$200 per month as of the date of this Disclosure Document, however, we reserve the right to increase this fee up to \$375 per month upon notice to you.

The computer system must connect to the POS System. The computer system will assist you in the operation of your Restaurant. The types of data to be generated or stored in the computer system include sales, labor, guest counts, product mix and employee information and statistics. You will be solely responsible for the acquisition, operation, maintenance, and upgrading of the computer system, and all associated costs. You are also responsible for training costs associated with the use of the computer system and required software, and you must complete such training on the required software as we may require. Finally, you must maintain credit card, debit card or other non-cash payment systems we require.

We currently do not require that you purchase a maintenance contract to service the POS System and the computer system, but we reserve the right to do so in the future. The third parties from whom you purchase or lease the POS System and the computer system have no contractual rights or obligations to provide ongoing maintenance, repairs, upgrades or updates unless you obtain a service contract or a warranty covers the product. If we designate a vendor for maintenance, repair, upgrade and update services, you must use our designated vendor for these services. You must also have a functioning email address, high-speed internet connection, Wi-Fi and cellular service, so that we can send you notices and otherwise communicate with you by these methods. You may use any local independent Internet service provider (ISP) of your choice as long as the ISP allows you to access the POS System and perform all necessary functions.

There are no limitations on the frequency and cost of your obligation to comply with our requirements related to POS System and computer system. At your expense, you must maintain the POS System and computer system in good working order at all times and upgrade or update the POS System and computer system during the term of the Franchise Agreement as we may require in order to meet our then-current standards and specifications. We reserve the right to change the computer system at any time. There are no contractual limitations on the frequency and cost of this requirement.

We will have independent, unlimited access to the information and data generated by the POS System and the computer system via the Internet or otherwise. There are no contractual limitations on our right to access this information and data.

We or our affiliates may condition any license of proprietary software to you, or your use of technology that we or our affiliates develop or maintain, on your signing a software license agreement or similar document that we or our affiliates prescribe to regulate your use of, and our and your rights and responsibilities concerning, the software or the technology. We or our affiliates may charge you a monthly or other fee for any proprietary software or technology that we or our affiliates license to you and for other maintenance and support services that we or our affiliates provide during the term of your Franchise Agreement.

Training

Before your Restaurant opens, we will train you (or your Operating Partner) and up to one additional person on operating a Restaurant. If you designate a General Manager (as defined below), that individual must also complete our initial training. We will not charge you a training or registration fee for the participation of two people in the training program. However, you must pay all travel and living expenses (such as transportation, lodging, and meals – inside and outside of the restaurant) and compensation for these individuals. These training expenses vary depending on the distance traveled by these individuals and the type of lodging selected. You or your Operating Partner, along with any General

Manager, must be fully trained prior to the Restaurant opening or the Restaurant opening can be delayed at our discretion.

If you wish to have additional individuals trained during this period we may charge you a reasonable fee, estimated at \$500 per person per day, for additional training you request and for training managers above and beyond the first three that we have trained. You will be responsible for their travel, living and other expenses and wages while attending all training programs.

We or you will use the Operations Manual, training system, skills training guides, testing and various train the trainer instructional materials as we or you conduct the initial training program. If you, or your Operating Partner, and your manager-level employees cannot complete initial training to our satisfaction, we may terminate the Franchise Agreement.

Training will occur after you sign the Franchise Agreement and while you are developing your Restaurant. Your attendees must complete initial training to our standards and satisfaction, as we determine in our sole discretion, before you may open your Restaurant. We plan to be flexible to accommodate our personnel, you and your personnel. We do not have set training dates, but will conduct training sessions on an as-needed basis.

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INITIAL TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
FRONT OF HOUSE (DAY MAKER)	2 hours	30 hours	Electronically, Minneapolis metropolitan area, or another Restaurant we designate
PREP COOKS (KARMA KREATOR)	2 hours	30 hours	Electronically, Minneapolis metropolitan area, or another Restaurant we designate
KARMA AMBASSADOR (MANAGER)	6 hours	32 hours	Electronically, Minneapolis metropolitan area, or another Restaurant we designate
TANDOOR MAESTRO	2 hours	30 hours	Electronically, Minneapolis metropolitan area, or another Restaurant we designate
Total	12 hours	122 hours	

The Initial Training consists of approximately ~~seven-day~~two weeks of training, featuring classroom style live training at one of our affiliate-owned~~Corporate~~ Restaurants, at another one of the Restaurants, via electronic media, or some combination of these options, in our discretion. We will not charge any fees for the first two members of your training group participating in the Initial Training, but we may charge additional fees of \$500 per day for every additional member of your training group. You will be responsible for all compensation and expenses (including travel, meals and lodging) incurred by you and your training group in attending any training programs.

As of the date of this Disclosure Document, the initial training program will be administered by Dhivya Priya Jegenathan, our ~~Vice President of Operations~~Chief Operating Officer, who has ~~four~~five years of experience with the Pizza Karma brand, and/or various members of our staff and personnel who have experience operating Restaurants and have at least one year of experience with our System.

If, at any time during your operation of the Restaurant, you request that we provide additional training or assistance, or if we determine that you require additional training or assistance you must pay our then-current per diem training fee for each trainee, currently \$500 per person per day, and you must reimburse us for all out of pocket costs and expenses incurred by our trainers associated with the additional training, including travel, lodging, meals and other reasonable expenses. Neither you nor your employees will receive any compensation from us for services performed during training. You will bear all other expenses incurred in such training, such as the costs of transportation, lodging, meals, wages, and worker's compensation insurance.

We may periodically conduct a conference, convention, program, or training session, including, if we establish one, our annual franchise convention for all System franchise owners at a location that we choose and approve. We will determine the duration, curriculum, and location of these events. You and your Operating Partner must attend each conference, convention, program, or training session. We may also require all of your Restaurant managers, including replacement managers, to complete initial and on-going training programs to our satisfaction. These meetings may be held in the Minneapolis, Minnesota area, or any other place that we may designate and, except for the franchise convention, may last one to two days. Lastly, as a condition of renewing your Franchise Agreement, we may require you to undergo further training. We may charge a reasonable fee for these sessions and you must pay all expenses incurred in attending, including the travel, living and other expenses and wages of your employees while attending all training programs. You must also maintain a computer and any other necessary digital device on which you and your employees can perform those training programs that are available digitally.

ITEM 12 **TERRITORY**

Under an Area Development Agreement

If you sign an Area Development Agreement, we will describe the development territory in the Rider to that agreement (“Development Territory”). The territory will typically be described as a geographic area in which each of your Restaurants must be developed. The factors that we consider in determining these territories include density of population, growth trends of population, apparent degree of affluence of population, the density of residential and business entities, traffic generators, driving time, natural boundaries, location of other Pizza Karma Restaurants, the number of Restaurants you wish to develop, and our development plans. As long as you are in compliance with your obligations under the Area Development Agreement and all of the Franchise Agreements between you (and your affiliates) and us, we will not establish or operate, or license anyone other than you to establish or operate, a Pizza Karma restaurant in the Development Territory, subject to our reserved rights described below. Your rights in the Development Territory will end at the earlier of: (i) the date your Area Development Agreement expires or is terminated; and (ii) the date you must sign the Franchise Agreement for your last Restaurant under the terms of the Development Schedule. If the Development Territory covers more than one city, county, or designated market area, the protection for each particular city, county or designated market area will also expire on the date when we determine the protected territory to be given to you under a franchise agreement for your final Restaurant to be developed in that city, county, or designated market area. When your rights in your Development Territory have expired under the Area Development Agreement, you will still have the rights granted to you in any portion of these territories under an individual franchise agreement.

If you are in full compliance with your Development Agreement and any existing Franchise Agreement you have entered into with us, then we will grant you the right to open the number of Restaurants you agreed to open as part of your Development Schedule within your Development Territory. Your Development Schedule will depend on the number of units you acquire the rights to develop in your Development Agreement; however, generally, your Development Schedule will be based on you opening one Restaurant every 12 months.

If you sign an Area Development Agreement, you must sign individual Franchise Agreements and find a site that meets our approval under our then-current site approval criteria under each individual Franchise Agreement you sign.

Under a Franchise Agreement

The Franchise Agreement grants to you the right to own and operate a Restaurant at a specific location approved by us. You may not conduct the business of your Restaurant at any site other than the approved premises or relocate your Restaurant without our prior written consent. Except as noted below, as long as you are in compliance with the Franchise Agreement, we will not operate a Restaurant or grant to a third party the right to operate a Restaurant within your Territory (other than at Non-Traditional Sites, as defined below).

Protected Territory

Your Franchise Agreement may also specify a protected territory (“**Territory**”). The size and scope of the Territory will be contained in the Franchise Agreement and will be determined, in our sole discretion. The criteria used for determining the boundaries of the Territory may include any or all of the following: the population base; density of population; growth trends of population; apparent degree of affluence of population; proximity of any existing Pizza Karma Restaurants, the density of residential and business entities; restaurant co-tenants; traffic generators; driving times; proximity to lodging facilities; and major topographical features which clearly define contiguous areas, like rivers, mountains, major freeways and underdeveloped land areas. In most cases, if you are in a metropolitan area, the Territory will range from a one (1) to three (3) mile radius around your Restaurant, (although this may be less in area of high office concentration,) or, if you are in a small town, the city limits of the town.

If you are approved to operate a Food Truck, you will be allowed to operate and make sales from the Food Truck within the Territory. You may operate the Food Truck outside the Territory only with our written approval, but as of the date of this Disclosure Document, we generally allow you to operate your Food Truck within a five-mile radius of your Restaurant, except that in no event will you be allowed to operate your Food Truck in any territory granted to another franchisee previously or in the future.

Under the Franchise Agreement and Area Development Agreement

We may also have situations where we designate a “TBD” (to be determined) search area, protected territory or development territory. If you receive a TBD territory or area, you have the right to look for a site in any area that has not already been given as a protected territory, development territory, or search area to another Pizza Karma franchisee or area developer. However, if you find a proposed site in near proximity to another Restaurant, even though not in that Restaurant’s protected territory, we may offer the site to the existing franchisee before we agree to assign that area to you or grant you the right to develop your Restaurant at that site.

If you do not name a protected territory or development territory, or if your protected territory or development territory is “to be determined” you will not have exclusive rights in a territory until you name

a location that is approved by us and we assign your Territory or Development Territory, as applicable. In this case, you may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Restrictions on Your Soliciting or Accepting Orders From Consumers Outside Your Territory

You may solicit customers and advertise your Restaurant anywhere you choose. There are no restrictions on you, any of our other franchisees, or us to prevent any soliciting or advertising in someone else's franchise territory—, except that if you are approved to operate a Food Truck, you may not target advertisements for the Food Truck to customers that are located in the territory of another franchisee. No party is obligated to pay compensation to any other party for soliciting customers from the other franchisee's franchise territory. You may provide delivery services outside of your Territory only with our approval, but as of the date of this Disclosure Document, we generally allow you to offer in-house delivery service to homes and businesses located within a five-mile radius of your Restaurant. You may utilize third-party delivery services based upon the terms of service and range of delivery that is typical for such provider, or that we may approve from time to time in our discretion. If these services are in another franchisee's franchise territory, you will not be required to compensate the other franchisee, and other System franchisees may provide the same services in your Territory without compensating you.

Other than as described in this Disclosure Document, you have no right to sell products through the Internet or worldwide web, through smart phone or other digital applications, mail order or catalogs, through telemarketing or other direct marketing or through any other form of distribution channel or method. You have no right to use the Marks in connection with any business other than the Restaurant.

You have no options, rights of first refusal or similar rights to acquire additional franchises or establish additional Restaurants. We have not established any minimum sales quota and do not require any certain level of sales, revenue volume or market penetration in order for you to maintain your Territory. We will not reduce the size of your Territory even if the population in it increases. Likewise, we will not expand the size of your Territory if the population in it decreases. We cannot alter your Territory unless you give us your written consent. Any rights that are not specifically granted to you under the Franchise Agreement are retained by us.

National and Regional Accounts Program

We reserve the right to establish certain customer or promotional accounts that have multiple locations across the country or regionally as “**National Accounts**” or “**Regional Accounts**” depending on their overall size and number of locations. We will have the sole right to establish such programs and pricing for National Accounts and Regional Accounts as we deem to be in the best interest of the System, which may be lower than what Franchisee offers at its Restaurant. We may, from time to time, establish national or brand-level marketing campaign(s) and promotional offers in connection therewith which you may be required to participate, honor or offer, subject to compliance with any applicable state or local laws or regulations.

Similar Businesses By Us

Our Reserved Rights under the Franchise Agreement and Area Development Agreement

Under the Franchise Agreement and the Area Development Agreement, we and our affiliates have reserved (a) the right to establish and operate, and grant to other franchisees or licensees the right to establish and operate, a Pizza Karma Restaurant or any other business using the Marks, the System or any

variation of the Marks and the System, (i) in any location outside the Territory and, if applicable, Development Territory; (ii) restaurants that we or our affiliates purchase (or as to which we or our affiliates purchase the rights as franchisor) that are part of another franchise system or chain and either continue to operate them independently or convert them to Pizza Karma Restaurants, regardless of whether such restaurant(s) are located within or outside of the Territory and, if applicable, Development Territory; or (iii) at or from any Non-Traditional Site (as defined below), regardless of whether such Non-Traditional Site is located within or outside of the Territory and, if applicable, Development Territory; (b) the right to establish and operate anywhere franchises and/or ~~company-owned or affiliate-owned~~ restaurants or outlets selling ~~similar products and providing similar services~~ of any type (including within your Territory and, if applicable, Development Territory) under names and symbols other than the Marks, even if these restaurants or outlets are near your Restaurant; ~~as of the date of this Disclosure Document, we do currently and plan to in the future operate restaurant concepts under marks other than the Marks which may be operated in close proximity to your Restaurant;~~ (b) the exclusive right to establish and operate, and grant to licensees and franchisees the right to establish and operate, Restaurants that are located at what we determine to be non-traditional sites, regardless of whether they are located in your Territory and/or offer similar products and services as your Restaurant; (c) the right to operate, for ourselves and our affiliates, businesses using the Marks to distribute products or offer services (including through the Internet, worldwide web, smart phone or other digital applications, mail order, catalogs, or other forms of distribution channels or methods) that may be similar to or different from those found in Restaurants, both within and outside your Territory and Development Territory, so long as we do not do so through the operation of a Restaurant; ~~(d) the right to establish and operate, or authorize others to establish and operate, Restaurants physically located at Non-Traditional Sites, whether within your Designated Area or not, on any terms and conditions we deem appropriate; and (e) (d)~~ the exclusive right to sell products identified with the Marks both within and outside your Territory through any distribution channel or method (whether at retail or wholesale), including sales through catalogs, e-commerce, smart phone or other digital applications, mail order, kiosks, mass merchandise, supermarkets and club stores, temporary or mobile locations, such as a food truck, except through the operation of a Restaurant, even if you sell these products at your Restaurant. As one example, we have the right to sell Pizza Karma Restaurant food products through a nationwide retail chain even if the chain has facilities located within your Territory. We will not pay you any compensation for soliciting or accepting customers ~~located or orders from~~ inside your Territory, or for exercising any of the rights specified above. Regardless of any restriction in this Item 12, we can sell our equity or assets to any third party regardless of whether the third party operates or franchises the operation of businesses in your territory that are similar to your Restaurant. As of the date of this Disclosure Document, we do not currently nor plan to in the future operate restaurant concepts under marks other than the Marks which may be operated in close proximity to your Restaurant.

We have not yet established other franchises or company-owned or affiliate-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark, but we reserve the right to do so in the future, without first obtaining your consent. Neither we nor our affiliate has established, or presently intends to establish, other franchised or company-owned centers which sell the similar products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

Certain sites, locations, or venues have characteristics that make them distinct from locations that could generally be developed into Restaurants, such as sites that independently generate customer traffic flow separate from the general customer traffic flow of the surrounding area, or that by their nature are not tied to a particular physical location (“**Non-Traditional Sites**”). Non-Traditional Sites include: military bases; shopping malls (whether open-air or enclosed); large big-box retail outlets; transportation-related venues (e.g., airports, train or bus stations, marinas, travel plazas or toll roads); sports or entertainment venues (e.g., stadiums, arenas, concert halls); major industrial or office complexes, hotels, educational facilities (e.g., school, college, and university campuses); casinos; fitness centers, hospitals and related



rehabilitation or healthcare facilities; governmental institutions; amusement or recreational facilities (e.g., theme parks, outdoor municipal parks, zoos, or museums); grocery stores or departments stores; mobile-based channels of distribution (e.g., food trucks); and any co-branding locations or business endeavors where a Restaurant’s operations are inextricably associated with, or such operations are contained within or sharing the same physical building or operational premises as, another business (such as, for example and without limitation, a gas/convenience store or another restaurant concept). Non-Traditional Sites are specifically excluded from your Territory, meaning that we have the right to develop Restaurants or license to others the right to develop Restaurants at Non-Traditional Sites located within the borders of your Territory.

Because we and others may establish and operate Restaurants at Non-Traditional Sites in your Territory and because of the reserved rights above, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets we own, or from other channels of distribution or competitive brands that we control. ~~We do not have to pay you if we solicit or accept orders from inside your Designated Area.~~

ITEM 13 TRADEMARKS

Under the Franchise Agreement, we grant you the non-exclusive right to operate your Restaurant under the name “PIZZA KARMA” and to use the other Marks we authorize you to use. You must use the Marks only for the operation of your Franchised Location and in the manner authorized by us.

The following table lists the principal Marks that you may use with your franchise and that, through our parent, Naanza, LLC, have been registered on the principal register of the United States Patent and Trademark Office (“USPTO”):

Mark	Registration No.	Registration Date	Register
PIZZA KARMA	5777501	June 11, 2019	Principal Register
	5765724	May 28, 2019	Principal Register
	5826565	August 6, 2019	Principal Register

We have the right to use the Marks through a perpetual licensing agreement with our affiliate ~~Naanza~~Naanza, LLC (the “**License Agreement**”). Under the License Agreement, we have the indefinite right to use the Marks in connection with our establishment, development, operation, and management of franchised Restaurants and of the System. Our license is not exclusive, and Naanza, LLC may license others to use the Marks. The term of the License Agreement is indefinite unless we fail to perform our obligations

information, knowledge, know-how, and techniques that we designate as confidential will be deemed “confidential” for purposes of the Franchise Agreement. However, this will not include information that you can show came to your attention before we disclosed it to you; or that at any time became a part of the public domain through publication or communication by others having the right to do so.

You must implement all reasonable procedures we prescribe from time to time to prevent unauthorized use or disclosure of confidential information. In addition, we may require you, your Operating Partner, and other owners, to sign confidentiality, non-competition and non-solicitation agreements in the form(s) approved by us which will prohibit them from directly or indirectly engaging in activities that compete with the operations of your Restaurant or any other Restaurant, ~~and disclosing our or our affiliates’ confidential and proprietary information and trade secrets, and soliciting our or our affiliates’ employees and employees of other Restaurants.~~ We may also require certain key employees who have received our confidential and proprietary information to enter into a confidentiality agreement. At our request, you must deliver copies of such agreements to us. These agreements must include specific identification of us as a third-party beneficiary with the independent right to enforce the covenants. We have the right to take legal action against you if there has been an unauthorized use of our confidential information or trade secrets through you or your employees or others.

You must promptly notify us of any unauthorized use of our copyrighted materials or any unauthorized use or disclosure of confidential information, including by your employees. You must notify us of any challenge to your right to use or the ownership of any copyrighted materials or confidential information. We are not required to protect or defend our copyrights or confidential information although we intend to do so when it is in the best interests of the System. We have the exclusive right to control any copyright litigation. We have the right to keep all sums obtained in settlement or as a damages award in any proceeding or litigation without any obligation to share any portion of the settlement sums or damages award with you. While we are not required to participate in your defense or to indemnify you for damages or expenses you incur if you are a party to any administrative or judicial proceeding involving our confidential information or other information in which we claim common law rights and copyright protection, we may reimburse you for your liability and reasonable costs in connection with defending our confidential information and other information in which we claim common law rights and copyright protection.

We will have the right at any time, on notice to you, to make additions to, deletions from, and changes in any item in which we claim common law copyright or registered copyright protection including the Operations Manual. You must adopt and use all additions, deletions, and changes as we direct, at your expense. At the end of the term of the Franchise Agreement, you must also deliver to us all of our confidential information and Operations Manuals in your possession.

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

Unless a separate General Manager that meets our qualifications is approved by us to assume day-to-day supervision of your Restaurant, you (or your Operating Partner if you are an entity) must devote full-time and best efforts to the supervision of your Restaurant and may not engage in other businesses or activities. If you or your Operating Partner elects not to supervise the day-to-day operations of your Restaurant, you must designate a “**General Manager**” that meets our qualifications to supervise the operation of your Restaurant at least ninety (90) days before the opening of your Restaurant. Your General Manager must devote full-time and best efforts to the supervision of your Restaurant. Each Restaurant must have a different General Manager. You acknowledge that the appointment of a General Manager will not relieve you or your Operating Partner of his or her supervisory responsibilities for the operation of your

Restaurant. You and your Operating Partner will remain fully responsible for your General Manager's performance. If you are a business entity, your General Manager need not own any equity interest in you. You, the Operating Partner, and any General Manager must complete our initial training requirements and all other training we reasonably designate. We also require that you or the Operating Partner attend our Annual Conference each year, even if that person is not personally supervising your Restaurant.

We may require General Managers not already personally bound by the Franchise Agreement to sign a confidentiality and/or nondisclosure agreement in the form(s) prescribed by us (a "**Nondisclosure Agreement**"). This Nondisclosure Agreement will prohibit them from directly or indirectly disclosing our confidential and proprietary information and trade secrets. We also may require those employees who have received our confidential and proprietary information to enter into the same Nondisclosure Agreement.

If a General Manager ceases to be employed by you for any reason, you must replace such General Manager within 30 days, commence training such replacement General Manager on the System and have such replacement General Manager come to our corporate headquarters, training facility or such other location as we designate for additional training and for certification by us, to be granted or withheld in our reasonable discretion. You are responsible for all related travel and living expenses and wages incurred in connection with your replacement General Manager attending these training sessions, as well as our per diem training fee. Until a replacement General Manager that we have approved is in place, you or your Operating Partner must immediately assume operational management and supervision of your Restaurant on a full-time basis.

We may require each of your owners and their spouses to personally guarantee, on a joint and several basis, your obligations to us under the Franchise Agreement, and Area Development Agreement. The guarantees will be in the form of the Guaranty, Indemnification, and Acknowledgement attached as Exhibit C to the Franchise Agreement— and the Guaranty attached as Exhibit A to the Area Development Agreement.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must conduct the business operated at your Restaurant as required by the Operations Manual and the Franchise Agreement. You must offer and sell only those products and services approved by us. Further, you must offer all goods and services that we designate as required for all franchisees. These required goods and services include menu items which meet our standards and specifications. We have the right to add additional authorized goods and services that you must offer. There are no limits on our right to make modifications to our approved menu, whether by a change in the Operations Manual or through an amendment to the Franchise Agreement or by another form of written directive.

We will not restrict you from soliciting any customers, no matter whom they are or where they are located. However, you may only sell products to consumers for consumer purposes (and not for resale). You may not sell products at wholesale. In addition, as of the date of this Disclosure Document, we generally allow you to offer delivery services to homes and businesses located within a five-mile radius of your Restaurant. Subject to this maximum mileage requirement, you may provide delivery services in the protected territories of other System franchisees, and other System franchisees may provide the same services in your Territory. You may not ship products within or outside your Territory.

~~remainder~~Remainder of page intentionally left blank]

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION OF
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.

Franchise Agreement

Provision	Section in Franchise or Other Agreement	Summary
a. Length of the franchise term	Section 2.01 – <u>Franchise Agreement</u> Sections 3.A and 4 and Rider – <u>Area Development Agreement</u>	<u>The franchise has an initial 10 year term.</u> <u>The term of an Area Development Agreement depends on the number of franchises to be developed under the Area Development Agreement. It will typically be between 1 and 5 years.</u>
b. Renewal or extension of the term	Section 15.01 <u>and Exhibit H – Franchise Agreement</u> <u>Area Development Agreement – Not Applicable</u>	If you meet the requirements, you can renew for one additional consecutive 10 year term. <u>You cannot renew the Area Development Agreement.</u>
c. Requirements for franchisee to renew or extend	Sections 15.01, 15.02 and 15.03 – <u>Franchise Agreement</u> <u>Area Development Agreement – Not Applicable</u>	You must: provide written notice of election to renew; not be in default of the Franchise Agreement or any other agreement relating to the Restaurant; sign the then-current form of Franchise Agreement; pay a renewal fee; refurbish the Restaurant; complete any required retraining program; sign a general release; and maintain ownership or leasehold interest in the Restaurant location or secure a suitable alternative. Terms of the then-current form of Franchise Agreement may differ materially from any and all of those contained in the Franchise Agreement attached to this Disclosure Document. <u>You do not have the right to renew or extend the Area Development Agreement.</u>

Provision	Section in Franchise <u>or Other Agreement</u>	Summary
d. Termination by franchisee	Section 14.01 <u>Area Development Agreement – Not Applicable</u>	You can terminate only if we fail to cure a default under the Franchise Agreement within 90 days (or 150 days in some instances) after you give us written notice of termination. <u>You may terminate the Area Development Agreement under any grounds permitted by law.</u>
e. Termination by franchisor without cause	<u>Franchise Agreement and Area Development Agreement – Not Applicable</u>	Not Applicable
f. Termination by franchisor with “cause”	Sections 14.02 and 14.03 – <u>Franchise Agreement and Section 5 – Area Development Agreement</u>	We <u>Subject to applicable law, we</u> can terminate only the Franchise Agreement and Area Development Agreement if you default or if certain events (described in (g) and (h) below) occur. In some instances, you will have an opportunity to cure the default. <u>The Franchise Agreement and the Area Development Agreement contain cross-default provisions.</u>
g. “Cause” defined – curable defaults	Section 14.03 <u>and Exhibit H – Franchise Agreement</u> <u>Section 5 – Area Development Agreement</u>	Failure to comply with our standards and procedures or any term of the Franchise Agreement not covered in (h) below, including: failure to submit required reports; failure to relocate; failure to attend training programs; and <u>failure to maintain required insurance; and failure to comply with requirements for operation of Food Truck.</u> You have 30 days (or longer in some instances) after we give you written notice to cure the default. <u>Defaults not listed in (h) below are curable and you will have 30 days to cure, except that if the failure to comply is the 3rd failure to comply with any provision of any agreement that you or any of your affiliates have with us or an affiliate of ours within 12 consecutive months, then we need not provide any opportunity to cure.</u>
h. “Cause” defined – non-	Section 14.02 <u>and</u>	Insolvency; bankruptcy; liquidation;

Provision	Section in Franchise <u>or Other</u> Agreement	Summary
curable defaults	<p data-bbox="561 310 833 380"><u>Exhibit H – Franchise Agreement</u></p> <p data-bbox="561 1136 760 1234"><u>Section 5 – Area Development Agreement</u></p>	<p data-bbox="859 310 1417 1079">reorganization; general assignment for benefit of creditors; failure to pay us or any creditor, supplier or lessor of the Restaurant any sums due after written notification; failure to complete initial training program; failure to open Restaurant within 12 months; abandonment of Restaurant; conviction of a felony or crime involving moral turpitude; operation of the Restaurant as a safety hazard; making of material misrepresentations or knowingly maintaining false books or records; unauthorized transfer; failure to comply with non-competition, non-solicitation and confidentiality provisions; unauthorized use of any Mark; failure to comply with any applicable law; unauthorized seizures; underreporting of Gross Sales; receipt of three default notices within a 12-month period; making same default twice within a 12-month period; or any other default not susceptible to cure. <u>Franchisor may terminate the Food Truck Addendum if Franchisee fails to make required purchases to operate Food Truck within 12 months.</u></p> <p data-bbox="859 1146 1417 1780"><u>Non-curable defaults: your insolvency; appointment of a receiver of your property; your general assignment for the benefit of creditors; final judgment against you remains unsatisfied of record for 30 days or longer; execution is levied against your business or property, or the business or property of any of your affiliates that have entered into Franchise Agreements with us; suit to foreclose any lien or mortgage against premises or equipment is instituted against you and not dismissed within thirty (30) days; you fail to meet your development obligations set forth in the Development Schedule; you or any of your affiliates open any Franchised Restaurant before signing a Franchise Agreement for it; or we have delivered to you or any of your affiliates a notice of termination of a Franchise Agreement in accordance with its terms and conditions.</u></p>
i. Franchisee’s obligations on termination/non-	<u>Sections 7 and 16 – Franchise Agreement</u>	Obligations include complete de-identification of Restaurant; payment of amounts due; payment of liquidated damages; return

Provision	Section in Franchise <u>or Other</u> Agreement	Summary
renewal	<u>Section 6 – Area Development Agreement</u>	confidential materials; cancel assumed name registration; transfer telephone and fax numbers and Internet listings; no investment in competitive business; follow any procedures in the Operations Manual related to discontinuing operations of the Restaurant; and offer us the right to purchase the Restaurant. <u>You lose all remaining rights to develop Franchised Restaurants. You also pay as damages \$10,000 for each of the franchise agreements you failed to sign (subject to state law).</u>
j. Assignment of contract by franchisor	<u>Section 13.07 – Franchise Agreement and Section 7.A – Area Development Agreement</u>	No restriction on our right to assign.
k. “Transfer” by franchisee – defined	<u>Section 1.04 – Franchise Agreement and Section 7.B – Area Development Agreement</u>	Includes <u>direct and indirect</u> transfer of Franchise Agreement <u>agreement</u> , any interest in Franchise Agreement <u>agreement</u> , any assets of Restaurant, the Restaurant premises, or any equity interest in you if you are an entity or any equity interest in any owners of you if they are an entity.
l. Franchisor approval of transfer by franchisee	<u>Section 13.01 – Franchise Agreement</u> <u>Section 7.B – Area Development Agreement</u>	We have the right to approve all transfers but will not unreasonably withhold approval. <u>We have the right to approve; you may not transfer only a portion of your rights.</u>
m. Conditions for franchisor approval of transfer	<u>Section 13.02 and Exhibit H – Franchise Agreement</u>	Transferee qualifies; transferee assuming obligations under Franchise Agreement and/or entering into new franchise agreement and any other agreements we require; terms and conditions of transfer are satisfactory to us; you are not in default under the Franchise Agreement, or any other agreement between you and us; transferee completes training; upgrade Restaurant if required; signing of a general release; fee paid; and we decline to exercise our right of first refusal. <u>If you operate a Food Truck, you may not sell or transfer the</u>

Provision	Section in Franchise <u>or Other</u> Agreement	Summary
	<u>Section 7.B – Area Development Agreement</u>	<u>Food Truck except in connection with a transfer of the entire Restaurant business.</u> <u>You must sign franchise agreements for all remaining Franchised Restaurants you are permitted to develop, and you must transfer those agreements to the same person or entity to whom you are transferring the Area Development Agreement. You must meet any additional conditions we specify in the Operations Manual or otherwise in writing.</u>
n. Franchisor’s right of first refusal to acquire franchisee’s business	<u>Section 13.05 – Franchise Agreement</u> <u>Area Development Agreement – Not Applicable</u>	We can match any offer for the transfer of your business or any ownership interest.
o. Franchisor’s option to purchase franchisee’s business	<u>Section 16.03 – Franchise Agreement</u> <u>Area Development Agreement – Not Applicable</u>	Upon expiration or termination of the Franchise Agreement, you must offer us the right to purchase the Restaurant.
p. Death or disability of franchisee	<u>Section 13.04 – Franchise Agreement</u> <u>Section 7.B – Area Development Agreement</u>	Franchise must be assigned by estate to an approved buyer. <u>We must approve of the third party to whom the Area Development Agreement is transferred as a result of death or permanent disability.</u>
q. Non-competition covenants during the term of the franchise	Section 7.01(a)	No direct or indirect involvement in competitive business.
q. <u>Non-competition covenants afterduring the term of the franchise is terminated or expires</u>	<u>Section 7.01(b)a) – Franchise Agreement and Section 9 – Area Development Agreement</u>	For two years, no <u>No direct or indirect involvement in any competitive business located within a 10-mile radius of any Restaurant. Competitive.</u> <u>For this item (q) and (r) below, competitive</u> business includes any business operating or franchising a restaurant or food establishment at which more than 20% of the offerings consist of some combination of pizza, salads, wraps, wings, sandwiches, or tandoor-oven prepared food.

r. <u>Non-competition covenants after the franchise is terminated or expires</u>	<u>Section 7.01(b) – Franchise Agreement and Section 9 – Area Development Agreement</u>	<u>For two years, no involvement in competitive business located within a 10-mile radius of the protected territory of any Restaurant.</u>
s. Modification of the agreement	Sections 4.05 and 19.13 – <u>Franchise Agreement and Section 9 – Area Development Agreement</u>	Generally, no modifications unless agreed in writing. We may revise the Operations Manual and you must comply with each requirement.
t. Integration/merger clause	Sections 19.13 and 19.18 – <u>Franchise Agreement and Section 9 – Area Development Agreement</u>	Only the terms of the <u>Franchise Agreement</u> 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	Sections 18.02 and 18.03 – <u>Franchise Agreement and Section 9 – Area Development Agreement</u>	Except for certain claims, all disputes must be mediated, and if not settled by mediation, are then subject to arbitration.
v. Choice of forum	Sections 18.02, 18.03 and 18.04 – <u>Franchise Agreement and Section 9 – Area Development Agreement</u>	Litigation must be held in the federal or state court for the district where our principal executive office is located (subject to state law). Mediation must occur a metropolitan area within 20 miles of our principal executive office and arbitration must occur in the office of the American Arbitration Association closest to our principal executive office.
w. Choice of law	Section 19.04 – <u>Franchise Agreement and Section 9 – Area Development Agreement</u>	Minnesota law applies generally, except for federal law and applicable franchise laws of other states.

~~x. — Liquidated Damages~~

~~Section 16.05~~

~~Upon termination of the Franchise Agreement due to your breach, you must pay us, in addition to other amounts owed, liquidated damages in an amount equal to the average weekly Royalty Fees, National Marketing Fees, Technology Fees, and other amounts you paid or owed to us during the 12 months of operation preceding the effective date of termination multiplied by (a) 36 (being the number of months in 3 full years), or (b) the number of months remaining in the Franchise Agreement had it not been terminated, whichever is lower.~~

Applicable state law may require additional disclosures related to the information in this Disclosure Document. These additional disclosures appear in Exhibit GH attached to this Disclosure Document.

ITEM 18
PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC’s Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets, or outlets owned by our affiliates. 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 Raj Selvaraj, Karma Franchise LLC, 8451 3515 Plymouth Blvd, #205, Plymouth, MN 554473500 Vicksburg Lane N., #270, (763) 200-4119, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

Systemwide Outlet Summary
For Fiscal Years ~~2019~~–~~2021~~ - 2023¹

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019 <u>202</u>	0	0	0
	2022 <u>202</u>	0	0	0
	2023 <u>202</u>	0	0 <u>2</u>	0 <u>+2</u>
Company-Owned or Affiliate-Owned Outlets	2019 <u>202</u>	1 <u>2</u>	2 <u>3</u>	+1

	2022 0	202 23	2	0 -1
	2023 1	2021 22 ²	31	+1 +1
Total Outlets	2019 1	202 12	23	+1
	2020 2	202 23	2	0 -1
	2023 2	2021 2	3	+1

¹ All numbers are as of December 31.

² One of these locations was operated by our affiliate, MKS Dine, LLC, at 11611 Fountains Drive, Maple Grove, Minnesota 55369 (telephone 763-520-9800), but following the sale to a franchisee in 2023, this location now operates as a franchised location.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (Other Than Franchisor)
For Fiscal Years ~~2019~~–2021 - ~~2023~~¹

State	Year	Number of Transfers
Total	2021 2019	0
	2020 2022	0
	2023 2021	0

¹ All numbers are as of December 31.

Table No. 3
Status of Franchised Outlets
For Fiscal Years ~~2019~~–2021 - ~~2023~~¹

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Total <u>Minnesota</u>	2021 2019	0	0	0	0	0	0	0
	2020 2022	0	0	0	0	0	0	0
	2023 2021	0	0 ²	0	0	0	0	0 ²
Total	2021 2022	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
	<u>2023</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>

¹ All numbers are as of December 31.

² One of these locations was operated by our affiliate, MKS Dine, LLC, at 11611 Fountains Drive, Maple Grove, Minnesota 55369 (telephone 763-520-9800), but following the sale to a franchisee in 2023, this location now operates as a franchised location.

Table No. 4

**Status of Company-Owned and Affiliate-Owned Outlets
For Fiscal Years ~~2019~~–2021 - 2023¹**

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
<u>Minnesota</u>	<u>2021</u>	<u>2</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
	<u>2022</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>2</u>
	<u>2023</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u> ²	<u>1</u>
Total	2021 <u>2019</u>	1 <u>2</u>	1	0	0	0	<u>2</u> 3
	2020 <u>2022</u>	2 <u>3</u>	0	0	<u>1</u> 0	0	2
	2021 <u>2023</u>	2	<u>1</u> 0	0	0	<u>1</u> 0	<u>3</u> 1

¹ All numbers are as of December 31.

² This location was operated by our affiliate, MKS Dine, LLC, at 11611 Fountains Drive, Maple Grove, Minnesota 55369 (telephone 763-520-9800), but following the sale to a franchisee in 2023, this location now operates as a franchised location.

Table No. 5

**Projected Sales and Openings as of
December 31, ~~2021~~2023**

State	Franchise Agreements Signed, Not Yet Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arizona <u>Florida</u>	0	0-1	0
Georgia	0	0-1	0
Minnesota	0	<u>0</u> - <u>1</u> - <u>2</u>	<u>0</u> - <u>2</u>
North Carolina	0	0-1	0

State	Franchise Agreements Signed, Not Yet Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Texas	0	0-1	0
Totals	0	1-60-5	0-2

All numbers are as of December 31st for each year. We are initially looking for franchisees primarily in states noted above, but cannot know in advance where we might find prospects. Therefore, any projection of this nature is speculative. We will add franchised prospects where we find qualified prospects.

~~We do not currently have any franchisees. A list of the names of all franchisees and the addresses and phone numbers of their franchises are reflected in Exhibit F.~~ No franchisees terminated, canceled, or did not renew as of the date of this Disclosure Document. No franchisees otherwise voluntarily or involuntarily ceased to do business under their Franchise Agreement in the last fiscal year or has not communicated with us within 10 weeks of the issuance date of this Disclosure Document.

In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experience with the System. You may wish to speak with current and former franchisees, but know that not all such franchisees will be able to communicate with you. During the last three fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the System. If you buy a Restaurant, your contact information may be disclosed to other buyers when you leave the Franchise System.

There are currently no franchise advisory councils and no other trademark-specific franchisee organizations associated with the System.

ITEM 21 FINANCIAL STATEMENTS

Attached to the Disclosure Document as ~~Exhibit DE~~ are our audited financial statements as of December 31, ~~2023, December 31, 2022, and December 31, 2021~~. We have only been in existence since June 2021. Therefore, we do not yet have any audited financial statements or financial statements for any other periods or years. ~~Our fiscal year end is December 31. We are also attaching our interim balance sheet as of September 3, 2024. THE INTERIM BALANCE SHEET IS PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OR HER OPINION WITH REGARD TO THE CONTENT OR FORM.~~

ITEM 22 CONTRACTS

The Franchise Agreement is attached as ~~Exhibit B~~ to this Disclosure Document. The following additional contracts or agreements are attached to the Franchise Agreement:

Exhibit	Franchise Agreement
A	Data Sheet
B	List of Principals and Operating Partner

C	Guaranty, Indemnification and Acknowledgment
D	Electronic Funds Withdrawal and Credit Card Authorization
E	Personal Covenants
F	Telephone Number Assignment Agreement and Power of Attorney
G	Lease Rider
<u>H</u>	<u>Food Truck Addendum</u>
<u>HI</u>	State Specific Addenda

The Area Development Agreement is attached as Exhibit C to this Disclosure Document. The following additional contracts or agreements are attached to the Area Development Agreement:

<u>Exhibit</u>	<u>Area Development Agreement</u>
<u>A</u>	<u>Guaranty</u>
<u>B</u>	<u>State Specific Addenda</u>

Also attached to this Disclosure Document are the following agreements:

- Exhibit FG is the Form of Release Agreement; and
- Exhibit HI is the Franchisee Disclosure Questionnaire.

ITEM 23
RECEIPTS

Exhibit ~~H~~^I to this Disclosure Document includes detachable Receipts acknowledging your receipt of this Disclosure Document. Please return one Receipt to us and retain the other for your records.

EXHIBIT B
FRANCHISE AGREEMENT
(see attached)



**KARMA FRANCHISE LLC
FRANCHISE AGREEMENT**

FRANCHISEE

RESTAURANT LOCATION

DATE OF AGREEMENT

**KARMA FRANCHISE LLC
FRANCHISE AGREEMENT**

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I – STATE ADDENDA

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this “Agreement”) is made and entered into this ____ day of _____, 20__ (the “Effective Date”), by and between KARMA FRANCHISE LLC, a Minnesota limited liability company with its principal office at [3515 Plymouth Blvd, #2053500 Vicksburg Lane N., #270](#), Plymouth, MN 55447 (“Franchisor”), and _____, a _____, with its principal office at _____ (“Franchisee”).

WITNESSETH:

WHEREAS, Franchisor has established, at a substantial expenditure of time, effort and money, a system (the “System”) of developing, opening and operating a globally inspired, healthfully sourced restaurant concept under the trademark “PIZZA KARMA®,” featuring signature tandoor ovens to prepare pizza, wraps, wings, and other appetizers, with a menu that also includes salads and a wide selection of beverages, which operate from a fixed location (each, a “Pizza Karma Restaurant” or “a Restaurant”, and collectively, the “Pizza Karma Restaurants” or “Restaurants”); and

WHEREAS, the distinguishing features of the System, include, but are not limited to, the name “PIZZA KARMA” and all other trade names, trademarks, service marks, logos, emblems, insignia, an eye-catching, multi-color mural wall featuring our trademark, and signs developed for use with the System from time to time (collectively, the “Marks”); specially designed fixtures, equipment, facilities, containers, and other items used in serving and dispensing food products; products, methods, procedures, recipes, distinctive food products and the formula and quality standards therefor; and instructional materials and training courses; all of which may be changed, improved and further developed by Franchisor from time to time; and

WHEREAS, Franchisor has acquired knowledge and experience in the composition, distribution, advertising and sale of food products by Restaurants using the System and with respect to the style of the facilities and signs used by these Restaurants and has successfully established a reputation, demand and goodwill for their products; and

WHEREAS, Franchisee recognizes the value and benefits that can be derived from utilizing the System and being associated with Franchisor, the Marks and the other distinctive features of the System, and desires to obtain a franchise from Franchisor to use the System and to operate a Restaurant at an accepted location, and Franchisor is willing to grant such a franchise to Franchisee, all subject to the terms and conditions of this Agreement.

NOW, THEREFORE, for and in consideration of the covenants and agreements hereinafter set forth, the parties hereto covenant and agree as follows:

1. INTRODUCTION.

1.01 Pizza Karma. Franchisor and its Affiliates own, operate and franchise Pizza Karma Restaurants. Franchisor has developed and owns a comprehensive system for developing and operating Restaurants, which includes trademarks, designs and layouts, distinctive standards, specifications and requirements for products, services, equipment, materials, and supplies; uniform standards, specifications, procedures and methods for operations and customer service standards; procedures for inventory and management control; training and assistance; technology standards; trade dress; marketing, advertising and promotional programs; and certain operational and Restaurant standards and policies, all of which Franchisor may add to, remove, change, improve, further develop or otherwise modify from time to time.

1.02 Acknowledgments. Franchisee acknowledges and agrees that it or its authorized officers have read this Agreement and Franchisor’s franchise disclosure document. By signing this Agreement,

Franchisee accepts the proposition that to deliver and execute high-quality food products requires a specific approach to the product used and customer experience (impacted by the quality of people and training) not typically found in other [Restaurants](#)~~restaurants~~, as well as related products. Franchisee understands the terms of this Agreement and accepts them as being reasonably necessary to maintain the uniformity of Franchisor's high-quality standards at all Pizza Karma Restaurants in order to protect and preserve the goodwill of the Marks and the integrity of the System. Franchisee has conducted an independent investigation of the Restaurant contemplated by this Agreement and recognizes that the restaurant industry is highly competitive, with constantly changing market conditions. Franchisee recognizes that the nature of Pizza Karma Restaurants may change over time, that an investment in a Restaurant involves business risks, and that the success of the venture is largely dependent on Franchisee's own abilities, efforts and financial resources.

1.03 Representations. Franchisee and its Owners, jointly and severally, represent and warrant to Franchisor that: (a) neither Franchisee nor any of its Owners have made any untrue statement of any material fact or has omitted to state any material fact in the written information submitted in obtaining the rights granted hereunder; (b) neither Franchisee nor any of its Owners have any direct or indirect legal or beneficial interest in any Restaurant that may be deemed a Competitive Business, except as Franchisee has otherwise completely and accurately disclosed in writing to Franchisor in connection with obtaining the rights granted hereunder; and (c) the execution and performance of this Agreement will not violate any other agreement to which Franchisee or any of its Owners may be bound. Franchisee recognizes that Franchisor has executed this Agreement in reliance on all of the statements Franchisee and its Owners have made in writing in connection with this Agreement.

1.04 Certain Definitions. The terms listed below have the meanings which follow them and include the plural as well as the singular. Other terms are defined elsewhere in this Agreement in the context in which they arise.

(a) **“Affiliate”** - Any Person that directly or indirectly owns or controls the referenced party, that is directly or indirectly owned or controlled by the referenced party, or that is under common control with the referenced party. The term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an Entity, whether through ownership of voting securities, by contract or otherwise.

(b) **“Competitive Business”** – Any restaurant or food establishment at which more than 20% of the offerings consist of some combination of pizza, salads, wraps, wings, sandwiches, or tandoor-oven prepared food. Restrictions in this Agreement on competitive activities do not apply to: (i) the ownership or operation of other Restaurants that are licensed or franchised by Franchisor or any of its Affiliates; or (b) the ownership of shares of a class of securities that are listed on a public stock exchange or traded on the over-the-counter market and that represent less than five percent (5%) of that class of securities.

(c) **“Confidential Information”** – Any information related to the System or the development and operation of Pizza Karma Restaurants that Franchisor or any of its Affiliates discloses to Franchisee that is designated confidential or that by its nature would reasonably be expected to be held in confidence, including, without limitation: (i) equipment, products, recipes, supplies, and methods of service; (ii) plans and specifications for the development of Pizza Karma Restaurants; (iii) sales, marketing and advertising programs and techniques for Pizza Karma Restaurants; (iv) identity of suppliers and knowledge of specifications, processes, procedures and equipment, and pricing; (v) knowledge of operating results and financial performance of Franchisor or any Pizza Karma Restaurants, other than the Restaurant and any other Restaurant owned by Franchisee or its Affiliates; (vi) methods of inventory control, product handling, training and management relating to Pizza Karma Restaurants; (vii) computer systems, software

programs and software applications used or useful in Pizza Karma Restaurants; and (viii) any and all other information that Franchisor provides or makes available that is labeled proprietary or confidential or which by its nature or character would reasonably be expected to be required to be treated as confidential. All information that comprises the System including the information and data in the Operations Manual will be presumed to be Confidential Information of Franchisor.

(d) “Entity” - A corporation, partnership, sole proprietorship, company, firm, limited liability company, joint venture, trust, business, association, organization, joint stock company, unincorporated organization, union, group acting in concert, governmental entity or other entity.

(e) “Gross Sales” – means the amount of sales of food, beverages, including wine and beer, and other products and merchandise sold or services rendered in, on, about or from the Restaurant, together with any other revenues derived from the operation of the Restaurant, whether by Franchisee or by any other person, whether or not in accordance with the terms of the Franchise Agreement, and whether for cash or on a charge, credit, barter or time basis, including all sales and services (i) where orders originate and/or are accepted by Franchisee in the Restaurant but delivery or performance thereof is made from or at any place other than the Restaurant or (ii) by digital, telephone or other similar orders received or filled at or in the Restaurant. For purposes of determining the Royalty Fee, [NationalSystem Marketing Fund Fee](#), and local advertising, there shall be deducted from Gross Sales: (a) the amount of refunds, allowances or discounts to customers (including coupon sales) up to three percent (3%) of the Gross Sales, provided the related sales have previously been included in Gross Sales; and (b) the amount of any excise or sales tax levied upon retail sales and paid over to the appropriate governmental authority.

(f) “Immediate Family” - Spouse, parents, brothers, sisters and children, whether natural or adopted.

(g) “Internet” - All communications between computers and between computers and television, phone, facsimile and similar communications devices, including the World Wide Web, proprietary online services, social media, digital applications, E-mail, news groups and electronic bulletin boards.

(h) “Marks” - The current and future trade names, trademarks, service marks and trade dress used to identify the services and/or products offered by Pizza Karma Restaurants, including the trademark “Pizza Karma” and the distinctive signage and color schemes of Pizza Karma Restaurants.

(i) “Non-Traditional Sites” – Any sites, locations or venues that independently generate customer traffic flow separate from the general customer traffic flow of the surrounding area, or by their nature are not tied to a particular physical location, including, without limitation: military bases; shopping malls (whether open-air or enclosed); large big-box retail outlets; transportation- related venues (e.g., airports, train or bus stations, marinas, travel plazas or toll roads); sports or entertainment venues (e.g., stadiums, arenas, concert halls); major industrial or office complexes, hotels, educational facilities (e.g., school, college, and university campuses); casinos; fitness centers; hospitals and related rehabilitation or healthcare facilities; governmental institutions; amusement or recreational facilities (e.g., theme parks, outdoor municipal parks, zoos, or museums); grocery stores or departments stores; mobile-based channels of distribution (e.g., food trucks); and any co-branding locations or business endeavors where a Restaurant’s operations are inextricably associated with, or such operations are contained within or sharing the same physical building or operational premises as, another business (such as, for example and without limitation, a gas/convenience store or another restaurant concept).

(j) “Operating Partner” - Any individual you so designate in [Exhibit B](#) and any replacement thereof approved by Franchisor, as more fully described in this Agreement.

(k) “Operations Manual” – Franchisor’s confidential operations manual, as amended from time to time, which may consist of one or more manuals containing Franchisor’s mandatory and suggested standards, specifications and operating procedures relating to the development and operation of Pizza Karma Restaurants and other information relating to Franchisee’s obligations under this Agreement. The term “Operations Manual” includes alternative or supplemental means of communicating such information by other media which specifically reference that they are to be considered part of the Operations Manual, including items that may be posted on the cloud, Internet or an extranet, bulletins, e-mails, computer drives, and CD ROMs.

(l) “Owner” - Each Person that has a direct or indirect legal or beneficial ownership interest in Franchisee, if Franchisee is an Entity.

(m) “Person” – An individual or an Entity.

(n) “Personnel” - All persons employed or engaged by Franchisee in connection with the development, management or operation of the Restaurant and all other persons who work in or for the Restaurant.

(o) The “Restaurant” - The Pizza Karma Restaurant operated by Franchisee at the Premises.

(p) “Transfer” or similar words - The voluntary, involuntary, direct or indirect sale, assignment, transfer, license, sublicense, sublease, collateral assignment, grant of a security, collateral or conditional interest, inter-vivos transfer, testamentary disposition or other disposition of this Agreement, any interest in or right under this Agreement, the Premises, any form of ownership interest in Franchisee, if an Entity, or any Owner that is an Entity or the assets, revenues or income of the Restaurant including: (i) any transfer, redemption or issuance of a legal or beneficial ownership interest in the capital stock of, or a membership or partnership interest in, or of any interest convertible to or exchangeable for capital stock of, or a membership or partnership interest in, Franchisee or any Owner of Franchisee that is an Entity; (ii) any merger or consolidation between Franchisee or any Owner of Franchisee that is an Entity, on the one hand, and another Entity, on the other hand, whether or not Franchisee, or such Owner of Franchisee that is an Entity, as applicable, is the surviving Entity; (iii) any transfer in, or as a result of, a divorce, insolvency, corporate or partnership dissolution proceeding or otherwise by operation of law; (iv) any transfer upon death of Franchisee or of any of Franchisee’s Owners by will, declaration of or transfer in trust or under the laws of intestate succession; or (v) any foreclosure upon the Restaurant or the transfer, surrender of loss by Franchisee of possession, control or management of the Restaurant.

2. GRANT OF RIGHTS.

2.01 Grant of Franchise. Subject to the terms of this Agreement, Franchisor grants to Franchisee the right, and Franchisee assumes the obligation, to operate a Restaurant from the location set forth on Exhibit A hereto (the “Premises”) and to use the System and the Marks solely in connection therewith, for a term of ten (10) years, commencing on the Effective Date of this Agreement (the “Term”). Franchisee may not conduct the business of the Restaurant or use the System at any site other than the Premises, or relocate the Restaurant, without Franchisor’s prior written consent. Any approved relocation of the Restaurant shall be at Franchisee’s sole cost and expense, and Franchisor shall have the right to charge Franchisee a relocation fee equal to Two Thousand Five Hundred Dollars (\$2,500). The option for renewal of the rights granted to Franchisee in this Agreement is described in Section 15 below.

2.02 Protected Territory. During the Term, other than the operation of Restaurants located at Non-Traditional Sites, Franchisor will not operate (directly or through an Affiliate), nor grant to another Person the right to operate, any Pizza Karma Restaurant located within the geographical area set forth on Exhibit A hereto (the “Protected Territory”). Notwithstanding the foregoing, Franchisor has the right to operate (directly or through an Affiliate), and to grant to others the right to operate, within the Protected Territory and elsewhere: (a) Pizza Karma Restaurants or other restaurants using any part or all of the System and/or Marks that are operating as of the Effective Date; and (b) restaurants that Franchisor or its Affiliates purchase (or as to which Franchisor or its Affiliates purchases the rights as franchisor) that are part of another franchise system or chain and either continue to operate them independently or convert them to Pizza Karma Restaurants.

2.03 Reservation of Rights. Notwithstanding anything to the contrary set forth herein, Franchisor retains the right, in its sole discretion, to:

(a) establish and operate, and grant to other franchisees or licensees the right to establish and operate, a Pizza Karma Restaurant or any other business using the Marks, the System or any variation of the Marks and the System, (i) in any location outside the Protected Territory or (ii) as contemplated by Section 2.02 above, or (iii) at or from any Non-Traditional Site, regardless of whether such Non-Traditional Site is located within or outside of the Protected Territory; in each case on any terms and conditions that Franchisor deems appropriate;

(b) develop, use and franchise anywhere (including within the Protected Territory) the rights to any trade names, trademarks, service marks, commercial symbols, logos, emblems, signs, slogans, insignia, patents or copyrights not designated by Franchisor as Marks, for use with similar or different franchise systems for the sale of similar or different products or services than those constituting a part of the System, without granting Franchisee any rights therein;

(c) own, operate, franchise or license anywhere restaurants offering products and services of any ~~other~~-type whatsoever operating under marks other than the Marks; ~~and~~

(d) offer, distribute, sell and provide products or services identified by the Marks or other trademarks, service marks, commercial symbols or emblems to customers located in the Protected Territory through any distribution channel or method, including through the Internet or worldwide web (or any other existing or future form of electronic commerce), through smart phone or other digital applications, mail order or catalogs, through telemarketing or other direct marketing, through mass merchandise, convenience stores, supermarkets, grocery stores, convenience stores, club stores, or through temporary or mobile locations, such as a food truck; provided, however, that any such sales will not be made from a Pizza Karma Restaurant located in the Protected Territory-; and

(e) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a another business, even if such business operates, franchises and/or licenses businesses in the Protected Territory that offers products and services similar to those provided at Pizza Karma Restaurants.

3. DEVELOPMENT OF THE RESTAURANT.

3.01 Site Selection. Franchisee acknowledges that, other than providing its criteria for site approval for the Restaurant, Franchisor provides no site-selection assistance. To that end, Franchisor will not visit the search area and Franchisee will be responsible to identify, and ultimately acquire, an appropriate site, acceptable to Franchisor, for the Restaurant’s operation. As Franchisee identifies prospective sites, it will notify Franchisor, and Franchisor will review criteria about the prospective sites

that Franchisor deems appropriate. Franchisee will assist Franchisor by providing Franchisor any information Franchisor requests about any prospective sites. Franchisor will either approve or disapprove a site within thirty (30) days after Franchisee provides Franchisor with all information Franchisor requested about the site. Franchisee acknowledges and agrees Franchisor will not be responsible for Franchisee's results in operating at any particular site that Franchisor may have recommended, reviewed, or approved. [Our approval of a site indicates only that the site meets the minimum requirements for a Restaurant.](#) Following Franchisor's approval of a site and after Franchisee secures the site, Franchisor will complete [Exhibit A](#) to this Agreement, indicating the approved location for the Restaurant and the Protected Territory.

3.02 Premises. The rights granted to Franchisee hereunder shall be non-exclusive and shall be restricted to the operation of a single Restaurant to be located at Premises. During the term of this Agreement, the Premises shall be used exclusively to operate a Restaurant. Franchisee agrees not to carry on or conduct or permit others to carry on or conduct any other business, activity or operation at the Restaurant or the Premises, without first obtaining the written consent of Franchisor. In connection with the execution of any lease or sublease for the Premises, Franchisee must execute, and cause the lessor and/or sublessor of the Premises to execute, the Lease Rider attached to this Agreement as [Exhibit G](#). Franchisee shall not execute a lease, sublease or purchase agreement for the Premises without Franchisor's prior written consent. The rights granted to Franchisee are for the specific Premises and cannot be transferred to any other location, except with Franchisor's prior written approval.

3.03 Opening. Franchisee may not open the Restaurant for business to the public until Franchisor notifies Franchisee in writing that the Restaurant meets Franchisor's standards and specifications (although Franchisor's acceptance is not a representation or warranty, express or implied, that the Restaurant complies with any engineering, licensing, environmental, labor, health, building, fire, sanitation, occupational, landlord's, insurance, safety, tax, governmental, or other statutes, rules, regulations, requirements, or recommendations nor a waiver of Franchisor's right to require continuing compliance with Franchisor's requirements, standards, and policies). Franchisee agrees to comply with this Section and open the Restaurant before twelve (12) months after the Effective Date.

3.04 Construction. Before commencing any construction of the Restaurant, Franchisee, at its expense, shall comply, to Franchisor's satisfaction, with all of the following requirements:

(a) Franchisor will provide Franchisee a sample layout for the interior of a typical Restaurant, with a set of décor specifications approved by Franchisor.

(b) Franchisee shall employ a qualified, licensed architect or engineer who has been approved or designated (as described below) by Franchisor to prepare, subject to Franchisor's approval, preliminary plans and specifications for site improvement and/or construction of the Restaurant based upon prototype plans and/or specifications furnished by Franchisor. Franchisor shall have the right to designate one or more suppliers of design services and/or architecture services to supply such services to the System. If Franchisor designates a design firm and/or architecture firm prior to the time Franchisee commences to develop the Restaurant, Franchisee shall employ such designated supplier(s) to prepare all designs and plans for the Restaurant, unless Franchisee obtains Franchisor's prior written approval to use an alternative professional. If Franchisor has not designated a design firm or architecture firm, Franchisee shall be responsible for locating and employing a qualified design consultant and architect who is/are licensed in the jurisdiction in which the Restaurant will be located, and who is reputable and experienced in providing design and architecture services. Franchisee shall be solely responsible for payments for all design and architecture services. Franchisee expressly acknowledges and agrees that Franchisor shall not be liable for the unsatisfactory performance of any contractor, firm, supplier, professional or consultant retained by Franchisee, whether or not designated by Franchisor.

General Manger must successfully compete the initial training program no more than thirty (30) days after appointed. Franchisee is responsible for all related travel and living expenses and wages incurred in connection with any replacement Operating Partner or Manager attending these training sessions, as well as Franchisor's per diem training fee. No such person may offer services to ~~your~~the Restaurant or supervise ~~your~~the Restaurant until they have completed the initial training program.

4.02 Franchisee Training Programs. Franchisee shall implement a training program approved by Franchisor for Personnel of the Restaurant and shall be responsible for the proper training of its employees. Franchisee agrees not to employ any person who fails or refuses to complete Franchisee's training program or is unqualified to perform his or her duties at the Restaurant in accordance with the requirements established for the operation of a Restaurant.

4.03 Additional Training. Franchisee and its employees shall attend and conduct such additional training programs as Franchisor may from time to time reasonably require relating to the operation of the Restaurant and the System. Franchisee also may be required to purchase training or other instructional materials as specified by Franchisor from time to time in the Operations Manual or otherwise. Franchisee is responsible for reimbursement of Franchisor's trainers' travel and living expenses and other related expenses and all related travel and living expenses and wages incurred in connection with any Personnel attending these training sessions. Franchisor reserves the right to charge for training program fees beyond the initial training program for Franchisee and its original Operating Partner.

4.04 Conferences. Franchisor may require Franchisee and/or the Operating Partner to attend conferences which may be offered by Franchisor from time to time. Franchisee will be responsible for the travel and living expenses of such persons, and Franchisee must pay Franchisor's then-current registration fee per person that attends such conference.

4.05 Advisory Services. During the Term, Franchisor may, in its sole discretion, upon the request of Franchisee or if determined necessary by Franchisor, furnish counseling and advisory services to Franchisee with respect to the development, opening and/or operation of the Restaurant. These counseling and advisory services shall occur at Franchisor's offices or via telephone or e-mail. Franchisor shall generally provide such assistance at no expense to Franchisee, provided Franchisor reserves the right, in its sole discretion, to charge Franchisee its then-current per diem charges plus expenses incurred in connection with providing counseling and advisory services beyond those offered as part of Franchisor's standard support established for the System. In addition, if requested by Franchisee and Franchisor's personnel are available, or if determined necessary by the Franchisor in its sole discretion, Franchisor may provide onsite assistance and training at the Restaurant, however, Franchisee shall pay to Franchisor its then-current per diem charges plus expenses and costs incurred by Franchisor in rendering such assistance.

4.06 Operations Manual. During the Term, Franchisor will loan to Franchisee one (1) copy of, or provide Franchisee with electronic access to, the Operations Manual. The Operations Manual may consist of computerized documents or software, information provided on the Internet or an extranet, or any other medium Franchisor adopts periodically for use with the System and designates as part of the Operations Manual, and may consist of a number of individual manuals. The Operations Manual is confidential, copyrighted and Franchisor's exclusive property. The Operations Manual will contain information, standards and specifications concerning the System, the development and operation of the Restaurant and any other information and advice Franchisor may periodically provide to its franchisees. Franchisor may update and change the Operations Manual periodically to reflect changes in the System and the operating requirements applicable to Pizza Karma Restaurants, and Franchisee expressly agrees to comply with each requirement within such reasonable time as Franchisor may require, or if no time is specified, within thirty (30) days after receiving notification of the requirement. Franchisee shall at all times ensure that its copy of the Operations Manual and any other confidential materials supplied by

6.02 Royalty Fee and Minimum Royalty Fee.

(a) In addition to all other amounts required to be paid hereunder, during the term hereof, Franchisee agrees to pay Franchisor a continuing royalty fee (the “Royalty Fee”) equal to the greater of: (i) six percent (6%) of Gross Sales per month and (ii) the applicable Minimum Royalty Fee. Payment of the Royalty Fee shall be made no later than the 10th day of each month for Gross Sales from the prior month during the term of this Agreement.

(b) The “Minimum Royalty Fee” applicable to the Restaurant is an amount of One Thousand Five Hundred Dollars (\$1,500) per month. The Minimum Royalty Fee will be assessed beginning on the first day of the month following the date that is twelve (12) months after the date of this Agreement until the Restaurant opens in compliance with Franchisor’s standards. The Minimum Royalty Fee will be pro-rated for partial months.

6.03 Other Fees.

(a) NationalSystem Marketing Fund Fee. Franchisor may, in its sole discretion, charge a “NationalSystem Marketing Fund Fee” in consideration for the advertising and marketing services it provides, which may include the creation and production of marketing materials and preparation of advertising campaigns. Franchisee must ~~contribute to the National~~ pay as a System Marketing Fund Fee amounts that Franchisor establishes at any time and from time to time, not to exceed two percent (2%) of Gross Sales, which are payable monthly together with the royalty fees due hereunder. At this time, the current NationalSystem Marketing Fund Fee is one percent (1%) of Gross Sales and is collected monthly with the royalty fee.

(b) Technology Fee. Beginning at the time that is the earlier of (i) the opening of the Restaurant, or (ii) the 12th month after the date of this Agreement, Franchisee will pay Franchisor (or its designee) its then-current monthly Technology Fee for email hosting, website maintenance, and for such other technology as Franchisor may designate or license for Franchisee’s use at the Restaurant. This Technology Fee may change from time to time, provided that we will not increase it to more than \$375 per month during the initial term of this Agreement. If Franchisor does not directly provide these services, you will be required to sign a separate agreement with Franchisor’s designated provider of these services (which may be an affiliate of Franchisor).

(c) Default Fees.

a. Standard Default Fee. In addition to Franchisor’s other rights under the law and this Agreement, if Franchisee breaches or defaults on certain provisions of this Agreement that is not otherwise addressed by another fee in this section, and Franchisee fails to cure the breach or default during the cure period, Franchisee will immediately on notice from Franchisor pay to Franchisor a fee of Five Hundred Dollars (\$500) per default per cure period that passes until the breach or default is cured to offset Franchisor’s costs incurred in addressing the default. Breaches and defaults subjecting Franchisee to this “Standard Default Fee” are material breaches and defaults of this Agreement and include, but are not limited to, those breaches and defaults outlined in this Agreement’s Section 14.03. Franchisee must pay the Standard Default Fee immediately upon notice from Franchisor.

b. Prohibited Product, Service or Supplier Fee. In addition to Franchisor’s other rights under the law and this Agreement, in the event Franchisee uses any supplier not

approved by Franchisor, or offers any unapproved product or service in connection with the Restaurant in violation of this Agreement, Franchisor reserves the right to charge Franchisee a fee of Five Hundred Dollars (\$500) per day of use of the unauthorized products or services immediately upon notice from Franchisor

- c. Unauthorized Advertising Fee. In addition to Franchisor's other rights under the law and this Agreement, in the event Franchisee uses any advertising or promotional materials not approved by Franchisor in violation of this Agreement, Franchisor reserves the right to charge Franchisee a fee of Five Hundred Dollars (\$500) per day of use of unauthorized advertising or promotional materials.

6.04 Automated Bank Draft. All Royalty Fees, [NationalSystem](#) Marketing [Fund](#) Fees, Technology Fees, and other fees or contributions required to be paid to Franchisor or its Affiliates shall be paid by automated bank draft or such other method as determined by Franchisor, as applicable, in its sole discretion. At least thirty (30) days before opening the Restaurant, Franchisee shall provide Franchisor with Franchisee's bank name, address, account number, and a voided check from Franchisee's bank account. Franchisee shall also execute an Electronic Funds Withdrawal and Credit Card Authorization, which is attached as [Exhibit D](#) to this Agreement (which also includes a credit card authorization in favor of Franchisor authorizing Franchisor to charge all amounts Franchisee or its affiliates owe to Franchisor under this Agreement or any other agreement between Franchisee and its affiliates and Franchisor), and give copies to Franchisee's bank and to Franchisor. If Franchisee makes any payment by credit card or electronic payment, Franchisee shall be responsible for the credit card processing or electronic processing transaction fees. Franchisee shall immediately notify Franchisor of any change in Franchisee's banking relationship, including changes in account numbers. Franchisor reserves the right to require Franchisee to pay any fees due under this Agreement by other means Franchisor may specify from time to time. If Franchisee does not report Gross Sales in the time period required by Franchisor, Franchisor may process an automated bank draft (or other method used by Franchisor to collect funds) based on one hundred twenty percent (120%) of the last Royalty Fee, [NationalSystem](#) Marketing [Fund](#) Fee, and other fees that Franchisor collected. If the Royalty Fee, [NationalSystem](#) Marketing [Fund](#) Fee, and other amounts Franchisor collects are less than the fees Franchisee actually owes Franchisor, Franchisor will debit Franchisee's account for the balance on a day Franchisor specifies. If the Royalty Fee, [NationalSystem](#) Marketing [Fund](#) Fee, and other amounts Franchisor debits are greater than the fees Franchisee actually owes Franchisor, Franchisor will credit the excess against the amount Franchisor otherwise would debit from Franchisee's account during the following month.

6.05 Late Payments and Insufficient Funds. All overdue payments for fees required to be paid hereunder shall bear interest from the date due at the rate specified by Franchisor from time to time, up to the highest rate permitted by law, but in no event shall such rate exceed one and one-half percent (1½%) per month. Interest shall accrue on all late payments regardless of whether Franchisor exercises its right to terminate this Agreement as provided for herein. In addition to its right to charge interest as provided herein, Franchisor may charge Franchisee a \$50 late payment fee for all such overdue payments and a \$30 insufficient funds fee for each check, automated bank draft payment, or other payment method that is not honored by Franchisee's financial institution.

6.06 Application of Payments. Notwithstanding designation by Franchisee to the contrary, all payments made by Franchisee hereunder will be applied by Franchisor at its discretion to any of Franchisee's past due amounts. Franchisee acknowledges that Franchisor has the right to set-off amounts Franchisee owes Franchisor against any amounts Franchisor may owe Franchisee. Franchisee agrees not to set off or withhold payment of any monthly or other amounts due to Franchisor or its Affiliates, due to the nonperformance or alleged nonperformance by Franchisor of any of its obligations hereunder.

and director (including their spouses), to execute a confidentiality, noncompetition, and/or nonsolicitation agreement in the form(s) approved or prescribed by Franchisor from time to time, which shall include specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them

7.06 Reasonable Restrictive Covenants. Franchisee and each Restricted Party acknowledge and agree that the covenants and restrictions in this Section 7 are reasonable, appropriate and necessary to protect the System, other Pizza Karma Restaurants and the legitimate interest of Franchisor and its Affiliates, and (b) do not cause undue hardship on Franchisee or any of the other individuals required by this Section 7 to comply with the covenants and restrictions.

8. YOUR ORGANIZATION AND MANAGEMENT.

8.01 Organizational Documents. If Franchisee is an Entity as of the date hereof, or if the original Owner(s) of the franchise sign this Agreement in their individual capacities and thereafter elect to Transfer this Agreement (as permitted herein) to an Entity, the Franchisee and each of the Owners represent, warrant and agree that: (a) the Franchisee Entity is duly organized and validly existing under the laws of the state of its organization, and, if a foreign corporation, partnership, limited liability company or other legal entity, it is duly qualified to transact Restaurant in the state in which the Restaurant is located; (b) the Franchisee Entity has the authority to execute and deliver this Agreement and to perform Franchisee's obligations hereunder; (c) true and complete copies of the articles or certificate of incorporation, partnership agreement, bylaws, subscription agreements, buy-sell agreements, voting trust agreements and all other documents relating to the ownership, organization, capitalization, management and control of the Franchisee Entity have been delivered to Franchisor and all amendments thereto shall be promptly delivered to Franchisor; and (d) the Franchisee Entity's activities are restricted to those necessary solely for the development, ownership and operation of one or more Restaurants in accordance with this Agreement and in accordance with any other agreements entered into with Franchisor or any of its Affiliates.

8.02 Disclosure of Ownership Interests. Attached hereto as Exhibit B is a description of the legal organization of Franchisee, the names and addresses of each Owner and the percentage of such interest owned by such Principal Owner. Franchisee agrees to notify Franchisor in writing whenever there is any change in the organizational structure or ownership interest of Franchisee as set forth on Exhibit B. Franchisor may require each Owner (and each Owner's spouse) owning an interest in Franchisee to execute the Personal Guaranty attached hereto as Exhibit C.

8.03 Management of Restaurant.

(a) If Franchisee is, or at any time becomes, an Entity, Franchisee must designate on Exhibit B an "Operating Partner", which individual must be approved by Franchisor and: (a) own and control, or have the right to own and control (subject to terms and conditions reasonably acceptable to Franchisor), not less than a twenty percent (20%) interest in Franchisee's equity and voting rights; (b) have the authority to bind Franchisee regarding all operational decisions with respect to the Restaurant; and (c) have completed Franchisor's training program to its satisfaction. Unless a separate General Manager that meets Franchisor's qualifications is approved by Franchisor to assume day-to-day supervision of the Restaurant, the Operating Partner (i) shall exert his or her full-time and best efforts to the development and operation of the Restaurant; and (ii) may not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with his or her obligations hereunder. Franchisee shall provide Franchisor with a copy of any proposed arrangement, agreement or contract, and all amendments thereto, with the Operating Partner for Franchisor's prior review and approval, and upon approval thereof, executed copies thereof. Franchisor shall have no responsibility, liability or obligation to any party to any such arrangement, agreement or

(a) Such insurance as may be required by the terms of any lease for the Restaurant or, if there is no such lease, Franchisee agrees to carry fire and extended coverage insurance (including, if applicable, flood and earthquake coverage) covering the building and all equipment, supplies, products, inventory, furniture, fixtures and other tangible property located in the Restaurant or on the Premises in the amount of the full replacement value of such property.

(b) Commercial General Liability Insurance, including coverages for products/completed operations, contractual liability, personal and advertising injury, fire damage/damage to rented premises, medical expenses, and, if alcoholic beverages are offered at the Restaurant, dram shop/liquor liability, having a combined single limit for bodily injury and property damage of \$1,000,000 per occurrence and \$3,000,000 in the aggregate and, if Franchisee owns, rents or identifies any vehicles with any Mark or vehicles are used in connection with the operation of the Restaurant, automobile liability coverage for owned, non-owned, scheduled and hired vehicles. All such coverages shall be on an occurrence basis and shall provide for waivers of subrogation in favor of Franchisor.

(c) Workers' compensation insurance, or a similar policy if the Restaurant is located in a non-subscriber state, covering all of its employees in at least the minimum amounts required by law. Such coverages shall provide for waivers of subrogation in favor of Franchisor.

(d) Business interruption and extra expense insurance for a minimum of twelve (12) months to cover net profits and continuing expenses (including Royalty Fees).

(e) Personal property insurance for full repair and replacement value of all equipment, fixtures, inventory and supplies used in ~~your~~the Restaurant.

Franchisee agrees that Franchisor shall be named as an additional insured under each of the foregoing insurance policies. Before the opening of the Restaurant and, thereafter, at least thirty (30) days before the expiration of any such policy or policies, Franchisee shall deliver to Franchisor certificates of insurance evidencing the proper coverage with limits not less than those required hereunder, and all such certificates shall expressly contain endorsements requiring the insurance company to give Franchisor at least thirty (30) days written notice in the event of material alteration to, or termination, non-renewal, or cancellation of, the coverages evidenced by such certificates and notice of any claim filed under such policy within thirty (30) days after the filing of such claim. Franchisor may, from time to time, during the term of this Agreement, at its sole option, require that the minimum limits and types of insurance coverage, as specified above, be increased or changed as determined solely by Franchisor. If Franchisee at any time fails or refuses to maintain any insurance coverage required by Franchisor or to furnish satisfactory evidence thereof, Franchisor, at its option and in addition to its other rights and remedies hereunder, may, but need not, obtain such insurance coverage on behalf of Franchisee, and Franchisee shall pay to Franchisor on demand any premiums incurred by Franchisor in connection therewith. Franchisee's obligation to obtain and maintain, or cause to be obtained and maintained, the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 17.2 hereof. Notwithstanding the existence of such insurance, Franchisee, as agreed above, is and shall be responsible for all loss or damage and contractual liability to third persons originating from or in connection with the operation of the Restaurant and for all claims or demands for damages to property or for injury, illness or death of persons directly or indirectly resulting therefrom.

9.06 Vehicles. Franchisee, entirely at its own expense, shall provide all vehicles as may be necessary and proper for the operation of the Restaurant pursuant to this Agreement and shall maintain such vehicles in good working order and repair. Franchisee shall be solely responsible for registration and

licensing of such vehicles and for the payment of all taxes and assessments thereon. Franchisor shall have no responsibility for any expense in connection with the purchase, maintenance or use of such vehicles, such expenses being the sole responsibility of Franchisee.

9.07 Customers. Franchisee will conform to all quality and customer service standards prescribed by Franchisor in writing. All of the services performed by Franchisee shall be of a high standard of workmanship and quality. Franchisee shall at all times maintain a general policy of satisfaction of customers and shall address all complaints of and controversies with customers arising out of the operation of the Restaurant. Franchisee shall use its best efforts to respond to each customer complaint within twenty-four (24) hours after receipt of such complaint from the customer or from Franchisor (if the customer complains first to Franchisor). If Franchisee fails to respond to a complaint within such twenty-four (24) hour period, Franchisor may intervene and address and/or resolve such complaint (without incurring liability); if Franchisor incurs costs and/or expenses in addressing and/or resolving the complaint, Franchisor may charge such costs and/or expenses back to Franchisee the full amount of such costs and expenses. Franchisee shall comply with all customer service standards and procedures adopted by Franchisor as necessary to protect the goodwill of the System.

9.08 National and Regional Accounts. Franchisor, or others acting on its behalf, may from time to time establish customer accounts or promotional accounts, including establishment of events in connection with national or regional holidays, that have multiple locations across the country and possess either a national or regional presence (each, a “**National Account**” or “**Regional Account**”), as identified in writing by Franchisor from time to time. Franchisor will have the sole right to establish such programs and pricing for National Accounts and Regional Accounts as it deems to be in the best interest of the System, in its sole discretion, which may be lower than what Franchisee offers at its Restaurant. Franchisor may, from time to time, establish national or brand-level marketing campaign(s) and promotional offers in connection therewith which Franchisee may be required to participate, honor or offer, subject to compliance with any applicable state or local laws or regulations.

9.09 Right to Use Franchisee’s Name. Both before and after the expiration or termination of this Agreement, Franchisee agrees to give Franchisor and those acting under Franchisor’s authority the right to reasonably and fairly use Franchisee’s name, photograph or biographical material (including the names, photographs or biographical materials regarding Franchisee’s Owners) in any publication, circular or advertisement related to the Restaurant of Franchisor or Franchisee, in any place for an unlimited period, without compensation.

9.10 Existing Operators. If Franchisee or one or more of its Affiliates or Owners operates or manages an existing [Restaurant](#) as of the Effective Date of this Agreement that it is converting to [the](#) Restaurant (an “Existing Restaurant”), Franchisee, on its behalf and on behalf of its Affiliates and Owners, makes the following representations:

- (a) There is no pending or, to Franchisee’s knowledge, threatened litigation, proceeding or investigation against or affecting the Existing Restaurant.
- (b) The Existing Restaurant has been managed and operated in material compliance with all federal, state and local laws, regulations and ordinances, and the Existing Restaurant has not received a notice from any governmental authority which asserts or alleges a violation of law.
- (c) All information given to Franchisor by Franchisee with respect to Franchisee’s prior revenues, profits, expenses and number of customers is true and correct.

- (d) Franchisee and its Affiliates and Owners do not own a Competitive Business which would violate the non-competition terms of this Agreement.

10. MARKETING AND ADVERTISING.

10.01 Grand Opening Marketing Program. Franchisee, at its sole expense, must develop and implement a grand opening marketing program approved by Franchisor to introduce or (if Franchisee is purchasing or converting an existing Restaurant) to re-introduce the Restaurant. Franchisee is required to spend a minimum amount established by Franchisor for the grand opening marketing program in the six (6) week period prior to the Restaurant's grand opening Restaurant or, if Franchisee purchased an existing Restaurant, sixty (60) days after the purchase of the Restaurant. Franchisee must obtain Franchisor's approval to its plan and proposed expenditures prior to the execution of the program.

10.02 NationalSystem Marketing Fund Fee.

(a) In addition to all other amounts required to be paid hereunder, during the Term, Franchisor may, in its sole discretion, charge a ~~National Marketing Fee~~System Marketing Fund Fee for deposit into a system marketing and promotional fund (the "System Marketing Fund") in consideration for the advertising and marketing services it provides, which may include the creation and production of marketing materials and preparation of advertising campaigns. Franchisee must contribute to the ~~NationalSystem Marketing Fee~~Fund amounts that Franchisor establishes at any time and from time to time, not to exceed two percent (2%) of Gross Sales, which are payable monthly together with the royalty fees due hereunder. At this time, the current ~~NationalSystem Marketing Fund~~ Fee is one percent (1%) of Gross Sales and is collected monthly with the royalty fee. Franchisor will place all System Marketing Fund Fees it receives into the System Marketing Fund and will manage the System Marketing Fund.

(b) ~~National marketing~~The System Marketing Fund may be managed and operated through a separate entity as Franchisor deems appropriate in its sole discretion. Any such entity will have all of the rights and duties as specified in this Section. Franchisor will in its sole discretion direct all programs related to ~~national~~system marketing, including, without limitation, the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. Franchisee's National Marketing Fee may pay for Disbursements from the System Marketing Fund will be made to pay reasonable expenses Franchisor incurs in connection with the general promotion of the Marks and the System, including the costs of formulating, developing, producing, and implementing advertising, marketing, promotional and public relations campaigns; creative development services; preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining an electronic commerce website and mobile technology app and/or related strategies; administering regional and multi-regional marketing and advertising programs, including, without limitation, purchasing trade journal, newspaper, television, social media, digital, direct mail, and other media advertising and using engaging advertising, promotion, and digital marketing, and other marketing agencies and other advisors to provide assistance; and monitoring the adherence to customer relations standards by franchisees; supporting public relations, market research, and other advertising, promotion, and marketing activities; and administering the System Marketing Fund, including Franchisor's accounting expenses and the costs of salaries and fringe benefits paid to Franchisor's (or its affiliate's) employees engaged in administration of the System Marketing Fund. The System Marketing Fund is not a trust or escrow account, and Franchisor has no fiduciary obligations regarding the System Marketing Fund.

Franchisor cannot assure Franchisee that any particular Restaurant will benefit directly or pro-rata from the placement of advertising. The advertising and marketing services Franchisor provides may include preparing and producing materials and campaigns Franchisor selects, including video, audio, digital, and written advertising and point-of-purchase ("POP") materials, employing advertising agencies and in-house

staff, and engaging in market research activities. Franchisor may furnish Franchisee with marketing, advertising and promotional materials (including POP materials), and Franchisor may charge Franchisee related administrative, shipping, handling and storage charges. These costs may vary based on individual Restaurants and their merchandising capacity.

Franchisor may spend in any fiscal year an amount greater or less than the aggregate contributions of Pizza Karma Restaurants to the System Marketing Fund in that year. Upon written request, Franchisor will provide Franchisee with an annual unaudited statement of the receipts and disbursements of the System Marketing Fund for the most recently completed calendar year. Franchisor may at any time defer or reduce contributions of a franchised Restaurant and, upon thirty (30) days' prior written notice to Franchisee, reduce or suspend the NationalSystem Marketing Fund Fee and operations of the System Marketing Fund for one or more periods of any length and terminate (and, if terminated, reinstate) the nationalsystem marketing program.

10.03 Local Advertising. Franchisee agrees that, in addition to the payment of the NationalSystem Marketing Fund Fees and any amounts required under Section 10.02 hereof, it will spend such amount for local market advertising (e.g., marketing, promotions, publicity, social network) as determined by Franchisee but in no event less than one percent (1.0%) of Gross Sales annually. Franchisee shall provide to Franchisor for its review and approval a marketing plan for its local marketing program at least sixty (60) days prior to the end of each calendar year (or such annual period as Franchisor may require). Franchisee must proof of such local advertising expenditures upon Franchisor's request therefor. Local advertising expenditures shall not include incentive programs, including, without limitation, costs of honoring coupons and expenses and costs incurred in honoring sales promotions. If Franchisee fails to make advertising expenditures in accordance with this Section, Franchisee shall spend the amount of such deficiency during the next succeeding annual period in addition to the local advertising requirement for that period, or Franchisor, at its option, may require Franchisee to pay this amount to Franchisor. Franchisor may either spend it on Franchisee's behalf, or contribute such amount to the nationalsystem marketing program, at its sole discretion. Failure to comply with this Section shall be deemed a material breach of this Agreement. Franchisee acknowledges that it must follow the procedures provided in the Operations Manual with respect to all advertising and promotional requirements, and it may not use any advertising or promotional plans that Franchisor has not approved in writing.

10.04 Approval of Advertising. Any and all advertising and marketing materials not prepared or previously approved by Franchisor shall be submitted to Franchisor before any publication or run date for approval with enough time as is necessary for Franchisor to review such materials, which approval may be granted or withheld in Franchisor's sole discretion. Franchisor will provide Franchisee with written notification of its approval or disapproval within a reasonable time. In the event Franchisor does not notify Franchisee of its approval or disapproval within ten (10) days of Franchisor's receipt of the materials, the materials shall be deemed disapproved. Franchisee must discontinue the use of any approved advertising within five (5) days of Franchisee's receipt of Franchisor's request to do so. No advertising or promotion by Franchisee shall be conducted on or through the Internet or other electronic transmission without express prior written approval by Franchisor. All advertising and promotion by Franchisee must be factually accurate and shall not detrimentally affect the Marks or the System, as determined in Franchisor's sole discretion. From time to time, Franchisor may issue policies on advertising, promotion, marketing and social media. Franchisee covenants and warrants with respect to such policies that Franchisee and its employees and agents will comply with all of the requirements of any such policies throughout the Term.

10.05 Franchisee Website. Franchisee agrees not to promote, offer or sell any products or services relating to the Restaurant, or to use any of the Marks, through the Internet or social media without Franchisor's consent. In connection with any such consent, Franchisor may establish such requirements as Franchisor deems appropriate, including (a) obtaining Franchisor's prior written approval of any Internet domain name, home page addresses and social media accounts; (b) submission for Franchisor's approval

by Franchisor at any time in its sole discretion. Franchisee will not violate Franchisor's privacy policies as posted on any Website or other location.

11. RECORDS.

11.01 Bookkeeping and Recordkeeping. Franchisee agrees to establish a bookkeeping and recordkeeping system conforming to the requirements prescribed from time to time by Franchisor, relating, without limitation, to the use and retention of invoices, coupons, purchase orders, payroll records, check stubs, bank statements, sales tax records and returns, cash receipts and disbursements, payroll records, journals and general ledgers. In establishing and maintaining Franchisee's bookkeeping and recordkeeping system, Franchisee shall use all form documents established by Franchisor in the Operations Manual or otherwise. Franchisee acknowledges and agrees that if Franchisor is required or permitted by statute, rule, regulation or any other legal requirement to disclose any information regarding Franchisee or the operation of the Restaurant, including, without limitation, earnings or other financial information, Franchisor shall be entitled to disclose such information. In addition, Franchisee hereby expressly permits Franchisor to disclose any such information to potential purchasers (and their employees, agents and representatives) of Franchisor in connection with the sale or transfer of any equity interests or assets of Franchisor or any merger, reorganization or similar restructuring of Franchisor.

11.02 Periodic Reports. Franchisee must provide Franchisor with those financial reports, data, information and supporting records required thereby from time to time, including, without limitation:

(a) A statement of relevant Gross Sales in the form required by Franchisor to be delivered as directed by Franchisor in advance of each payment of the Royalty Fee, [National System Marketing Fund](#) Fee, and other payments required to be made to Franchisor;

(b) A monthly unaudited balance sheet and profit and loss statement in a form satisfactory to Franchisor covering Franchisee's Restaurant for the prior month and fiscal year to date, all of which shall be certified by Franchisee as true and correct and delivered to Franchisor no later than the 10th day of each month;

(c) Annual financial statements compiled or reviewed by an independent certified public accountant in a form satisfactory to Franchisor, which shall include a statement of income and retained earnings, a statement of cash flows and a balance sheet of Franchisee for each fiscal year, to be delivered to Franchisee no later than the 90th day after the end of such fiscal year. Franchisor shall have the right at any time to require audited annual statements to be provided to it, at Franchisee's expense;

(d) An annual copy of Franchisee's signed tax filings (including all supporting schedules) as filed with the Internal Revenue Service (or any forms which take the place of those forms), and all other federal, state and local sales and use and income tax reports Franchisee is required to file, all to be delivered within thirty (30) days after filing;

(e) A statement of local advertising expenditures made pursuant to [Section 10.03](#) for fiscal year to date, in a form satisfactory to Franchisor, along with invoices documenting such expenditures (if required by Franchisor), to be delivered within ten (1) days after the end of each calendar month;

(f) Insurance certificates in connection with Franchisor's annual renewal of the policies;

(g) All health and safety inspection reports, to be delivered to Franchisor promptly upon receipt thereof by Franchisee; and

(h) Such other information as Franchisor may require from time to time, including product sales mix and labor reports, within thirty (30) days of Franchisor's request.

All such reports or other information shall be prepared (i) using any form documents established by Franchisor as set forth in the Operations Manual or otherwise, if available, and (ii) in accordance with the generally accepted accounting principles of state in which the Restaurant is located, to the extent applicable. If any of the reports or other information required to be given to Franchisor in accordance with this Section are not received by Franchisor by the required deadline, Franchisor may charge Franchisee a late submission fee equal to \$50.

12. INSPECTIONS OF THE RESTAURANT; AUDITS.

Franchisee shall allow representatives of Franchisor to inspect Franchisee's books and records at all reasonable times in order to verify Gross Sales that Franchisee reports as well as to verify Franchisee's advertising expenditures required this Agreement and any other matters relating to this Agreement or the operation of the Restaurant. Franchisor may require Franchisee to submit to Franchisor, or Franchisor's representatives, copies of Franchisee's books and records for any offsite inspection that Franchisor or Franchisor's representatives conduct to audit the Restaurant. If an inspection reveals that Gross Sales of Franchisee have been understated, Franchisee shall immediately pay to Franchisor the amount of Royalty Fee, [NationalSystem](#) Marketing [Fund](#) Fee, and other amounts required to be paid to the Franchisor overdue, unreported or understated, together with interest as prescribed above. All inspections shall be at the expense of Franchisor; provided, however, if the inspection results in a discovery of a discrepancy in the total amount owed by Franchisee to Franchisor during the applicable audit period of two percent (2%) or more, or if the audit is required because Franchisee failed to comply with Franchisor's reporting requirements, then Franchisee shall pay or reimburse Franchisor for any and all reasonable expenses incurred by Franchisor in connection with the inspection, including, but not limited to, attorneys' and accounting fees, travel expenses, room and board and compensation of Franchisor's employees.

13. TRANSFER OF INTEREST.

13.01 Franchisor's Approval. The rights and duties created by this Agreement are personal to Franchisee or, if Franchisee is an Entity, its Owners. Accordingly, neither Franchisee nor any of its Owners may Transfer the Restaurant, the Premises, this Agreement or any of its rights or obligations hereunder, or suffer or permit any such Transfer of the Restaurant, the Premises, this Agreement or its rights or obligations hereunder to occur by operation of law or otherwise without the prior written consent of Franchisor. In addition, if Franchisee is an Entity, its Owners may not Transfer their equity interests in such Entity, without the prior written consent of Franchisor. Furthermore, in the event that any Owner is an Entity, the interests of the shareholders, members, partners, beneficiaries, investors or other equity holders, as the case may be, in such Owner, may not be Transferred, without the prior written consent of Franchisor. Franchisor will not unreasonably withhold consent to a Transfer provided the requirements of [Section 13.02](#) have been satisfied. Any Transfer in violation of this Section shall be void and of no force and effect.

13.02 Conditions for Approval. If Franchisor has not exercised its right of first refusal under [Section 13.05](#), Franchisor will not unreasonably withhold its approval of a Transfer that meets all of the reasonable restrictions, requirements and conditions Franchisor may impose on the Transfer, the transferor(s) and/or the transferee(s), including the following:

(a) Franchisee and its Owners and Affiliates must be in compliance with the provisions of this Agreement and all other agreements with Franchisor or any of its Affiliates and have paid all outstanding amounts owed thereto, as well as to the approved suppliers to the System;

(t) Franchisee, after curing a default pursuant to the terms of this Agreement, commits the same default again in any twelve (12) month period, whether or not cured after notice;

(u) Franchisee commits three (3) or more defaults under this Agreement in any twelve (12) month period, whether or not each such default has been cured after notice (this provision in no way limits subsection (t) above); or

(v) Franchisee breaches any material provision of this Agreement which breach is not susceptible to cure.

14.03 Termination by Franchisor with a Cure Period. In addition to, and without limiting, the termination rights of Franchisor pursuant to [Section 14.02](#) above, after any other default by Franchisee, Franchisor may give written notice of default stating the nature of the default to Franchisee. If any such default is not cured within thirty (30) days, or such longer period as applicable law may require, Franchisor shall have the right to terminate this Agreement upon notice to Franchisee, including without limitation, with respect to the following defaults:

(a) Failure or refusal to submit financial statements, reports or other operating data, information or supporting records to Franchisor when due;

(b) Failure attend or require personnel to attend any required training programs;

(c) Failure to provide or maintain required insurance coverage; or

(d) Failure to comply with any other provision of this Agreement, the Operations Manual or any mandatory specification, standard or operating procedure prescribed by Franchisor.

Any default by Franchisee (or any Affiliate of Franchisee) under any other agreement, including, but not limited to any [Area Development Agreement](#), lease, and/or sublease, between Franchisor (or any Affiliate of Franchisor) and Franchisee (or any Affiliate of Franchisee) which continues past any applicable cure period may be regarded by Franchisor as a default under this Agreement. Any default by Franchisee under any real estate lease or loan agreement (whether with Franchisor or any third party) which continues past any applicable cure period may be regarded by Franchisor as a default under this Agreement. In each of the foregoing cases, Franchisor will have all remedies allowed at law, including termination of Franchisee's rights and Franchisor's obligations. No right or remedy which Franchisor may have (including termination) is exclusive of any other right or remedy provided under law or equity and Franchisor may pursue any rights and/or remedies available.

14.04 Right of Franchisor to Discontinue Services to Franchisee.

If Franchisee is in breach of any obligation under this Agreement, and Franchisor delivers to Franchisee a notice of default or termination pursuant to this [Section 14](#), Franchisor has the right to suspend its performance of any of its obligations under this Agreement including, without limitation, the sale or supply of any services or products for which Franchisor is an approved supplier to Franchisee, until such time as Franchisee corrects the breach.

14.05 Franchisor's Cure Right.

If Franchisee breaches any provision of this Agreement, Franchisor shall have the right, but not the obligation, to take such action as Franchisor deems appropriate to cure the breach. Franchisee shall reimburse Franchisor on demand for all costs and expenses incurred by Franchisor in connection with such cure or attempt to cure

claims against Franchisor, and its Affiliates, officers, directors, managers, employees, agents, successors and assigns. Failure by Franchisee (and its Owners) to sign such agreements and releases within thirty (30) days after delivery to Franchisee shall be deemed an election by Franchisee not to acquire a successor franchise for the Restaurant.

15.04 Expiration. Any successor franchise shall be conditioned upon the satisfaction of the conditions set forth above in this Section. Upon the expiration of the Term, any renewal term will be governed by the New Agreements. If Franchisee fails to meet any of the conditions set forth this section above, the franchise granted to Franchisee hereunder shall automatically expire at the end of the Term.

16. EFFECT OF TERMINATION OR EXPIRATION.

16.01 Payment of Amounts Owed. Within ten (10) days after the effective date of termination or expiration (without Franchisee's successful exercise of the right to acquire a successor franchise) of this Agreement, Franchisee must pay Franchisor and its Affiliates all amounts owed thereto, including, without limitation, unpaid Royalty Fees, [NationalSystem](#) Marketing [Fund](#) Fees, Technology Fees, amounts owed for purchases from Franchisor or its Affiliates, and all other amounts due to Franchisor or its Affiliates and interest and late fees due on any of the foregoing. In the event of termination for any default of Franchisee, such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default and termination.

16.02 Discontinue Use of Marks and Confidential Information. Upon the termination or expiration (without Franchisee's successful exercise of the right to acquire a successor franchise) of this Agreement, Franchisee and its Owners will:

(a) Promptly, and in no event more than three (3) days after the termination or expiration of this Agreement, provide to Franchisor any and all information Franchisor requests regarding products or services to be provided by Franchisee or the Restaurant after the date of expiration or termination, and at Franchisor's option, Franchisee will either (i) pay to Franchisor any amounts it has received from customers for products or services to be provided after the date of termination or expiration, and assign to Franchisor or its designee any contracts or related agreements to such products or services, or (ii) return such amounts to customers directly as well as any termination fees or penalties under such contracts. Nothing herein will obligate Franchisor to take assignment of any obligations of Franchisee under any such contracts or relieve Franchisee of any liability for its obligations to customers or third parties after the termination or expiration of this Agreement;

(b) promptly return to Franchisor all material furnished by Franchisor containing proprietary or confidential information, operating instructions, business practices, or methods or procedures, including, without limitation, the Operations Manual;

(c) discontinue all use of the Marks, including at the Premises and on any vehicle, and the use of any and all signs, products, equipment and other items bearing the Marks. Any signs containing the Marks that Franchisee is unable to remove within one (1) day of the termination or expiration of this Agreement shall be completely covered by Franchisee until the time of their removal, which shall be in any event within ten (10) days following the expiration or termination of this Agreement;

(d) at the option of Franchisor, assign to Franchisor any interest which Franchisee has in any lease or sublease for the Premises if Franchisee leases a location for the Restaurant. In the event Franchisor does not elect to exercise its option to acquire the lease or sublease for the Premises, Franchisee must, at Franchisee's expense, make such reasonable modifications to the exterior and interior décor of the Restaurant and the Premises, and with respect to any vehicles, as Franchisor requires to eliminate its

identification as a [Pizza Karma](#) Restaurant. If Franchisee fails to modify the exterior and interior décor of the Restaurant, the Premises, and vehicles, as Franchisor requires to eliminate its identification as a [Pizza Karma](#) Restaurant, Franchisor may take such action to modify the exterior and interior décor of the Restaurant and the Premises and charge Franchisee for the cost of such action. Franchisee shall immediately pay Franchisor for the cost of any action taken by Franchisor to modify the exterior and interior décor of the Restaurant and the Premises;

(e) refrain from operating or doing business under any name or in any manner that may give the general public the impression that this Agreement is still in force or that Franchisee is connected in any way with Franchisor or that Franchisee has the right to use the System or the Marks, and Franchisee, shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former operator of Franchisor in connection with the promotion or operation of any other business;

(f) refrain from making use of or availing itself to any of the Confidential Information, Operations Manual, any confidential methods, procedures, and techniques associated with the System, and other information received from Franchisor or disclosing or revealing any of the same in violation of [Section 7](#) hereof;

(g) take such action as may be required to cancel all assumed names or equivalent registrations relating to the use of any Mark;

(h) discontinue all use of the Email Address, and any and all online and social media listings and accounts;

(i) assign to Franchisor or its designee all of Franchisee's rights, title, and interest in and to the telephone numbers, telephone directory listings and advertisements, website URLs, social media accounts, e-mail addresses, store leases and governmental licenses or permits used for the operation of the Restaurant. Franchisee hereby authorizes Franchisor to instruct issuers of any telephone and internet domain name services, and other providers to transfer any such telephone numbers, domain names, websites, addresses, and any other identifiers to Franchisor upon termination of this Agreement, without need for any further approval from Franchisee. Without limiting the foregoing, Franchisee hereby agrees to execute a Telephone Number Assignment and Power of Attorney form attached to this Agreement as [Exhibit F](#) in order to implement this section; and

(j) strictly comply with the terms and conditions of [Section 7](#) above and any other procedures in the Operations Manual that are established by Franchisor related to discontinuing operations of the Restaurant.

16.03 Option to Purchase the Restaurant. Upon termination or expiration (without Franchisee's successful exercise of the right to acquire a successor franchise) of this Agreement, Franchisor shall have the option, to be exercised within thirty (30) days after termination or expiration of this Agreement, to purchase from Franchisee any or all of the furnishings, equipment, signs, fixtures, supplies, or inventory of Franchisee related to the operation of the Restaurant with respect to which this Agreement is terminated or expires in part, at the lesser of (i) Franchisee's cost or (ii) fair market value. The cost for such items shall be determined based upon a five-year straight-line depreciation of original costs. For equipment that is five (5) or more years old, the parties agree that fair market value shall be deemed to be ten percent (10%) of the equipment's original cost. If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off all amounts due from Franchisee.

16.04 Continuing Obligations. The expiration and termination of this Agreement will be without prejudice to the rights of Franchisor against Franchisee. All obligations under this Agreement

which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect until they are satisfied in full or by their nature expire.

16.05 Liquidated Damages. Upon termination of this Agreement by reason of a default by Franchisee, Franchisee agrees to pay to Franchisor within ten (10) days after the effective date of termination, in addition to the amounts owed hereunder, liquidated damages equal to the average monthly Royalty Fees, [NationalSystem](#) Marketing [Fund](#) Fees, Technology Fees, and other amounts Franchisee paid or owed to Franchisor related to the Restaurant during the 12 months of operation preceding the effective date of termination (provided that if Restaurant was not open during this entire 12-month period, Franchisor may use the average amount of such fees paid to Franchisor by franchisees in the System during such time period, or the Minimum Royalty, whichever is greater), multiplied by the lower of (a) 36 (being the number of months in three full years), or (b) the number of months remaining in the Term if this Agreement had it not been terminated, whichever is lower.

The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages Franchisor would incur from this Agreement's termination and the loss of cash flow due to, among other things, the complications of determining what costs, if any, Franchisor might have saved and how much the fees would have grown over what would have been this Agreement's remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages, and not a penalty.

The liquidated damages provision only covers Franchisor's damages from the loss of cash flow from specific listed fees. It does not cover any other damages, including damages to Franchisor's reputation with the public and landlords and damages arising from a violation of any provision of this Agreement. Franchisee and each of its Owners agree that the liquidated damages provision does not give Franchisor an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the sections requiring payment of Royalty Fees, [NationalSystem](#) Marketing [Fund](#) Fees, and Technology Fees.

17. RELATIONSHIP OF THE PARTIES.

17.01 Independent Contractors.

(a) Neither this Agreement nor the dealings of the parties pursuant to this Agreement shall create any fiduciary relationship or any other relationship of trust or confidence between the parties hereto. Franchisor and Franchisee, as between themselves, are and shall be independent contractors. Nothing contained in this Agreement, or arising from the conduct of the parties hereunder, is intended to make either party a general or special agent, joint venturer, joint employer, partner or employee of the other for any purpose whatsoever. Franchisee must conspicuously identify itself in all dealings with customers, lessors, contractors, suppliers, public officials, employees and others as the owner of the Restaurant and must place such other notices of independent ownership on such forms, business cards, stationery, advertising and other materials as Franchisor may require from time to time. Franchisee may not make any express or implied agreements, warranties, guarantees or representations or incur any debt in Franchisor's name or on Franchisor's behalf or represent that the relationship of the parties hereto is anything other than that of independent contractors. Franchisor will not be obligated by or have any liability under any agreements made by Franchisee with any third party or for any representations made by Franchisee to any third party. Franchisor will not be obligated for any damages to any person or property arising directly or indirectly out of the operation of Franchisee's business hereunder.

(b) If applicable law shall imply a covenant of good faith and fair dealing in this Agreement, the parties hereto agree that such covenant shall not imply any rights or obligations that are

19. MISCELLANEOUS.

19.01 Successors and Third Party Beneficiaries. This Agreement and the covenants, restrictions and limitations contained herein shall be binding upon and shall inure to the benefit of Franchisor and its successors and assigns and shall be binding upon and shall inure to the benefit of Franchisee and its permitted heirs, successors and assigns. Except as contemplated by Section 17.02, nothing in this Agreement is intended, nor is deemed, to confer any rights or remedies upon any Person not a party hereto. This Agreement is, however, intended to bind the Restricted Parties to the extent set forth in this Agreement.

19.02 Construction. All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, and any other gender, as the context or sense of this Agreement or any provision hereof may require, as if such words had been fully and properly written in the appropriate number and gender. All covenants, agreements and obligations assumed herein by Franchisee shall be deemed to be joint and several covenants, agreements and obligations of each of the Persons named as Franchisee, if more than one (1) Person is so named. Except where this Agreement expressly obligates Franchisor not to unreasonably withhold its approval of any of Franchisee's actions or requests, Franchisor has the absolute right, in its sole and arbitrary discretion, to refuse any request Franchisee makes or to withhold its approval of any of Franchisee's proposed or effected actions that require Franchisor's approval.

19.03 Interpretation and Headings. The parties agree that this Agreement should be interpreted according to its fair meaning. Franchisee waives to the fullest extent possible the application of any rule that would construe ambiguous language against Franchisor as the drafter of this Agreement. The words "include," "includes" and "including" when used in this Agreement will be interpreted as if they were followed by the words "without limitation". References to section numbers and headings will refer to sections of this Agreement unless the context indicates otherwise. Captions and section headings are used herein for convenience only. They are not part of this Agreement and shall not be used in construing it.

19.04 Governing Law. ~~All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §1 et seq.) except~~ Except to the extent ~~provided~~ governed by the ~~Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051-1050 et seq.), as amended, or other applicable federal law, and the terms of the United States Arbitration Act (9 U.S.C. § 1 et seq.),~~ this Agreement ~~shall~~ will be ~~interpreted and construed in accordance with~~ governed by the laws of the State of Minnesota without regard to its conflicts of laws provisions. The parties agree, however, that if Franchisee is not a resident of Minnesota, and if the Facial Bar is not located in Minnesota, then they hereby waive the provisions of the Minnesota Franchise Act, Minnesota Statutes, Section 80C.01, et seq. and the regulations promulgated thereunder. If the Minnesota Franchise Act would not otherwise apply to the franchise relationship created hereby, but there is a statute in the state in which the business franchised hereunder is located that specifically governs relationships between franchisees and franchisors, then that particular law will apply.

19.05 Notices. Whenever notice is required or permitted to be given under the terms of this Agreement, it shall be given in writing, and be delivered personally, by certified, express or registered mail, or by an overnight delivery service, postage prepaid, addressed to the party to be notified at the respective address first above written, or at such other address or addresses as the parties may from time to time designate in writing. Notices shall be deemed delivered on the date shown on the return receipt or in the delivery service's records as the date of delivery or on the date of first attempted delivery, if actual delivery cannot for any reason be made.

(e) Any misrepresentation under this Section or any violation of the Anti-Terrorism Laws by Franchisee or Franchisee's Owners, agents, bankers, employees and Affiliates shall constitute grounds for immediate termination of this Agreement and any other agreement Franchisee has entered into with Franchisor or an Affiliate thereof, in accordance with Section 14.02 above.

19.17 Timing. Franchisee acknowledges that it has had a copy of Franchisor's franchise disclosure document for at least fourteen (14) calendar days before signing this Agreement or any franchise or related agreement; or at least fourteen (14) calendar days before the payment of any consideration to Franchisor. Franchisee has had the opportunity to have this Agreement and the business offered hereunder reviewed by professionals of Franchisee's choosing before executing this Agreement.

19.18 Disavowal of Oral Representations. Franchisor and Franchisee acknowledge that each party desires all terms of their franchise relationship to be defined in this written agreement, and that neither party desires to enter into a franchise relationship with the other in which any terms or obligations are subject to any oral statements or in which oral statements serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations as set forth in this Agreement. Therefore, Franchisor and Franchisee agree that this Agreement will supersede and cancel any prior and contemporaneous discussions between them. Franchisor and Franchisee each agree that each party has placed, and will place, no reliance on any discussions. Franchisee agree that no representations have been made to it about this Agreement, the Restaurant, or the System other than as contained in this Agreement and in the franchise disclosure document received before Franchisee signed this Agreement. Franchisee agrees that no claims, representations, or warranties of earnings, sales, profits, or success of the Restaurant have been made to Franchisee.

19.19. No Waiver or Disclaimer of Reliance in Certain States. The following provision applies only to franchisees and franchises that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

[SIGNATURE PAGE FOLLOWS]

**KARMA FRANCHISE LLC
FRANCHISE AGREEMENT
EXHIBIT A
DATA SHEET**

1. The approved location of the Restaurant shall be:

If no location has been determined at the time this Franchise Agreement is executed, then the Restaurant will be within the following area, provided the exact location will be subject to our review and approval, and you authorize us to define the Protected Territory and complete this Exhibit A upon our approval of a location:

If the above-named location specifies a location yet to be determined, then we reserve the right to develop and operate Pizza Karma Restaurants in and around the above-described city, county, or area, and to sell franchises—and grant territories to others who will operate PIZZA KARMA Restaurants—in and around the above-described city, county, or area. You may then be required to choose a final location outside of any protected territory given to us or any other franchisee or area developer, and that territory may be outside of the county, city, or area identified above. Should this happen, you would have to obtain our review and approval for a new location. Likewise, if you choose to move your final address at any time, or if the location set forth above, or any other location we agree upon, becomes unavailable for any reason, it is your obligation to select a new location, and to obtain our approval of that location before you acquire the site or obtain any rights in the location.

2. The Protected Territory shall be (subject to the terms of the Agreement, including but not limited to Section 2.03 of the Agreement) as follows, and which Protected Territory is reflected on the map attached to this Exhibit A:

3. The initial Franchise Fee shall be \$ _____ (See Section 6.01).

KARMA FRANCHISE LLC

Initial: _____

Date: _____

FRANCHISEE

Initial: _____

Date: _____

**KARMA FRANCHISE LLC
FRANCHISE AGREEMENT
EXHIBIT D
ELECTRONIC FUNDS WITHDRAWAL AND CREDIT CARD AUTHORIZATION
EFT AUTHORIZATION**

Bank Name:

ABA Routing Number:

Account Number:

Account Name:

Effective as of the date of the signature below, _____ hereby authorizes Karma Franchise LLC (the “**Franchisor**”) or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to make the following payments to Franchisor under the Franchise Agreement for the franchise located at _____: 1.) all Royalty Fees, 2.) all [NationalSystem](#) Marketing [Fund](#) Fees, 3.) all Technology Fees, and 4.) all other fees due under the Franchise Agreement executed by Franchisee and Franchisor. These withdrawals will occur on a monthly basis, or on another schedule as Franchisor specifies in writing. Franchisor is also authorized to deposit funds into the above-referenced account, electronically or otherwise. This authorization will remain in full force and effect until terminated in writing by Franchisor. Franchisee will provide Franchisor, in conjunction with this authorization, a voided check from the above-referenced account.

AGREED:

FRANCHISEE:

Signed:

By:

Its:

Date:

Please Attach Actual VOIDED CHECK

**KARMA FRANCHISE LLC
FRANCHISE AGREEMENT
EXHIBIT G
LEASE RIDER**

4.1. Landlord agrees to allow Tenant to use Franchisor's standard sign and awning package to the maximum extent permitted by local governmental authorities.

4.2 Tenant shall be provided with a panel on any pylon/monument/directory sign for the development in which the Premises is located, and shall be permitted to install a standard sign thereon as approved by Franchisor, including without limitation Franchisor's logo.

5. Notice and Cure Rights to Franchisor. Prior to exercising any remedies hereunder (except in the event of imminent danger to the Premises), Landlord shall give Franchisor written notice of any default by Tenant, and commencing upon receipt thereof by Franchisor, Franchisor shall have ten (10) additional days to the established cure period as is given to Tenant under the Lease for such default, provided that in no event shall Franchisor have a cure period of less than (i) ten (10) days after Franchisor's receipt of such notice as to monetary defaults or (ii) thirty (30) days after Franchisor's receipt of such notice as to non-monetary defaults. Landlord agrees to accept cure tendered by Franchisor as if the same was tendered by Tenant, but Franchisor has no obligation to cure such default. The initial address for notices to Franchisor is as follows:

Karma Franchise LLC
Attention: Raj Selvaraj
~~3515 Plymouth Blvd, #205~~
3500 Vicksburg Lane N., #270
Plymouth, MN 55447

6. Non-disturbance from Mortgage Lenders. Notwithstanding anything contained in the Lease to the contrary or in conflict, it shall be a condition of the 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 agree not to disturb Tenant's rights under this Lease or Tenant's possession of the Premises, so long as Tenant is not in default of its obligations hereunder beyond an applicable grace or cure period provided herein (as may be extended from time to time pursuant to paragraph 6 immediately above).

8. Third-Party Beneficiary. For so long as Franchisor holds a collateral assignment of the Lease, Franchisor is a third-party beneficiary of the Lease, including, without limitation, this Rider, and as a result thereof, shall have all rights (but not the obligation) to enforce the same.

9. Franchisor Right to Enter. Landlord acknowledges that, under the Franchise Agreement, Franchisor or its appointee has the right to assume the management and operation of the Tenant's business, on Tenant's behalf, under certain circumstances (to-wit: Tenant's abandonment, Tenant's failure to timely cure its default of the Franchise Agreement, and while Franchisor evaluates its right to purchase the restaurant). Landlord agrees that Franchisor or its appointee may enter upon the Premises for purposes of assuming the management and operation of Tenant's restaurant as provided in the Franchise Agreement and, if it chooses to do so, it will do so in the name of the Tenant and without assuming any direct liability under the Lease. Further, upon the expiration or earlier termination of this Lease or the Franchise Agreement, Franchisor or its designee may enter upon the Premises for the purpose of removing all signs and other material bearing the Pizza Karma name or trademarks, service marks, or other commercial symbols of Franchisor.

10. Amendments. Tenant agrees that the Lease may not be terminated, modified or amended without Franchisor's prior written consent, nor shall Landlord accept surrender of the Premises without Franchisor's prior written consent. Tenant agrees to promptly provide Franchisor with copies of all proposed modifications or amendments and true and correct copies of the signed modifications and amendments.

**KARMA FRANCHISE LLC
FRANCHISE AGREEMENT
EXHIBIT H
FOOD TRUCK ADDENDUM**

FOOD TRUCK ADDENDUM

This Food Truck Addendum (this “Addendum”) amends the Franchise Agreement dated _____ (the “Agreement”), by and between Karma Franchise LLC, a Minnesota limited liability company (“Franchisor”) and _____, a _____ (“Franchisee”).

1. **Capitalized Terms.** Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Agreement.

2. **Grant of Rights.** Franchisor hereby grants Franchisee the right to operate one (1) food truck (the “Food Truck”) under the “PIZZA KARMA”® brand and System on the terms and condition set forth in this Addendum. If the Agreement is terminated for any reason, Franchisee’s right to operate the Food Truck will automatically cease. Franchisee acknowledges that this is an optional service it is electing to offer, and it will comply with all requirements, standards and specifications as Franchisor may adopt with respect to the Food Truck during the term of the Agreement.

3. **Food Truck Franchise Fee.** Upon signing this Addendum, Franchisee shall pay an initial \$10,000 food truck franchise fee (“Food Truck Franchise Fee”) to Franchisor. Franchisee acknowledges and agrees that the Food Truck Franchise Fee is paid as consideration for Franchisor granting Franchisee the right to operate the Food Truck using the Marks and the System, that the Food Truck Franchise Fee is fully earned by Franchisor at the time this Addendum is executed, and that the Food Truck Franchise Fee shall not be refundable for any reason.

4. **Purchase of Vehicle and Equipment.** Franchisee shall purchase and/or lease the Food Truck vehicle and all equipment, signage, vehicle wraps, supplies, inventory, and other materials specified by Franchisor in the specifications, standards, and other written materials provided to Franchisee for the operation of the Food Truck (collectively, the “Required Food Truck Purchases”) from Franchisor’s designated vendor(s) in sufficient time so that the Food Truck is ready to begin operations on the Restaurant’s required opening date. If Franchisee fails to make the Required Food Truck Purchases by the Restaurant’s required opening date, Franchisor may terminate this Addendum and in such case, Franchisee will not be allowed to operate a Food Truck.

By signing this Addendum, Franchisee acknowledges it has reviewed all of Franchisor’s current specifications for the Required Food Truck Purchases. Franchisee shall make such changes, upgrades, and replacements as Franchisor may periodically require, in the time frames specified by Franchisor. **FRANCHISOR EXPRESSLY DISCLAIMS ANY WARRANTIES OR REPRESENTATIONS AS TO THE CONDITION OF ANY SUCH REQUIRED FOOD TRUCK PURCHASES INCLUDING WITHOUT LIMITATION, EXPRESS OR IMPLIED WARRANTIES AS TO MERCHANTABILITY OR FITNESS FOR ANY INTENDED PURPOSE. FRANCHISEE AGREES TO LOOK SOLELY TO THE MANUFACTURER AND/OR VENDOR OF SAME IN THE EVENT OF ANY DEFECTS THEREIN.**

5. **Term and Renewal.**

a. Franchisee may operate the Food Truck from the period beginning on the day Franchisee opens the Restaurant under the Agreement until the Agreement expires or is otherwise terminated (the “Food Truck Term”).

b. Unless Franchisor has provided its prior written approval, Franchisee shall not operate the

Food Truck before the Restaurant opens for business.

c. At the end of the Food Truck Term, if Franchisee acquires a successor franchise pursuant to Section 15 of the Agreement, Franchisee may extend its right to operate the Food Truck under this Addendum for one additional period expiring on the first to occur of (i) 10 years, or (ii) the termination or expiration of the Agreement, provided that (A) Franchisee notifies Franchisor of the election to renew between 90 and 180 days prior to the end of the Food Truck Term, (B) Franchisee (and its affiliates) are in compliance with this Agreement and all other agreements with Franchisor (and its affiliates) at the time of election and at the time of extension, and (C) Franchisee satisfies such other reasonable conditions required by Franchisor, including without limitation refurbishing of the Food Truck. In connection with a renewal, Franchisor may alter or reduce the territory in which the Food Truck may operate to accommodate its planned development of the Pizza Karma brand. Franchisor will negotiate in good faith with Franchisee regarding such altered or reduced territory prior to the renewal taking effect

6. Operations.

a. Franchisee acknowledges and agrees that “Gross Sales” as such term is defined in the Agreement additionally includes the amount of sales of food, beverages, and other products and merchandise sold or services rendered in, on, about or from the Food Truck, together with any other revenues derived from the operation of the Food Truck. Franchisee will comply with all reporting and recordkeeping requirements as Franchisor may establish with respect to Gross Sales and other operations related to the Food Truck. Should Franchisee be found to be non-compliant with any of Franchisor’s reporting requirements, or should Franchisee underreport any Gross Sales or underpay any Royalty Fee, Franchisor may, upon notice to Franchisee and in its sole discretion, (i) terminate this Addendum and in such case, Franchisee will not be allowed to operate a Food Truck, or (ii) charge a minimum royalty or flat fee in connection with the operation of the Food Truck in lieu of collecting the standard percentage Royalty Fee on Gross Sales derived from the Food Truck. In such an event, any minimum royalty fee or flat fee charged will be based on a reasonable estimate of Royalty Fees which would otherwise be due to Franchisor in connection with the operation of the Food Truck, to be determined and established in Franchisor’s sole discretion.

b. Franchisee shall use the Restaurant as the commissary for the Food Truck. Franchisee shall not use any third-party business as the commissary without Franchisor’s written consent, which it may withhold in its sole discretion.

c. Franchisee must comply with any System standards and other directives of Franchisor regarding the development and operation the Food Truck, including without limitation the make and model of the Food Truck, vehicle wrap(s), décor, maintenance, equipment, menu, insurance requirements, and driver qualification. The Food Truck must at all times be in excellent or better condition, clean, dent-free, and otherwise presenting a professional appearance.

d. Franchisee must report Gross Sales and other information about the Food Truck separately from Restaurant reporting.

e. Franchisee agrees to comply with such additional training requirements as Franchisor may establish from time to time with respect to the Food Truck, and will not begin operating the Food Truck until such training requirements have been complied with.

7. **Territory.** The parties acknowledge that the Agreement currently provides for operation of a Restaurant from the Premises, within a specific Protected Territory. Due to the mobile nature of the Food Truck, Franchisor and Franchisee agree as follows:

a. Franchisee may operate and make sales from the Food Truck within the Protected Territory during the Food Truck Term.

b. If Franchisee is in compliance with the Agreement and this Addendum, with Franchisor's prior written approval, Franchisee may operate the Food Truck outside the Protected Territory, provided that in no event shall Franchisee operate the Food Truck in any territory granted by Franchisor to another franchisee previously or in the future. Franchisee acknowledges that Franchisor may designate areas outside of its Protected Territory for food trucks operated by other franchisees. Franchisor may require Franchisee cease operating the Food Truck and/or providing services to any customers or events at locations outside of the Protected Territory upon written notice, and Franchisor may direct Franchisee to assign any customers or agreements to provide services to customers outside of its Protected Territory to Franchisor, its affiliates, or another franchisee operating in the System.

c. Franchisee may not use targeted advertisements or promotions to solicit customers for the Food Truck that are located in any territory granted by Franchisor to another franchisee previously or in the future, and all advertisements or marketing materials adopted by Franchisee with respect to the Food Truck are subject to Franchisor's approval as set forth in the Agreement.

d. Franchisor may require Franchisee cease operating the Food Truck and/or providing services to any customers or events at locations outside of the Protected Territory upon written notice, and Franchisor may direct Franchisee to assign any customers or agreements to provide services to customers outside of its Protected Territory to Franchisor, its affiliates, or another franchisee operating in the System.

8. **Insurance.** In addition to the insurance requirements outlined in Section 9.05 of the Agreement, Franchisee agrees that it will obtain such additional insurance in amounts and limits as Franchisor may establish in writing from time to time.

9. **Transfer.** Franchisee shall not sell the Food Truck to a third party as a "Pizza Karma" business except in connection with a Transfer of the entire Restaurant business in accordance with the provisions the Agreement.

10. **Compliance; Effect.** Franchisee acknowledges and agrees that should Franchisee breach the terms of this Addendum or any requirements of Franchisor with respect to the Food Truck, and continue such breach after Franchisor's notice thereof and failure of the Franchisee to cure such breach within thirty (30) days of such notice, Franchisor may revoke its authorization for Franchisee to operate the Food Truck, and terminate the rights of Franchisee hereunder. This Addendum shall be deemed fully executed and its terms given full force and legal effect as of the date signed by Franchisor notwithstanding anything to the contrary herein. In the event of a conflict between the terms and provisions of this Addendum and the Agreement, this Addendum shall control. Except as amended hereby, the Agreement shall continue in full force and effect, and all other terms of the Agreement shall apply to the operation of the Food Truck.

11. **Representation of Authority.** By signing this Addendum below on behalf of Franchisee, the undersigned represents that he or she is duly authorized and has legal capacity to execute and deliver this Addendum. The undersigned representative of Franchisee represents and warrants to Franchisor that the

execution and delivery of this Addendum and the performance of such party's obligations hereunder have been duly authorized, and that the Addendum is a valid and legal agreement binding on Franchisee and enforceable in accordance with its terms.

[Signature page follows.]

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

FRANCHISOR:

KARMA FRANCHISE LLC
a Minnesota limited liability company

By:
Print Name:
Title:

FRANCHISEE:

If a corporation, partnership, limited liability company or other legal entity:

(Name of corporation, partnership, limited liability company or other legal entity)

By:
Print Name:
Title:

If Individual(s):

(Signature)

(Print Name)

KARMA FRANCHISE LLC
FRANCHISE AGREEMENT
EXHIBIT I
STATE ADDENDA

**ADDENDUM TO THE
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS**

THIS ADDENDUM (the “**Addendum**”) is made and entered into by and between **KARMA FRANCHISE LLC**, a Minnesota limited liability company (“**Franchisor**”) with its principal business address at ~~3515 Plymouth Blvd, #205~~3500 Vicksburg Lane N., #270, Plymouth, MN 55447, and _____, a _____ (“**Franchisee**”), whose principal business address is _____.

1. **BACKGROUND.** Franchisor and Franchisee are parties to that certain Franchise Agreement dated _____ (the “**Agreement**”), that has been entered into concurrently with the entering of this Addendum. This Addendum is annexed to and forms part of the Agreement, and the defined terms set forth in the Agreement are used in this Addendum with the same meanings ascribed to them in the body of the Agreement. This Addendum is being executed because the Franchised Restaurant to be operated by Franchisee pursuant to the Agreement will be located in the State of Illinois and/or because Franchisee is a resident of the State of Illinois.

2. **AMENDMENTS.** Notwithstanding anything which may be contained in the body of the Agreement to the contrary, the Agreement is amended as follows:

3. **FORUM FOR LITIGATION.** The following sentence is added to the end of Section 18.04 (“**Jurisdiction and Venue**”) of the Franchise Agreement:

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement which designates jurisdiction or venue in a forum outside of Illinois is void.

4. **GOVERNING LAW.** Section 19.04 of the Franchise Agreement is deleted and replaced with the following:

Illinois law shall govern this Agreement.

5. **ILLINOIS FRANCHISE DISCLOSURE ACT.** The following language is added as Section 19.19 of the Franchise Agreement:

19.19 Illinois Franchise Disclosure Act. Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void. Franchisee’s rights upon termination and non-renewal of a franchise agreement are set forth in Section 19 and 20 of the Illinois Franchise Disclosure Act.

~~6. **FEE DEFERRAL.** The Franchise Agreement is amended to state:~~

~~The State of Illinois has required a financial assurance. Therefore, Franchisor has agreed to defer all initial fees owed by Franchisee to Franchisor until Franchisor has fulfilled all pre-opening obligations to Franchisee and Franchisee has commenced doing business pursuant to the Franchise Agreement. The Illinois Attorney General’s Office imposed this deferral requirement due to Franchisor’s financial condition.~~

[Signatures follow on next page.]

**ADDENDUM TO THE
FRANCHISE AGREEMENT
FOR USE IN MINNESOTA**

THIS ADDENDUM (the “**Addendum**”) is made and entered into by and between **KARMA FRANCHISE LLC**, a Minnesota limited liability company (“**Franchisor**”) with its principal business address at ~~3515 Plymouth Blvd, #205~~3500 Vicksburg Lane N., #270, Plymouth, MN 55447, and _____, a _____ (“**Franchisee**”), whose principal business address is _____.

1. **BACKGROUND.** Franchisor and Franchisee are parties to that certain Franchise Agreement dated _____, 20__ (the “Franchise Agreement”). This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) the Restaurant that Franchisee will operate under the Franchise Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Minnesota.

2. **RELEASES.** The following is added to the end of Sections 13.02 and 15.03 of the Franchise Agreement:

Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

3. **RENEWAL TERM AND TERMINATION TERM.** The following is added to the end of Sections 14.03 and 15.01 of the Franchise Agreement:

However, with respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that Franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of this Agreement.

4. **NOTIFICATION OF INFRINGEMENT AND CLAIMS.** The following sentence is added to the end of Section 5.04 of the Franchise Agreement:

Provided Franchisee has complied with all provisions of this Agreement applicable to the Marks, Franchisor will protect Franchisee’s right to use the Marks and will indemnify Franchisee from any loss, costs or expenses arising out of any claims, suits or demands regarding Franchisee’s use of the Marks in accordance with Minn. Stat. Sec. 80C 12, Subd. 1(g).

5. **FORUM FOR LITIGATION.** The following language is added to the end of Section 18.04 of the Franchise Agreement:

NOTWITHSTANDING THE FOREGOING, MINN. STAT. SEC. 80C.21 AND MINN. RULE 2860.4400J PROHIBIT US, EXCEPT IN CERTAIN SPECIFIED CASES, FROM REQUIRING LITIGATION TO BE CONDUCTED OUTSIDE OF MINNESOTA. NOTHING IN THIS AGREEMENT WILL ABROGATE OR REDUCE ANY OF FRANCHISEE’S RIGHTS UNDER MINNESOTA STATUTES CHAPTER 80.C OR FRANCHISEE’S RIGHTS TO ANY PROCEDURE, FORUM OR REMEDIES THAT THE LAWS OF THE JURISDICTION PROVIDE.

6. **GOVERNING LAW.** The following statement is added at the end of Section 19.04 of the Franchise Agreement:

NOTHING IN THIS AGREEMENT WILL ABROGATE OR REDUCE ANY OF FRANCHISEE'S RIGHTS UNDER MINNESOTA STATUTES CHAPTER 80C OR FRANCHISEE'S RIGHT TO ANY PROCEDURE, FORUM OR REMEDIES THAT THE LAWS OF THE JURISDICTION PROVIDE.

7. **MUTUAL WAIVER OF JURY TRIAL AND PUNITIVE DAMAGES.** If and then only to the extent required by the Minnesota Franchises Law, Sections 18.05 and 18.06 of the Franchise Agreement are deleted.

8. **LIMITATION OF CLAIMS.** The following is added to the end of Section 18.06 of the Franchise Agreement:

; provided, however, that Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

9. **INJUNCTIVE RELIEF.** Section 18.01 of the Franchise Agreement is deleted and replaced with the following:

Nothing in this Agreement bars Franchisor's right to obtain specific performance of the provisions of this Agreement and seek injunctive relief against conduct that threatens to injure or harm Franchisor, the Marks or the System, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. Franchisee agrees that Franchisor may seek such injunctive relief. Franchisee agrees that its only remedy if an injunction is entered against Franchisee will be the dissolution of that injunction, if warranted, upon due hearing, and Franchisee hereby expressly waives any claim for damages caused by such injunction. A court will determine if a bond is required.

10. No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

EXHIBIT C

AREA DEVELOPMENT AGREEMENT

(see attached)

**KARMA FRANCHISE LLC
AREA DEVELOPMENT AGREEMENT**

AREA DEVELOPER

DEVELOPMENT TERRITORY

DATE OF AGREEMENT

**KARMA FRANCHISE LLC
AREA DEVELOPMENT AGREEMENT**

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ATTACHMENTS:

- EXHIBIT A: GUARANTY
- EXHIBIT B: STATE-SPECIFIC ADDENDA

KARMA FRANCHISE LLC

AREA DEVELOPMENT AGREEMENT

This Area Development Agreement (“Agreement”) is made and entered into this ____ day of _____, 20__ (the “Effective Date”) by and between KARMA FRANCHISE LLC, a Minnesota limited liability company, with its principal place of business located at 3500 Vicksburg Lane N., #270, Plymouth, Minnesota 55447, (“Franchisor,” “we,” or “us”), and _____ a(n) _____, with its principal place of business located at _____ (“Developer” or “you”).

Any capitalized terms used herein not otherwise defined shall have the definition assigned to them in the Franchise Agreement for your first Franchised Restaurant signed concurrently with this Agreement.

RECITALS:

- A. Franchisor has established, at a substantial expenditure of time, effort and money, a system (the “System”) of developing, opening and operating a globally inspired, healthfully sourced restaurant concept under the trademark “PIZZA KARMA”®, featuring signature tandoor ovens to prepare pizza, wraps, wings, and other appetizers, with a menu that also includes salads and a wide selection of beverages, which operate from a fixed location (each, a “Pizza Karma Restaurant” and collectively, the “Pizza Karma Restaurants”); and
- B. The distinguishing features of the System include, but are not limited to, the name “PIZZA KARMA” and all other trade names, trademarks, service marks, trade dress, logos, emblems, insignia and signs developed for use with the System from time to time (collectively, the “Marks”); specially designed fixtures, equipment, facilities, and other items used in providing services and goods; services, products, methods, procedures, protocols, and quality standards therefor; all of which may be changed, improved and further developed by Franchisor from time to time; and
- C. Franchisor has acquired knowledge and experience in operating Pizza Karma Restaurants, using the System and with respect to the style of the facilities and signs used by these Pizza Karma Restaurants and has successfully established a reputation, demand and goodwill for their services and products; and
- D. Area Developer recognizes the value and benefits that can be derived from utilizing the System and being associated with Franchisor, the Marks and the other distinctive features of the System, and desires to obtain certain development rights to open and operate Pizza Karma Restaurants under the System and the Marks, as well as to receive other assistance provided by Franchisor in connection therewith.

AGREEMENTS:

In consideration of the foregoing and the mutual covenants and consideration below, you and we agree as follows:

1. GRANT OF DEVELOPMENT RIGHTS.

The following provisions control with respect to the rights granted under this Agreement:

- A. We grant to you, under the terms and conditions of this Agreement, the right to develop, within the territory described in the Rider (the “Development Territory”), the number of Pizza Karma Restaurants identified in the Rider (each, a “Franchised Restaurant,” and together, the “Franchised Restaurants”).
- B. You agree to be bound by the “Development Schedule” set forth in the Rider. Time is of the essence for the development of each Franchised Restaurant under this Agreement and for the signing of each Franchise Agreement as set forth in the Development Schedule. Each Franchised Restaurant must be developed and operated by you under a separate Franchise Agreement that you enter into with us.
- C. Unless otherwise indicated in the Rider and except as set forth in Section D below or otherwise in this Agreement, if you are in compliance with this Agreement and any and all Franchise Agreement(s) you have with us, we will not develop or operate—or grant anyone else a franchise to develop and operate—a Pizza Karma Restaurant from any location in the Development Territory before the earlier of: (i) the expiration or termination of this Agreement; and (ii) the date on which you must sign the Franchise Agreement for your last Franchised Restaurant under the terms of the Development Schedule. Notwithstanding anything in this Agreement, when the earliest of the above events occurs: (i) the Development Territory will expire; and (ii) we will be entitled to develop and operate—or to franchise others to develop and operate—Pizza Karma Restaurants from locations in the Development Territory, except as may be otherwise provided under any Franchise Agreement that has been signed between us and you and that has not been terminated. If at any time you fail to comply with the Development Schedule, we may in lieu of terminating this Agreement, choose, in our sole discretion, to replace any portion of the Development Territory that is not then part of a protected territory under a fully executed Franchise Agreement with a territory that will be identified at the time you demonstrate an intent and ability to execute the next Franchise Agreement called for under the Development Schedule.

If the Development Territory covers more than one city, county, or designated market area, the protection for each particular city, county or designated market area will also expire on the date when we determine the protected territory to be given to you under a franchise agreement for your final Restaurant to be developed in that city, county, or designated market area.

- D. You acknowledge and agree that other than as set forth in Section C above, we and our Affiliates (and our respective successors and assigns, by purchase, merger, consolidation or otherwise) retain all rights and discretion with respect to the Marks, the System, the sale of products and services similar or dissimilar to those offered by Pizza Karma Restaurants, and the operation or franchising of Pizza Karma Restaurants anywhere located or to be located, and may engage in any business activities whatsoever, within or outside the Development Territory, whenever and wherever we desire. Specifically, by way of example and without limitation, we reserve the following rights: (i) to establish and operate, and grant to others the right to operate, Pizza Karma Restaurants physically located outside the Development Territory, on such terms and conditions as we deem appropriate (you acknowledge that such Pizza Karma Restaurants may be in direct competition with your Franchised Restaurant(s), without regard to any adverse effects of such activities on your Franchised Restaurant(s) and without any obligation or liability to you), which includes the rights of us and others to make deliveries and operate Food Truck(s) in your Development Territory; (ii) to establish and operate, and grant to others the right to operate, Pizza Karma Restaurants, or other restaurants using any part or all of the System and/or Marks, that are located at or operated from Non-Traditional Sites within or outside the Development Territory; (iii) to offer, distribute, sell and provide products or services under the Marks or under any other trademarks, service marks or trade dress, through alternative channels of distribution, wherever located or operating (including,

without limitation, the internet or similar electronic media, e-commerce, smart phone or other digital applications, mail order, catalogs, and physical outlets like kiosks, temporary or mobile locations such as Food Trucks, convenience stores, mass merchandise, supermarkets, and club stores), including within the Development Territory, except through the operation of a Restaurant; (iv) to establish and operate, and grant to others the right to operate, franchises and/or restaurants identified by trademarks, service marks or trade dress other than the Marks, pursuant to such terms and conditions as we deem appropriate and wherever such franchises and/or restaurants are located, which franchises and/or restaurants may be located within the Development Territory; (v) to acquire the assets or ownership interests of one or more businesses providing products and services similar or dissimilar to those provided at Pizza Karma Restaurants, and to franchise, license or create similar arrangements with respect to these businesses once acquired, and which businesses we may (at our sole discretion, and without obligation) convert, or allow to be converted, to operations as Pizza Karma Restaurants using any of the Marks and/or the System, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in your Development Territory, if applicable); and (vi) to be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at Pizza Karma Restaurants, or by another business, even if such business operates, franchises and/or licenses Competitive Businesses in the Development Territory.

2. DEVELOPMENT FEE.

You must pay us a Development Fee in the amount set forth in the Rider. This fee is payable in full when you sign this Agreement. However, you will not be required to pay an initial franchise fee for any of the Franchised Restaurants you develop under this Agreement.

- A. You will sign the Franchise Agreement for your first Franchised Restaurant concurrently with this Agreement. A separate Franchise Agreement must be signed for each Franchised Restaurant as it is identified, which must be consistent with the Development Schedule. Upon the execution of each Franchise Agreement, the terms and conditions of the Franchise Agreement control the establishment and operation of the Franchised Restaurant.
- B. The Development Fee is consideration for this Agreement and not consideration for any Franchise Agreement, is fully earned by us upon execution of this Agreement, and is non-refundable. If you fail or choose not to develop any Franchised Restaurant that is permitted under this Agreement, you will not be entitled to any return or refund of the Development Fee or any portion thereof.

3. DEVELOPMENT SCHEDULE.

The following provisions control with respect to your development rights and obligations:

- A. You must comply with the Development Schedule requirements regarding: (i) the execution of the Franchise Agreements; (ii) the opening date for each Franchised Restaurant; and (iii) the cumulative number of Franchised Restaurants to be open and continuously operating for business in the Development Territory. If you fail to either sign a Franchise Agreement or to open a Franchised Restaurant according to the dates set forth in the Franchise Agreement, we, in our sole discretion, may immediately terminate this Agreement under Section 0, or alter your Development Territory as described in Section 1.C.

- B. You may not open a Franchised Restaurant under this Agreement unless you meet each of the following conditions (these conditions apply to each Franchised Restaurant to be developed in the Development Territory):
1. You must not be in default of this Agreement, any Franchise Agreement entered into under this Agreement, or any other agreement between you or any of your Affiliates and us or any of our Affiliates. You also must have satisfied on a timely basis all monetary and material obligations under the Franchise Agreements for all existing Franchised Restaurants.
 2. You and we have entered into our then-current form of Franchise Agreement and such other agreements that we require for the grant of Pizza Karma franchises for the proposed Franchised Restaurant. You understand that we may modify the then-current form of Franchise Agreement from time to time and that it may be different than the current form of Franchise Agreement, including different fees and obligations; *provided, however*, that you will not be required to pay any initial franchise fee under any of those agreements. You understand and agree that any and all Franchise Agreements will be construed and exist independently of this Agreement. The continued existence of each Franchise Agreement will be determined by the terms and conditions of the Franchise Agreement. Except as specifically set forth in this Agreement, the establishment and operation of each Franchised Restaurant must be in accordance with the terms of the applicable Franchise Agreement.
 3. You will be solely responsible for identifying, submitting for our approval, and securing specific sites for each Franchised Restaurant. The following terms and conditions shall apply to each Franchised Restaurant to be developed hereunder: We will use reasonable efforts to help analyze your market area, to help determine site feasibility, and to assist in designating the location, although we will not conduct site selection activities for you. You will submit to us, in a form specified by us, a completed site approval package, which shall contain such information or materials as we may reasonably require. We will use reasonable efforts to approve or disapprove the proposed site for the Franchised Restaurant within thirty (30) days after receipt of the site approval package. In the event we do not approve a proposed site by written notice to you within said thirty (30) days, such site shall be deemed disapproved by us. No site shall be deemed approved unless it has been expressly approved in writing by us. If we do not approve of a proposed site, you must identify and notify us of new sites until we approve a site for the Franchised Restaurant.
 4. You hereby acknowledge and agree that approval by us of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Restaurant or for any other purpose. Approval by us of the site indicates only that we believe the site complies with acceptable minimum criteria established by us solely for its purposes as of the time of the evaluation. Both we and you acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to approval by us of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by us could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond our control. We shall not be responsible for the failure of a site approved by us to meet your expectations as to revenue or operational criteria.

4. TERM.

Unless sooner terminated in accordance with Section 0 of this Agreement, the term of this Agreement and

all rights granted to you will expire on the date that you sign the Franchise Agreement for the last Franchised Restaurant that is scheduled to be opened under the Development Schedule. There are no rights of renewal under this Agreement.

5. DEFAULT AND TERMINATION.

You will be deemed in default under this Agreement if you breach any of the terms of this Agreement or if you or any Affiliate of yours breaches any of the terms of any Franchise Agreement or any other agreement that you or your Affiliates have with us or our Affiliates.

All rights granted in this Agreement immediately terminate upon written notice without opportunity to cure if: (i) you become insolvent, commit any affirmative action of insolvency, or file any action or petition of insolvency; (ii) a receiver (permanent or temporary) of your property is appointed by a court of competent authority; (iii) you make a general assignment or other similar arrangement for the benefit of your creditors; (iv) a final judgment against you remains unsatisfied of record for thirty (30) days or longer; (v) execution is levied against your business or property, or the business or property of any of your Affiliates that have entered into Franchise Agreements with us; (vi) a suit to foreclose any lien or mortgage against premises or equipment is instituted against you and not dismissed within thirty (30) days, or is not in the process of being dismissed; (vii) you fail to meet your development obligations set forth in the Development Schedule; (viii) you or any of your Affiliates open any Franchised Restaurants before that person or entity has signed a Franchise Agreement with us for that Franchised Restaurant in the form we provide; (ix) you fail to comply with any other provision of this Agreement, or your or any of your Affiliates fail to comply with any other agreement you or they have with us or our Affiliates and do not correct the failure within thirty (30) days after written notice of that failure is delivered to the breaching party (except that if the failure to comply is the third (3rd) failure to comply with any provision of any agreement that you or any of your Affiliates have with us or an Affiliate of ours within twelve (12) consecutive months, then we need not provide any opportunity to cure the default); or (x) we have delivered to you or any of your Affiliates a notice of termination of a Franchise Agreement in accordance with its terms and conditions.

The foregoing notwithstanding, to the extent that the provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation, nonrenewal or the like other than in accordance with applicable law, such provisions will, to the extent such are not in accordance with applicable law, be superseded by said law, and the Franchisor will comply with applicable law in connection with each of these matters.

6. RIGHTS AND DUTIES OF PARTIES UPON TERMINATION OR EXPIRATION.

Upon termination or expiration of this Agreement, all rights granted to you will automatically terminate, and:

- A. All remaining rights granted to you to develop Franchised Restaurants under this Agreement will automatically be revoked and will be null and void. We will have the right to develop the Development Territory or to contract with one or more other franchisees for the future development of the Development Territory. You will not be entitled to any refund of any fees.
- B. You must within fifteen (15) days of the termination or expiration pay all sums owing to us and our Affiliates. In addition, in the event of any default by you that results in a premature termination of this Agreement (regardless of which party actually terminates this Agreement), in addition to any other remedies available to us, you must pay us, as a measure of our actual damages and not as a penalty, an amount equal to Ten Thousand Dollars (\$10,000) for each Franchise Agreement you failed to sign as required by this Agreement. You agree that this amount is in addition to the

Development Fees paid under this Agreement, and is for lost revenues from royalty fees and other amounts payable to us, including the fact that you were holding the development rights for those Franchised Restaurants and precluding the development by others of Restaurants in the Development Territory. Notwithstanding your agreement, if a court determines that this damages payment is unenforceable, then we may pursue all other available remedies, including consequential damages.

7. TRANSFER.

The following provisions govern any transfer:

- A. We have the right to transfer all or any part of our rights or obligations under this Agreement to any person or legal entity. Upon any transfer of this Agreement by us or any of our legal rights and obligations hereunder, we will be released from all such obligations and liabilities arising or accruing in connection with this Agreement after the date of such transfer.
- B. We enter into this Agreement with specific reliance on your personal experience, skills, and managerial and financial qualifications. Consequently, this Agreement—and your rights and obligations under it—is and will remain personal to you. You may only Transfer your rights and interests under this Agreement if you obtain our prior written consent.
 1. As used in this Agreement, the term “Transfer” means any sale, assignment, lease, gift, pledge, mortgage, or any other encumbrance, transfer by bankruptcy, transfer by your disability or death, transfer by judicial order, merger, consolidation, share exchange, transfer by operation of law, or otherwise, whether direct or indirect, voluntary or involuntary, of this Agreement or any interest in it, or any rights or obligations arising under it, or of any material portion of your assets, or of any interest in you. You acknowledge that these provisions prohibit you from subfranchising or sublicensing any right you have under any agreement with us, and that your intent in entering into this Agreement is that you (and not any licensee or transferee) will be opening and operating the Franchised Restaurants to be developed under this Agreement. In addition, if there are two (2) individuals signing this Agreement as Developer, and one (1) of those individuals is no longer involved in the ownership of the business that is developing Franchised Restaurants, the withdrawal of that person will be considered a Transfer. A Transfer will also be deemed to occur when there are more than two (2) people listed as the Developer and there is a change of the ownership of the business such that less than a majority of the original signatories continue to have a majority interest in the equity of the business.
 2. We will not charge you any fee in connection with your Transfer of your interest in this Agreement. However, as a condition to our approval of any Transfer, you must sign Franchise Agreements for all of the Franchised Restaurants to be developed under this Agreement, you must transfer all of those agreements to the same person or entity that acquires your interest in this Agreement, and you must comply with all of the conditions for transferring each of those agreements, including any requirement to pay a transfer fee in connection with the transfer of each of those agreements.
 3. The restriction on Transfer contained in this Agreement does not apply to, or otherwise restrict, your right to transfer any interest in any Franchise Agreement you previously signed for any Franchised Restaurant to be developed under this Agreement. You may transfer those agreements apart from any rights you have in this Agreement, provided you comply with the transfer provisions of each agreement you seek to transfer.

4. We may expand upon, and provide more details related to, the conditions for Transfer and our consent as described in this Section 7, and may do so in our operations manual or otherwise in writing.

8. **ACKNOWLEDGEMENTS.** To induce us to execute this Agreement, you represent and warrant to us as follows:

- A. You recognize and acknowledge the importance of maintaining our standards for service, and further recognize and acknowledge the importance of following the System with respect to the development and operation of Franchised Restaurants.
- B. You have the entire control and direction of the Franchised Restaurants to be opened and operated by you, subject only to the conditions and covenants established by the Franchise Agreements for those Franchised Restaurants. You acknowledge that the businesses to be operated under those Franchise Agreements involve business risks, and that your success shall be largely determined by your own skill and efforts as an independent business person.
- C. You have entered into this Agreement after making an independent investigation of our operations and history and not upon any representation as to profits which you might be expected to realize and that no one has made any representation to induce you to accept the franchise granted hereunder and to execute this Agreement, except as may be set forth in the Franchise Disclosure Document you acknowledge receiving at least fourteen (14) days prior to the date you paid us or any Affiliate any money or executed any agreement with us or any Affiliate.

9. **MISCELLANEOUS.**

You acknowledge that other Pizza Karma franchisees/area developers have or will be granted franchises or area development rights at different times and in different situations, and further acknowledge that the provisions of such agreements may vary substantially from those contained in this Agreement. You shall not complain on account of any variation from standard specifications and practices granted to any other franchisee/area developer and shall not be entitled to require us to grant to you a like or similar variation thereof. The provisions set forth in the Franchise Agreement for your first Franchised Restaurant containing any covenants not to compete, confidentiality obligations, enforcement provisions, indemnification obligations, notice provisions, and sections referenced as “Relationship of the Parties,” “Dispute Resolution”, and “Miscellaneous” are incorporated into this Agreement by reference and will be applicable to this Agreement. You acknowledge having received a copy of our current form of Franchise Agreement for use in the sale of Franchised Restaurants, and that until you sign an agreement for your first Franchised Restaurant, the provisions of the form we provided to you relating to these matters will be deemed incorporated in this Agreement by reference and applicable to this Agreement. Any reference to the expression “this Agreement” in those sections described above will be interpreted as a reference to this Area Development Agreement, any reference to “Franchisee” or “you” in those Sections will read as “Developer,” and any reference to “Protected Territory” will read as “Development Territory.” Any provisions of this Agreement which, by their nature, may or are to be performed following expiration or termination of this Agreement, will survive termination or expiration.

No Waiver or Disclaimer of Reliance in Certain States. The following provision applies only to franchisees and franchises that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

**[THIS AGREEMENT CONTINUES WITH A RIDER,
WHICH IS A PART OF THIS AGREEMENT]**

AREA DEVELOPMENT AGREEMENT RIDER

1. Development Territory:

If the Development Territory references one or more areas yet to be determined, then we reserve the right to develop and operate Pizza Karma Restaurants in and around the above-described city, county, or area, and to sell franchises and grant territories to others—including through area development agreements—who will operate Pizza Karma Restaurants in and around the above-described city, county, or area. You may then be required to choose a final area for your Development Territory outside of any protected territory or development territory given to us or to any other franchisee or area developer, which final area may be outside of the county, city, or area identified above. Should this happen, you would have to obtain our review and approval for a new Development Territory for your Pizza Karma Restaurant. You authorize us to define your Development Territory and complete this Rider following execution of this Area Development Agreement upon our approval of you Development Territory.

2. Number of Franchised Restaurants to be opened in the Development Territory: _____

3. Development Fee: You acknowledge and agree that a material provision of this Area Development Agreement is that the following fee indicated, which directly correlates with the number of Franchised Restaurants you intend to open, is due and payable to Franchisor upon execution of this Agreement: \$ _____.

4. Development Schedule: You acknowledge and agree that a material provision of this Area Development Agreement is that the following number of Franchised Restaurants must be opened and continuously operated by you in the Development Territory in accordance with the following Development Schedule:

FRANCHISED RESTAURANT NUMBER	DATE BY WHICH FRANCHISE AGREEMENT MUST BE SIGNED	DATE BY WHICH THE FRANCHISED RESTAURANT MUST BE OPENED AND OPERATED BY YOU IN THE DEVELOPMENT TERRITORY*	CUMULATIVE NUMBER OF FRANCHISED RESTAURANTS TO BE OPENED AND OPERATED BY YOU IN THE DEVELOPMENT TERRITORY AS OF THE DATE IN PRECEDING COLUMN
1	Date of this Agreement	12 months from the Date of this Agreement	1
2	12 months from the Date of this Agreement	24 months from the Date of this Agreement	2
3	24 months from the Date of this Agreement	36 months from the Date of this Agreement	3

For purposes of determining compliance with this Development Schedule, only the Franchised Restaurants you actually open and continuously operate in the Development Territory for at least the first six (6) months after opening will be counted toward the number of Franchised Restaurants required to be open and operated by you.

[Signature page follows.]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Area Development Agreement.

FRANCHISOR

KARMA FRANCHISE LLC

By: _____
Name: _____
Title: _____

Date: _____

AREA DEVELOPER

(IF ENTITY):

[Name]

By: _____
Name: _____
Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

EXHIBIT A
PERSONAL GUARANTY AND AGREEMENT TO BE BOUND
PERSONALLY BY THE TERMS AND CONDITIONS
OF THE AREA DEVELOPMENT AGREEMENT

In consideration of the execution of the Area Development Agreement (the “**Agreement**”) between **KARMA FRANCHISE LLC** (“**we**” or “**us**”) and _____ (the “**Developer**”), dated _____, and for other good and valuable consideration, 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 Developer, including without limitation the dispute resolution provisions of the Agreement.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Agreement and agree that this Personal Guaranty will be construed as though the undersigned and each of them executed an Area Development Agreement containing the identical terms and conditions of the Agreement.

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

In addition, the undersigned consent and agree that: (1) the undersigned’s liability will not be contingent or conditioned upon our pursuit of any remedies against the Developer or any other person; (2) the liability will not be diminished, relieved or otherwise affected by the Developer’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; and (3) this Personal Guaranty will apply in all modifications to the Agreement of any nature agreed to by Developer with or without the undersigned receiving notice thereof.

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 our successors and assigns.

[Signature page follows.]

DEVELOPER: _____

PERSONAL GUARANTORS:

Signed (Individually)

Print Name

Address

City/State/Zip

Telephone

Signed (Individually)

Print Name

Address

City/State/Zip

Telephone

**[SIGNATURE PAGE TO PERSONAL GUARANTY AND AGREEMENT
TO BE BOUND PERSONALLY BY THE TERMS AND CONDITIONS OF
THE AREA DEVELOPMENT AGREEMENT]**

EXHIBIT B
STATE-SPECIFIC ADDENDA

**ADDENDUM TO KARMA FRANCHISE LLC
AREA DEVELOPMENT AGREEMENT
REQUIRED FOR THE STATE OF ILLINOIS**

Notwithstanding anything to the contrary set forth in the Karma Franchise LLC Area Development Agreement, the following provisions shall supersede any inconsistent provisions and apply to all Pizza Karma franchises offered and sold in the state of Illinois:

This Illinois Addendum is only applicable if the franchisee is domiciled in Illinois or if the offer of the franchise is made or accepted in Illinois and the franchise business is or will be located in Illinois.

1. Notwithstanding the fact that the Area Development Agreement requires that the Agreement be governed by the laws of the State of Minnesota, to the extent required by Rule 200.608 of the Illinois Franchise Disclosure Laws, the Agreement shall be governed and construed in accordance with the laws of the State of Illinois.

2. The other conditions under which your franchise can be terminated and your rights of nonrenewal may be affected by Illinois Law, 815 Illinois Compiled Statutes 705/19 and 705/20.

3. Section 4 of the Illinois Franchise Disclosure Act states that “Any provision of a franchise agreement which designates jurisdiction or venue in a forum outside of this state (Illinois) is void with respect to any cause of action which otherwise is enforceable in this State, provided that a franchise agreement may provide for arbitration in a forum outside of this State.”

4. Any condition, stipulation or provision purporting to bind any person acquiring a franchise to waive requirements with any provisions of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void. This shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under the provisions of the Illinois Franchise Disclosure Act, nor shall it prevent the arbitration of any claims pursuant to the provisions of Title IX of the United States Code.

5. Section 5 of the Area Development Agreement shall be modified by the addition of the following sentence at the end of such section.

“To the extent required by Illinois law, the Franchisor shall provide reasonable notice to the Franchisee with the opportunity to cure any defaults under this Section 5, to the extent required by Illinois law, which in no event shall be less than ten (10) days, and in no event shall such notice be required to be greater than thirty (30) days.”

6. 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.

7. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this Addendum.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date first set forth above.

FRANCHISOR: KARMA FRANCHISE LLC **DEVELOPER:**

SIGNED: **SIGNED:**

BY: **BY:**

ITS: **ITS:**

DATE: **DATE:**

**ADDENDUM TO KARMA FRANCHISE LLC
AREA DEVELOPMENT AGREEMENT
REQUIRED FOR THE STATE OF MINNESOTA**

Notwithstanding anything to the contrary set forth in the Karma Franchise LLC Area Development Agreement, the following provisions shall supersede and apply to all Pizza Karma franchises offered and sold in the state of Minnesota:

This Minnesota Addendum is only applicable if you are a resident of Minnesota or if your business will be located in Minnesota.

1. Minn. Stat. Section 80C.21 and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in this 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.

2. Franchisor will comply with Minn. Stat. Section 80C.14, subs. 3, 4 and 5, which require, except in certain specified cases, that the Developer be given 90 days' notice of termination (with 60 days to cure).

3. Franchisor shall not require Developer to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22, provided that the foregoing shall not bar the voluntary settlement of disputes

4. No statement, questionnaire, or acknowledgement 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 with the franchise.

[Signature page follows.]

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date first set forth above.

FRANCHISOR: KARMA FRANCHISE LLC

DEVELOPER:

SIGNED:

SIGNED:

BY:

BY:

ITS:

ITS:

DATE:

DATE:

EXHIBIT D

OPERATIONS MANUAL TABLE OF CONTENTS

(see attached)

PIZZA KARMA Operations Manual

I. Introduction (1 page)	
II. Index (7 pages)	
III. Brand & Marketing Overview (8 pages)	
a. Welcome to PIZZA KARMA.....	1 page
b. The KARMA Credo, mission and vision.....	1 page
c. Core Values.....	1 page
d. Brand standards.....	1 page
e. Social media	1 page
f. Promotions & Events	1 page
g. Community Partnerships.....	1 page
h. Donations.....	1 page
IV. People & Culture (8 pages)	
a. Employee handbook	1 page
b. Recruiting exceptional talent.....	1 page
c. Interview process	2 pages
d. Offer letter	1 page
e. New employee paperwork	1 page
f. Entry into Toast.....	1 page
g. Payroll	1 page
V. Technology Overview (15 pages)	
a. POS system overview.....	1 page
b. POS frequently utilized functions.....	4 pages
c. POS support & troubleshooting	1 page
d. PIZZA KARMA App – setting up an account	1 page
e. PIZZA KARMA App – Ordering.....	1 page
f. PIZZA KARMA App – Loyalty	1 page

g. Online Ordering – Desktop and Mobile.....	2 pages
h. Homebase scheduling software.....	1 page
i. Soundtrack for Business.....	1 page
j. Wifi troubleshooting.....	1 page
k. Desktop and Printer Setup.....	1 page
VI. Equipment Overview (4 pages)	
a. Equipment manual binder.....	1 page
b. Robot coupe overview.....	1 page
c. Cooler maintenance.....	1 page
d. Dish machine maintenance.....	1 page
VII. Smallwares, Disposables and Supplies Overview (8 pages)	
a. Smallwares use & storage.....	2 pages
b. Disposables use & storage.....	3 pages
c. Cleaning supplies use & storage.....	3 pages
VIII. Store Appearance & Cleanliness (8 pages)	
a. Line appearance.....	2 pages
b. Kitchen appearance.....	2 pages
c. Bathroom appearance.....	1 page
d. Beverage station appearance.....	1 page
e. Dining room appearance.....	1 page
f. Dish area appearance.....	1 page
IX. Primary Processes & Expectations (30 pages)	
a. Aprons.....	1 page
b. Bagging process.....	1 page
c. Bulk protein storage.....	1 page
d. Cleaning the floor.....	1 page
e. Cutting board set-up.....	1 page
f. Day dot and shelf life process.....	1 page
g. Filling pans process.....	1 page

- h. Garbage can process..... 1 page
- i. Glass surface cleaning..... 1 page
- j. Glove usage..... 1 page
- k. Hand washing process..... 1 page
- l. Hood cleaning 1 page
- m. Cleaning the ice machine..... 1 page
- n. Knife and blade handling & storage 1 page
- o. Cleaning light bulb covers..... 1 page
- p. Online order fulfillment 2 pages
- q. Cleaning the pizza oven..... 1 page
- r. Paper towel loading2 pages
- s. Produce washing2 pages
- t. Sanitizer buckets..... 1 page
- u. Sanitary food prep..... 1 page
- v. Polishing stainless steel..... 1 page
- w. Cleaning the stove 1 page
- bb. Uniform 1 page
- cc. Wash, rinse, sanitize process 1 page
- dd. Waste log process2 pages

X. Food Prep & Pan Processes (51 pages)

- a. Pizza Topping Prep 20 pages
- b. Starter Prep 8 pages
- c. Wrap and Wings Prep..... 5 pages
- d. Salad Prep 5 pages
- e. Sandwich Prep..... 5 pages
- f. Signature Drinks Prep 5 pages
- g. Dessert Prep 3 pages

EXHIBIT E

~~EXHIBIT D~~

FINANCIAL STATEMENTS

(see attached)

**PIZZA KARMA
KARMA FRANCHISE LLC
FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Karma Franchise LLC

We have audited the accompanying financial statements of Karma Franchise LLC, which comprise the balance sheet as of December 31, 2023, and the related statements of income, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Opinion

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Karma Franchise LLC as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Micah Whiting 09 / 03 / 2024

Micah Whiting, CPA
Go Tax Services, LLC
EIN #92-1891014

Karma Franchise LLC

December 31, 2023

Balance Sheet

Assets	<u>2023</u>	<u>2022</u>
<i>Current Assets</i>		
Cash and Cash Equivalents	36,562	9,925
Accounts Receivables	133	-
Total Current Assets	<u>36,695</u>	<u>9,925</u>
Total Assets	<u>36,695</u>	<u>9,925</u>
Liabilities and Stockholder Equity		
<i>Current Liabilities</i>		
Total Current Liabilities	<u>-</u>	<u>-</u>
<i>Other Liabilities</i>		
Total Other Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
<i>Stockholder Equity</i>		
Common Stock	54,925	-
Net Income	<u>(18,230)</u>	<u>9,925</u>
Total Stockholder Equity	<u>36,695</u>	<u>9,925</u>
Total Liabilities and Stockholder Equity	<u>36,695</u>	<u>9,925</u>

See Notes to Financial Statements

Karma Franchise LLC
Year Ended December 31, 2023
Statement of Income

Revenue

Sales	27,943
Total Sales Revenue	<hr/> 27,943
Cost of Goods Sold	89
Total Revenue	<hr/> 27,854

Expense

<i>Operating Expenses</i>	
Advertising	22,707
Bank Fees	149
Office and technology expenses	6,910
Rent expense	10,500
Professional fees	5,818
Total Operating Expenses	<hr/> 46,084
Income from Operations	(18,230)
Other Income (Expense)	-
Net Income	(18,230)

See Notes to Financial Statements

Karma Franchise LLC
Year Ended December 31, 2023
Statement of Cash Flows

	2023
Cash Flows from Operating Activities	
Increase (decrease) in net assets	(18,230)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
(Increase) decrease in:	-
Increase (decrease) in:	(133)
Net cash provided by operating activities	(18,363)
Cash Flows from Investing Activities	
Capital Contributions	45,000
Net cash (used in) investing activities	45,000
Cash Flows from Financing Activities	
Net cash (used in) financing activities	-
Net (decrease) in cash and cash equivalents	26,637
Cash and Cash equivalents	
Beginning	9,925
Ending	36,562

See Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following items comprise the significant accounting policies of Karma Franchise LLC (the Company). The policies reflect industry practices and conform to accounting principles generally accepted in the United States of America.

Company's Activities:

The Company is a partnership LLC, that sells franchises of Pizza Karma, a Tandoor-Fried pizzeria restaurant. The Company sells franchise locations under the name of Karma Franchise LLC in the restaurant industry. The Company will receive an initial franchise fee and continuing fees monthly from the franchises. The date of inception for the Company is June 22, 2021. The Company is organized out of Minnesota.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Financial Instruments:

The carrying value of contract receivables and other amounts arising out of normal contract activities, including retentions, which may be settled beyond one year, are estimated to approximate fair value. Rates currently available for debt with similar terms and remaining maturities are used to estimate the fair value of existing debt.

Accounts Receivables:

Accounts receivables are carried at the original invoice amount and are written off to expense in the period in which they are determined to be uncollectible. Management determines the uncollectibility of accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Recoveries of accounts receivables previously written off are recorded when received. Management's evaluation resulted in no allowance for doubtful accounts as of December 31, 2023.

Revenue and Cost Recognition:

The company follows ASC 606, Revenue from Contracts with Customers, in recognizing revenue as it is earned from customers. The Company franchises the operation of a pizzeria under the name Pizza Karma. The franchise arrangement will be documented in the form of a franchise agreement. The franchise arrangement between the Company as the franchisor and the franchisee as the customer requires the Company to perform various activities to support the concepts that do not directly transfer goods and services to the franchisee, but instead represent a single performance obligation, which is the transfer of the franchise license. The intellectual property or rights subject to the franchise license is symbolic intellectual property as it does not have significant standalone functionality, and substantially all the utility is derived from its association with the Company's ongoing activities. The nature of the Company's promise in granting the franchise license is to provide the franchisee with access to the brand's symbolic intellectual property over the term of the license. The services provided by the Company are highly interrelated with the franchise license and are considered to represent a single performance obligation.

The transaction price in a standard franchise arrangement primarily consists of (a) initial franchise fees; (b) continuing franchise fees (royalties); (c) advertising fees; and (d) technology fees. Since the Company considers the licensing of the franchising right to be a single performance obligation over the term of the agreement, no allocation of the transaction price is required.

The Company recognizes the primary components of the transaction price as follows:

- In allocating the transaction price and recognizing the revenue associated with initial franchise fees, the Company elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606, Franchisors—Revenue from Contracts with Customers. In January 2021, the FASB issued Accounting Standard Update (ASU) 2021-

02, regarding revenue recognition for franchisors (a subtopic of revenue from contracts with customers). This standard is effective for periods beginning after December 15, 2020, with early adoption permitted. The standard applies to all non-public franchisors. This amendment introduces - ASC 952-606, Franchisors—Revenue from Contracts with Customers – a practical expedient that simplifies the guidance on identifying performance obligations. This practical expedient allows the franchisor to account for pre-opening services as distinct from the franchise license if the services are consistent with predefined services listed in this ASU. Also, ASU 2021-02 allows for an accounting election to be made by the entity to bundle and recognize all the pre-opening services as a single performance obligation. The practical expedient identifies the following non-exclusive list of general pre-opening services (which the Company may or may not provide) as eligible for inclusion in the single distinct performance obligation:

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiation
- Training of the franchisee’s personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Bookkeeping, information technology, and advisory services, including setting up the franchisee’s records and advising the franchisee about income, real estate, and other taxes about local regulations affecting the franchisee’s business
- Inspection, testing, and other quality control programs

Effective for the year ended December 31, 2023, the Company has determined that the fair value of pre-opening services exceeds the initial fees received; as such, the initial fees are allocated to the pre-opening services, which are recognized as revenue when those pre-opening services have been completed (generally upon commencement of operations).

- Continuing franchise fees are recognized as revenue ratably on a straight-line basis over the term of the franchise agreement commencing on date of signed agreement. As these fees are typically received in cash at or near the beginning of the franchise term, the cash received is initially recorded as a contract liability until recognized as revenue over time.
- The Company is entitled to royalties and advertising fees based on a percentage of the franchisee's gross sales as defined in the franchise agreement. Royalty and advertising revenue are recognized when the franchisee's reported sales occur. The royalty fee is 6% of gross sales. The advertising fund contribution is 1% of gross sales. The technology fee is \$200 per month.

Income Taxes:

The Company is organized as a Limited Liability Company and has chosen to be taxed as a partnership under the Internal Revenue Code and similar provisions in various other states. Under these provisions, the company does not pay federal corporate income taxes on its taxable income. For state income tax purposes, the Company apportions its taxable income and pays tax on the income earned within each state according to applicable tax laws.

Uncertain Tax Positions:

Accounting guidance issued by the Financial Accounting Standards Board (FASB) prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Company did not have unrecognized tax benefits as of December 31, 2022 and does not expect this to change significantly over the next twelve months. The Company will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense.

NOTE 2 – COVID-19

On the 11th of March 2020, the World Health Organization officially declared COVID 19, the disease caused by novel coronavirus, a pandemic. Management monitored the evolution of the pandemic including how it would affect the company, the economy, and the general population. Management's primary concern was the health and safety of their employees and various clients and management will continue to monitor and assess the ongoing development and respond accordingly.

The development of these strategies is in line with global strategies guided by the World Health Organization and management will continue to implement measures in line with the government direction. Given the dynamic nature of these circumstances, management have not formally determined the financial impact of these events on the company's results of operations, cash flows, and financial condition. Management will continue to monitor closely the global developments of this new virus and respond accordingly.

NOTE 3 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 30th, 2024 the date of the financial statements of the Company.

PIZZA KARMA
KARMA FRANCHISE LLC
FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Karma Franchise LLC

We have audited the accompanying financial statements of Karma Franchise LLC, which comprise the balance sheet as of December 31, 2022, and the related statements of income, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Opinion

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Karma Franchise LLC as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Micah Whiting 09 / 03 / 2024

Micah Whiting, CPA
Go Tax Services, LLC
EIN #92-1891014

Karma Franchise LLC

December 31, 2022

Balance Sheet

Assets

Current Assets

Cash and Cash Equivalents 9,925

Total Current Assets 9,925

Total Assets 9,925

Liabilities and Stockholder Equity

Current Liabilities

Total Current Liabilities -

Other Liabilities

Total Other Liabilities -

Total Liabilities -

Stockholder Equity

Common Stock -

Net Income 9,925

Total Stockholder Equity 9,925

Total Liabilities and Stockholder Equity 9,925

See Notes to Financial Statements

Karma Franchise LLC
Year Ended December 31, 2022
Statement of Income

Revenue

Sales	32,766
Total Sales Revenue	<u>32,766</u>
Cost of Goods Sold	261
Total Revenue	<u>32,505</u>

Expense

<i>Operating Expenses</i>	
Advertising	17,034
Office and technology expenses	413
Rent expense	645
Professional fees	4,488
Total Operating Expenses	<u>22,580</u>
Income from Operations	9,925
Other Income (Expense)	-
Net Income	9,925

See Notes to Financial Statements

Karma Franchise LLC
Year Ended December 31, 2022
Statement of Cash Flows

	2022
Cash Flows from Operating Activities	
Increase (decrease) in net assets	9,925
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
(Increase) decrease in:	-
Increase (decrease) in:	-
-	-
-	-
Net cash provided by operating activities	9,925
Cash Flows from Investing Activities	
Capital Distributions	(25,000)
Net cash (used in) investing activities	(25,000)
Cash Flows from Financing Activities	
Naanza LLC Adjustment	-
Net cash (used in) financing activities	-
Net (decrease) in cash and cash equivalents	(15,075)
Cash and Cash equivalents	
Beginning	25,000
Ending	9,925

See Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following items comprise the significant accounting policies of Karma Franchise LLC (the Company). The policies reflect industry practices and conform to accounting principles generally accepted in the United States of America.

Company's Activities:

The Company is a partnership LLC, that sells franchises of Pizza Karma, a Tandoor-Fried pizzeria restaurant. The Company sells franchise locations under the name of Karma Franchise LLC in the restaurant industry. The Company will receive an initial franchise fee and continuing fees monthly from the franchises. The date of inception for the Company is June 22, 2021. The Company is organized out of Minnesota.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Financial Instruments:

The carrying value of contract receivables and other amounts arising out of normal contract activities, including retentions, which may be settled beyond one year, are estimated to approximate fair value. Rates currently available for debt with similar terms and remaining maturities are used to estimate the fair value of existing debt.

Accounts Receivables:

Accounts receivables are carried at the original invoice amount and are written off to expense in the period in which they are determined to be uncollectible. Management determines the uncollectibility of accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Recoveries of accounts receivables previously written off are recorded when received. Management's evaluation resulted in no allowance for doubtful accounts as of December 31, 2022.

Revenue and Cost Recognition:

The company follows ASC 606, Revenue from Contracts with Customers, in recognizing revenue as it is earned from customers. The Company franchises the operation of a pizzeria under the name Pizza Karma. The franchise arrangement will be documented in the form of a franchise agreement. The franchise arrangement between the Company as the franchisor and the franchisee as the customer requires the Company to perform various activities to support the concepts that do not directly transfer goods and services to the franchisee, but instead represent a single performance obligation, which is the transfer of the franchise license. The intellectual property or rights subject to the franchise license is symbolic intellectual property as it does not have significant standalone functionality, and substantially all the utility is derived from its association with the Company's ongoing activities. The nature of the Company's promise in granting the franchise license is to provide the franchisee with access to the brand's symbolic intellectual property over the term of the license. The services provided by the Company are highly interrelated with the franchise license and are considered to represent a single performance obligation.

The transaction price in a standard franchise arrangement primarily consists of (a) initial franchise fees; (b) continuing franchise fees (royalties); (c) advertising fees; and (d) technology fees. Since the Company considers the licensing of the franchising right to be a single performance obligation over the term of the agreement, no allocation of the transaction price is required.

The Company recognizes the primary components of the transaction price as follows:

- Initial franchise fees recognize revenue in conjunction with the pre-opening services performed for the franchisee including site selection, training of personnel, preparation of manuals, etc. The remaining portion of the franchise fees are recognized as revenue ratably on a straight-line basis over the term of the franchise agreement commencing on date of signed agreement. As these fees are typically received in cash at or near the beginning of the franchise term, the cash

received is initially recorded as a contract liability until recognized as revenue over time. The Company receives an initial franchise fee of \$30,000.

- Continuing franchise fees are recognized as revenue ratably on a straight-line basis over the term of the franchise agreement commencing on date of signed agreement. As these fees are typically received in cash at or near the beginning of the franchise term, the cash received is initially recorded as a contract liability until recognized as revenue over time.
- The Company is entitled to royalties and advertising fees based on a percentage of the franchisee's gross sales as defined in the franchise agreement. Royalty and advertising revenue are recognized when the franchisee's reported sales occur. The royalty fee is the 6% of gross sales. The advertising fund contribution is 1% of gross sales. The technology fee is \$200 per month.

Income Taxes:

The Company is organized as a Limited Liability Company and has chosen to be taxed as a partnership under the Internal Revenue Code and similar provisions in various other states. Under these provisions, the company does not pay federal corporate income taxes on its taxable income. For state income tax purposes, the Company apportions its taxable income and pays tax on the income earned within each state according to applicable tax laws.

Uncertain Tax Positions:

Accounting guidance issued by the Financial Accounting Standards Board (FASB) prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Company did not have unrecognized tax benefits as of December 31, 2022 and does not expect this to change significantly over the next twelve months. The Company will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense.

NOTE 2 – COVID-19

On the 11th of March 2020, the World Health Organization officially declared COVID 19, the disease caused by novel coronavirus, a pandemic. Management monitored the evolution of the pandemic including how it would affect the company, the economy, and the general population. Management's primary concern was the health and safety of their employees and various clients and management will continue to monitor and assess the ongoing development and respond accordingly.

The development of these strategies is in line with global strategies guided by the World Health Organization and management will continue to implement measures in line with the government direction. Given the dynamic nature of these circumstances, management have not formally determined the financial impact of these events on the company's results of operations, cash flows, and financial condition. Management will continue to monitor closely the global developments of this new virus and respond accordingly.

NOTE 3 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 25th, 2024 the date of the financial statements of the Company.

PIZZA KARMA

KARMA FRANCHISE LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Members
Karma Franchise LLC
Plymouth, Minnesota

Opinion

We have audited the accompanying financial statements of Karma Franchise LLC, which comprise the balance sheet as of December 31, 2021, and the related statements of operations, members' equity and cash flows for the period ended June 22, 2021 to December 31, 2021, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Karma Franchise LLC as of December 31, 2021, and the results of its operations and its cash flows for the period ended June 22, 2021 to December 31, 2021 in accordance 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. 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 Karma Franchise 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 Karma Franchise LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Karma Franchise 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 Karma Franchise 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.

Boyum & Barenscheer PLLP

Boyum & Barenscheer, PLLP
Minneapolis, Minnesota
January 17, 2022

KARMA FRANCHISE LLC

BALANCE SHEET

DECEMBER 31, 2021

ASSETS

CURRENT ASSETS

Cash \$ 25,000

Total assets \$ **25,000**

LIABILITIES AND MEMBERS' EQUITY

MEMBERS' EQUITY \$ **25,000**

Total liabilities and members' equity \$ **25,000**

The Notes to the Financial Statements are an integral part of these statements.

KARMA FRANCHISE LLC

STATEMENT OF OPERATIONS

PERIOD ENDED DECEMBER 31, 2021		
REVENUE	\$	-
OPERATING EXPENSES		-
<i>Net income</i>	\$	-

The Notes to the Financial Statements are an integral part of these statements.

KARMA FRANCHISE LLC

STATEMENT OF MEMBERS' EQUITY

PERIOD ENDED DECEMBER 31, 2021		
Balance at June 22, 2021	\$	-
Contributed capital		25,000
Distributions		-
Net income		-
<i>Balance at December 31, 2021</i>	\$	25,000

The Notes to the Financial Statements are an integral part of these statements.

KARMA FRANCHISE LLC

STATEMENT OF CASH FLOWS

PERIOD ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$ -
<i>Net cash used by operating activities</i>	-

CASH FLOWS FROM FINANCING ACTIVITIES

Member contributions	25,000
<i>Net cash provided by financing activities</i>	<u>25,000</u>
<i>Net increase in cash</i>	25,000
Cash, beginning of period	-
<i>Cash, end of year</i>	<u>\$ 25,000</u>

The Notes to the Financial Statements are an integral part of these statements.

KARMA FRANCHISE LLC

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business description:

Karma Franchise LLC, a partnership LLC, plans to sell franchises of Pizza Karma, a Tandoor-Fired pizzeria restaurant. The Company plans to franchise locations under the name of Karma Franchise LLC in the restaurant industry. The Company will receive an initial franchise fee and continuing fees monthly from the franchisees. The date of inception for the Company is June 22, 2021.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

Cash and cash equivalents:

The Company considers cash on hand, bank checking accounts and investments purchased with a maturity of three months or less to be cash equivalents. At times throughout the year, the Company's cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC). However, the Company believes it is not exposed to any significant credit risk related to these cash accounts.

Recently Issued Accounting Pronouncements:

In February 2016, FASB issued ASU No. 2016-02, Leases (Topic 842), which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. For private companies, the ASU is effective for annual and interim periods beginning after December 15, 2021 with early adoption permitted. It is to be adopted using a modified retrospective approach.

Subsequent events:

Management has evaluated subsequent events through January 17, 2022, the date at which the financial statement was available to be issued.

KARMA FRANCHISE LLC

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

Revenue recognition:

The Company plans to franchise the operation of a pizzeria under the name Pizza Karma. The franchise arrangement will be documented in the form of a franchise agreement. The franchise arrangement between the Company as the franchisor and the franchisee as the customer requires the Company to perform various activities to support the concepts that do not directly transfer goods and services to the franchisee, but instead represent a single performance obligation, which is the transfer of the franchise license. The intellectual property or rights subject to the franchise license is symbolic intellectual property as it does not have significant standalone functionality, and substantially all the utility is derived from its association with the Company's ongoing activities. The nature of the Company's promise in granting the franchise license is to provide the franchisee with access to the brand's symbolic intellectual property over the term of the license. The services provided by the Company are highly interrelated with the franchise license and are considered to represent a single performance obligation.

The transaction price in a standard franchise arrangement primarily consists of (a) initial franchise fees; (b) continuing franchise fees (royalties); (c) advertising fees; and (d) technology fees. Since the Company considers the licensing of the franchising right to be a single performance obligation over the term of the agreement, no allocation of the transaction price is required.

The Company recognizes the primary components of the transaction price as follows:

- Initial franchise fees are recognized as revenue ratably on a straight-line basis over the term of the franchise agreement commencing on date of signed agreement. As these fees are typically received in cash at or near the beginning of the franchise term, the cash received is initially recorded as a contract liability until recognized as revenue over time. The Company receives an initial franchise fee of \$30,000.
- The Company is entitled to royalties and advertising fees based on a percentage of the franchisee's gross sales as defined in the franchise agreement. Royalty and advertising revenue are recognized when the franchisee's reported sales occur. The royalty fee is the 6% of gross sales. The advertising fund contribution is 1% of gross sales and the local advertising expenditure is 1% of gross sales. The technology fee is \$200 per month.

Income taxes:

The Company is organized as a Limited Liability Company that is taxed as a partnership under the Internal Revenue code and applicable state statutes. The profits and losses of the Company flow through to the owners rather than the Company level. Accordingly, the Company will have no tax liability.

The Company has not been audited by the Internal Revenue Service or other state agencies. Management has evaluated its tax positions and has concluded that they do not result in anything that would require either recording or disclosure in the financial statement.

KARMA FRANCHISE LLC

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. UNCERTAINTY

In March 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Company as of January 17, 2022, management believes that a material impact on the Company's financial position and results of future operations is reasonably possible. The Company's ability to sell franchises could be impacted by adverse business conditions caused by the pandemic.

KARMA FRANCHISE LLC

Balance Sheet

As of September 3, 2024

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
KARMA Franchise LLC (8844) - 1	45,337.58
Total Bank Accounts	\$45,337.58
Accounts Receivable	
Accounts Receivable (A/R)	10,002.48
Total Accounts Receivable	\$10,002.48
Other Current Assets	
Inventory Asset	0.00
Payments to deposit	0.00
Total Other Current Assets	\$0.00
Total Current Assets	\$55,340.06
TOTAL ASSETS	\$55,340.06
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Due from EPPK Holding LLC	0.00
Due to Naanza LLC	45,000.00
Total Other Current Liabilities	\$45,000.00
Total Current Liabilities	\$45,000.00
Total Liabilities	\$45,000.00
Equity	
Opening balance equity	0.00
Retained Earnings	-8,304.43
Net Income	18,644.49
Total Equity	\$10,340.06
TOTAL LIABILITIES AND EQUITY	\$55,340.06

EXHIBIT F

~~EXHIBIT E~~

LIST OF FRANCHISEES

None.

As of December 31, 2023

<u>Franchisee</u>	<u>Location</u>	<u>Projected Opening/Open</u>	<u>Address</u>	<u>Phone Number</u>
<u>Fusion Mantra LLC</u>	<u>Apple Valley, MN</u>	<u>Opened in 2023</u>	<u>15265 Galaxie Ave., # 200 Apple Valley, MN 55124</u>	<u>952-800-4540</u>

EXHIBIT G

~~EXHIBIT F~~

FORM OF RELEASE

GENERAL RELEASE

[USED IN EVENT OF TRANSFER]

In consideration of the agreement of KARMA FRANCHISE LLC (“Franchisor”) to consent to the assignment by _____ (“Franchisee”) of its Franchise Agreement dated _____ between Franchisee and Franchisor (the “Agreement”), Franchisee hereby releases and forever discharges Franchisor, and all affiliates of Franchisor, and their respective governors/directors, managers/officers, owners/shareholders, employees, and agents, in their corporate and individual capacities, and their respective heirs, personal representatives, successors, and assigns, from any and all claims Franchisee may have against such parties, from the beginning of time to the date hereof, known or unknown, whether in law or in equity, including, but not limited to, any claims arising out of the offer or sale of any franchise to Franchisee, and any matters arising under the Agreement.

NOTWITHSTANDING THE FOREGOING, THIS RELEASE DOES NOT RELEASE ANY CLAIMS THE UNDERSIGNED MAY HAVE THAT MAY NOT BE RELEASED PURSUANT TO THE FRANCHISE LAWS WHERE THE UNDERSIGNED IS A RESIDENT OR WHERE THE FRANCHISED BUSINESS IS LOCATED, TO THE EXTENT REQUIRED BY APPLICABLE LAW.

Date: _____

Name: _____

EXHIBIT ~~GH~~

STATE SPECIFIC ADDENDA

NO WAIVER OR DISCLAIMER OF RELIANCE IN CERTAIN STATES

The following provision applies only to franchisees and franchises that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

ADDENDUM REQUIRED BY THE STATE OF CALIFORNIA

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.

CALIFORNIA CORPORATIONS CODE SECTION 31125 REQUIRES THAT WE GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

Neither we nor any person or franchise broker identified in Item 2 of this 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 that association or exchange.

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination and non-renewal of a franchise. If the Franchise Agreement or Development Agreement contains a provision that is inconsistent with the law, the law will control.

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).

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT www.dfpi.ca.gov.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Sec. 101 et seq.).

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the Franchise Agreement. These provisions may not be enforceable under California law.

California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

THE FRANCHISE AGREEMENT REQUIRES APPLICATION OF THE LAWS OF MINNESOTA. THESE PROVISIONS MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW.

THE FRANCHISE AGREEMENT REQUIRES BINDING ARBITRATION. THE ARBITRATION WILL OCCUR AT THE OFFICE OF THE AMERICAN ARBITRATION ASSOCIATION CLOSEST TO OUR PRINCIPAL EXECUTIVE OFFICE WITH EACH PARTY RESPONSIBLE FOR ITS OWN COSTS.

Item 17 of this Disclosure Document is modified to include the following paragraph:

Sec. 705/4 of the Illinois Franchise Disclosure Act of 1987 provides that “any provision in a franchise/license agreement that designates jurisdiction or venue in a forum outside of Illinois is void.”

Although the Franchise Agreement provides that it will be governed by and construed in accordance with the laws of the State of Minnesota, we agree that the laws of the State of Illinois will govern the construction and interpretation of the Franchise Agreement. The provisions of the Franchise Agreement concerning governing law, jurisdiction, and venue shall not constitute a waiver of any right conferred on you by Illinois law.

Although the Franchise Agreement requires litigation to be instituted in the state courts located in the federal or state court for the district where our principal executive office is located, except as you may be restricted by the arbitration provisions of the Franchise Agreement, all litigation must be instituted in a court of competent jurisdiction located in the State of Illinois.

~~Fee Deferral. The following paragraph is added to the end of Item 5:~~

~~The State of Illinois has required financial assurance. Therefore, we have agreed to defer all initial fees owed by you to us until we have fulfilled all pre-opening obligations to you and you have commenced doing business pursuant to the Franchise Agreement. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition. You may contact the state agency listed in Exhibit A for more information.~~

ADDENDUM REQUIRED BY THE STATE OF INDIANA

The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the Franchise Agreement. These provisions may not be enforceable under Indiana law.

Indiana law makes unilateral termination of a franchise unlawful unless there is a material violation of the Franchise Agreement and the termination is not done in bad faith.

If Indiana law requires the Franchise Agreement and all related documents to be governed by Indiana law, then nothing in the Franchise Agreement or related documents referring to Minnesota law will abrogate or reduce any of your rights as provided for under Indiana law.

Item 8, “Restrictions on Sources of Products and Services,” is amended by the addition of the following language:

Any benefits derived as a result of a transaction with suppliers for Indiana franchisees will be kept by us as compensation for locating suppliers and negotiating prices for you.

Indiana law prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.

Although the Franchise Agreement requires arbitration to be held in the office of the American Arbitration Association closest to the location of our principal executive office, arbitration held under the Franchise Agreement or must take place in Indiana if you so request. If you choose Indiana, we have the right to select the location in Indiana.

ADDENDUM REQUIRED BY THE STATE OF MARYLAND

Item 17 of this Disclosure Document is modified as follows:

The general release language required as a condition of renewal, sale and/or assignment or transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

The Franchise Agreement provides for termination upon your bankruptcy. This provision might not be enforceable under federal bankruptcy law (11. U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of your franchise.

To the extent that any provisions of the Franchise Agreement and/or Franchisee Disclosure Questionnaire require you to assent to any release, estoppel or waiver of liability as a condition to your purchasing a Pizza Karma Restaurant franchise, such provisions are not intended to nor shall they act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

No statement, questionnaire, or acknowledgement 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 with the franchise.

ADDENDUM REQUIRED BY THE STATE OF MINNESOTA

We will protect your right to use the Marks and/or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks.

Minn. Rule 2860.4400D prohibits us from requiring you to assent to a general release. Any release you sign as a condition of renewal or transfer will not apply to any claims you may have under the Minnesota Franchise Law.

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, subs. 3, 4 and 5 which require, except in certain specified cases, that you 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 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in this Disclosure Document or the Franchise 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.

Minn. Rule Part 2860.4400J prohibits us from requiring you to waive your rights to a jury trial or waive your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes.

No statement, questionnaire, or acknowledgement 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 with the franchise.

ADDENDUM REQUIRED BY 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 SERVICES OR 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 THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. 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 to be 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

EXHIBIT ~~H~~I

FRANCHISEE DISCLOSURE QUESTIONNAIRE

(see attached)

FRANCHISEE DISCLOSURE QUESTIONNAIRE

THIS DOCUMENT SHALL NOT BE SIGNED BY YOU, AND WILL NOT APPLY, IF THE OFFER OR SALE OF THE FRANCHISE IS SUBJECT TO THE STATE FRANCHISE REGISTRATION/DISCLOSURE LAWS IN THE STATES OF CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.

DO NOT SIGN THE ACKNOWLEDGEMENT IF THE FRANCHISE IS TO BE OPERATED IN, OR YOU ARE A RESIDENT OF, MARYLAND.

As you know, Karma Franchise LLC (“we”, “us” or “our”) and you are preparing to enter into a Franchise Agreement for the operation of a Pizza Karma Restaurant franchise. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, to be certain that you have been properly represented in this transaction, and to be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. **You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document but you must sign and date it the same day you sign the Development Agreement and/or Franchise Agreement and pay your development and/or franchise fee.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer on the back of this sheet.

- Yes__ No__ 1. Have you received and personally reviewed the Franchise Disclosure Document (“**Disclosure Document**”) we provided?
- Yes__ No__ 2. Did you sign a receipt for the Disclosure Document indicating the date you received it?
- Yes__ No__ 3. Do you understand all the information contained in the Disclosure Document and the Franchise Agreement?
- Yes__ No__ 4. Have you reviewed the Disclosure Document and the Franchise Agreement with a lawyer, accountant or other professional advisor?
- Yes__ No__ 5. Have you discussed the benefits and risks of developing and operating a Pizza Karma Restaurant franchise with an existing Pizza Karma Restaurant franchisee?
- Yes__ No__ 6. Do you understand the risks of developing and operating a Pizza Karma Restaurant franchise?
- Yes__ No__ 7. Do you understand the success or failure of your franchise will depend in large part upon your skills, abilities and efforts and those of the persons you employ, as well as many factors beyond your control such as weather, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?
- Yes__ No__ 8. Do you understand we have only granted you a limited territorial protection against us locating another Restaurant near your Restaurant(s) as stated in your Franchise Agreement and that another Pizza Karma Restaurant franchise, licensee or company-owned Restaurant may open anywhere outside your limited protected territory or at a Non-Traditional Site inside your protected territory.

EXHIBIT ~~H~~J

STATE EFFECTIVE DATES AND RECEIPTS

(see attached)

STATE EFFECTIVE DATES

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

State	Effective Date
Minnesota	April 27, 2022 Pending
Illinois	March 17, 2022
Wisconsin	February 11, 2022

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.

RECEIPT

This Disclosure Document summarizes provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Karma Franchise LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Maryland, New York and Rhode Island require that Karma Franchise LLC provide you with this Disclosure Document at the earlier of the first personal meeting or at least ten (10) business days before you sign a franchise or other agreement with, or make payment to, us or one of our affiliates in connection with the proposed sale. Michigan, Oregon and Washington require that we give you this Disclosure Document at least ten (10) business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Karma Franchise 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The name, principal business address, and telephone number of each franchise seller offering the franchise is as follows: ~~Chinta Narisi Reddy~~ Rajesh Khanna Selvaraj and ~~Nagendar Mahipathi~~ Dhivya Priya Jegenathan, Karma Franchise LLC, ~~3515 Plymouth Blvd, #2053500~~ Vicksburg Lane N., #270, Plymouth, MN 55447, (763) 200-4119; and _____

The issuance date of this Franchise Disclosure Document is ~~February 11, 2024~~ September 10, 2022 (except those states listed on Attachment 1 that have a different effective date).

We authorize the respective agents identified on Exhibit A to receive service of process for us in the particular states.

I received a Disclosure Document from Karma Franchise LLC dated as of ~~February 11, 2024~~ September 10, 2022, that included the following Exhibits:

- ~~A~~ A State Agencies and Administrators and Franchisor’s Agents for Service of Process
- ~~B~~ B Franchise Agreement
- ~~A~~ A State Agencies and Administrators and Franchisor’s Agents for Service of Process
- ~~BA~~ BA Franchise Agreement
- ~~C~~ C Area Development Agreement
- ~~D~~ D Operations Manual Table of Contents
- ~~E~~ E Financial Statements
- ~~F~~ F List of Franchisees
- ~~G~~ G Form of Release
- ~~H~~ H State Specific Addenda
- ~~I~~ I Franchisee Disclosure Questionnaire
- ~~J~~ J State Effective Dates and Receipts

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