



## FRANCHISE DISCLOSURE DOCUMENT

### Karma Franchise LLC

A Minnesota limited-liability company  
3515 Plymouth Blvd, #205  
Plymouth, MN 55447  
Phone: (763) 200-4119  
Email: [info@pizzakarma.com](mailto:info@pizzakarma.com)  
[www.pizzakarma.com](http://www.pizzakarma.com)

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.

The total investment necessary to begin operation of a Pizza Karma restaurant is \$382,750 to \$622,000. This includes \$33,000 to \$34,000 that must be paid to the franchisor or an affiliate.

This Disclosure Document summarizes certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, 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](mailto: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](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: February 11, 2022

## 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
<b>How much can I earn?</b>	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 E.
<b>How much will I need to invest?</b>	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.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit D includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Pizza Karma Restaurant business in my area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be a Pizza Karma Restaurant franchisee?</b>	Item 20 or Exhibit E lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The Franchise Agreement requires the franchisee to resolve disputes with us by mediation and arbitration only in Minnesota. Out of state mediation or arbitration may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or arbitrate with us in Minnesota than in your home state.
2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

**NOTICE REQUIRED  
BY  
STATE OF MICHIGAN**

**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:**

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

(A) A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.

(B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER, OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTLING ANY AND ALL CLAIMS.

(C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND TO CURE SUCH FAILURE AFTER BEING GIVEN WRITTEN NOTICE THEREOF AND A REASONABLE OPPORTUNITY, WHICH IN NO EVENT NEED BE MORE THAN 30 DAYS, TO CURE SUCH FAILURE.

(D) A PROVISION THAT PERMITS A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE, AT THE TIME OF EXPIRATION, OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISED BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN 5 YEARS; AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGOTYPE, ADVERTISING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST 6 MONTHS ADVANCE NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.

(E) A PROVISION THAT PERMITS THE FRANCHISOR TO REFUSE TO RENEW A FRANCHISE ON TERMS GENERALLY AVAILABLE TO OTHER FRANCHISEES OF THE SAME CLASS OR TYPE UNDER SIMILAR CIRCUMSTANCES. THIS SECTION DOES NOT REQUIRE A RENEWAL PROVISION.

(F) A PROVISION REQUIRING THAT ARBITRATION OR LITIGATION BE CONDUCTED OUTSIDE THIS STATE. THIS SHALL NOT PRECLUDE THE FRANCHISEE FROM ENTERING INTO AN AGREEMENT, AT THE TIME OF ARBITRATION, TO CONDUCT ARBITRATION AT A LOCATION OUTSIDE THIS STATE.

(G) A PROVISION WHICH PERMITS A FRANCHISOR TO REFUSE TO PERMIT A TRANSFER OF OWNERSHIP OF A FRANCHISE, EXCEPT FOR GOOD CAUSE. THIS SUBDIVISION DOES NOT PREVENT A FRANCHISOR FROM EXERCISING A RIGHT OF FIRST REFUSAL TO PURCHASE THE FRANCHISE. GOOD CAUSE SHALL INCLUDE, BUT IS NOT LIMITED TO:

(i) THE FAILURE OF THE PROPOSED FRANCHISEE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.

(ii) THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.

(iii) THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.

(iv) THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.

(H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).

(I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.

\* \* \* \*

IF THE FRANCHISOR'S MOST RECENT FINANCIAL STATEMENTS ARE UNAUDITED AND SHOW A NET WORTH OF LESS THAN \$100,000.00, THE FRANCHISOR MUST, AT THE REQUEST OF THE FRANCHISEE, ARRANGE FOR THE ESCROW OF INITIAL INVESTMENT AND OTHER FUNDS PAID BY THE FRANCHISEE UNTIL THE OBLIGATIONS TO PROVIDE REAL ESTATE, IMPROVEMENTS, EQUIPMENT, INVENTORY, TRAINING, OR OTHER ITEMS INCLUDED IN THE FRANCHISE OFFERING ARE FULFILLED. AT THE OPTION OF THE FRANCHISOR, A SURETY BOND MAY BE PROVIDED IN PLACE OF ESCROW.

\* \* \* \*

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.**

\* \* \* \*

THE NAME AND ADDRESS OF THE FRANCHISOR'S AGENT IN THIS STATE AUTHORIZED TO RECEIVE SERVICE OF PROCESS IS: MICHIGAN DEPARTMENT OF COMMERCE, CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU, 2407 NORTH GRAND RIVER AVENUE, LANSING, MICHIGAN 48906.

\* \* \* \*

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:

STATE OF MICHIGAN DEPARTMENT OF THE ATTORNEY GENERAL

G. MENNEN WILLIAMS BUILDING

525 W. OTTAWA STREET

LANSING, MICHIGAN 48909

TELEPHONE NUMBER: (517) 335-7622

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**EXHIBITS**

- A. STATE AGENCIES AND ADMINISTRATORS AND FRANCHISOR’S AGENTS FOR SERVICE OF PROCESS
- B. FRANCHISE AGREEMENT
- C. OPERATIONS MANUAL TABLE OF CONTENTS
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**APPLICABLE STATE LAW MIGHT REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT. THESE ADDITIONAL DISCLOSURES, IF ANY, APPEAR IN EXHIBIT G.**



**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<sup>®</sup> restaurants. Our principal business address is 3515 Plymouth Blvd, #205 Plymouth, MN 55447, and our telephone number is (763) 200-4119. We conduct business under the name PIZZA KARMA<sup>®</sup> 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, 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, telephone (952) 467-6100, since it opened in December 2018. 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, 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 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 operated a Pizza Karma restaurant located at 517 Northtown Mall Drive #K7, Blaine, Minnesota 55369, telephone (612) 444-1327, since it opened in November 2021. 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.

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 philosophy of eating globally and giving locally, offer a variety of internationally inspired menu items – many of which are prepared using tandoor ovens – 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. 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 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.

Under the Franchise Agreement, you will operate your Restaurant, 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.

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**

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 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 serves as our President, a position he has held since our inception in June 2021. Mr. Reddy also serves as architect for United Health Group, a position he has held since August 2018. Prior to that, he was senior solution architect for Concord USA from May 2013 to December 2017. Mr. Reddy serves in his current capacities in the Minneapolis-St. Paul metropolitan area.

### **Nagendar Mahipathi / Director of Sales and Expansion**

Nagendar Mahipathi serves as our Director of Sales and Expansion, a position he has held since our inception in June 2021. Mr. Mahipathi also serves as chief executive officer of Vajraasys Limited, a position he has held since June 2006. Mr. Mahipathi serves in his current capacities in the Minneapolis-St. Paul metropolitan area.

### **Dhivya Priya Jegenathan / Vice President of Operations**

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 June 2019. Prior to that, she was systems engineer at TCF Bank from March 2016 to June 2019. 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, we did not collect any Initial Franchise Fees in our last fiscal year.

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.

#### **Opening Package Expenses**

Before you open, we will sell you an opening package of supplies that includes pizza platters, compostable materials, packaging, and specialty spices. These expenses are nonrefundable and will total from \$3,000 to \$4,000.

**ITEM 6**  
**OTHER FEES**

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks (See Note 1)</b>
<b>ROYALTY FEE</b>	6% of Gross Sales, subject to the Minimum Royalty Fee. (Note 3)	Due monthly by the close of business on the 10 <sup>th</sup> 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> .
<b>NATIONAL MARKETING FEE</b>	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> .
<b>LOCAL ADVERTISING EXPENDITURE</b>	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 advertising expenditure. See <u>Note 5</u> .
<b>TECHNOLOGY FEE</b>	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. 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> .

Type of Fee	Amount	Due Date	Remarks (See Note 1)
<b>TRANSFER FEE</b>	\$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.
<b>RENEWAL FEE</b>	\$10,000	On or prior to renewal.	Payable when, and if, you renew your Franchise Agreement. There are other conditions to renew.
<b>RELOCATION FEE</b>	\$2,500	Prior to relocation.	Payable if you request to relocate your Restaurant.
<b>ANNUAL CONVENTION REGISTRATION</b>	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> .
<b>ADDITIONAL TRAINING AND ASSISTANCE</b>	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.
<b>QUALITY CONTROL INSPECTION PROGRAM</b>	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.

Type of Fee	Amount	Due Date	Remarks (See Note 1)
<b>CREDIT CARD FEES</b>	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, National Marketing Fees, or other payments using a credit card.
<b>UNAUTHORIZED ADVERTISING FEE</b>	\$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.
<b>PROHIBITED PRODUCT, SERVICE, SUPPLIER FEE</b>	\$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.
<b>PRODUCT/SUPPLIER APPROVAL COSTS FOR TESTING AND EVALUATION OF PRODUCTS</b>	The greater of \$2,500 or the reasonable cost of the evaluation and testing, plus reimbursement of our expenses if travel is required.	As incurred.	This covers the cost of testing new products or inspecting new suppliers you recommend. See <a href="#">Note 7</a> .
<b>AUDIT EXPENSES</b>	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 <a href="#">Note 8</a> .
<b>LATE REPORT FEE</b>	\$50 per violation.	As incurred.	Payable only if a required report, filing, certificate, or statement is not delivered when due.
<b>INTEREST AND LATE PAYMENT FEES</b>	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.
<b>RETURNED CHECKS OR INSUFFICIENT FUNDS</b>	\$30 per occurrence.	Upon demand.	Payable if any of your payments to us are not honored by your



<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks (See Note 1)</b>
<b>SERVICE FEE</b>			financial institution. This fee is in addition to interest on the amount due.
<b>COSTS AND ATTORNEYS' FEES</b>	Will vary under the circumstances.	Upon demand.	Payable if we prevail in any legal dispute with you.
<b>STANDARD DEFAULT FEE</b>	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.
<b>CURE EXPENSES, COLLECTION COSTS, AND POST TERMINATION / EXPIRATION EXPENSES</b>	Our cost and expenses if we take action to cure any default by you under the Franchise Agreement, including costs of collection for unpaid amounts.	Upon demand.	Due only if you are in default under your Franchise Agreement, in which case you must reimburse us for the expenses we incur (including reasonable attorneys' fees) as a result of your default and to enforce and terminate your Franchise Agreement if necessary. This also applies if your Franchise Agreement terminates or expires and we incur expenses in ensuring your compliance with the post-termination and post-expiration provisions.
<b>INDEMNIFICATION</b>	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.
<b>LIQUIDATED DAMAGES</b>	Will vary under the circumstances.	Upon demand.	You must pay this fee if we terminate your Franchise Agreement 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. For purposes of determining the Royalty Fee, National Marketing 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, National Marketing 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 5<sup>th</sup> day of each month or such other day as we establish. The Royalty Fee and National Marketing 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, National Marketing Fee (and other fees) that we debited. If the Royalty Fee, National Marketing 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, National Marketing 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 Restaurants are not required to pay Royalty Fees or Technology Fees but do pay National Marketing Fees. Company and affiliate-owned 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, 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 (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.

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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 <sup>(1)</sup>	\$12,000	\$16,000	As Arranged	As Arranged	Landlord
Leasehold Improvements <sup>(2)</sup>	\$125,000	\$225,000	As Arranged	Before Opening	Landlord, Contractors
Equipment <sup>(3)</sup>	\$125,000	\$200,000	As Arranged	Before Opening	Approved Suppliers
Furnishings and Fixtures <sup>(4)</sup>	\$15,000	\$30,000	As Arranged	Before Opening	Approved Suppliers
Décor <sup>(5)</sup>	\$7,500	\$12,000	As Incurred	Before Opening	Approved Suppliers
Architectural and Design Fees <sup>(6)</sup>	\$2,500	\$4,000	As Arranged	Before Opening	Architect, Engineer
Initial Technology Expenses <sup>(7)</sup>	\$2,000	\$3,500	As Incurred	Before Opening	Us and Approved Suppliers
Signage <sup>(8)</sup>	\$3,500	\$5,000	As Incurred	Before Opening	Approved Suppliers
Initial Inventory <sup>(9)</sup>	\$10,000	\$12,500	As Incurred	Before Opening	Approved Suppliers
Smallwares <sup>(10)</sup>	\$7,500	\$10,000	As Incurred	Before Opening	Approved Suppliers
Initial Training Expenses <sup>(11)</sup>	\$3,000	\$6,000	As Incurred	Before Opening	Us and Third Parties
Grand Opening Advertising <sup>(12)</sup>	\$7,500	\$7,500	As Incurred	As Incurred	Third Parties
Licenses and Permits <sup>(13)</sup>	\$1,500	\$7,500	Before Opening	Before Opening	Government Agencies
Professional Fees	\$750	\$1,500	As Incurred	As Incurred	Third Parties
Insurance <sup>(14)</sup>	\$3,500	\$4,250	As Agreed	As Incurred	Insurance Companies

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Office Supplies	\$500	\$750	As Incurred	As Incurred	Third Parties
Miscellaneous	\$1,000	\$1,500	As Incurred	As Incurred	Third Parties
Additional Funds – For Initial 3 Months of Operation <sup>(15)</sup>	\$25,000	\$45,000	As Agreed	As Incurred	Various
<b>TOTAL ESTIMATED INITIAL INVESTMENT<sup>(16)</sup></b>	<b>\$382,750</b>	<b>\$622,000</b>			

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. 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.
2. 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. 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 guest-facing tandoor ovens, one handwash machine and one bottoms up beer station.
4. 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. 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. 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. 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. 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. 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 our affiliate.
10. 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. 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. 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 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.
13. 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. 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. Additional Funds. This estimates the funds needed to help cover your pre-opening 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. 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. 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. 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. 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.

## **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; (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 you to purchase your uniforms from a designated supplier.

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 pizza platters necessary for the preparation of naan-crust pizza using a tandoor oven, as well as certain food containers and compostable disposable containers, and (2) one of two approved suppliers for specialty spices. 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 supply you with uniforms, promotional 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 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.

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.

### **Computer Systems and Required Software**

We also require that you purchase, maintain and upgrade, as necessary, certain computer hardware, software and computer-related services, including but not limited to Internet service and email, which are listed in the Operations Manual and your Franchise Agreement. We may require you to maintain the network connections that we require, as well as the ability to accept major credit cards, debit cards, and other non-cash payments for customer purchases. This may require that you invest in additional equipment and that you incur fees from the credit card processing vendors that we designate. You must license or sub-license certain required software and digital applications from us or designated providers, described in [Item 11](#) below. You must execute any software license agreements that we or the licensor of the software require and any related software maintenance agreements.

### **Maintenance, Service and Support Contracts**

We may require you to maintain maintenance or service contracts on all equipment and machinery designated by us, including your computer and POS System (the costs may vary based on the items and the contract you select), and we will have the right to designate the vendors for those contracts. We may also require you to maintain contracts, or participate in any of our contracts, with third-parties offering customer service, shopper experience, food safety or other service programs designed to audit, survey, evaluate or inspect business operations. We have the right to specify the third parties and the required level of participation in these programs. You will be responsible for the cost of maintaining these contracts and/or participating in these programs.

### **Approval of Alternative Suppliers**

Except for products and services that are available from a single source, if you wish to purchase any item from a supplier we have not previously approved or an item that does not comply with our standards and specifications, you must first submit to us a written request for approval. We will require the proposed supplier to provide us with certain financial and operational information and other information regarding the supplier and the items to be approved. In addition, the proposed supplier must permit our representatives to inspect its facilities (e.g. business offices and/or manufacturing facilities, as applicable). We reserve the right, at our option, and at the proposed supplier's expense, to inspect or re-inspect the facilities, equipment, and raw materials of any supplier, at any time. Before we approve a supplier, we will evaluate the economic terms of a possible relationship and ensure that the proposed supplier meets our requirements. When approving suppliers, we consider whether they demonstrate the ability to meet our standards and specifications, and whether they possess adequate quality controls and capacity to supply your needs promptly and reliably.

The proposed supplier or you must pay, in advance, a fee equal to the greater of \$2,500 or the actual reasonable cost of any evaluation, testing, and inspections we undertake, the actual amount of which will depend on the evaluation, testing and inspections necessary to test such supplier's products. Within a reasonable time frame after we receive the completed request and after we complete any evaluation and inspection or testing (approximately 45 days), we will notify you in writing of our approval or disapproval of the proposed supplier or item. Generally, we will respond to your requests for supplier approval within a reasonable time period not to exceed 90 days. We are not required to approve any supplier or item not meeting our standards and specifications. We may deny approval for any reason, including our determination to limit the number of approved suppliers. You must not use, offer for sale or sell any of the proposed supplier's products or any other product that does not meet our standards or specifications until you receive our written approval of the proposed supplier or item.

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.**

<b>Obligation</b>	<b>Section or Exhibit in Franchise Agreement</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/lease	Section 3 and Exhibit G	Items 7, 11 and 12
b. Pre-opening purchases/leases	Sections 4.01 and 9.02	Items 7 and 8
c. Site development and other pre-opening requirements	Sections 3, 6, 9.02	Items 6, 7, 8 and 11
d. Initial and ongoing training	Section 4	Items 7, 11 and 15
e. Opening	Sections 3, 4.01, 4.06, 10.01, and 14.02	Items 6, 7 and 11
f. Fees	Sections 4, 6, 11.02, 12, 13.02, 13.06, 15.01 and 19.06	Items 5, 6, 7 and 11
g. Compliance with standards and policies/Operating Manuals	Sections 3, 9.01, 9.07, 10.04, 10.05	Items 8, 11, 13, 14 and 16
h. Trademarks and proprietary information	Sections 4.05, 5, 7, 10.04, 10.05, 16.02	Items 11, 13 and 14
i. Restrictions on products/services offered	Section 9	Items 8 and 16
j. Warranty and customer service requirements	Not Applicable	Not Applicable
k. Territorial development and sales quotas	Not Applicable	Items 1, 5, 6 and 12
l. Ongoing product/service purchases	Section 9	Item 8
m. Maintenance, appearance and remodeling requirements	Sections 9 and 15.01	Items 7, 11 and 17
n. Insurance	Section 9.05	Items 6, 7 and 8
o. Advertising	Sections 9 and 10	Items 6, 7, 11 and 12
p. Indemnification	Section 17.02	Item 6
q. Owner's participation/management/staffing	Section 8.03	Item 15
r. Records/reports	Sections 11 and 12	Item 6
s. Inspections/audits	Sections 4.07, 9.01 and 12	Item 6
t. Transfer	Section 13	Items 6 and 17
u. Renewal	Section 15	Items 6 and 17
v. Post termination obligations	Sections 7 and 16	Items 14, 15 and 17
w. Noncompetition covenants	Sections 7 and 9.10, and Exhibits C and E	Items 14, 15 and 17
x. Dispute resolution	Section 18	Item 17
y. Personal Guaranty	Section 8.02 and Exhibit C	Item 15
z. Confidential Information	Sections 4.05, 7, and 16.02, and Exhibits C and E	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**

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 C.
- (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)

**Post-Opening Services**

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)

### **Site Selection**

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.

## **Operations Manual**

Exhibit C 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**

### **National Marketing Fee**

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 equal to 1% of your Gross Sales for the preceding month, although we have the right to increase the National Marketing Fee to an amount up to 2% of your Gross Sales for the preceding month. Corporate Restaurants also pay the National Marketing Fee on the same basis as franchised Restaurants. This is a fee that you pay to us 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 National Marketing Fee may be used by us to pay our expenses relating to marketing and promotion, including, without limitation, expenses arising from:

- 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;
- 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;
- 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<sup>®</sup> brand and PIZZA KARMA<sup>®</sup> Restaurants.

We will direct all programs financed by the National Marketing 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 National Marketing 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 National Marketing Fee to maximize recognition of the PIZZA KARMA<sup>®</sup> 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.

### 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 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 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 in the six-week period before your grand opening. (Section 10 of the Franchise Agreement) 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 which 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 to \$150 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. 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.

### 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
<b>Total</b>	<b>12 hours</b>	<b>122 hours</b>	

The Initial Training consists of approximately seven days of training, featuring classroom style live training at one our affiliate-owned 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, who has four 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**

### **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.

### **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. 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**

Under the Franchise Agreement, we and our affiliates have reserved (a) 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 (including within your 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; (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, 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, 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) 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, 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 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.

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, 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 under the License Agreement for a period of thirty (30) days or both parties mutually agree to terminate the License Agreement. No other agreement limits our rights to use or allow franchisees to use the Marks.

All required affidavits for the principal Marks have been filed. There are no currently effective determinations of the USPTO, Trademark Trial and Appeal Board, the Trademark Administrator of any state, or any court; nor is there any pending infringement, opposition or cancellation proceedings, or material litigation, involving the Mark listed above. We do not know of any superior rights or infringing uses that could materially affect your use of the Marks.

You must follow the Franchise Agreement, the Operations Manual and our specifications and directives when you use the Marks. The Marks are the only marks you may use to identify the Restaurant. You may not use any Marks as part of any corporate or trade name or as part of any domain name or electronic address you maintain on the Internet, the worldwide web, or any other similar proprietary or common carrier electronic delivery system unless we expressly authorize you to do so in writing. You may not use the Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. Your use of the Marks and any goodwill is to our exclusive benefit and you retain no rights in the Marks other than a license to use the Marks during the term of the Franchise Agreement. You are not permitted to make any changes of any kind in or to the use of the Marks unless we permit.

You must notify us immediately when you learn about an infringement of or challenge to your use of a Mark. We will take the action we think appropriate. We have the right to exclusively control any litigation, USPTO proceeding, or other proceeding arising out of any infringement, challenge or claim or otherwise relating to any Mark.

You must not directly or indirectly contest our right to the Marks, trade secrets or business techniques that are part of our business. You must promptly notify us of any unauthorized use of the Marks, any challenge to the validity of the Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Marks. We have the right to direct and control any administrative proceeding or litigation involving the Marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks. We will defend you against any third-party claim, suit, or demand arising out of your use of the Marks, and bear the cost of any judgment or settlement, if we determine that you have used the Marks in accordance with the Franchise Agreement. However, if we determine that you have not used the Marks in accordance with the Franchise Agreement, you must bear the cost of defense, including the cost of any judgment or settlement. If there is any litigation relating to your use of the Marks, you must sign all documents and do all things as may be necessary to carry out a defense or prosecution, including becoming a nominal party to any legal action. Unless litigation results from your use of the Marks in a manner inconsistent with the terms of the Franchise Agreement we will also reimburse you for your out-of-pocket costs.

You must modify or discontinue the use of a Mark and you must adopt or use additional or substituted marks, if we instruct you to do so. If this happens, you are responsible for your tangible costs of compliance (e.g., changing signs and uniforms) and we do not have to reimburse you for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute Mark. You waive any claim against us for changing, modifying or discontinuing a Mark. We may also develop or acquire additional Marks and make them available for your use or require you to use them.

## **ITEM 14**

### **PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

#### **Patents**

We have no patents or pending patents that are material to the operation of your Restaurant.

#### **Copyrights**

We claim copyright protection covering various materials used in our business and the development and operation of Restaurants, including the Operations Manuals, advertising and promotional materials, menus, designs, informational brochures and flyers, and similar materials. Our parent, Naanza, LLC, has registered Pizza Karma's proprietary menu with the United States Copyright Office, Registration Number VA0002157305, registered February 13, 2019. Other than the menu, we have not registered these materials with the United States Copyright Office.

There are no currently effective determinations of the United States Copyright Office or any court, nor any pending litigation or other proceedings, regarding any copyrighted materials. No agreement limits our rights to use or allow franchisees to use the copyrighted materials. We do not know of any superior prior rights or infringing uses that could materially affect your use of the copyrighted materials. No agreement requires us to protect or defend our copyrights or to indemnify you for any expenses or damages you incur in any judicial or administrative proceedings involving the copyrighted materials. If we require, you must immediately modify or discontinue using the copyrighted materials. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any such discontinuance or modification.



We may claim copyright protection in certain techniques we create, and may patent certain processes and equipment we develop. If we do, we will notify you and, if the copyrights and patents are material to your obligations under the Franchise Agreement, we will authorize you to use them at no additional charge. Any modifications or improvements that you make to the System, including ideas, concepts, methods or techniques, will be deemed works made for hire which shall be owned exclusively by us. We do not have to compensate you for your modifications or improvements. You must sign whatever documents we request to evidence our ownership or to assist us in securing intellectual property rights in such ideas, concepts, methods or techniques. All rights, title, and interest in advertising and promotional materials that you develop or prepare (or that are prepared by someone on your behalf) or that bear any Marks will belong to us. You must sign any documents we reasonably deem necessary to evidence our right, title, and interest in and to any advertising and promotional materials. We will have the right to use these materials and to provide them to other franchisees and advertising programs of the System, without compensation to you, regardless of how the materials were developed. Additionally, we may periodically require that you sign a license agreement for the use of proprietary materials that we provide to you.

### **Confidential Information**

Except for the purpose of operating your Restaurant under a Franchise Agreement, you may not communicate, disclose, or use for any person's benefit any of the confidential information, knowledge, or know-how concerning the development and operation of a Pizza Karma Restaurant that may be communicated to you or that you may learn by virtue of your operation of a Restaurant. Our Operations Manuals are confidential information. If any confidential information, knowledge, or know-how constitutes a trade secret under applicable law, these restrictions will continue if and for so long as the confidential information, knowledge, or know-how is considered a trade secret. You may divulge confidential information only to those of your employees who must have access to it to operate the Restaurant. Any 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, 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 to personally guarantee, on a joint and several basis, your obligations to us under the Franchise Agreement. The guarantees will be in the form of the Guaranty, Indemnification, and Acknowledgement attached as Exhibit C to the Franchise 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 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**

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a. Length of the franchise term	Section 2.01	10 years
b. Renewal or extension of the term	Section 15.01	If you meet the requirements, you can renew for one additional consecutive 10 year term.
c. Requirements for franchisee to renew or extend	Sections 15.01, 15.02 and 15.03	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.
d. Termination by franchisee	Section 14.01	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.
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with "cause"	Sections 14.02 and 14.03	We can terminate only 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.
g. "Cause" defined – curable defaults	Section 14.03	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 failure to maintain required

Provision	Section in Franchise Agreement	Summary
		insurance. You have 30 days (or longer in some instances) after we give you written notice to cure the default.
h. “Cause” defined – non-curable defaults	Section 14.02	Insolvency; bankruptcy; liquidation; 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.
i. Franchisee’s obligations on termination/non-renewal	Sections 7 and 16	Obligations include complete de-identification of Restaurant; payment of amounts due; payment of liquidated damages; return 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.
j. Assignment of contract by franchisor	Section 13.07	No restriction on our right to assign.
k. “Transfer” by franchisee – defined	Section 1.04	Includes transfer of Franchise Agreement, any interest in Franchise Agreement, 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.

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
l. Franchisor approval of transfer by franchisee	Section 13.01	We have the right to approve all transfers but will not unreasonably withhold approval.
m. Conditions for franchisor approval of transfer	Section 13.02	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.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 13.05	We can match any offer for the transfer of your business or any ownership interest.
o. Franchisor's option to purchase franchisee's business	Section 16.03	Upon expiration or termination of the Franchise Agreement, you must offer us the right to purchase the Restaurant.
p. Death or disability of franchisee	Section 13.04	Franchise must be assigned by estate to an approved buyer.
q. Non-competition covenants during the term of the franchise	Section 7.01(a)	No direct or indirect involvement in competitive business.
r. Non-competition covenants after the franchise is terminated or expires	Section 7.01(b)	For two years, no involvement in competitive business located within a 10-mile radius of any Restaurant. Competitive 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.
s. Modification of the agreement	Sections 4.05 and 19.13	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	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.

Provision	Section in Franchise Agreement	Summary
u. Dispute resolution by arbitration or mediation	Sections 18.02 and 18.03	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	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	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 G 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 55447, (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**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
Company-Owned or Affiliate-Owned Outlets	2019	1	2	+1
	2020	2	2	0
	2021	2	3	+1
<b>Total Outlets</b>	<b>2019</b>	<b>1</b>	<b>2</b>	<b>+1</b>
	<b>2020</b>	<b>2</b>	<b>2</b>	<b>0</b>
	<b>2021</b>	<b>2</b>	<b>3</b>	<b>+1</b>

**Table No. 2**

**Transfers of Outlets from Franchisees to New Owners (Other Than Franchisor)  
For Fiscal Years 2019 - 2021**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
Total	2019	0
	2020	0
	2021	0



**Table No. 3**

**Status of Franchised Outlets  
For Fiscal Years 2019 - 2021**

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	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0

**Table No. 4**

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

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
Total	2019	1	1	0	0	0	2
	2020	2	0	0	0	0	2
	2021	2	1	0	0	0	3

**Table No. 5**

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

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	0	0-1	0
Georgia	0	0-1	0
Minnesota	0	1-2	0
North Carolina	0	0-1	0
Texas	0	0-1	0
<b>Totals</b>	<b>0</b>	<b>1-6</b>	<b>0</b>

All numbers are as of December 31<sup>st</sup> 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. 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 D are our audited financial statements as of 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.

## **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:

<b>Exhibit</b>	<b>Franchise Agreement</b>
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
H	State Specific Addenda

Also attached to this Disclosure Document are the following agreements:

- Exhibit F is the Form of Release Agreement; and
- Exhibit H is the Franchisee Disclosure Questionnaire.

**ITEM 23**  
**RECEIPTS**

Exhibit 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 A

### STATE AGENCIES AND ADMINISTRATORS AND FRANCHISOR'S AGENTS FOR SERVICE OF PROCESS

- I. State Administrators:** We believe this information is accurate as of the date of this Disclosure Document. However, the names, addresses and/or telephone numbers of these state administrators change over time. You should verify this information.

#### CALIFORNIA

Department of Financial Protection and Innovation  
320 West 4<sup>th</sup> Street, Suite 750  
Los Angeles, California 90013-2344  
(213) 576-7500 or (866) 275-2677

#### FLORIDA

Florida Department of Agriculture and Consumer Services  
Division of Consumer Services  
Plaza Level 10, The Capitol  
400 South Monroe Street  
Tallahassee, Florida 32399  
(850) 410-3800

#### HAWAII

Department of Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 205  
Honolulu, Hawaii 96813  
(808) 586-2744

#### ILLINOIS

Office of Attorney General  
Franchise Bureau  
500 South Second Street  
Springfield, Illinois 62706  
(217) 782-4465

#### INDIANA

Indiana Secretary of State  
Securities Division  
Franchise Section  
302 West Washington Street, Room E-111  
Indianapolis, Indiana 46204  
(317) 232-6681

#### MARYLAND

Office of Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2020  
(410) 576-6360

#### MICHIGAN

Michigan Department of Attorney General  
Consumer Protection Division  
Franchise Section  
G. Mennen Williams Building  
525 West Ottawa Street  
Lansing, Michigan 48909  
(517) 335-7622

#### MINNESOTA

Minnesota Department of Commerce  
Securities Division  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, Minnesota 55101  
(651) 539-1600

#### NEBRASKA

Department of Banking and Finance  
1526 "K" Street, Suite 300  
P.O. Box 95006  
Lincoln, Nebraska 68508-2732  
(402) 471-3445

#### NEW YORK

NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21<sup>st</sup> Fl.  
New York, New York 10005  
(212) 416-8222

NORTH CAROLINA

Department of the Secretary of State  
Business Opportunities  
2 South Salisbury Street  
Raleigh, North Carolina 27601-2903  
P.O. Box 29622  
Raleigh, North Carolina 27626-0622  
(919) 814-5400

RHODE ISLAND

Department of Business Regulation  
Division of Securities  
1511 Pontiac Avenue  
John O. Pastore Complex – Building 69-1  
Cranston, Rhode Island 02920  
(401) 462-9527

SOUTH DAKOTA

Department of Labor and Regulation  
Division of Securities  
124 S. Euclid, 2<sup>nd</sup> Floor  
Pierre, South Dakota 57501  
(605) 773-3563

VIRGINIA

State Corporation Commission  
Division of Securities and Retail Franchising  
1300 East Main Street, 9<sup>th</sup> Floor  
Richmond, Virginia 23219  
(804) 371-9051

WISCONSIN

Department of Financial Institutions  
Division of Securities  
201 W. Washington Avenue, Suite 300  
Madison, Wisconsin 53703  
(608) 266-1064

NORTH DAKOTA

North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol – 5<sup>th</sup> Floor, Dept. 414  
Bismarck, North Dakota 58505-0510  
(701) 328-4712

SOUTH CAROLINA

SC Secretary of State's Office  
Attn: Business Opportunities  
1205 Pendleton Street, Suite 525  
Columbia, South Carolina 29201  
(803) 734-0367

TEXAS

Secretary of State  
Statutory Documents Section  
1019 Brazos  
Austin, Texas 78711  
(512) 475-1769

WASHINGTON

Securities Administrator  
Department of Financial Institutions  
Securities Division  
150 Israel Road SW  
Tumwater, Washington 98501  
(360) 902-8700

## II. Agents for Service of Process:

### CALIFORNIA

California Commissioner of Department of  
Financial Protection and Innovation  
Department of Financial Protection and Innovation  
320 West 4<sup>th</sup> Street, Suite 750  
Los Angeles, California 90013-2344

### ILLINOIS

Illinois Attorney General  
500 South Second Street  
Springfield, Illinois 62706

### MARYLAND

Office of Attorney General  
Maryland Securities Commissioner  
200 St. Paul Place  
Baltimore, Maryland 21202-2020

### MINNESOTA

Minnesota Commissioner of Commerce  
Department of Commerce  
Securities Division  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, Minnesota 55101

### NORTH CAROLINA

Secretary of State  
State of North Carolina  
2 South Salisbury Street  
Raleigh, North Carolina 27601-2903

### RHODE ISLAND

Director of Department of Business Regulation  
1511 Pontiac Avenue  
John O. Pastore Complex – Building 69-1  
Cranston, Rhode Island 02920

### VIRGINIA

Clerk of the State Corporation Commission  
1300 East Main Street, First Floor  
Richmond, Virginia 23219

### HAWAII

Hawaii Commissioner of Securities  
Department of Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 205  
Honolulu, Hawaii 96813

### INDIANA

Indiana Secretary of State  
201 State House  
200 West Washington Street  
Indianapolis, Indiana 46204

### MICHIGAN

Michigan Department of Commerce  
Corporations, Securities & Commercial Licensing  
Bureau  
2407 North Grand River Avenue  
Lansing, Michigan 48906

### NEW YORK

Secretary of State  
99 Washington Avenue  
Albany, New York 12231

### NORTH DAKOTA

North Dakota Securities Commissioner  
600 East Boulevard Avenue  
State Capitol – 5<sup>th</sup> Floor, Dept. 414  
Bismarck, North Dakota 58505-0510

### SOUTH DAKOTA

Director of South Dakota Division Securities  
Department of Labor and Regulation  
124 S. Euclid, 2<sup>nd</sup> Floor  
Pierre, South Dakota 57501

### WASHINGTON

Director,  
Department of Financial Institutions  
Securities Division  
P.O. Box 9033  
Olympia, Washington 98507

WISCONSIN

Administrator, Division of Securities  
Department of Financial Institutions  
4822 Madison Yards Way, North Tower  
Madison, Wisconsin 53705

**EXHIBIT B**  
**FRANCHISE AGREEMENT**  
(see attached)





**KARMA FRANCHISE LLC  
FRANCHISE AGREEMENT**

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FRANCHISEE

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RESTAURANT LOCATION

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DATE OF AGREEMENT

**KARMA FRANCHISE LLC  
FRANCHISE AGREEMENT**

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## 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, #205, 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 “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, 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, National Marketing 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) “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.

### **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. 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.

(c) Franchisee shall comply with all federal, state and local laws, codes and regulations, including the applicable provisions of the ADA, regarding the construction, design and operation of the Restaurant. In the event Franchisee receives any complaint, claim, other notice alleging a failure to comply with the ADA, Franchisee shall provide Franchisor with a copy of such notice within five (5) days after receipt thereof.

(d) Franchisee shall submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications. Franchisor's review and approval of plans shall be limited to review of such plans to assess compliance with Franchisor's design standards for the

System, including such items as trade dress, presentation of the Marks, and the providing to the potential customer of certain products and services that are central to a functioning Restaurant. Such review is not designed to assess compliance with federal, state or local laws and regulations, including the ADA, as compliance with such laws is the sole responsibility of Franchisee. Once approved by Franchisor, such final plans shall not thereafter be changed or modified without the prior written permission of Franchisor. Any such change made without Franchisor's prior written permission shall constitute a default and Franchisor may withhold its authorization to open the Restaurant until the unauthorized change is rectified (or reversed) to Franchisor's reasonable satisfaction.

(e) Franchisee shall obtain all permits and certifications required for the lawful construction and operation of the Restaurant and shall certify in writing to Franchisor that all such permits and certifications have been obtained.

(f) Franchisee shall employ a qualified licensed general contractor who has been approved or designated by Franchisor to construct the Restaurant and to complete all improvements, which general contractor may be Franchisor or an affiliate of Franchisor. Franchisee shall obtain and maintain in force during the entire period of construction the insurance required under this Agreement. Franchisee expressly acknowledges and agrees that Franchisor shall not be liable for the unsatisfactory performance of any contractor retained by Franchisee.

(g) Throughout the construction process, Franchisee shall comply with Franchisor's requirements and procedures for periodic inspections of the Premises, and shall fully cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request.

(h) Franchisee agrees to use in the construction and operation of the Restaurant only those brands, types or models of construction and decorating materials, fixtures, equipment, furniture and signs that Franchisor has approved for the Restaurant as meeting its specifications and standards for quality, design, appearance, function and performance. Franchisee further agrees to place or display at the Premises of the Restaurant only such signs, emblems, lettering, logos and display materials that are from time to time approved in writing by Franchisor. Franchisee may purchase approved types or models of construction and decorating materials, fixtures, equipment, furniture and signs from any supplier approved or designated by Franchisor (which may include Franchisor and/or its affiliates), which approval may not be unreasonably withheld. If Franchisee proposes to purchase any type or model of construction or decorating material, fixture, equipment, furniture or sign not then approved by Franchisor, and/or any such item from any supplier which is not then approved by Franchisor, Franchisee shall first notify Franchisor in writing and shall submit to Franchisor sufficient specifications, photographs, drawings and/or other information or samples for a determination by Franchisor of whether such brand or type of construction or decorating material, fixture, equipment, furniture or sign complies with its specifications and standards. Franchisor may, in its sole discretion, refuse to approve any such item(s) and/or supplier(s) that does not meet Franchisor's standards or specifications.

**3.05 Delivery Services.** Franchisee may provide delivery services, or conduct any other activities outside of the Restaurant, only with the consent and as agreed to by Franchisor. Subject to the foregoing, only with the consent of Franchisor, Franchisee may provide delivery services in the exclusive territories of other System franchisees. Other System franchisees may provide the same services in the Protected Territory. In connection with the foregoing, as of the date of this Agreement, so long as Franchisee complies with Franchisor's requirements related thereto, Franchisee will be permitted to engage with third-party delivery services ("3PDS") to provide delivery services to homes and businesses surrounding the Restaurant, and other System franchisees may similarly offer delivery services through these 3PDS who may directly compete with the Restaurant, as these 3PDs may not contract for mutually

exclusive delivery areas. Franchisor may at any time and for any reason withdraw its consent for Franchisee to provide delivery services.

**3.06 Franchisor's Plans.** As stated above, Franchisor shall make available to Franchisee specifications and guidelines for the construction of a Pizza Karma Restaurant and for the interior design and layout, fixtures, furnishings, equipment, and signs. Franchisee acknowledges that such standard design plans and specifications shall not contain the requirements of any federal, state or local law, code or regulation (including without limitation those concerning the Americans with Disabilities Act (the "ADA") or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor shall such plans contain the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build a specific Pizza Karma Restaurant, compliance with all of which shall be Franchisee's responsibility and at Franchisee's expense. Franchisee understands and acknowledges that Franchisor has the right to modify the prototype design plans and specifications, and develop additional prototype design plans and specifications, as Franchisor deems appropriate from time to time (however Franchisor will not modify the prototype plans and specifications for the Restaurant developed pursuant to this Agreement once those prototype plans and specifications have been given to Franchisee). Franchisee further understands and acknowledges that each Pizza Karma Restaurant will be designed differently depending the specifications of the Premises. Franchisee shall adapt the standard plans to the Restaurant's location, subject to Franchisor's approval.

#### **4. TRAINING AND GUIDANCE.**

**4.01 Franchisor Training Programs.** The Restaurant must have an individual that is designated by Franchisee to assume primary responsibility for managing the Restaurant, and is required to own at least twenty percent (20%) of the outstanding equity of Franchisee (the "Operating Partner"). The Operating Partner must meet Franchisor's qualifications and must be approved by Franchisor. Unless a separate General Manager that meets Franchisor's qualifications is approved by Franchisor, Franchisee (if Franchisee is an individual) or its Operating Partner (a) must devote full-time and best efforts to the supervision of the Restaurant, and (b) may not engage in any business other than the operation of the Restaurant. In the event that the Operating Partner ceases to own at least a 20% ownership interest and voting interest in Franchisee, or fails to meet Franchisor's requirements, Franchisee must designate a new Operating Partner within thirty (30) days for Franchisor's review and approval.

As and when required by Franchisor, the Operating Partner and any General Manager must attend and successfully complete to the satisfaction of Franchisor an initial training program specified by Franchisor before the Restaurant may open for business. No fee will be charged by Franchisor for the participation of up to two (2) individuals in the training program, however, Franchisee shall be responsible for the costs and expenses (such as transportation, lodging, meals, compensation and incidental expenses) of each individual who attends the training. Franchisee may invite additional employees to attend the initial training program if space allows, though Franchisor reserve the right to charge Franchisee the then-current training fee for each additional individual. Franchisor also reserves the right to limit the number of additional attendees for the initial training program. Any successor or replacement Operating Partner or General Manger must successfully complete 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 Restaurant or supervise your 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 Franchisor to Franchisee are kept current and up to date. Franchisee must keep any printed Operations Manual in a secure location at the Restaurant and must restrict employee access to the Operations Manual on a need to know basis, and take reasonable steps to prevent unauthorized disclosure or copying of any information in any printed or computerized Operations Manual. If Franchisor and Franchisee have any disagreement about the most current contents of the Operations Manual, Franchisor's master copy of the Operations Manual will control. Upon the expiration or termination of this Agreement for any reason, Franchisee must return all copies of the Operations Manual to Franchisor, and upon Franchisor's request, certify to Franchisor that Franchisee has not kept any copies in any medium.

**4.07 Nature of Assistance and Training.** Franchisee agrees that Franchisor is not obligated to provide any training or assistance to Franchisee's particular level of satisfaction, but as a function of Franchisor's experience, knowledge, and judgment. Franchisee also acknowledges that Franchisor is not obligated to provide any services to Franchisee that are not set forth in this Agreement. If Franchisee believes Franchisor has failed to adequately provide any pre-opening services to Franchisee, Franchisee must notify Franchisor in writing within thirty (30) days following the opening of the Restaurant or Franchisee will be deemed to have conclusively acknowledged that all pre-opening and opening services required to be provided by Franchisor were sufficient and satisfactory in Franchisee's judgment, and complied with all representations made to Franchisee.

**4.08 Inspections.** Franchisor shall conduct, as it deems advisable, inspections of the operation of the Restaurant by Franchisee.

## **5. TRADEMARKS; MODIFICATIONS.**

**5.01 Ownership of the Marks.** Franchisee acknowledges that Franchisor and its Affiliates own all right, title and interest in and to the Marks. Franchisee's right to use the Marks is derived solely from this Agreement and is limited to conducting business at or in connection with the Restaurant pursuant to and in compliance with this Agreement. Franchisee's unauthorized use of any of the Marks constitutes a breach of this Agreement and an infringement of Franchisor's and its Affiliates' rights to the Marks. This Agreement does not confer on Franchisee any goodwill or other interests in the Marks. Franchisee's use of the Marks and any goodwill established thereby inures to the exclusive benefit of Franchisor and its Affiliates. All provisions of this Agreement applicable to the Marks apply to any additional or substitute trademarks, service marks and trade dress Franchisor authorizes Franchisee to use. Franchisee agrees not to, at any time during or after the Term, contest, or assist any other Person in contesting, the validity or ownership of any of the Marks.

**5.02 Use of the Marks.** Franchisee agrees to use the Marks as the sole identification of the Restaurant and identify itself as the independent owner thereof in the manner Franchisor prescribes. Franchisee agrees to use only the Marks as Franchisor prescribes in connection with the Restaurant and the sale of authorized products and services. Franchisee may not use any Mark (or any abbreviation, modification or colorable imitation) as part of any corporate or legal business name or in any other manner (including any Internet related use such as an electronic media identifier, for web sites, web pages or domain names) not expressly authorized by Franchisor in writing.

**5.03 Discontinuance of Use of Marks.** If Franchisor decides to change, add or discontinue use of any Mark, or to introduce additional or substitute Marks, Franchisee, upon a reasonable period of time after receipt of written notice, shall take such action, at its sole expense, as is necessary to comply with such change, alteration, discontinuation, addition or substitution. Franchisor shall have no liability for any loss of revenue or goodwill due to any new Mark or discontinued Mark.

**5.04 Notification of Infringements and Claims.** Franchisee must notify Franchisor immediately of any apparent infringement of or challenge to Franchisee's use of any Mark, or any claim by another Person of any rights in any Mark. Franchisee may not communicate with any Person, other than its legal counsel, and Franchisor, in connection with any such infringement, challenge or claim. Franchisor will have sole discretion to take such action as it deems appropriate and will have the right to control exclusively any litigation or U.S. Patent and Trademark Office proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark. Franchisee must sign any and all documents, render such assistance and do such things as may be advisable in the opinion of Franchisor's

counsel to protect Franchisor's interests in any litigation or U.S. Patent and Trademark Office proceeding or other administrative proceeding or otherwise to protect its interests in the Marks.

**5.05 Indemnification of Franchisee.** Franchisor shall indemnify Franchisee against, and reimburse Franchisee for, all damages for which Franchisee is held liable in any proceeding arising out of its authorized use of any Mark pursuant to and in compliance with this Agreement and, except as provided herein, for all costs Franchisee reasonably incurs in defending any such claim brought against Franchisee, provided Franchisee has timely notified Franchisor of such claim and provided further that Franchisee and its Owners and Affiliates are in compliance with this Agreement and all other agreements entered into with Franchisor or any of its Affiliates. At Franchisor's sole discretion, Franchisor is entitled to prosecute, defend and/or settle any proceeding arising out of Franchisee's use of any Mark pursuant to this Agreement, and, if Franchisor undertakes to prosecute, defend and/or settle any such matter, Franchisor has no obligation to indemnify or reimburse Franchisee for any fees or disbursements of any legal counsel retained by Franchisee.

**5.06 Modification by Franchisor.** Franchisee recognizes and agrees that from time to time hereafter, Franchisor may change, modify or improve the System, including, without limitation, modifications to the Operations Manual, the processes and systems to support the Restaurant, the products and services offered for sale, the required equipment, the signage, the presentation and usage of the Marks, and the adoption and use of new, modified or substituted Marks or other proprietary materials. Franchisee agrees to accept, use and/or display for the purposes of this Agreement any such changes, modifications or improvements to the System, including, without limitation the adoption of new, modified or substituted Marks, as if they were part of the System as of the date of this Agreement, and Franchisee agrees to make such expenditures as such changes, modifications or improvements to the System may require.

**5.07 Modification by Franchisee.** If Franchisee develops any new modification, concept, process, improvement or slogan (including any and all inventions, discoveries, trademarks and improvements) in the operation or promotion of the Restaurant or to the System, the same shall be deemed a work made for hire, and Franchisee shall promptly notify Franchisor of, and provide Franchisor with all necessary information regarding, such modification, concept, process, improvement or slogan, without compensation to Franchisee. Franchisee acknowledges that any such modification, concept, process, improvement or slogan shall become Franchisor's sole and exclusive property and that Franchisor may use and/or allow other franchisees to use the same in connection with the System or the operation of Pizza Karma Restaurants, without compensation to Franchisee. Franchisee shall assist Franchisor, at Franchisor's expense, in obtaining execution of all documents and taking all other actions which Franchisor may reasonably request to make possible the filing of patent applications for any such developments and to establish that Franchisor is the owner of both the developments and any patent applications made in connection with such developments

## **6. FEES AND OTHER PAYMENTS.**

**6.01 Initial Franchise Fee.** Upon the execution of this Agreement, Franchisee shall pay to Franchisor an initial franchise fee in an amount set forth on Exhibit A (the "Initial Franchise Fee"). Franchisee acknowledges and agrees that the Initial Franchise Fee is paid as consideration for Franchisor granting Franchisee the right to develop, open and operate the Restaurant using the Marks and the System, that the Initial Franchise Fee is fully earned by Franchisor at the time this Agreement is executed, and that the Initial Franchise Fee shall not be refundable for any reason.



## **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 10<sup>th</sup> 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) National Marketing Fee. Franchisor may, in its sole discretion, charge a “National Marketing 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 Marketing 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 National Marketing 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 12<sup>th</sup> 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, National Marketing 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, National Marketing Fee, and other fees that Franchisor collected. If the Royalty Fee, National Marketing 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, National Marketing 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.

## 7. RESTRICTIVE COVENANTS.

### 7.01 Covenants Not to Compete.

(a) Non-Competition during Term. In addition to and not in limitation of any other restrictions on Franchisee contained herein, Franchisee and Franchisee's spouse, and, if Franchisee is not an individual, each of its Owners and their spouses (each, a "Restricted Party"), agree that they will not, directly or indirectly, for and on behalf of itself, himself, herself or any other Person, without the prior written consent of Franchisor, during the Term (i) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business, regardless of location or (ii) perform services as a director, officer, manager, employee, consultant, representative, agent, or otherwise for a Competitive Business, regardless of location.

(b) Post-Term Non-Competition. In addition to and not in limitation of any other restrictions on Franchisee contained herein, Franchisee and the Restricted Parties agree that they will not, for two (2) years following the effective date of termination or expiration of this Agreement for any reason, or following the date of a Transfer by Franchisee, or, with respect to a Restricted Party only, by such Restricted Party, directly or indirectly, for and on behalf of itself, himself, herself or any other Person, without the prior written consent of Franchisor, (i) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business or (ii) perform services as a director, officer, manager, employee, consultant, representative, agent, or otherwise for a Competitive Business which, in either case, is located or operating within a ten (10) mile radius of the protected territory of any Restaurant.

(c) General. The parties acknowledge that the covenants contained in this Section 7.01 are given in consideration of the fact that Franchisee and the Restricted Parties will possess knowledge of Franchisor's Restaurant and operating methods and Confidential Information, disclosure and use of which would prejudice the interest of Franchisor and its franchisees and licensees of other Pizza Karma Restaurants. Franchisee further understands and acknowledges the difficulty of ascertaining monetary damages and the irreparable harm that would result from breach of these covenants. If any part of this restriction is found to be unreasonable in scope, time or distance, such scope, time or distance may be reduced by appropriate order of the court to that deemed reasonable. Franchisor shall, as a matter of course, receive injunctive relief to enforce such covenants in addition to any other relief to which it may be entitled at law or in equity. Franchisor shall receive such injunctive relief without the necessity of posting bond or other security, such bond or other security being hereby waived.

### 7.02 Confidential Information.

(a) Franchisee acknowledges and agrees that in connection with the ownership, development and/or operation of Pizza Karma Restaurants by Franchisor and its Affiliates, Franchisor and its Affiliates have developed at great expense Confidential Information that is part of the System and that is not commonly known by or available to the public. This Confidential Information does not include any information that (i) is commonly known by or available to the public; (ii) has been voluntarily disclosed to the public by Franchisor or its Affiliates; (iii) has been independently developed or lawfully obtained by Franchisee (other than by virtue of disclosure by Franchisor or its Affiliates in connection with this Agreement); or (iv) has otherwise entered the public domain through lawful means.

(b) Franchisee and each Restricted Party agree that while this Agreement remains in effect such party will not, directly or indirectly, disclose or publish to any Person, or copy or use for such party's own benefit, or for the benefit of any other Person, any Confidential Information, except as required to carry out Franchisee's obligations under this Agreement or as Franchisor has otherwise expressly approved in writing. As between Franchisor, on the one hand, and Franchisee and the Restricted Parties,

on the other hand, all Confidential Information is the sole and exclusive property of Franchisor. Franchisee and each Restricted Party agree that the restrictions contained in the preceding sentences in this Section 7.02(b) will remain in effect with respect to Confidential Information for five (5) years following termination or expiration of this Agreement for any reason; provided, however, if the Confidential Information rises to the level of a trade secret under applicable law, then such restriction shall remain in effect until such time as the information does not constitute a trade secret. Franchisee also agrees that it and all of its Personnel will take appropriate steps to protect Confidential Information from any unauthorized disclosure, copying or use. At any time upon Franchisor's request, and in any event upon expiration or termination of this Agreement, Franchisee will immediately return any copies of documents where there are materials containing Confidential Information and will take appropriate steps to permanently delete and render unusable any Confidential Information stored electronically.

**7.03 Data and Customers.** In addition to the obligations set forth in Sections 7.01 and 7.02 above, Franchisee: (a) shall not reproduce, release or in any way make available or furnish, either directly or indirectly, to any person or Entity at any time, any information concerning the customers of Franchisee under this Agreement, which may be used to solicit sales of Restaurant from such customers including, but not limited to, the type of sales of Restaurant covered by this Agreement; (b) shall protect all said customer information from disclosure, destruction, loss or theft during the Term of this Agreement and until all copies of customer lists and copies of all other information concerning customers are turned over to Franchisor; (c) agrees not to use or permit to be used said information concerning Franchisee's customers in any manner except in the performance of this Agreement; and (d) shall at all times maintain any information, including lists, relating to the customers of Franchisee separate and distinct from any customer information Franchisee may maintain that is unrelated to this Agreement. In addition to the obligations set forth above, upon termination of this Agreement for any reason, Franchisee shall immediately deliver to Franchisor all copies of lists of customers and copies of all other information concerning customers, including, but not limited to, all computer generated data regarding such customers, and neither Franchisee nor its directors, officers, Owners, managers, employees, successors and assigns shall use any said information concerning such customers to solicit any of such customers. All of the information Franchisor or its Affiliates obtain from Franchisee or the Restaurant, and all information in Franchisee's or Franchisor's records about the customers of the Restaurant (the "Information") and all revenues Franchisor derives from the Information will be Franchisor's property. However, Franchisee may at any time during the term of this Agreement use it in the operation of the Restaurant (but for no other purpose), to the extent lawful and at Franchisee's sole risk and responsibility, any information that Franchisee acquires from third parties in operating the Restaurant, including customer data. The Information (except for information Franchisee provides to Franchisors or its affiliates about Franchisee and its Affiliates, including Franchisee's respective officers, directors, shareholders, partners, or Owners) will become Franchisor's property, which Franchisor may use for any reason Franchisor deems necessary or appropriate in its discretion. Franchisee hereby authorizes any software providers or other vendors to release this information to Franchisor at any time. After termination or expiration of this Agreement, Franchisee will no longer use any of the Information, except to comply with Franchisee's post-term obligations under this Agreement.

**7.04 Personal Covenants of Restricted Parties.** As a condition to the effectiveness of this Agreement, and at the time Franchisee delivers this signed Agreement to Franchisor, each Restricted Party must sign and deliver to Franchisor the Personal Covenants attached hereto as Exhibit E (the "Personal Covenants"), agreeing to be bound personally by all the provisions of Sections 7.01, 7.02, 7.03, 7.06 and 13.05 hereof. If there are any changes in the identity of any such Restricted Party while this Agreement is in effect, Franchisee must notify Franchisor promptly and cause the new Restricted Party to sign and deliver to Franchisor the Personal Covenants.

**7.05 Agreements by Other Third Parties.** As a condition to Franchisor's execution of this Agreement, Franchisee, if requested by Franchisor, shall cause its Operating Partner, each owner, officer

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 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

contract, or any amendments thereto, on account of Franchisor's approval thereof or otherwise, and Franchisee agrees to indemnify and hold Franchisor harmless with respect thereto.

(b) In the event that the Operating Partner elects not to supervise the management and day-to-day operations of the Restaurant, at least ninety (90) days prior to the opening of the Restaurant, Franchisee agrees to designate and to retain at all times during the term of this Agreement, a General Manager who meets Franchisor's qualifications to supervise the operation of the Restaurant. The General Manager must devote full time and best efforts to the supervision of the Restaurant and shall not engage in any other business, including the supervision or management of any additional Pizza Karma Restaurants. Each Pizza Karma Restaurant must have a different General Manager. Franchisee acknowledges and agrees that the appointment of a General Manager will not relieve the Operating Partner of his or her supervisory responsibilities for the operation of the Restaurant. Franchisee and its Operating Partner shall remain fully responsible for the General Manager's performance. In the event that the General Manager leaves Franchisee's employment, dies or becomes disabled, or ceases to meet our qualifications, the Operating Partner must immediately assume operational management and supervision of the Restaurant on a full-time basis.

(c) The names of Franchisee's Operating Partner and General Manager, if any, along with such other information Franchisor shall require in order to determine if such individuals meet Franchisor's qualifications, shall be provided to Franchisor in writing, and Franchisee agrees to keep such information current at all times during the term of this Agreement. Franchisee must promptly notify Franchisor in writing if the Operating Partner or any General Manager cannot continue or no longer qualifies to serve in that capacity and Franchisee must take corrective action within thirty (30) days after any such notice.

## **9. OPERATING STANDARDS AND FRANCHISEE OBLIGATIONS.**

**9.01 Obligations of Franchisee.** Franchisee recognizes the mutual benefit to Franchisee, Franchisor and other Pizza Karma Restaurants of the uniformity of the appearance, products, services and advertising of the System and acknowledges and agrees that such uniformities are necessary for the successful operation of a Restaurant. Franchisee also acknowledges and agrees that Franchisor has worked to develop and maintain a reputation for excellence with respect to the products and services sold under the Marks and at Pizza Karma Restaurants, and Franchisee acknowledges and agrees that it is of the utmost importance to Franchisor, Franchisee and all other Pizza Karma Restaurants that such reputation be maintained. As such, Franchisee covenants and agrees with respect to the operation of the Restaurant that Franchisee and its employees and agents will comply with all of the requirements of the System and the Operations Manual and will throughout the Term:

(a) Operate the Restaurant and prepare and sell all products and services sold therein in accordance with, and comply with all requirements of, this Agreement, Franchisor, the System and the Operations Manual as they are now or hereafter established, including, without limitation, any specifications, standards, business practices and policies. Franchisor and its duly authorized representatives shall have the right, if they so elect, at all reasonable times, to enter and inspect the Restaurant to ensure that Franchisee is in compliance therewith and to test any and all equipment, systems, products and ingredients used in connection with the operation of the Restaurant.

(b) Maintain at all times, at its expense, the Restaurant and its equipment, fixtures, furnishings, furniture, décor, premises, parking areas, landscape areas, if any, and interior and exterior signs in a clean, attractive and safe condition in conformity with the Operations Manual and Franchisor's high standards and public image. Franchisee shall promptly make all repairs and replacements thereto as may be required to keep the Restaurant in the highest degree of sanitation and repair and to maintain maximum

efficiency and productivity and in accordance with Franchisor's specifications. If Franchisor changes the System or standards of operation with respect to the Restaurant, Franchisee expressly agrees to comply with each change within such reasonable time as Franchisor may require, or if no time is specified, within thirty (30) days after receiving notification of the change. Franchisee shall also maintain maintenance contracts and/or service contracts on all equipment and machinery designated by Franchisor and Franchisor shall have the right to designate the vendor(s) for such contracts and the requirements for the contracts.

(c) Make no physical changes from blueprint specifications or approved remodeling plans in connection with the premises constituting the Restaurant on the Premises, or the design thereof, or any of the materials used therein, or their colors, without the express written approval of Franchisor, except that Franchisee will, upon request of Franchisor, make such reasonable alterations to the Restaurant or premises as may be necessary to conform to the then-current marketing and operating standards and specifications of the System. Franchisee will paint the Restaurant (interior or exterior) at such intervals as Franchisor may reasonably determine to be advisable, which determination shall in no event be more than once in any calendar year.

(d) Comply with all applicable laws, rules, ordinances, regulations and licensing and permitting requirements that affect or otherwise concern the Restaurant or the Premises, including, without limitation, zoning, disability access, signage, fire and safety, sales tax registration, music licensing, health and sanitation, construction, HVAC, plumbing, environmental laws, and other data privacy regulations, guidelines and best practices. Franchisee will be solely responsible for obtaining any and all licenses and permits required to operate the Restaurant, including, without limitation, liquor licenses. Franchisee must keep copies of all health, fire, building occupancy and similar inspection reports on file and available for Franchisor to review. Franchisee must promptly forward to Franchisor any correspondence stating that Franchisee is not in compliance with any such laws, rules, ordinances and regulations. Franchisee must abide by: (a) the Payment Card Industry Data Security Standards ("PCIDSS") enacted by the applicable Card Associations (as they may be modified from time to time or as successor standards are adopted); (b) the Fair and Accurate Credit Transactions Act ("FACTA"); and (c) all other standards, laws, rules, regulations or any equivalent thereof applicable to electronic payments that may be published from time to time by payment card companies and applicable to electronic payments ("Electronic Payment Requirements"). If Franchisee or Franchisor are required by one of the credit card companies or another third party (including any governmental body) to provide evidence of compliance with PCIDSS, FACTA or applicable Electronic Payment Requirements, Franchisor may require Franchisee to provide, or make available, to Franchisor copies of an audit, scanning results, or related documentation relating to such compliance. If Franchisee suspects or knows of a security breach, Franchisee must immediately give Franchisor notice of such security breach and promptly identify and remediate the source of any compromise or security breach. Franchisee assumes all responsibility for providing all notices of breach or compromise and all duties to monitor credit histories and transaction concerning customers of the Restaurant.

(e) Maintain sufficient inventories and employ sufficient employees to operate the Restaurant at its maximum capacity and efficiency at such hours and days as Franchisor shall designate or approve in the Operations Manual or otherwise, and operate the Restaurant for such hours or days so designated or approved by Franchisor.

(f) Require all employees of the Restaurant to wear uniforms and abide by the System dress code and to conduct themselves at all times in a competent and courteous manner and use best efforts to ensure that its employees maintain a neat and clean appearance and render competent, sober and courteous service to customers of the Restaurant. Notwithstanding anything contained herein to the contrary, Franchisor shall have no control over Franchisee's employees, including, without limitation, work hours, scheduling, recordkeeping, wages, supervision, discipline, hiring or firing.

(g) To pay when due all amounts which it owes to anyone for supplies, equipment and other items used in connection with the Restaurant and all payments owed hereunder or under any other agreement entered into in connection with the operation of the Restaurant. Franchisee must notify Franchisor immediately when and if Franchisee becomes more than thirty (30) days delinquent in the payment of any of the obligations mentioned above.

(h) Use only those ingredients, products, supplies, furnishings, services, and equipment that (i) conform to the standards and specifications designated by Franchisor in the Operations Manual or otherwise, and (ii) are purchased from suppliers designated or approved in writing by Franchisor.

(i) Prominently display at the Restaurant signs using the name "PIZZA KARMA," and/or other signs, of such nature, form, color, number, location and size, and containing such material as Franchisor may from time to time reasonably direct or approve in writing; and not display in the Restaurant or on the Premises or elsewhere any sign or advertising media of any kind to which Franchisor reasonably objects.

(j) Refrain from deviating from the formulas, recipes or specifications of materials and ingredients of food as specified by Franchisor, without the prior written consent of Franchisor, adhere to the menu and all changes, alterations, additions and subtractions thereof, thereto or therefrom as specified by Franchisor from time to time, follow all specifications of Franchisor as to the uniformity of products and weight, quality and quantity of unit products served and sold, and serve and sell only such menu items as are designated by Franchisor.

(k) Participate in all national, regional or local advertising and promotional activities Franchisor requires. Franchisee understands that Franchisor implements promotions such as discount coupons, certificates, frequent customer cards, special menu promotions, gift cards and other activities intended to enhance customer awareness of the System and build traffic at Restaurants on a national, regional or local level. Franchisor may establish procedures and regulations related to these promotions in the Operations Manual and Franchisee agrees to honor and participate in these programs in accordance with such procedures and regulations specified by Franchisor in the Operations Manual or otherwise in writing.

(l) Become and remain in good standing a member of any purchasing and/or distribution cooperative/association/program designated by Franchisor and/or established by Franchisor for the System, remain a member in good standing thereof throughout the term of this Agreement and pay all membership fees or fees on purchases that are assessed by such purchasing and/or distribution cooperative/association/program. In addition, as required by Franchisor, maintain contracts with, or participate in any Franchisor contracts, with any third-party(ies) offering customer service, mystery shopper, shopper experience, food safety or other service programs designed to audit, survey, evaluate or inspect Restaurant operations. Franchisee understands that Franchisor has the right to specify the third party(ies) and the required level of participation in such programs and that Franchisee will bear the cost thereof.

(m) Operate and maintain the Restaurant in a manner which will ensure that the Restaurant will obtain the highest classification possible for restaurants of like kind from the governmental authorities that inspect restaurants in the Protected Territory. In connection with the foregoing, in the event that any health department inspection of the Restaurant results in a score of less than 93 or grade "A", the Restaurant shall become and remain throughout the remainder of the term of this Agreement Steritech® certified (or such similar certification as approved by Franchisor in its sole discretion). If Franchisee is not able to obtain such classification, or if Franchisee fails to operate in accordance with the general standards of quality, maintenance, repairs and sanitation required by Franchisor, then Franchisor may, at its option, place such trained personnel in the Restaurant as Franchisor deems necessary to train the managerial and



operating personnel of the Restaurant until the Restaurant can obtain the required classification or meet such general standards. Franchisor's personnel may remain at the Restaurant until the required classification is obtained or until Franchisor, in its sole discretion, decides to remove them. Franchisee shall pay all costs associated with providing such personnel, including costs of transportation, meals, lodging, wages or other compensation, including fringe benefits.

(n) Abide by any maximum, minimum or other pricing requirements established by Franchisor with respect to products and services provided at the Restaurant.

(o) Attend, and have the required individuals attend, Franchisor's annual conference of franchisees, if one is held, and pay any amounts charged by Franchisor with respect to attendance thereat.

(p) Immediately notify Franchisor of—and deliver to Franchisor a copy of—any notice about a breach, default, claim, lawsuit, administrative or agency proceedings or investigations, or other actions or proceedings relating to the Restaurant. Upon request from Franchisor, Franchisee will provide additional information as may be required by Franchisor about the same.

## **9.02 Purchases and Approved Suppliers.**

(a) Franchisee shall purchase (or lease) all equipment, machinery, vehicles, fixtures, furnishings, signs, décor, ingredients, beverages, paper products, packaging, disposables, smallwares, glassware, furnishings, uniforms, technology, and other products, supplies or services required for the establishment and operation of the Restaurant from suppliers designated or approved in writing by Franchisor (as used in this Section 9 the term “supplier” shall include manufacturers, distributors and other forms of suppliers). Franchisor may designate at any time and for any reason, a single or multiple supplier(s) for equipment, machinery, vehicles, fixtures, furnishings, signs, décor, ingredients, beverages, paper products, packaging, disposables, smallwares, glassware, furnishings, uniforms, technology, and other products, supplies or services and require Franchisee to purchase exclusively from such designated supplier or suppliers, which exclusive designated supplier(s) may be Franchisor or an Affiliate of Franchisor. If Franchisor designates itself as a supplier, Franchisor has the right to earn a profit on any items it supplies. Franchisor and its Affiliates may receive payments, discounts or other consideration from suppliers in consideration of such suppliers' dealings with Franchisee and/or the System, and may use all amounts received by it without restriction. Franchisor is not required to give Franchisee an accounting of supplier payments or to share the benefit of supplier payments with Franchisee or other System franchisees.

(b) If Franchisee desires to purchase any equipment, machinery, vehicles, fixtures, furnishings, signs, décor, ingredients, beverages, paper products, packaging, smallwares, glassware, furnishings, uniforms, technology, and other products, supplies or services from suppliers other than those previously approved by Franchisor and such items have not been designated by Franchisor to be exclusively supplied by a designated supplier(s), Franchisee shall first submit to Franchisor a written request for authorization to purchase such items, together with such information and samples as Franchisor may require. Franchisor shall have the right to require periodically that its representatives be permitted to inspect such items and/or suppliers' facilities, and that samples from the proposed suppliers, or of the proposed items, be delivered for evaluation and testing, either to Franchisor or to an independent testing facility designated by Franchisor. Permission for such inspections shall be a condition of the initial and continuing approval of such supplier, manufacturer or distributor. A charge equal to the greater of \$2,500 or the reasonable cost of the evaluation and testing, plus travel expenses incurred by Franchisor, shall be paid by Franchisee. Franchisor shall, within ninety (90) days after its receipt of such request and completion of such evaluation and testing (if required by Franchisor), notify Franchisee in writing of its approval or disapproval. Franchisor may deny such approval for any reason, including its determination to limit the number of approved suppliers. Nothing in the foregoing shall be construed to require Franchisor to approve

any particular supplier, nor to require Franchisor to make available to prospective suppliers, standards and specifications for formulas, which Franchisor shall have the right to deem confidential. Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria. Upon receipt of written notice of such revocation, Franchisee shall cease to sell or use any disapproved item, Products and/or cease to purchase from any disapproved supplier.

**9.03 Intentionally Omitted.**

**9.04 Computer System and Required Software.** The following terms and conditions shall apply with respect to the Computer System and Required Software:

(a) Franchisor shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among Pizza Karma Restaurants, including without limitation: (i) 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 Franchisee; (ii) credit card, debit card, and other non-cash payment systems, and related hardware; (iii) physical, electronic, and other security systems; (iv) tablets, printers and other peripheral devices; (v) archival back-up systems; and (vi) internet access mode and speed (collectively, the "**Computer System**").

(b) Franchisor shall have the right, but not the obligation, to develop or have developed for it, or to designate: (i) computer software programs and accounting system software that Franchisee must use in connection with the Computer System, and established digital applications, and any successor technology or replacement thereto ("**Required Software**"), which Franchisee shall install; (ii) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee shall install; (iii) the tangible media upon which such Franchisee shall record data; and (iv) the database file structure of Franchisee's Computer System.

(c) Franchisee shall make, from time to time, such upgrades and other changes to the Computer System and Required Software as Franchisor may request in writing, and Franchisor may periodically require Franchisee, at its expense, to upgrade or update the Computer System and Required Software to remain in compliance with the standards, specifications and requirements required by Franchisor (collectively, "**Computer Upgrades**").

(d) Franchisee shall comply with all standards, specifications and requirements issued by Franchisor with respect to the Computer System and the Required Software, and with respect to Computer Upgrades. Franchisee shall also afford Franchisor unimpeded access to Franchisee's Computer System and Required Software as Franchisor may request, in the manner and form, and at the times, requested by Franchisor.

(e) Franchisor may require Franchisee to pay Franchisor or its designated third party(ies) reasonable fees to support and upgrade the Computer System and Required Software. Franchisee will be required to pay the costs for technology licensed for use in the Restaurant and with respect to the Computer System and Required Software. If Franchisor does not directly provide these services, Franchisee will be required to sign a separate agreement with Franchisor's designated provider of these services (which may be an Affiliate of Franchisor).

**9.05 Insurance.** Franchisee agrees to secure and maintain during the term of this Agreement, at its own cost, the following insurance policies by carriers approved by Franchisor:

(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 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 a 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 National Marketing 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 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 Marketing 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 National Marketing Fee is one percent (1%) of Gross Sales and is collected monthly with the royalty fee.

(b) National marketing may be 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 direct all programs related to national 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 preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining an electronic commerce website and/or related strategies; administering regional and multi-regional marketing and advertising programs, including, without limitation, purchasing trade journal, direct mail, and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public relations, market research, and other advertising, promotion, and marketing activities.

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 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 at any time defer or reduce contributions of a Restaurant and, upon thirty (30) days' prior written notice to Franchisee, reduce or suspend the National Marketing Fee and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the national marketing program.

**10.03 Local Advertising.** Franchisee agrees that, in addition to the payment of the National Marketing 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 national 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 of all Web site pages, social media, and online or digital materials and content; (c) use of all hyperlinks and other links; (d) restrictions on use of any materials (including text, video clips, photographs, images and sound bites) in which any third party has any ownership interest; and (e) obtaining Franchisor's prior written approval of any modifications.

As of the date of this Agreement, Franchisor maintains a website related to Pizza Karma Restaurants at [www.pizzakarma.com](http://www.pizzakarma.com) (the "Website"). Franchisor shall have the right to designate a successor Website or remove the Website, at its discretion. Subject to the terms of this Agreement, during the Term, Franchisor may make available to Franchisee information regarding the Restaurant on the Website, and/or up to two (2) e-mail addresses under the Website's domain for Franchisee's use (collectively, the "Email Address"). Franchisee will be permitted to use the Email Address solely to promote, and provide customers information related to, the Restaurant operated by Franchisee. Franchisee shall only use the Email Address in accordance with terms of this Agreement as well as any guidelines, directives or in the Operations Manual. Franchisee understands and agrees that no message sent from the Email Address may contain content which references any other business other than the Restaurant operated

by Franchisee. Franchisee will not upload, publish, display or otherwise include or use any content on the Website without receiving the prior written approval of Franchisor.

Franchisee acknowledges and understands that the registration for the Website domain name is and shall be maintained exclusively in the name of Franchisor or its designee. Franchisee acknowledges Franchisor's or its designee's exclusive right, title and interest in and to the domain name for the Website and further acknowledges that nothing herein shall give it any right, title or interest in such domain name. Franchisee will assist Franchisor in preserving and protecting Franchisor's or its designee's rights in and to the Website domain name.

Franchisee further acknowledges and agrees that Franchisor may, at any time in its sole discretion, cease to make the Website available to the public or the Email Address available to Franchisee. Franchisee agrees that Franchisor shall have no liability for failing to make the Website available to the public or the Email Address available to Franchisee.

ADDITIONALLY, TO THE MAXIMUM EXTENT PERMITTED BY LAW, FRANCHISOR HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES (WHETHER EXPRESS, IMPLIED OR STATUTORY) RELATED TO THE AVAILABILITY AND PERFORMANCE OF THE WEBSITE, AND THE EMAIL ADDRESS, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF NONINFRINGEMENT, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. TO THE MAXIMUM EXTENT PERMITTED BY LAW, FRANCHISOR SHALL NOT BE LIABLE FOR ANY DIRECT OR INDIRECT DAMAGES (INCLUDING, WITHOUT LIMITATION, ANY CONSEQUENTIAL, PUNITIVE OR INCIDENTAL DAMAGES OR DAMAGES FOR LOST PROFIT OR LOSS OF RESTAURANT) RELATED TO THE USE, OPERATION, AVAILABILITY OR FAILURE OF THE WEBSITE OR EMAIL ADDRESS. Upon the termination or expiration of this Agreement for any reason or Franchisee's default under this Agreement for any reason, all right of Franchisee to use the Email Address shall immediately cease, and Franchisor may cease to make the Email Address available to Franchisee.

Other than in connection with the Website and the Email Address, Franchisee shall be strictly prohibited from using the Marks in any fashion over the Internet, on any website, including any social and/or networking websites, including, but not limited to, Facebook, LinkedIn, Snapchat, Instagram, TikTok, and Twitter, or through other forms of electronic or digital media, without Franchisor's prior written consent. Any such use must be in compliance with any policies issued by Franchisor relating to advertising, promotion, marketing and social media, as such may be amended, modified and/or expanded 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 Marketing 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 90<sup>th</sup> 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, National Marketing 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;

(b) The transferee shall demonstrate to Franchisor's satisfaction that the terms of the proposed transfer do not place an unreasonable financial or operational burden on the transferee, and that the transferee (or, if the transferee is other than an individual, such owners of beneficial interests in the transferee as Franchisor may request) meets Franchisor's then-current application qualifications (which may include educational, managerial, socially responsible, and business standards, good moral character, business reputation, and credit rating); has the aptitude and ability to operate the Restaurant and absence of conflicting interests; and has adequate financial resources and capital to operate the Restaurant;

(c) The proposed transferee must enter into an agreement in writing to assume and perform all of Franchisee's duties and obligations hereunder and/or, as required by Franchisor, execute the form of franchise agreement then being offered to new System franchisees, and such other ancillary agreements required by Franchisor for the Restaurant franchised hereunder, which agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, higher and/or additional fees;

(d) The transferee (and, if the transferee is not an individual, the Principal Operator), shall, at the transferee's expense, successfully attend and successfully complete any training programs then in effect for operators upon such terms and conditions as Franchisor may reasonably require;

(e) Franchisee or the proposed transferee must pay Franchisor a transfer fee equal to the greater of (i) \$10,000, or (ii) reimbursement for all legal, accounting, training and other expenses incurred by Franchisor in connection with the Transfer;

(f) Franchisee and its Owners and Affiliates must, except to the extent limited or prohibited by applicable law, execute a general release, in form and substance satisfactory to Franchisor, of any and all claims against Franchisor and its Affiliates, stockholders, officers, directors, employees, agents, successors and assigns;

(h) The transferee of an Owner shall be designated as an Owner and each transferee who is designated an Owner shall enter into a written agreement, in a form satisfactory to Franchisor, agreeing to be bound as an Owner under the terms of this Agreement as long as such person or entity owns any interest in Franchisee. Additionally, the transferee and/or such owners of the transferee as Franchisor may request shall guarantee the performance of the transferee's obligations in writing in a form satisfactory to Franchisor;

(i) If Franchisee (or any of its Owners or Affiliates) finances any part of the sale price of the transferred interest, Franchisee and/or such Owners or Affiliates must agree that all obligations of the transferee, and security interests reserved by any of them in the assets transferred, will be subordinate to the transferee's obligations to pay all amounts due Franchisor and its Affiliates; and

(j) If so requested by Franchisor, Franchisee, at its expense, shall upgrade the Restaurant and all equipment of the Restaurant to conform to the then-current standards, specifications and requirements of new Pizza Karma Restaurants then being established in the System, and shall complete the upgrading and other requirements within the time specified by Franchisor; and

(k) The transferor shall remain liable for all of the obligations to Franchisor in connection with the Restaurant that arose prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability.

**13.03 Special Transfers.** Neither Section 13.05 nor Section 13.02(e) shall apply to any Transfer to an Entity formed solely for the convenience of ownership, or among any of Franchisee's then-current Owners.

**13.04 Death or Disability of Franchisee.** Upon Franchisee's death or permanent disability, or the death or permanent disability of the Operating Partner or an Owner of a controlling interest in Franchisee, the executor, administrator or other personal representative of such person shall transfer his or her interest in this Agreement or his or her interest in Franchisee to a third party approved by Franchisor in accordance with all of the applicable provisions of Section 13 within a reasonable period of time, not to exceed six (6) months from the date of death or permanent disability.

**13.05 Franchisor's Right of First Refusal.** If Franchisee or any of its Owners desire to consummate a Transfer, Franchisee or such Owner must obtain a *bona fide*, executed written offer from a responsible and fully disclosed purchaser and must deliver immediately to Franchisor a complete and accurate copy of such offer. If the offeror proposes to buy any other property or rights from Franchisee or any of its Owners or Affiliates (other than rights with respect to other Pizza Karma Restaurants or an

ownership interest therein) as part of the *bona fide* offer, the proposal for such property or rights must be set forth in a separate, contemporaneous offer that is fully disclosed to Franchisor, but which will not be part of this right of first refusal.

Franchisor has the option, exercisable by notice delivered to Franchisee or its Owners, as applicable, within thirty (30) days from the date of delivery of a complete and accurate copy of such offer to Franchisor, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that: (a) Franchisor may substitute cash for any form of payment proposed in such offer; (b) Franchisor's credit shall be deemed equal to the credit of any proposed purchaser; and (c) Franchisor will have not less than ninety (90) days from the option exercise date to consummate the transaction. Franchisor has the right to investigate and analyze the Restaurant, assets and liabilities and all other matters it deems necessary or desirable in order to make an informed investment decision with respect to the fairness of the terms of the transaction triggering the right of first refusal. Franchisor may conduct such investigation and analysis in any manner it deems reasonably appropriate, and Franchisee and its Owners must cooperate fully with Franchisor in connection therewith.

If Franchisor exercises its option to purchase, Franchisor is entitled to purchase such interest subject to all representations and warranties, closing documents and indemnities as are customary for a transaction of this type. If Franchisor does not exercise its option to purchase, Franchisee or its Owners, as applicable, may complete the sale to such offeror pursuant to and on the exact terms of such offer, subject to Franchisor's approval of the Transfer as provided in Sections 13.01 and 13.02, provided that if the sale to such offeror is not completed within ninety (90) days after delivery of such offer to Franchisor, or if there is a material change in the terms of the offer, Franchisee or such Owners, as applicable, must promptly notify Franchisor, which will have an additional option to purchase (on the terms of the revised offer, if any, and otherwise as set forth herein) during the thirty (30)-day period following such notification of the expiration of the ninety (90)-day period or the material change to the terms of the offer.

#### **13.06 Intentionally Omitted.**

**13.07 Transfer by Franchisor.** This Agreement may be unilaterally assigned by Franchisor and shall inure to the benefit of its successors and assigns. Franchisee agrees and affirms that Franchisor may sell itself, its assets, the Marks and/or the System to a third-party; may go public; may engage in private placement of some or all of its securities; may merge, acquire other Entities, or be acquired by another Entity; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. Franchisee further agrees and affirms that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or noncompetitive franchise network, chain or any other Restaurant regardless of the location of that chain's or Restaurant's facilities, and to operate, franchise or license those Restaurants and/or facilities as Pizza Karma Restaurants operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of these facilities, which Franchisee acknowledges may be proximate to the Restaurant. With regard to any of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor's name, the Marks (or any variation thereof) and the System and/or the loss of association with or identification of Franchisor under this Agreement.

### **14. TERMINATION OF AGREEMENT.**

**14.01 Termination by Franchisee.** Franchisee may terminate this Agreement if Franchisee is in substantial compliance with this Agreement and Franchisor materially breaches this Agreement and fails to cure such material breach within ninety (90) days after written notice thereof is delivered to Franchisor. Notwithstanding the foregoing, if the breach is curable but is of a nature that cannot reasonably be cured

within such ninety (90) day period and Franchisor has commenced and is continuing to make good faith efforts to cure such breach, Franchisor shall be given an additional sixty (60) day period to cure the same, and this Agreement shall not terminate. In the event of termination by Franchisee, all post-termination obligations of Franchisee described herein shall not be waived but shall be strictly adhered to by Franchisee.

**14.02 Termination by Franchisor without a Cure Period.** Franchisor may immediately terminate this Agreement upon written notice to Franchisee, without opportunity to cure, if:

(a) Franchisee files a petition under any bankruptcy or reorganization law, becomes insolvent, or has a trustee or receiver appointed by a court of competent jurisdiction for all or any part of its property;

(b) Franchisee seeks to effect a plan of liquidation, reorganization, composition or arrangement of its affairs, whether or not the same shall be subsequently approved by a court of competent jurisdiction; it being understood that in no event shall this Agreement or any right or interest hereunder be deemed an asset in any insolvency, receivership, bankruptcy, composition, liquidation, arrangement or reorganization proceeding;

(c) Franchisee has an involuntary proceeding filed against it under any bankruptcy, reorganization, or similar law and such proceeding is not dismissed within sixty (60) days thereafter;

(d) Franchisee makes a general assignment for the benefit of its creditors;

(e) Franchisee fails to pay when due any amount owed to Franchisor or its Affiliates, whether under this Agreement or not, and Franchisee does not correct such failure within five (5) days after written notice thereof is delivered to Franchisee;

(f) Franchisee fails to pay when due any amount owed to any creditor, lessor, supplier or vendor of the Restaurant or the Premises or any taxing authority for federal, state or local taxes (other than amounts being bona fide disputed through appropriate proceedings) and Franchisee does not correct such failure within five (5) days after written notice is delivered thereof to Franchisee;

(g) Franchisee and/or the Operating Partner and General Manager, if applicable, fail to complete the initial training program within ten (10) weeks of the execution of this Agreement to Franchisor's satisfaction, in its sole discretion, except for any delay that is agreed to in writing by Franchisor, in its sole discretion;

(h) Franchisee fails to commence operation of the Restaurant at the Premises within twelve (12) months after execution of this Agreement, except for any delay that is agreed to in writing by Franchisor, in its sole discretion;

(i) Following commencement of the operation of the Restaurant, Franchisee abandons the Restaurant, or ceases to operate the Restaurant for more than three (3) consecutive Restaurant days, or five (5) individual days in any twelve (12) month period, without Franchisor's prior written consent;

(j) Franchisee or any of the Owners are convicted of or plead no contest to a felony, a crime involving moral turpitude or any other crime or offense that is likely to adversely affect the reputation of the System and the goodwill associated with the Marks;

(k) Franchisee operates the Restaurant in a manner that presents a health or safety hazard to Franchisee's customers, employees or the public;

(l) Franchisee makes a material misrepresentation to Franchisor before or after being granted the franchise or knowingly maintains false books and records;

(m) Franchisee, any Owner or any other Person makes an unauthorized Transfer of this Agreement, the franchise, the Restaurant or an ownership interest in Franchisee or Franchisee's Owners;

(n) Franchisee or any Restricted Party breaches or fails to comply fully with Section 7 above;

(o) Franchisee (i) misuses or makes an unauthorized use of or misappropriates any Mark, (ii) commits any act which can be reasonably expected to materially impair the goodwill associated with any Mark, (iii) challenges Franchisor's ownership of any Mark or (iv) files a lawsuit involving any Mark without Franchisor's consent;

(p) The Restaurant or the Premises is seized, taken over or foreclosed by a government official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor, a final judgment against Franchisee remains unsatisfied for thirty (30) days (unless a supersedes or other appeal bond has been filed), or a levy of execution has been made upon the license granted by this Agreement or any property used in the franchised Restaurant or the Restaurant, and it is not discharged within five (5) days of such levy;

(q) Franchisee fails to comply with all applicable laws and ordinances relating to the Restaurant, including Anti-Terrorism Laws, or if Franchisee's or any of its Owner's assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or Franchisee or any of its Owners otherwise violate any such law, ordinance, or regulation;

(r) Franchisee fails to comply with any law or regulation, or obtain required permit or license, within fifteen (15) days after notice;

(s) Franchisee underreports any of Gross Sales during any period by more than five percent (5%), or by more than two percent (2%) three (3) or more times within any eighteen (18) month period;

(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 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

### **15. RENEWAL RIGHTS.**

**15.01 Right To Acquire a Successor Franchise.** Franchisee has the right, subject to the conditions contained in this Section 15, to acquire a successor franchise for the Restaurant for one (1) additional ten (10) year term on the terms and conditions of the then-current form of franchise agreement for Pizza Karma Restaurants, if upon expiration of the applicable Term: (a) Franchisee and its Owners and Affiliates are in compliance with this Agreement and any other agreements with Franchisor or any of its Affiliates, and Franchisee and its Owners have been in substantial compliance with this Agreement throughout the Term; (b) Franchisor has not notified Franchisee of its decision that any federal or applicable state legislation, regulation or rule, which is enacted, promulgated or amended after the date hereof, may have an adverse effect on Franchisor's rights, remedies or discretion in franchising Pizza Karma Restaurants such that it creates an unreasonable or overly burdensome requirement on Franchisor's ability to continue to offer franchises in such location; and (c) the following additional conditions have been met: (i) Franchisee maintains the right to possession of the Premises for the term of the successor franchise agreement; (ii) Franchisee maintains all permits and licenses necessary to operate the Restaurant; (iii) Franchisee is current in all obligations to Franchisor and its Affiliates, and System lessors, vendors and suppliers; and (iv) if

required by Franchisor, Franchisee enters into an agreement with Franchisor whereby Franchisee agrees within a specified time period (not to exceed six (6) months), to send required personnel, at Franchisee's expense, to such training programs established and required by Franchisor. Upon the exercise of the right to acquire a successor franchise, Franchisee shall pay to Franchisor a renewal fee equal to \$10,000 at the time of renewal.

Franchisee's acquisition of a successor franchise is further conditioned on Franchisee refurbishing the premises of the Restaurant at Franchisee's expense to conform the Restaurant to the then-current image for new Restaurants, including, without limitation, with respect to trade dress, color schemes and presentation of the Marks ("Refurbishments"). Refurbishments may include structural changes, installation of new equipment and signs, remodeling, redecoration and modifications to existing improvements. Refurbishments are intended to be large-scale re-equipping, refurbishing and remodeling of the Restaurant, and nothing contained in this Section 15.01 will limit Franchisee's other obligations under this Agreement or the Operations Manual.

**15.02 Notices.** Franchisee must give Franchisor written notice of its desire to acquire a successor franchise not less than six (6) months nor more than nine (9) months prior to the expiration of this Agreement. Notwithstanding any notice or communication of Franchisor to Franchisee that Franchisee has the right to acquire a successor franchise for the Restaurant, Franchisee's right will be subject to its continued compliance with all the provisions of this Agreement up to the date of its expiration. The written notice must include a plan to Franchisor outlining the Refurbishments that Franchisee plans to undertake prior to the expiration of this Agreement. Each such plan must be approved by Franchisor prior to Franchisee commencing any Refurbishments.

**15.03 Agreements.** If Franchisee has the right to acquire a successor franchise in accordance with Section 15.01 and states its desire to exercise that right in accordance with Section 15.02, Franchisor and Franchisee (and its Owners) will execute the form of franchise agreement (which may contain provisions, including royalty fees, materially different from those contained herein) and all ancillary agreements (including, personal guarantees by Franchisee's Owners on such terms as Franchisor determines to be appropriate) which Franchisor then customarily uses in granting franchises for the operation of Pizza Karma Restaurants (collectively, the "New Agreements"), and Franchisee and its Owners must execute general releases, in form and substance satisfactory to Franchisor, of any and all 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, National Marketing 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 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 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, National Marketing 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, National Marketing 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 inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply such covenant, the parties acknowledge and agree that (i) this Agreement (and the relationship of the parties which arises from this Agreement) grants Franchisor the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's explicit rights and obligations hereunder that may affect favorably or adversely Franchisee's interests; (ii) Franchisor will use its judgment in exercising such discretion based on its assessment of its own interests and balancing those interests against the interests of the owners of Pizza Karma Restaurants generally (including Franchisor's Affiliates and other franchisees and licensees), and specifically without considering Franchisee's individual interests or the individual interests of any other particular franchisee; (iii) Franchisor will have no liability to Franchisee for the exercise of its discretion in this manner so long as such discretion is not exercised in bad faith toward Franchisee; and (iv) in the absence of such bad faith, no trier of fact in any legal action or arbitration proceeding shall substitute its judgment for Franchisor's judgment so exercised.

(c) During the Term, Franchisee agrees as follows:

(i) Franchisee has no authority to employ or engage persons on behalf of Franchisor, and NO EMPLOYEES, INDEPENDENT CONTRACTORS OR AGENTS OF FRANCHISEE SHALL BE DEEMED TO BE EMPLOYEES, INDEPENDENT CONTRACTORS OR AGENTS OF FRANCHISOR, EACH OF WHICH SHALL AT ALL

TIMES REMAIN FRANCHISEE'S EMPLOYEES, INDEPENDENT CONTRACTORS OR AGENTS, AS APPLICABLE. SUBJECT TO THE TERMS OF THIS AGREEMENT, FRANCHISEE HAS SOLE AND EXCLUSIVE CONTROL OVER ITS LABOR AND EMPLOYEE RELATIONS POLICIES, AND ITS POLICIES RELATING TO WAGES, HOURS, SCHEDULING AND WORKING CONDITIONS OF ITS EMPLOYEES. FRANCHISEE HAS THE SOLE AND EXCLUSIVE RIGHT TO HIRE, TRANSFER, SUSPEND, LAY OFF, RECALL, PROMOTE, ASSIGN, DISCIPLINE AND DISCHARGE ITS EMPLOYEES AND TO RESPOND TO EMPLOYEE GRIEVANCES.

(ii) Franchisee is solely responsible for all salaries and other compensation of all its employees and will make all necessary salary deductions and withholdings from its employees' salaries and other compensation, and is solely responsible for the payment of any and all contributions, taxes and assessments and all other requirements of the Federal Social Security Administration, Federal and state unemployment compensation laws, Federal, state and local withholding of income tax laws on all salary and other compensation of its employees and any other laws affecting the income or withholdings of employees' wages.

(iii) Franchisee will comply (and will cause its employees to comply) with all other Federal, state or local laws, ordinances, rules, or regulations regarding its employees, including, but not limited to, Federal or state laws or regulations regarding minimum compensation, overtime and equal opportunity for employment, the Federal Civil Rights Acts, Age Discrimination in Employment Act, the Federal Fair Labor Standards Act, the Americans With Disabilities Act and the Family Leave Act.

**17.02 Indemnification.** Franchisee agrees to indemnify Franchisor, its Affiliates and its and their respective directors, managers, officers, employees, shareholders, members, agents, successors and assigns (collectively "Indemnitees"), and to hold the Indemnitees harmless to the fullest extent permitted by law, from any and all Losses and Expenses (as defined below) incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether it is reduced to judgment) or any settlement thereof which arises directly or indirectly from, or as a result of, a claim of a third party against any one or more of the Indemnitees in connection with the development, ownership, operation or closing of the Restaurant or Franchisee's breach of this Agreement, and regardless of whether it resulted from any strict or vicarious liability imposed by law on the Indemnitees, provided, however, that this indemnity will not apply to any liability arising from a breach of this Agreement by the Indemnitees or the gross negligence or willful acts of the Indemnitees (except to the extent that joint liability is involved, in which event the indemnification provided herein will extend to any finding of comparative or contributory negligence attributable to Franchisee). For purposes hereof "Losses and Expenses" includes obligations, damages (actual, consequential or otherwise) and costs reasonably incurred in the defense of any claim against any of the Indemnitees, including, without limitation, reasonable accountants', arbitrators', attorneys' and expert witness fees. Franchisor agrees to give Franchisee reasonable notice of any event of which Franchisor becomes aware for which indemnification may be required. Franchisor has the exclusive right to defend any such claim. This indemnity will continue in effect after the expiration or termination of this Agreement.

**17.03 Taxes.** Franchisee shall promptly pay when due all taxes levied or assessed by reason of its operation and performance under this Agreement including, but not limited to, if applicable, state employment tax, state sales tax (including any sales or use tax on equipment purchased or leased) and all other taxes and expenses of operating the Restaurant. In no event shall Franchisee permit a tax sale or seizure by levy or execution or similar writ or warrant to occur against the Restaurant, the Premises or any tangible personal property used in connection with the operation of the Restaurant.

## **18. DISPUTE RESOLUTION.**

**18.01 Injunctive Relief and Attorneys' Fees.** Franchisor and Franchisee will each be entitled to the entry of temporary restraining orders and temporary and permanent injunctions to: (i) enforce Franchisee and Franchisor's ability to terminate this Agreement for the causes set forth in Section 16 of this Agreement; and (ii) prevent or remedy a breach of this Agreement if that breach could materially impair the goodwill associated with Franchisee or Franchisor's business, including but not limited to, the enforcement of obligations upon termination of this Agreement and the enforcement of the non-compete provisions of this Agreement. Franchisor and Franchisee will also be entitled to the entry of temporary restraining orders and temporary and permanent injunctions enforcing these provisions. If Franchisor is successful in obtaining an injunction, or any other judicial relief or order from an arbitrator against Franchisee, or in successfully defending any claim Franchisee has brought against Franchisor, Franchisee will pay Franchisor an amount equal to all of Franchisor's costs of prosecuting and defending the action, including reasonable attorneys' fees, costs of investigation, court and arbitration costs, and other litigation or arbitration expenses. Franchisor and Franchisee's respective rights to obtain injunctive or other equitable relief is in addition to any other right Franchisor or Franchisee may have under this Agreement. It will in no way limit or prohibit Franchisor from obtaining money damages from Franchisee if Franchisee breaches this Agreement.

**18.02 Mediation.** Except where it is necessary for either Franchisor or Franchisee to obtain equitable relief to preserve the goodwill of their respective businesses (including, but not limited to, the enforcement of obligations upon termination of this Agreement and the covenants not to compete contained in this Agreement), Franchisor and Franchisee each agree to enter into mediation of all disputes involving this Agreement or any other aspect of the relationship between them, for a minimum of four (4) hours, before initiating any legal action or arbitration against the other. Upon written notice by either Franchisee to Franchisor, to the other, of Franchisee or Franchisor's desire to mediate, the party receiving the notice will select an independent entity that provides mediation services to serve as mediator in the proceeding. If the party receiving the notice of intent to mediate does not name such an organization within ten (10) days from the date the notice of intention to mediate is received, then the other party may proceed as if this Section 18.02 did not exist, or, at its option, make the selection of the organization to provide mediation services. If Franchisee or Franchisor selects an organization that is unwilling to serve as mediator, then the other party may select the organization. Once the organization is designated and agrees to accept the appointment as mediator, the organization will be directed to schedule a mediation proceeding at a time mutually convenient to Franchisee and Franchisor. The mediation will be held within thirty (30) days following receipt by the mediation organization of notification that its services are requested. If Franchisee and Franchisor cannot agree on a date for mediation, then the mediation organization will select a date it believes is reasonable for both parties, given all of the claimed conflicts in dates. The person actually mediating the dispute will be required to have at least ten (10) years of experience as either a franchisee or franchisor (or as an officer of such an entity) or in franchise law. Franchisor and Franchisee will equally share the cost of the mediator. The mediator will select the location for the mediation, but unless Franchisor and Franchisee agree otherwise, the mediation will be held in a metropolitan area within twenty (20) miles of Franchisor's principal office.

Except for the matters identified above where Franchisor or Franchisee are permitted to seek injunctive relief without first mediating the dispute, if either party initiates litigation or arbitration without complying with their obligation to mediate in accordance with this paragraph (unless the other party has failed to respond on a timely basis or has indicated it will not engage in mediation in accordance with the provisions of this Section), then upon petition of whichever of the parties has a lawsuit or arbitration proceeding brought against it, the court or arbitrator will dismiss the litigation or arbitration without prejudice, and award reasonable attorneys' fees and costs to the party seeking dismissal in an amount equal

to the reasonable attorneys' fees and costs the party seeking dismissal incurred. If the court or arbitrator refuses for any reason to dismiss the action, then regardless of the outcome of the action, or of any award given in the action, the party initiating the litigation or arbitration will be responsible for all reasonable attorneys' fees and costs incurred throughout the litigation or arbitration by the other party as damages for failing to comply with the provisions of this Section.

**18.03 Arbitration.** EXCEPT IN SO FAR AS FRANCHISOR OR FRANCHISEE SEEKS TO ENFORCE THIS AGREEMENT BY JUDICIAL PROCESS AND INJUNCTION AS PROVIDED IN, AND EXCEPT FOR CONTROVERSIES, CLAIMS OR DISPUTES BASED ON FRANCHISEE'S USE OF THE MARKS, ALL CONTROVERSIES, CLAIMS OR DISPUTES BETWEEN FRANCHISOR AND FRANCHISEE ARISING OUT OF OR RELATING TO (A) THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN FRANCHISOR AND FRANCHISEE, (B) THE RELATIONSHIP BETWEEN FRANCHISEE AND FRANCHISOR OR (C) THE SCOPE AND VALIDITY OF THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN FRANCHISOR AND FRANCHISEE (INCLUDING THE SCOPE AND VALIDITY OF THE ARBITRATION OBLIGATIONS UNDER THIS SECTION, WHICH FRANCHISOR AND FRANCHISEE ACKNOWLEDGE IS TO BE DETERMINED BY AN ARBITRATOR AND NOT A COURT) SHALL BE DETERMINED BY ARBITRATION WITH THE AMERICAN ARBITRATION ASSOCIATION ("AAA") AT THE OFFICE OF THE AAA CLOSEST TO FRANCHISOR'S PRINCIPAL EXECUTIVE OFFICE ON THE DATE OF SUBMISSION OF THE MATTER TO THE AAA.

The arbitration proceedings will be conducted by one arbitrator and, except as this Section 18 otherwise provides, according to the AAA's then current rules. All matters relating to arbitration will be governed by the United States Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

The arbitrator appointed must have at least ten (10) years' experience in franchising or franchise law, and the arbitrator will be instructed that he or she must follow the substantive law and the other requirements, waivers, and limitations of this Agreement. The arbitrator will have no authority to add, delete, or modify in any manner the terms and provisions of this Agreement. All findings, judgments, decisions, and awards of the arbitrator will be limited to the dispute or controversy set forth in the written demand for arbitration and response to that demand. The arbitrator may not award any relief that was not specifically requested by the parties before the start of the arbitration hearing, and the arbitrator may not declare any Mark generic or otherwise invalid or, except as expressly provided in Section 18.06 below, award any punitive, exemplary or multiple damages against either party (Franchisor and Franchisee hereby waiving to the fullest extent permitted by law, except as expressly provided in Section 18.06 below, any right to or claim for any punitive, exemplary or multiple damages against the other). The arbitrator will have the right to award or include in any award the specific performance of this Agreement, but will be required to file a reasoned brief with his or her award.

Franchisor and Franchisee agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. Franchisor and Franchisee further agree that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the United States Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either Franchisee or Franchisor.

Franchisor and Franchisee agree that arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between Franchisor and Franchisor's affiliates, and

Franchisor's and their respective shareholders, officers, directors, managers, agents, and/or employees, and Franchisee (and/or Franchisee's Owners, guarantors, affiliates, and/or employees) may not be consolidated with any other arbitration proceeding between Franchisor and any other person.

Franchisor and Franchisee acknowledge that judgment upon an arbitration order may be entered in any court of competent jurisdiction and will be binding, final, and nonappealable, except for mistakes of law, as permitted under the United States Arbitration Act or for failure of the arbitrator to meet the requirements of this Section. Unless this Agreement is terminated in accordance with the provisions herein, during the pendency of any arbitration proceeding, Franchisor and Franchisee will fully perform the requirements of this Agreement.

If there is any dispute as to whether a particular claim or matter is subject to arbitration, and the matter relates to an issue for which either party seeks an injunction in accordance with the provisions of Section 18.01, the arbitrability of the claim will be determined by the court that would otherwise hear the motion to issue the injunction. In the case of a dispute as to the arbitrability of any other claim brought by either party against the other, the decision as to whether or not the claim is subject to arbitration will be made by the arbitrator appointed in accordance with this Agreement.

The provisions of this Section 18 are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

**18.04 Jurisdiction and Venue.** For actions that are not subject to mandatory arbitration under Section 18.03, FRANCHISEE HEREBY SUBMITS AND IRREVOCABLY CONSENTS TO THE EXCLUSIVE JURISDICTION OF THE FEDERAL AND STATE COURTS FOR THE DISTRICT WHERE FRANCHISOR'S PRINCIPAL EXECUTIVE OFFICE IS LOCATED ON THE DATE OF THE FILING OF THE ACTION, AND AGREES NOT TO RAISE AND HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION BASED UPON *FORUM NON CONVENIENS* OR ANY OTHER OBJECTION IT MAY NOW HAVE OR HEREAFTER HAVE TO SUCH JURISDICTION OR VENUE. Further, nothing herein contained shall bar Franchisor's right to obtain injunctive relief against threatened conduct that will cause irreparable harm.

**18.05 Waiver of Right to Jury Trial.** TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW THAT CANNOT BE WAIVED, THE PARTIES HERETO HEREBY WAIVE, AND COVENANT THAT THEY SHALL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT, OR OTHERWISE), ANY RIGHT TO TRIAL BY JURY IN ANY ACTION ARISING IN WHOLE OR IN PART UNDER OR IN CONNECTION WITH THIS AGREEMENT.

**18.06 Damages and Timing of Claims.** The parties agree that neither party shall have the right to receive or collect punitive or exemplary damages from the other party. Any and all claims and actions arising out of or relating to this Agreement, the relationship between Franchisee and Franchisor, or the operation of the franchise and the Restaurant brought by Franchisee, the Owners or the Restricted Parties against Franchisor shall be commenced within one (1) year from the discovery of the facts giving rise to any such claim or action, or such claim or action shall be barred. The parties understand that such time limit may be shorter than otherwise allowed by law. Franchisee, the Owners and the Restricted Parties agree that their sole recourse for claims arising between the parties shall be against Franchisor and its successors and assigns. Franchisee, the Owners and the Restricted Parties agree that the owners, directors, managers, officers, employees and agents of Franchisor and its Affiliates shall not be personally liable nor named as a party in any action between Franchisor and Franchisee and/or any Owner or Restricted Party.

## 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 to the extent provided by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051 et seq.) or other applicable federal law, and the terms of this Agreement shall be interpreted and construed in accordance with the laws of the State of Minnesota without regard to its conflicts of laws provisions.

**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.

**19.06 Costs and Attorneys' Fees.** If Franchisor incurs any expenses in connection with Franchisee's failure to pay any amounts it owes when due, submit any required reports when due or otherwise comply with this Agreement, Franchisee agrees to reimburse Franchisor for any of the costs and expenses that Franchisor incurs, including, without limitation, reasonable accounting, attorneys', arbitrators' and related fees.

**19.07 Waiver.** No waiver, delay, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising from any default or breach by Franchisee shall affect or impair the

rights of Franchisor with respect to any subsequent default of the same or a different kind; nor shall any delay or omission of Franchisor to exercise any right arising from any such default affect or impair Franchisor's rights as to such default or any future default. However, Franchisee agrees that it will give Franchisor immediate written notice of any claimed breach or violation of this Agreement as soon as possible after it has knowledge, or determine, or are of the opinion, that there has been a breach or violation by Franchisor of this Agreement. If Franchisee fails to give written notice to us of any claimed misrepresentation, violation of law, or breach of this Agreement within one (1) year from the date it has knowledge, determine, are of the opinion, or become aware of facts and circumstances reasonably indicating, that Franchisee may have a claim against Franchisor or against any of its affiliates under any state law, federal law, or common law, then the misrepresentation, violation of law, or breach will be considered to have been condoned, approved and waived by Franchisee, and Franchisee will be barred from beginning any legal, arbitration, or other action against Franchisor or against its affiliates, or from instituting any counterclaim against Franchisor or its affiliates, for the misrepresentation, violation of law, or breach, or from using the alleged act or omission as a defense to any action Franchisor may maintain against Franchisee.

**19.08 Severability.** If any term, restriction or covenant of this Agreement is deemed invalid or unenforceable, all other terms, restrictions and covenants and the application thereof to all Persons and circumstances subject hereto shall remain unaffected to the extent permitted by law; and if any application of any term, restriction or covenant to any Person or circumstance is deemed invalid or unenforceable, the application of such term, restriction or covenant to other Persons and circumstances shall remain unaffected to the extent permitted by law.

**19.09 Force Majeure.** Neither Franchisor nor Franchisee will be liable for loss or damage or deemed to be in breach of this Agreement if Franchisor's or Franchisee's failure to perform any obligation results from: (a) transportation shortages, inadequate supply of equipment, products, supplies, labor, material or energy or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency thereof; (b) acts of God; (c) fires, strikes, embargoes, wars or riots; or (d) any other similar event or cause beyond the control of the affected party. Any delay resulting from any of said causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that said causes will not excuse payments of amounts owed by Franchisee to Franchisor hereunder.

**19.10 Delegation by Franchisor.** Franchisor shall have the right to delegate performance of any or all of its obligations and duties hereunder. Franchisee hereby agrees to any such delegation.

**19.11 No Right of Set Off.** Franchisee agrees that it will not set off or withhold payment of any amounts it owes Franchisor on the grounds of Franchisor's alleged nonperformance of any of Franchisor's obligations under this Agreement or for any other reason. Franchisee agrees that all such claims will, if not otherwise resolved, be submitted to arbitration as provided in Section 18.03.

**19.12 Cumulative Rights.** The rights granted hereunder are cumulative, and no exercise or enforcement by either party of any right or remedy hereunder will preclude the exercise or enforcement of any other right or remedy to which either Franchisor or Franchisee are entitled.

**19.13 Entire Agreement; Modification.** This Agreement and any addendum, schedule or exhibit attached hereto contains the entire agreement between the parties hereto relating to the operation of the Restaurant and the franchised business and no representations, inducements, promises, agreements, arrangements or undertakings, oral or written, have been made or relied upon by the parties other than those set forth herein. No agreement altering, changing, waiving or modifying any of the terms and



conditions of this Agreement shall be binding upon either party unless and until the same is made in writing and executed by all interested parties. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require Franchisee to waive reliance on any representation that Franchisor made in Franchisor's most recent franchise disclosure document (including its exhibits and amendments) that Franchisor delivered to Franchisee or Franchisee's representative.

**19.14 Counterparts.** This Agreement may be signed in multiple counterpart copies, each of which will be deemed an original, and all of which together constitute one and the same document.

**19.15 Time is of the Essence.** Franchisee understands that time is of the essence with respect to its obligations hereunder.

**19.16 Anti-Terrorism Laws.**

(a) Franchisee and the Owners agree to comply with and/or to assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Anti-Terrorism Laws. In connection with such compliance, Franchisee and the Owners certify, represent, and warrant that none of their property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and the Owners are not otherwise in violation of any of the Anti-Terrorism Laws.

(b) "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States ("Executive Order 13224"), the Terrorism Sanctions Regulation (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control, and any other government agency with jurisdiction over the parties to this Agreement and/or their actions) addressing or in any way relating to terrorist acts and/or acts of war.

(c) Franchisee and the Owners certify that none of them, their respective employees, agents, bankers, Affiliates or anyone associated with them is listed in the Annex to Executive Order 13224. Franchisee agrees not to hire (or, if already employed, retain the employment of) any individual who is listed in the Annex. (A copy of the Annex can be accessed on the Internet at the following address: <http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>.)

(d) Franchisee is solely responsible for ascertaining what actions it must take to comply with the Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that Franchisee's indemnification responsibilities set forth in Section 17.02 above of this Agreement pertain to Franchisee's obligations under this Section 19.16.

(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.

**[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)

[SIGNATURE PAGE TO KARMA FRANCHISE LLC FRANCHISE AGREEMENT]

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

1. The approved location of the Restaurant shall be:

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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:

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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 B  
LIST OF OWNERS AND OPERATING PARTNER**

**FRANCHISEE'S OWNERS**

The following identifies all of Franchisee's Owners, including each Owner's address and percentage of beneficial interest in Franchisee:

<b>Name of Principal</b>	<b>Address, Telephone, Email</b>	<b>Interest (%) with Description</b>
		<b>Total %:</b>

**FRANCHISEE'S OPERATING PARTNER**

The following identifies Franchisee's Operating Partner, including his/her contact information and percentage of beneficial interest in Franchisee:

<b>Name of Operating Principal</b>	<b>Address, Telephone, Email</b>	<b>Interest (%) with Description</b>

**KARMA FRANCHISE LLC**

Initial: \_\_\_\_\_

Date: \_\_\_\_\_

**FRANCHISEE**

Initial: \_\_\_\_\_

Date: \_\_\_\_\_

**KARMA FRANCHISE LLC  
FRANCHISE AGREEMENT  
EXHIBIT C  
GUARANTY, INDEMNIFICATION, AND ACKNOWLEDGMENT**

As an inducement to Karma Franchise LLC (“**Franchisor**”) to enter into the Franchise Agreement between Franchisor and \_\_\_\_\_ (“**Franchisee**”), dated \_\_\_\_\_, 20\_\_\_\_ (the “**Agreement**”), the undersigned hereby unconditionally guarantees to Franchisor and Franchisor’s successors and assigns that all of Franchisee’s covenants and obligations, including, without limitation, monetary obligations, under the Agreement will be punctually paid and performed. This Guaranty, Indemnification, and Acknowledgment (this “**Guaranty**”) is an unconditional, irrevocable and absolute guaranty of payment and performance and may not be cancelled, terminated, modified, or amended except by written agreement executed by both parties.

Upon demand by Franchisor, the undersigned hereby agrees to immediately make each payment required of Franchisee under the Agreement and waive any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; or (d) give notice of demand for payment by Franchisee. Without affecting the obligations of the undersigned under this Guaranty, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee, and the undersigned hereby waives notice of same and agrees to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned hereby agrees to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney’s fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein.

The undersigned hereby acknowledges and expressly agrees to be personally bound by all of the covenants contained in the Agreement, including, without limitation, those covenants contained in Sections 7, 13, 14, 18, and 19. Signature by the undersigned on this Guaranty constitutes the undersigned’s signature on the Agreement related to all covenants. The undersigned asserts that he or she has read such covenants, been advised by counsel regarding their effect, and hereby affirmatively agree to them in order to secure the rights granted to Franchisee by Franchisor under the Agreement. The undersigned further acknowledges and agrees that this Guaranty does not grant the undersigned any right to use the “Pizza Karma” marks or system licensed to Franchisee under the Agreement.

This Guaranty shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guaranty, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors, if any, will continue in full force and effect.

The undersigned, if more than one, shall be jointly and severally liable hereunder and the term "undersigned" shall mean the undersigned or any one or more of them. Anyone signing this Guaranty shall be bound thereto at any time. Any married person who signs this Guaranty hereby expressly agrees that recourse may be had against his/her community and separate property for all obligations under this Guaranty.

The undersigned represents and warrants to Franchisor that neither the undersigned (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

Any and all notices required or permitted under this Guaranty shall be in writing and shall be personally delivered, in the manner provided under the Agreement.

Unless specifically stated otherwise, the terms used in this Guaranty shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with the Agreement. This Guaranty shall be governed by the dispute resolution provisions of the Agreement, and shall be interpreted and construed under the laws of the State of Minnesota. In the event of any conflict of law, the laws of the State of Minnesota shall prevail (without regard to, and without giving effect to, the application of Minnesota conflict of law rules).

**IN WITNESS WHEREOF**, the undersigned has executed this Guaranty, Indemnification and Acknowledgement as of the date of the Agreement.

**GUARANTOR(S):**

\_\_\_\_\_  
Print Name: \_\_\_\_\_

\_\_\_\_\_  
Print Name: \_\_\_\_\_

\_\_\_\_\_  
Print Name: \_\_\_\_\_

\_\_\_\_\_  
Print Name: \_\_\_\_\_

\_\_\_\_\_  
Print Name: \_\_\_\_\_

**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 National Marketing 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**



### CREDIT CARD AUTHORIZATION

Credit Card Information
Card Type: <input type="checkbox"/> MasterCard <input type="checkbox"/> VISA <input type="checkbox"/> Discover <input type="checkbox"/> AMEX <input type="checkbox"/> Other _____
Cardholder Name (as shown on card): _____
Card Number: _____
Expiration Date (mm/yy): _____
Security Code: _____
Cardholder ZIP Code (from credit card billing address): _____

Franchisee hereby authorizes Franchisor to charge the above-referenced card all amounts due to Franchisor or its affiliates pursuant to the Franchise Agreement and any other agreement between Franchisee and its affiliates and Franchisor. This authorization remains in full force and effect until sixty (60) days after the Franchisor has received written notification from the Franchisee of its termination. Franchisee understands that its information will be saved to file for all transactions.

Signature of Authorized Signer: \_\_\_\_\_

Date: \_\_\_\_\_

**KARMA FRANCHISE LLC  
FRANCHISE AGREEMENT  
EXHIBIT E  
PERSONAL COVENANTS**

These Personal Covenants are being made and executed in connection with that certain FRANCHISE AGREEMENT, dated as of the \_\_\_ day of \_\_\_\_\_, \_\_\_\_ (the “Franchise Agreement”), by and between KARMA FRANCHISE LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”). All capitalized terms used but not defined in these Personal Covenants shall have the meanings set forth in the Franchise Agreement.

Each of the undersigned hereby agrees that:

1. He or she is a Restricted Party.
2. As an inducement to Franchisor to enter into the Franchise Agreement, and in consideration of the direct and personal benefits the undersigned will derive from the Franchise Agreement, the undersigned acknowledges and agrees that: (a) he or she has read and understood Sections 7.01, 7.02, 7.03, 7.06, 13.05, 14.02 and 18.06 of the Franchise Agreement in their entirety; (b) he or she is and shall be personally bound by all of the obligations and covenants of Franchisee contained in such Sections as if such obligations and covenants were made and given personally thereby directly to Franchisor; and (c) such covenants and restrictions are reasonable, appropriate and necessary to protect the System, other Pizza Karma Restaurants and the legitimate interest of Franchisor and do not cause undue hardship on the undersigned.
3. If any sentence, clause, paragraph, or combination of any of them in Sections 7.01, 7.02, 7.03, 7.06, 13.05, 14.02 and 18.06 of the Franchise Agreement is held by a court of competent jurisdiction to be unenforceable as applied to the undersigned, then such unenforceable sentence, clause, paragraph, or combination may be modified by such court to the extent necessary to render it enforceable, and if it cannot be so modified, it shall be severed and the remainder of Sections 7.01, 7.02, 7.03, 7.06, 13.05, 14.02 and 18.06 of the Franchise Agreement shall remain in full force and effect.
4. These Personal Covenants shall be governed by the internal laws of the State of Minnesota, unless the law of another jurisdiction applies as provided for in Section 19.04 of the Franchise Agreement. These Personal Covenants may be enforced by Franchisor and its Affiliates in accordance with the terms of the Franchise Agreement.

The undersigned hereby execute and deliver this instrument effective as of the Effective Date of the Franchise Agreement.

\_\_\_\_\_  
[Name]

Date: \_\_\_\_\_

\_\_\_\_\_  
[Name]

Date: \_\_\_\_\_

\_\_\_\_\_  
[Name]

Date: \_\_\_\_\_

**KARMA FRANCHISE LLC  
FRANCHISE AGREEMENT  
EXHIBIT F**

**TELEPHONE NUMBER ASSIGNMENT AGREEMENT AND POWER OF ATTORNEY**

**FOR VALUE RECEIVED**, the undersigned (“Franchisee”) irrevocably assigns the telephone listing and numbers stated below and any successor, changed or replacement number or numbers effective upon the date of termination of the Franchise Agreement described below to Karma Franchise LLC upon the following terms:

1. This assignment is made under the terms of the Karma Franchise LLC Franchise Agreement dated \_\_\_\_\_, 20\_\_ authorizing Franchisee to operate a Pizza Karma Restaurant (the “Franchise Agreement”) between Franchisor and Franchisee, which in part pertains to the telephone listing and numbers the Franchisee uses in the operation of the Restaurant covered by the Franchise Agreement.

2. Franchisee retains the limited right to use the telephone listing and numbers only for transactions and advertising under the Franchise Agreement while the Franchise Agreement between Franchisor and Franchisee remains in full force, but upon termination or expiration of the Franchise Agreement, the Franchisee’s limited right of use of the telephone listing and numbers also terminates. In this event, Franchisee agrees to immediately discontinue use of all listings and numbers. At Franchisor’s request, Franchisee will immediately sign all documents, pay all monies, and take all other actions necessary to transfer the listing and numbers to Franchisor.

3. The telephone numbers, fax numbers, and affiliated listings subject to this assignment are: Main Telephone: \_\_\_\_\_, Facsimile: \_\_\_\_\_ and all numbers the Franchisee uses in the Restaurant in the future.

4. Franchisee shall pay all amounts owed for the use of the telephone numbers and affiliated listing it incurs. On termination or expiration of the Franchise Agreement, Franchisee shall immediately pay all amounts owed for the listing and telephone numbers, whether or not due, including all sums owed under existing contracts for telephone directory advertising.

5. Franchisee appoints Franchisor as its attorney-in-fact to act in Franchisee’s place for the purpose of assigning any telephone numbers covered by Paragraph 3 above to Franchisor or Franchisor’s designees or transferees. Franchisee grants Franchisor full authority to act in any manner proper or necessary to exercise these powers, including full power of substitution and signing or completion of all documents required or requested by any telephone company to transfer the numbers, and ratifies every act that Franchisor lawfully performs in exercising those powers.

This power of attorney is effective for ten (10) years from the date of expiration, cancellation or termination of Franchisee’s rights under the Franchise Agreement for any reason.

Franchisee intends that this power of attorney be coupled with an interest. Franchisee declares this power of attorney to be irrevocable and renounces all right to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney is not affected by the Franchisee’s later incapacity. This power is created to secure performance of a duty to Franchisor and is for consideration.

**THE PARTIES** have caused this Telephone Number Assignment Agreement and Power of Attorney to be duly signed as evidenced by their signatures appearing below. Signed the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**FRANCHISOR:**  
**KARMA FRANCHISE LLC**

**FRANCHISEE:**  
\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

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

**LEASE RIDER**

TO LEASE AGREEMENT DATED \_\_\_\_\_  
BY AND BETWEEN

\_\_\_\_\_, AS "LANDLORD"  
AND

\_\_\_\_\_, AS "TENANT" FOR THE DEMISED  
PREMISES ("PREMISES") DESCRIBED THEREIN

---

This Lease Rider (this "Rider") and the provisions hereof are hereby incorporated into the body of the lease to which this Rider is attached (the "Lease"), and the provisions hereof shall be cumulative of those set forth in the Lease, but to the extent of any conflict between any provisions of this Rider and the provisions of the Lease, this Rider shall govern and control.

1. Consent to Collateral Assignment to Franchisor; Disclaimer. Landlord acknowledges that Tenant intends to operate a Pizza Karma restaurant in the Premises and that Tenant's rights to operate a Pizza Karma restaurant and to use the Pizza Karma name, trademarks and service marks are solely pursuant to a franchise agreement ("Franchise Agreement") between Tenant and Karma Franchise LLC ("Franchisor"). Tenant's operations at the Premises are independently owned and operated. Landlord acknowledges that Tenant alone is responsible for all obligations under the Lease unless and until Franchisor or another franchisee expressly assumes such obligations and takes actual possession of the Premises. Notwithstanding any provisions of this Lease to the contrary, Landlord hereby consents, without payment of a fee and without the need for further Landlord consent, to (a) the collateral assignment of Tenant's interest in this Lease to Franchisor to secure Tenant's obligations to Franchisor under the Franchise Agreement, and/or (b) Franchisor's succeeding to Tenant's interest in the Lease as a result of Franchisor's exercise of rights or remedies under such collateral assignment or as a result of Franchisor's termination of, or exercise of rights or remedies granted in or under, the Franchise Agreement or any other agreement between Franchisor and Tenant, and/or (c) Tenant's, Franchisor's and/or any other franchisee of Franchisor's assignment of the Lease to another franchisee of Franchisor with whom Franchisor has executed its then-standard franchise agreement. Landlord, Tenant and Franchisor agree and acknowledge that simultaneously with such assignment pursuant to the immediately preceding sentence, Franchisor shall be released from all liability under the Lease or otherwise accruing after the date of such assignment (in the event Franchisor is acting as the assignor under such assignment), but neither Tenant nor any other franchisee shall be afforded such release in the event Tenant/such franchisee is the assignor unless otherwise agreed by Landlord. Landlord further agrees that all unexercised renewal or extension rights shall not be terminated in the event of any assignment referenced herein, but shall inure to the benefit of the applicable assignee.

2. Use of Premises. The Premises may be used only for the purpose of operating a restaurant under the Pizza Karma name, with all uses required as part of the Pizza Karma system of operation.

3. Radius/Relocation. Any radius restrictions or relocation provisions found in the Lease are hereby deleted and of no further force or effect.

4. Tenant's Signage. Notwithstanding anything contained in the Lease to the contrary or in conflict, Landlord hereby grants and approves the following signage rights:

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  
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.

AGREED and executed and delivered under seal by the parties hereto as of the day and year of the Lease.

**LANDLORD:** \_\_\_\_\_

**TENANT:** \_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_



**KARMA FRANCHISE LLC  
FRANCHISE AGREEMENT  
EXHIBIT H  
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, 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.

*[Signatures follow on next page.]*

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

**FRANCHISOR**

**KARMA FRANCHISE LLC**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**FRANCHISEE**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_

**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, 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.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement under seal as of the Effective Date.

**FRANCHISOR**

**KARMA FRANCHISE LLC**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**FRANCHISEE**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

Date: \_\_\_\_\_

**EXHIBIT C**  
**OPERATIONS MANUAL TABLE OF CONTENTS**  
(see attached)

# PIZZA KARMA Operations Manual

<b>I. Introduction (1 page)</b>	
<b>II. Index (7 pages)</b>	
<b>III. Brand &amp; Marketing Overview (8 pages)</b>	
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
<b>IV. People &amp; Culture (8 pages)</b>	
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
<b>V. Technology Overview (15 pages)</b>	
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
<b>VI. Equipment Overview (4 pages)</b>	
a. Equipment manual binder.....	1 page
b. Robot coupe overview.....	1 page
c. Cooler maintenance.....	1 page
d. Dish machine maintenance.....	1 page
<b>VII. Smallwares, Disposables and Supplies Overview (8 pages)</b>	
a. Smallwares use & storage.....	2 pages
b. Disposables use & storage.....	3 pages
c. Cleaning supplies use & storage.....	3 pages
<b>VIII. Store Appearance &amp; Cleanliness (8 pages)</b>	
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
<b>IX. Primary Processes &amp; Expectations (30 pages)</b>	
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 loading.....	2 pages
s. Produce washing.....	2 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 process.....	2 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 D**  
**FINANCIAL STATEMENTS**  
(see attached)



February 11, 2022

Raj Selvaraj  
Karma Franchise LLC  
3515 Plymouth Blvd #205  
Plymouth, MN 55447

Dear Mr. Selvaraj,

Boyum & Barescheer PLLP consents to the use in the Franchise Disclosure Document issued on February 11, 2022 by Karma Franchise LLC (“Franchisor”) of our report dated January 17, 2022, relating to the financial statements of the Franchisor for the period June 22, 2021 to December 31, 2021.

A handwritten signature in black ink, appearing to read 'Becky Gibbs'.

Becky Gibbs, CPA  
Boyum & Barescheer PLLP  
Minneapolis, Minnesota  
February 11, 2022

# PIZZA KARMA

*KARMA FRANCHISE LLC*

*FINANCIAL STATEMENTS*

*DECEMBER 31, 2021*

## CONTENTS

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<b>FINANCIAL STATEMENTS</b>	
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Statement of members' equity	5
Statement of cash flows	6
Notes to financial statements	7



## 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 & Barescheer PLLP*

Boyum & Barescheer, 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*

---

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

---

---

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

*KARMA FRANCHISE LLC*  
*STATEMENT OF MEMBERS' EQUITY*

---

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

---

---

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>	<b>25,000</b>
<i>Net increase in cash</i>	<b>25,000</b>

Cash, beginning of period	-
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<i>Cash, end of year</i>	<b>\$ 25,000</b>
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The Notes to the Financial Statements are an integral part of these statements.

**KARMA FRANCHISE LLC**

**NOTES TO THE FINANCIAL STATEMENTS**

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**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*

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**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*

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**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.

**EXHIBIT E**  
**LIST OF FRANCHISEES**

None.



**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 G**  
**STATE SPECIFIC ADDENDA**

## **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](http://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.

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.

YOU ARE ENCOURAGED TO CONSULT PRIVATE LEGAL COUNSEL TO DETERMINE THE APPLICABILITY OF CALIFORNIA AND FEDERAL LAWS (SUCH AS BUSINESS AND PROFESSIONS CODE SECTION 20040.5, CODE OF CIVIL PROCEDURES SECTION 1281, AND THE FEDERAL ARBITRATION ACT) TO ANY PROVISIONS OF A FRANCHISE AGREEMENT RESTRICTING VENUE TO A FORUM OUTSIDE THE STATE OF CALIFORNIA.

## **ADDENDUM REQUIRED BY THE STATE OF HAWAII**

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE HAWAII COMMISSIONER OF SECURITIES OR A FINDING BY THE HAWAII COMMISSIONER OF SECURITIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS BEFORE THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS BEFORE THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE DEVELOPMENT AGREEMENT AND THE FRANCHISE AGREEMENT. THESE CONTRACTS OR AGREEMENTS SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

The Franchise Agreement contains provisions requiring a general release as a condition of renewal and transfer of the franchise. Such release will exclude claims arising under the Hawaii Franchise Investment Law.

The Sections in the Franchise Agreement that relate to non-renewal, termination, and transfer are only applicable if they are not inconsistent with the Hawaii Franchise Investment Law. Otherwise, the Hawaii Franchise Investment Law will control.

The Franchise Agreement provides for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C. §101, et seq.).

Item 20 will be amended by the addition of the following paragraph:

As of the dates listed in Attachment 1, this Disclosure Document is or will be effective in Minnesota, North Dakota, and Wisconsin. No states have refused, by order or otherwise, to register these franchises. No states have revoked or suspended the right to offer these franchises. The proposed registration of these franchises has not been involuntarily withdrawn in any state.

## **ADDENDUM REQUIRED BY THE STATE OF ILLINOIS**

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.

#### **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.

#### **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, subds. 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.

#### **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 order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”: You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

#### **ADDENDUM REQUIRED BY THE STATE OF NORTH DAKOTA**

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 North Dakota law.

Although the Franchise Agreement provide that the place of arbitration will be held at the American Arbitration Association office that is closest to the location of our principal executive office, we agree that the place of arbitration will be a location that is in close proximity to the site of your business.

The Franchise Agreement requires that you consent to the jurisdiction of a court in close proximity to our principal executive offices. These provisions may not be enforceable under North Dakota law because North Dakota law precludes you from consenting to jurisdiction of any court outside of North Dakota.

Although the Franchise Agreement provides that the Franchise Agreement 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 North Dakota will govern the Franchise Agreement.

A contractual requirement that you sign a general release may be unenforceable under the laws of North Dakota.

Notwithstanding anything contained in the Franchise Agreement to the contrary, each party shall bear its own costs and expenses in connection with any enforcement action brought by either party under the Franchise Agreement.

To the extent any provisions of the Franchise Agreement or requires you to consent to a waiver of exemplary or punitive damages, these provisions will be deleted from the Agreements.

To the extent any provisions of the Franchise Agreement requires you to consent to a waiver of trial by jury, these provisions will be deemed null and void.

#### **ADDENDUM REQUIRED BY THE STATE OF RHODE ISLAND**

Even though our Franchise Agreement says the laws of Minnesota apply, § 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

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

#### **ADDENDUM REQUIRED BY THE STATE OF SOUTH DAKOTA**

Except as may be described in Item 3 of this Disclosure Document, neither we nor any person identified in Item 2 of this Disclosure Document has any material arbitration proceeding pending, or has during the 10 year period immediately preceding the date of this Disclosure Document been a party to concluded material arbitration proceedings.

Although the Franchise Agreement requires all arbitration proceedings to be held in the office of the American Arbitration Association closest to the location of our principal executive office, the site of any arbitration started under the Franchise Agreement will be at a site mutually agreed upon by you and us.

We may not terminate the Franchise Agreement for a breach, for failure to meet performance and quality standards and/or for failure to make royalty or advertising payments unless you receive 30 days prior written notice from us and you are provided with an opportunity to cure the defaults.

Covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of South Dakota.



The laws of the State of South Dakota will govern matters pertaining to franchise registration, employment, covenants not to compete, and other matters of local concern; but as to contractual and all other matters, the Franchise Agreement will be subject to the applications, construction, enforcement and interpretation under the governing law of Minnesota.

Any provisions in the Franchise Agreement restricting jurisdiction or venue to a forum outside of the State of South Dakota or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the South Dakota Franchise Act.

Any provision that provides that the parties waive their right to claim punitive, exemplary, incidental, indirect, special or consequential damages may not be enforceable under South Dakota law.

#### **ADDENDUM REQUIRED BY THE STATE OF VIRGINIA**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Karma Franchise LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure: The following statements are added to Item 17.h. for the Franchise Agreement:

“Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement or development agreement does not constitute “reasonable cause;” as that term is defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.”

#### **ADDENDUM REQUIRED BY THE STATE OF WASHINGTON**

The state of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement including the areas of termination and renewal of your franchise.

If any of the provisions in this Disclosure Document or the Franchise Agreement are inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Washington Franchise Investment Protection Act will prevail over the inconsistent provisions of this Disclosure Document and the Franchise Agreement with regard to any franchise sold in Washington.

The Securities Administrator has concluded that arbitration between a franchisor and franchisee must take place either in the State of Washington or as may be mutually agreed on by the parties or as may be determined by the arbitrator.

A release or waiver of rights executed by you will not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where you are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Washington Franchise Investment Protection Act, such as a right to jury trial, may not be enforceable.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act will prevail.

Transfer fees are collectable to the extent that they reflect our reasonable estimated or actual costs in effecting a transfer.

**EXHIBIT H**  
**FRANCHISEE DISCLOSURE QUESTIONNAIRE**  
(see attached)

## FRANCHISEE DISCLOSURE QUESTIONNAIRE

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.
- Yes\_\_ No\_\_ 9. Do you understand we and our affiliates retain the exclusive unrestricted right to engage, directly or through others, in the production, distribution and sale of food products and other products under the Pizza Karma Restaurant name or other mark, at any location, other than a Restaurant at a traditional site within your limited protected territory, or by any method of distribution even within your limited protected territory, and these other restaurants or methods of distribution may compete with your Restaurant(s) and adversely affect its sales?

- Yes\_\_ No\_\_ 10. Do you understand that the only radius restriction concerning where another franchised or company Restaurant may open is the limited protected territory specified in your Franchise Agreement?
- Yes\_\_ No\_\_ 11. Do you understand that most disputes or claims you may have arising out of or relating to the Franchise Agreement must be litigated in the federal and state courts located in the district of our principal executive office, or arbitrated at the office of the American Arbitration Association closest to the location of our principal executive office?
- Yes\_\_ No\_\_ 12. Do you understand that you or your Operating Partner and your other Managers must satisfactorily complete our initial training course before we will allow your Restaurant to open?
- Yes\_\_ No\_\_ 13. Has any employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Pizza Karma Restaurant franchise that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?
- Yes\_\_ No\_\_ 14. Has any employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in the Franchise Agreement, concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Disclosure Document?
- Yes\_\_ No\_\_ 15. Has any employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Pizza Karma Restaurant franchise will generate, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?
- Yes\_\_ No\_\_ 16. Do you understand that the Franchise Agreement contain the entire agreement between us and you concerning the franchise for the Restaurant, meaning any prior oral or written statements not set out in the Franchise Agreement will not be binding?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Name (please print)

Dated \_\_\_\_\_

Dated \_\_\_\_\_

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Name (please print)

Dated \_\_\_\_\_

Dated \_\_\_\_\_

Special note for residents of the State of Maryland and franchised businesses located in Maryland: Nothing in this Franchisee Disclosure Questionnaire shall act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Explanation of any negative responses [refer to question number and use additional paper if necessary]:

**EXHIBIT I**

**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:

<b>State</b>	<b>Effective Date</b>
Minnesota	Pending
Illinois	Pending
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 and Nagendar Mahipathi, Karma Franchise LLC, 3515 Plymouth Blvd, #205, Plymouth, MN 55447, (763) 200-4119; and \_\_\_\_\_

The issuance date of this Franchise Disclosure Document is February 11, 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, 2022, that included the following Exhibits:

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

*[Signature(s) on next page.]*

Dated: \_\_\_\_\_

PROSPECTIVE FRANCHISEE:

If a corporation or LLC:

If an individual:

\_\_\_\_\_  
(Name of corporation or LLC)

\_\_\_\_\_  
(Signature)

By: \_\_\_\_\_

\_\_\_\_\_  
(Print Name)

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Address of corporation, LLC, or individual(s): \_\_\_\_\_

\_\_\_\_\_

**OUR COPY- RETURN TO US**

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*[Signature(s) on next page.]*

Dated: \_\_\_\_\_

PROSPECTIVE FRANCHISEE:

If a corporation or LLC:

If an individual:

\_\_\_\_\_  
(Name of corporation or LLC)

\_\_\_\_\_  
(Signature)

By: \_\_\_\_\_

\_\_\_\_\_  
(Print Name)

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

Address of corporation, LLC, or individual(s): \_\_\_\_\_  
\_\_\_\_\_

**YOUR COPY- RETAIN FOR YOUR FILES**