

FRANCHISE DISCLOSURE DOCUMENT



Nautical Bowls Franchising, LLC
A Texas limited liability company
3432 County Road 101
Minnetonka, Minnesota 55345
(320) 434-3124
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nauticalbowls.com

You will operate a fast casual retail food and beverage establishment featuring superfood smoothie bowls and healthy beverages under the name “NAUTICAL BOWLS.”

The total investment necessary to begin operation of a NAUTICAL BOWLS franchised business is from \$220,200 to \$439,850. This includes \$20,000 that must be paid to the franchisor or an affiliate.

We also offer qualified parties the right to develop multiple franchised businesses within a given geographical area we designate and in accordance with an agreed-upon and mandatory development schedule. The total investment necessary to operate multiple franchised businesses (a minimum of 2) under our form of area development agreement depends on the number of franchises we grant you the right to open. By way of example, the total investment necessary to enter into a development agreement for the right to develop three (3) franchised businesses is \$250,200 to \$469,850, which includes (i) a development fee amounting to \$50,000 that is paid to us prior to opening, and (ii) the estimated initial investment to begin operation of your initial franchised business.

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 concerning 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 Bryant Amundson at 3432 County Road 101, Minnetonka, Minnesota 55345, bryant@nauticalbowls.com or (320) 434-3124.

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

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

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

Date of Issuance: May 21, 2025, as amended October 22, 2025.

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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 you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Minnesota. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Minnesota than in your own 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. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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.

**ADDITIONAL DISCLOSURES REQUIRED
BY THE 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:

1. A prohibition of the right of a franchisee to join an association of franchisees.
2. A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Law. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
3. A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
4. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
5. 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.
6. 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.
7. 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:
 - a. The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - b. The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - c. The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - d. 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.

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

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

Any questions regarding this Notice shall be directed to the Attorney General's Office, Consumer Protection Division, G. Mennen Williams Building – 1st Floor, 525 West Ottawa Street, Lansing, Michigan 48913, (517) 373-7117.

THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATED THEIR FRANCHISES IN MICHIGAN.

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

In this disclosure document, we use the term “we” and “us” to refer to Nautical Bowls Franchising, LLC, the franchisor, and the term “you” to refer to the person buying the franchise, the franchisee. The franchisee may be an individual or a business entity, such as a corporation or a limited liability company. If the franchisee is a business entity, the term “you” refers only to the business – and not the owners of the business entity – unless otherwise noted.

The Franchisor and any Parents, Predecessors, and Affiliates

We are a Texas limited liability company, formed on September 25, 2020. We do business only under our corporate name and under the trade name and service mark “NAUTICAL BOWLS,” and maintain our principal business address at 3432 County Road 101, Minnetonka, Minnesota 55345. We have no predecessor or parent company. Our agent for service of process is identified in Exhibit G to this disclosure document.

We have been offering franchises of the type described in this disclosure document since October 2020 and have never offered franchises in any other line of business. We have never engaged in any business other than franchising the operation of the NAUTICAL BOWLS businesses.

As of the issuance date of this disclosure document, we have two (2) affiliates that operate two (2) businesses of the kind offered under this disclosure document, each of which are located in Minnesota, since October 2017.

We have not operated a business of the type being franchised, nor have we offered franchises in any other line of business.

The Franchise Offered

We franchise the right to operate a NAUTICAL BOWLS Store using our proprietary business format and System and Marks, defined below. We call this the “Franchised Business.”

A NAUTICAL BOWLS Store features superfood smoothie bowls and healthy beverages. They typically occupy 450 to 1,000 square feet of commercial space. They operate using our proprietary business format and operating system (our “System”), the distinguishing characteristics of which include distinctive Store design, trade dress, fixtures and furnishings, our proprietary recipes and procedures for preparing, packaging, and serving menu items, operation and customer service standards and procedures, and other standards, specifications, techniques, and procedures that we development and implement, all of which we may change, improve, and further develop. They are identified by the name “NAUTICAL BOWLS” and other of our trademarks, including logos, slogans, and trade dress.

Multi-Unit Offering

We also offer qualified individuals and entities the right to open and operate multiple Franchised Businesses within a designated geographical area (the “Development Area”) under our current form of area development agreement that is attached to this Disclosure Document as Exhibit C (the “Development Agreement”), provided you are able to timely develop, open and commence operating each Franchised Business within the defined period of time set forth in your mandatory development schedule (a “Development Schedule”).

Typically, you will be required to sign a Franchise Agreement for your initial Franchised Business at the same time you sign your Development Agreement. You must also sign our then-current form of franchise agreement for each of the Franchised Businesses you open under the Development Schedule, the terms of which may differ from the franchise agreement included within this disclosure document.

You will be required to pay us a one-time development fee that will be calculated based on the number of Franchised Businesses we award you the right to develop within the Development Area you are awarded under your Development Agreement (the “Development Fee”).

Competition

The market for the products and services you will offer is well-established and highly competitive. You will compete with other restaurants and cafés. There is active price competition among establishments, as well as competition for management personnel and for suitable commercial real estate sites. Competitors include locally-owned businesses and well as regional and national chain restaurants. Acai bowls are somewhat seasonal, with higher sales generally in warmer months.

Industry-Specific Regulation

The restaurant industry is heavily regulated. Many of the laws, rules, and regulations that apply to business generally, such as the federal and state anti-discrimination laws, federal wage and hour laws, and the Occupational Safety and Health Act also apply to restaurants.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture, and state and local health departments administer and enforce laws and regulations that govern food preparation and service, and restaurant sanitation conditions. State and local agencies inspect Stores to ensure that they comply with these laws and regulations.

In addition, the Menu Labeling Provisions of the Patient Protection and Affordable Health Care Act require certain Stores and retail food establishments to post caloric information on menus and menu boards and to make available to consumers additional written nutrition information upon request. State and local governments may have their own regulations.

The Federal Clean Air Act and various implementing state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide, and particulate matters, including caps on omissions from commercial food preparation. Some areas have also adopted or are considering proposals that would regulate indoor air quality.

We strongly recommend that you investigate the laws in your jurisdiction before you purchase a franchise.

ITEM 2 BUSINESS EXPERIENCE

Bryant Amundson: CEO

Bryant Amundson co-founded the NAUTICAL BOWLS concept and has served as CEO since June 2024. Prior to this role, Bryant served as our manager since our inception on September 25, 2020, until May 2024. Bryant also has served as Vice President of NB LLC in St. Paul, Minnesota since October 2017.

Rachel Amundson: Managing Member

Rachel Amundson co-founded the NAUTICAL BOWLS concept and has served as our manager since our inception on September 25, 2020. Rachel also has served as chief executive officer of NB LLC in St. Paul, Minnesota since October 2017.

ITEM 3 LITIGATION

Kirin Hawley, et al v. Nautical Bowls Franchising, LLC, Peter Taunton, Bryant Amundson, Rachel Amundson, et al Fourth Judicial District, State of Minnesota (Case No. 27-CV-23-19306). On December 22, 2023, a former franchisee sued us and our officers and other representatives of our company alleging violations of the Minnesota Franchise Law, the Minnesota Deceptive Trade Practices Act, the Texas

Deceptive Trade Practices Act, claims of common law fraud and negligent misrepresentation in connection with the sale of her franchise, and promissory/equitable estoppel and breach of contract. Plaintiffs had sought compensatory and exemplary damages and recovery of attorneys' fees. In September 2025, the parties entered into a settlement agreement pursuant to which we agreed to pay Plaintiffs the total amount of \$75,000 (\$50,000 in lump sum, and the remainder in twelve monthly non-interest bearing installments), and the parties mutually released the other of all claims, with no admission of liability by either party, and with each party agreeing to pay its own counsel fees and costs. On September 16, 2025, Plaintiffs dismissed the complaint with prejudice.

Cheryl Hatfield, et al v. Nautical Bowls Franchising, LLC, Peter Taunton, Bryant Amundson, Rachel Amundson, et al, Fourth Judicial District, State of Minnesota (Case No. 27-CV-19329). On December 22, 2023, a former franchisee sued us and our officers and other representatives of our company alleging violations of the Minnesota Franchise Law, the Minnesota Deceptive Trade Practices Act, the Texas Deceptive Trade Practices Act, claims of common law fraud and negligent misrepresentation in connection with the sale of her franchise, and promissory/equitable estoppel and breach of contract. Plaintiffs seek compensatory and exemplary damages and recovery of attorneys' fees. This case is in the pre-trial stage and we intend to vigorously defend all claims.

Bright Beacon, Inc. v. Nautical Bowls Franchising, LLC, Peter Taunton, Bryant Amundson, Rachel Amundson, et al. Superior Court of the State of California, San Diego County (Court File No. 37-2023-00055847-CU-FR-CTL). On December 27, 2023, a former franchisee sued us and our officers and other representatives of our company alleging violations of the California Franchise Investment Law, fraud, negligent misrepresentation, breach of contract, violation of the Unfair Competition Law, and violation of the Texas Deceptive Trade Practices Act, in connection with the sale of the franchise. Plaintiff had sought compensatory and exemplary damages and recovery of attorneys' fees. In August 2025, the parties entered into a settlement agreement pursuant to which we agreed to pay Plaintiff the amount of \$50,000 and the parties mutually released the other of all claims, with no admission of liability by either party, and with each party agreeing to pay its own counsel fees and costs. On October 7, 2025, Plaintiff dismissed its complaint with prejudice.

Except for these three actions, no litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5 INITIAL FEES

Initial Franchise Fee

When you sign the franchise agreement, you will pay a nonrefundable initial franchise fee of \$20,000, which is uniform for all new franchisees acquiring the right to operate a single Store.

Development Agreement; Development Fee

If we grant you the right to develop multiple Franchised Businesses under a Development Agreement, you must pay us a one-time Development Fee that is based on the number of franchises we grant you the right to open within your Development Area, and calculated as the sum of the following: (i) \$20,000 for the first franchised Store you are awarded the right to develop within your Development Area; plus (ii) \$15,000 for each of the second and any subsequent Stores you are awarded the right to develop (collectively, the "Development Fee"). The minimum number of Stores required to be opened under our form of development agreement is two (2). The Development Fee is deemed fully earned by us upon payment and will not be refundable under any circumstances.

Except as otherwise disclosed in this Item, all fees described herein are calculated and imposed uniformly on new System franchisees.

**ITEM 6
OTHER FEES**

Franchise Agreement

Type of Fee ¹	Amount	Due Date	Remarks
Royalty Fee	6% of Gross Revenue ²	Weekly	See Note 2 for definition of Gross Revenue
Brand Development Fund Contribution	2% of Gross Revenue	Weekly	See Note 2 for definition of Gross Revenue
Local Advertising	2% of Gross Revenue	Monthly	Expended with third parties.
Training Fee	<p>Our then-current training fee for the kind of training at issue:</p> <p>Currently, our Training Fees are as follows:</p> <p>For additional or replacement attendees at our initial training program: \$1,000 per person</p> <p>For additional requested or required remedial training: \$500 per trainer per day</p>	As incurred	<p>We reserve the right to charge our then-current Training Fee in connection with (a) re-training or replacement training with regards to the portions of the initial training that are designed for the franchisee owner and/or manager, (b) any remedial training we require you to complete to cure a default under your Franchise Agreement with us (c) additional training you request we provide (other than the kind of day-to-day assistance described below), or (d) training we provide on-site at your Franchised Business.</p> <p>We will not charge any training fee in connection with minor, day-to-day assistance that we provide remotely over the phone or via email, subject to our availability.</p> <p>In addition to the then-current Training Fee for the training at issue, you will be responsible for the costs and expenses that are incurred in connection with you and your personnel attending any training.</p>

Type of Fee ¹	Amount	Due Date	Remarks
Mandatory Ongoing Training and Seminars	Cost of your and your employees' travel, hotel, and food	As incurred	We currently do not charge a fee except that you must pay for your and your employees' expenses, such as travel, lodging, and food. We may require you to attend additional training, but no more than three times per year for a minimum of two days.
Administrative Fee	\$250 per enforcement effort (i.e., written or verbal notification and follow up), and \$250 per week for each week that the issue remains unresolved	On demand	We may assess an administrative fee to compensate us for our time.
Technology Fee	Currently, \$199 per month.	As incurred	We collect a Technology Fee in connection with certain technology products or services we determine to utilize in connection with the System, and we use such funds to cover all or a certain portion of the corresponding costs. We will commence collection of the Technology Fee in the first month following the opening of your Franchised Business. We may increase the Technology Fee upon 30 days' written notice, but the amount of the Technology Fee will not exceed \$1,000 per month during the initial term of the Franchise Agreement.
Mystery Shop Program	Up to \$150 per shop per occurrence	On demand	Payable if we require you to participate in a mystery shop program.
Interest/Late Fee	18% per year or the maximum lawful rate, whichever is less	As invoiced	Payable only if any sums due to us are not paid promptly when due.

Type of Fee ¹	Amount	Due Date	Remarks
Transfer Fee	\$15,000	With transfer application	There are other terms and conditions required in connection with any transfer of the franchise rights awarded under your Franchise Agreement. In the event the proposed transfer is (a) from an individual to a company owned by that individual, or (b) involving the death or disability of Franchisee (or its principal), we only reserve the right to collect an administrative fee amounting to up to \$1,500 to help defray the costs associated with our evaluation/consent to any transfer.
Renewal Fee	\$2,500	Before renewal	There are other terms and conditions required in connection with any renewal of the franchise rights awarded under your Franchise Agreement.
Inspection and Testing	\$1,000 or our actual testing or inspection costs, whichever is less, plus reimbursement of our related travel, lodging, and salary costs for the individual(s) performing the inspection or testing	As invoiced	Before approving a new supplier or vendor at your request, we may require you to pay the cost of testing the supplier's products and inspecting its facilities.
Indemnification	Amount of actual loss or liability	On demand	You agree to defend, indemnify, and hold us harmless should we be sued as a result of something you do or fail to do.
Audit Fee	Cost of audit	On demand	Payable only if the audit was necessary because of your failure to report to us or if it shows that you have underreported Gross Revenues by 2% or more.

Type of Fee ¹	Amount	Due Date	Remarks
Required Software Fees	Amounts necessary to cover costs associated with your use of our designated point-of-sale (POS) system, mobile apps, loyalty program, gift card processing fees, and other communication technologies and digital services. Currently, approximately \$1,000 per month.	Monthly or another period that we specify	Currently payable to designated third-party vendors.
Convention	Our then-current fee (currently, \$250 per attendee)	As incurred	If you fail to attend the convention or other mandatory trainings, you must pay us a non-attendance fee, which is currently \$1,000. See Note 3.

Notes:

Note 1. All fees are imposed by us, are payable to us, and are non-refundable, unless otherwise noted. We do not impose or collect any other fees or payment for any third party.

Note 2. “Gross Revenue” is the total selling price of all services and products and all income of every other kind and nature related to your NAUTICAL BOWLS Store, whether for cash or credit and regardless of collection in the case of credit. “Gross Revenue” does not include sales (or similar) taxes that you collect from your customers if you transmit them to the appropriate taxing authority or tips or gratuities paid directly by Store customers to your employees or paid to you and then turned over to these employees in lieu of direct tips or gratuities. “Gross Revenue” also does not include proceeds from the sale of gift cards (all proceeds from the sale of gift cards belong to us), but it does include the redemption value of gift cards at the time purchases are made.

Note 3. All franchisees are required to attend our convention. If you fail to attend the convention, or any other convention or workshop that we may schedule from time to time, but not more than once per quarter, we reserve the right to charge you our then-current non-attendance fee (currently, \$1,000 per franchise).

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

A. Franchise Agreement

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Franchise Fee ¹	\$20,000	\$20,000	Lump sum	When you sign the Franchise Agreement	Us
Lease Security Deposit ²	\$3,000	\$20,000	As arranged	As invoiced	Landlord
Rent ²	\$2,000	\$7,000	As arranged	As invoiced	Landlord
Architect and Permitting Fees	\$12,500	\$25,000	As arranged	As required by architect and municipality	Architect, city and municipality
Water, Sewer, and Municipality Impact Fees ³	\$0	\$20,000	As arranged	As required by municipality	Municipality
Leasehold Improvements ⁴	\$103,000	\$225,000	As arranged	As invoiced	Contractor(s)
Signage ⁵	\$6,000	\$14,000	As arranged	As required by sign vendor	Suppliers
Fixtures, Furniture, and Equipment ⁶	\$32,000	\$40,000	As arranged	As invoiced	Suppliers
POS System ⁷	\$1,000	\$2,500	As arranged	As invoiced	POS Supplier
Back Office Computer Hardware and Software	\$1,000	\$1,000	As incurred	On demand	Suppliers
Smallwares, Uniforms, and Initial Supplies	\$2,750	\$3,250	As arranged	As invoiced	Suppliers
Utility Deposits	\$500	\$600	As arranged	As invoiced	Utility service providers
Professional Services ⁸	\$2,500	\$7,500	As arranged	As invoiced	Accountants, lawyers, etc.
Initial Inventory ⁹	\$7,500	\$10,000	As arranged	As invoiced	Suppliers
Insurance (3 Months) ¹⁰	\$450	\$1,500	As arranged	As invoiced	Insurance Broker

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Training Expenses ¹¹	\$1,000	\$2,500	As invoiced	As arranged	Airline, Hotel and Stores
Grand Opening Advertising	\$5,000	\$10,000	As arranged	As invoiced	Suppliers
Additional Funds – Three Months ¹²	\$20,000	\$30,000	As incurred	As incurred	Employees, third party vendors and suppliers
Total¹³	\$220,200	\$439,850			

Explanatory Notes to Chart 7(A) Above:

Note 1. See Item 5 for more information about the initial franchise fee.

Note 2. We anticipate that the Store will occupy 450 to 1,000 square feet of commercial space. Commercial real estate costs vary greatly depending on geographic location and whether the property is a free-standing location, high rise, strip center, or mall location. Depending on various factors, base rent and other lease charges can range anywhere from \$20 to \$125 or more per square foot. These estimates include a month's common area maintenance charges and other triple net charges imposed under your lease. You should consult a broker in the area in which you plan to operate your Store.

Note 3. Impact fees are also sometimes called water and sewer tap fees, and are the fees charged by municipalities to pay for all or a portion of the costs of providing public services, such as water and sewer, to the business. This amount is determined solely by the municipality and governing authority and the amounts vary greatly by jurisdiction. We highly recommend that you contact the appropriate authority to investigate the amount of these fees in your area.

Note 4. Construction costs vary widely, depending upon the location, design, configuration and condition of the premises. These figures represent the estimated cost of building out a vanilla shell located in a strip mall that already has a sufficient HVAC system, grease trap and floor drains, ADA-compliant restrooms, and a 200-amp utility panel. These estimates assume that plumbing is roughed in and ready for hook up, that walls are sheet-rocked, taped, primed, and ready for paint and finishing. These estimates do not include a tenant improvement allowance, which may reduce your costs. The cost of construction and leasehold improvements will vary based on the size, condition, and location of the Store and the local cost of labor.

Note 5. These estimates include one exterior sign, and interior signage, menu boards, and graphics.

Note 6. These estimates represent the estimated costs of purchasing required fixtures, furniture, and equipment and decor items.

Note 7. The above range estimates the outright purchase of the POS system we require.

Note 8. These figures represent the estimated cost of engaging an attorney to help you review the franchise offering and forming a legal entity to operate the franchise. These estimates do not include amounts that you may pay an attorney for reviewing your lease or amounts that you may pay an accountant or bookkeeper for setting up your books or for bookkeeping services.

Note 9. These figures represent the estimated cost of purchasing food and beverage inventory, condiments, supplies, and other miscellaneous items.

Note 10. These figures represent the estimated insurance premium costs for the first three (3) months of operations for the insurance coverage that we require (see Item 8). It does not include the cost of business interruption insurance or employment practices liability insurance (EPLI) or other insurance coverages that you may elect to carry. If your business is located in an area that requires flood, tornado, hurricane, or similar coverage, your costs may be higher.

Note 11. See Item 11 for more information about our initial training program. The amounts in the chart represent the estimated out-of-pocket costs (including travel to and from the training site, one double-occupancy hotel room, and dining expenses) for two individuals to attend training.

Note 12. The amounts in the chart represent the additional funds, or working capital, you will likely need to operate the business before opening and during the initial three-month period. You may need these funds to pay fixed operating expenses, such as employee salaries, payroll taxes, utility charges, license and permit fees, and to purchase uniforms, supplies, and collateral merchandise. The amounts in the chart do not include any allowance for debt service or for a salary for you. You should review these numbers carefully with your business advisor before purchasing a NAUTICAL BOWLS franchise. To compile these estimates, we relied on our affiliates' and franchisees' experience in building new Stores. You should review these figures carefully with a business advisor before deciding to purchase a franchise.

Note 13. All amounts are non-refundable unless otherwise noted. Neither we nor our affiliate finances any part of the initial investment.

B. Development Agreement (3 Stores as Example)

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Development Fee (Note 2)	\$50,000	Lump Sum	Upon execution of Development Agreement	Us
Estimated Investment to Develop Initial Store	\$200,200 to \$419,850	See Chart 7(A) for the initial investment associated with the opening and initial operations of a new franchised Store.		
Total	\$250,200 to \$469,850	This is the total estimated initial investment to enter into a Development Agreement for the right to own a total of three (3) Nautical Bowls Stores, as well as the costs to open and commence operating your initial Store for the first three (3) months (as described more fully in Chart A of this Item 7).		

Explanatory Notes to Chart 7(B) Above

1. *Generally.* All fees and payments are non-refundable, unless otherwise stated or permitted by the payee. This Chart details the estimated initial investment associated with executing a Development

Agreement for the right to own and operate three (3) Stores, as well as the initial investment to open your first Store.

2. *Development Fee.* The Development Fee is described in greater detail in Item 5 of this Disclosure Document. The Development Fee in this Chart 7(B) assumes that you have acquired the right to develop and open a total of three (3) Stores pursuant to an Area Development Agreement.
3. *Estimated Investment to Develop Initial Store.* This figure represents the total estimated initial investment required to open the initial Store you agree to open and operate under the Development Agreement. You will be required to enter into our then-current form of franchise agreement for the initial Store you open under your Development Agreement. The range includes all the items outlined in Chart 7(A) of this Item, except for the \$20,000 single-unit Initial Franchise Fee (because you are not required to pay a separate Initial Franchise Fee for those Stores you open pursuant to the Development Agreement).

Additional Note: This Chart 7(B) does not include any of the costs you will incur in opening any additional Stores that you are granted the right to open and operate under your Development Agreement, because such amounts are not likely to be incurred until after you have operated your initial Store over the initial ramp up period described in Chart 7(A).

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Purchases from Approved Suppliers; Purchases According to Specifications

We may require you to purchase from approved or designated suppliers or distributors (“Approved Suppliers”) all products and services necessary to construct the Store location (including fixtures, furniture, equipment, signs, décor items, audio/visual systems) and to operate the Franchised Business (including food and beverage items and ingredients, other consumables such as cups, bowls, straws, and napkins, work apparel, all items intended for retail sale, advertising and marketing materials, gift cards, insurance, and accounting and bookkeeping services). We also may require you to engage our designated tenant representative to assist you with site selection activities. You must purchase the POS computer hardware and software from our approved suppliers. If a designated music provider has been identified, you must acquire music from the designated provider.

Currently, neither we nor our affiliates are approved suppliers or the only supplier of any products or services. None of our officers hold an interest in any of our approved suppliers.

If we have not identified designated or approved suppliers for a particular item or service, you may purchase from any supplier so long as the item or service meets our specifications and standards, which may include brand requirements. If we have identified designated or approved suppliers for a particular item or service and you wish to purchase from a different supplier, you may request our approval. We have no obligation to consider your request, but if we do consider your request, we may require that you provide us samples of the supplier’s products and pay us \$1,000 or our actual costs in evaluating the proposed supplier, whichever is less, plus reimburse us for our relate costs in travel, lodging, and salary costs in performing the evaluation. In evaluating the supplier, we will consider factors including the supplier’s financial stability, business reputation, delivery capabilities, credit rating, and the effect that approving an alternate supplier will have on our existing distribution relationships. We will use commercially reasonable efforts to notify you of our decision within 30 days.

We will communicate to you our supplier requirements and specifications, and changes to these requirements, by way of changes to the Operations Manual or otherwise in writing.

Site Selection and Lease

You must acquire a site for your Store that meets our site selection criteria and that we approve. If you occupy the Store according to a commercial lease, the lease must contain terms that we specify. (See Lease Rider attached as Attachment F to the Franchise Agreement.) You must purchase and install, at your expense, all millwork and customized seating, fixtures, furnishings, equipment, decor, and signs from an approved third-party supplier.

Insurance

You must acquire the types of insurance coverage with the minimum limits that we require, which may be modified periodically. We currently require the following minimum coverages:

Type of Insurance	Minimum Amount
Commercial General Liability including Product Liability and Personal and Advertising Injury	\$1,000,000 per occurrence; \$2,000,000 general aggregate (unless landlord requires a higher amount)
Fire Legal Liability: Damages to franchise premises	\$500,000
Medical Expenses	\$1,000 any one person
Professional liability (for owners and W2 employees)	\$1,000,000 per occurrence
Hired and Non-Owned Auto Liability	\$1,000,000 combined single limit
Property – Special Form, including mechanical breakdown and plate glass	\$300,000
Improvements and Betterments	Included
Business Income (12 months)	Actual loss sustained
Crime (employee dishonesty, theft and robbery)	\$10,000 per occurrence
Cyber Liability (internet security and privacy insurance)	coverage of \$250,000 per occurrence for risks relating to information technology infrastructure and activities, including internet-based activities, data breaches, and other security compromises.
Employment Practices Liability Insurance (inclusive of first and third party)	\$50,000
Property and Crime Deductible	\$1,000
Defense Costs	In addition to policy limits
Commercial Excess Liability	\$1,000,000 per occurrence and \$1,000,000 general aggregate (unless landlord requires a higher amount)

In addition to these coverages, you must carry workers' compensation and employer's liability coverage as required by the jurisdiction in which you operate the franchise.

All required insurance must be obtained from a responsible carrier or carriers acceptable to us (generally an AM Best rating of A- or better). All of the policies must name us and anyone else we designate with an insurable interest as additional insured and must include a waiver of subrogation in favor of each additional insured.

Revenue Derived from Franchisee Purchases and Leases

We and our affiliates may derive revenue from franchisee purchases and leases to the extent that franchisees purchase products or services from us or our affiliates. Our then-affiliate, Nautical Bowls Ventures, LLC, had an arrangement with our approved supplier of certain food and ingredient items whereby our affiliate received rebates ranging from between 2% to 14% on our franchisees’ purchases of such items. As of July 2024, Nautical Bowls Ventures, LLC is no longer our affiliate, and the rebates described above are paid to us.

During our fiscal year ended December 31, 2024, we derived revenue of \$520,375, or 19.86% of our total revenue of \$2,620,324, on account of required franchisee purchases or leases. During this same period, our then-affiliate, Nautical Bowls Ventures LLC derived \$206,544 from required franchisee purchases and leases. As of the issuance date of this disclosure document, Nautical Bowls Ventures, LLC is no longer our affiliate.

Estimated Proportion of Required Purchases and Leases to all Purchases and Leases

We estimate that your purchases and leases from us or our designated sources will range from 60% to 90% of your total initial investment (not including the initial franchise fee or real estate costs) and approximately 75% to 95% of your ongoing purchases and leases in the operation of the Franchised Business.

Description of Purchasing Cooperatives; Purchasing Arrangements

We may negotiate purchase arrangements with primary suppliers or distributors for the benefit of franchisees. We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchase of particular products or services or use of particular suppliers.

Presently, there are no purchasing or distribution cooperatives in existence for the franchise system.

**ITEM 9
FRANCHISEE’S OBLIGATIONS**

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

Obligation	Section(s) in Franchise Agreement	Section(s) in Development Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 3.1 and 3.3	Section 1 and Exhibit A of	Items 8 and 11
b. Pre-opening purchases/leases	Sections 3.4, 6.5, 6.6, 10.1, and 10.2	Nothing Additional	Items 5, 6, 7, 8, and 11
c. Site development and other pre-opening requirements	Sections 3.4 and 5.3	Sections 1, 5 and Exhibit A	Items 1, 7, 8, and 11
d. Initial and ongoing training	Sections 5.1 and 5.5	Nothing Additional	Items 6, 7, and 11
e. Opening	Sections 3.5 and 5.2	Nothing Additional	Items 7 and 11

Obligation	Section(s) in Franchise Agreement	Section(s) in Development Agreement	Disclosure Document Item
f. Fees	Sections 4.1, 4.2, 4.3, 4.8, 4.9, 4.11, 9.3, 9.4, and 9.5	Section 2	Items 5, 6, 7, 8, and 11
g. Compliance with standards and policies/Manuals	Article 8	Nothing Additional	Items 8, 11, 14, and 16
h. Trademarks and proprietary information	Article 7	Nothing Additional	Items 11, 13, and 14
i. Restrictions on products/services offered	Sections 1.1, 6.4, 6.5 and 6.8	Nothing Additional	Items 8 and 16
j. Warranty and customer service requirements	Sections 4.4 and 6.1	Nothing Additional	Item 16
k. Territorial development and sales quotas	Not applicable	Section 1 and Exhibit A	Item 12
l. Ongoing product/service purchases	Sections 6.5, 6.6 and 8.2	Nothing Additional	Items 8, 11, and 16
m. Maintenance, appearance and remodeling requirements	Sections 6.7 and 6.10	Nothing Additional	Item 8
n. Insurance	Article 11.2	Nothing Additional	Items 7 and 8
o. Advertising	Article 9	Nothing Additional	Items 6, 8, and 11
p. Indemnification	Section 11.3	Nothing Additional	Item 6
q. Owner's participation/ management/staffing	Sections 6.2 and 6.3	Nothing Additional	Items 1, 11, and 15
r. Records and reports	Sections 10.4, 10.5, and 10.6	Nothing Additional	Item 11
s. Inspections and audits	Sections 6.9 and 10.7	Nothing Additional	Items 6 and 11
t. Transfer	Article 12	Section 8	Items 6, 12, and 17
u. Renewal or extension of rights	Section 2.2	Nothing Additional	Items 6, 12, and 17
v. Post-termination obligations	Article 14 and Section 15.2	Sections 12 and 13	Item 17
w. Noncompetition covenants	Section 15.1 and 15.2	Section 16	Item 17
x. Dispute resolution	Article 19	Sections 13 through 22	Item 17
y. Guaranty	Sections 12.3 and 18.6	Nothing Additional	Item 15

ITEM 10 FINANCING

We do not offer direct or indirect financing, and we do not guarantee your notes, leases, or other obligations.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as listed below, Nautical Bowls Franchising, LLC is not required to provide you with any assistance.

Before you open your Store, we or our designee will:

1. If you have entered into a Development Agreement for the right to operate multiple Stores, we will designate your Development Area where you will have the right to secure a premises (each of which we must approve) for each of your Franchised Businesses. (Development Agreement, Section 3);
2. Consider and permit or decline to permit development of a Store at a proposed site within 10 days of receiving all requested information. (Franchise Agreement, Section 3.2.).
3. Admit up to three individuals to our initial training program, described below. (Franchise Agreement, Section 5.1.)
4. With regard to the first Store you develop, at your request, provide additional opening assistance, subject to the availability of personnel, in consideration for a per diem fee and reimbursement of all travel, lodging, dining, and wages' costs for the individuals providing additional assistance. (Franchise Agreement, Section 5.2.1.)
5. Provide you access to our Manuals. (Franchise Agreement, Section 8.1.) The Table of Contents of our Confidential Operations Manual is attached to this disclosure document as Exhibit D. Our Confidential Operations Manual is approximately 200 pages.
6. Provide pre-opening consultation and advice as we deem appropriate, which may include advice with regard to the development and operation of the Store, building layout, furnishings, fixtures, and equipment, plans and specifications, employee recruiting, selection, and training, purchasing and inventory control, and other matters as we deem appropriate. (Franchise Agreement, Section 5.3.)

During the operation of your Store, we will:

1. Provide ongoing consultation and advice as we deem appropriate, which may include information about new product development, instruction concerning the operation and management of a Store, advertising and marketing advice, and financial and accounting advice. (Franchise Agreement, Section 5.4.)
2. Communicate to you information about our Approved Suppliers. (Franchise Agreement, Section 6.6.)
3. Maintain a central web site that will identify the location of your Store and provide other information to promote the NAUTICAL BOWLS System. (Franchise Agreement, Section 9.8.)
4. We have the right, but not obligation, to establish maximum, minimum, or other retail pricing requirements to the extent permitted by law. (Franchise Agreement, Section 6.11)

Advertising

Our advertising program for the products and services offered by NAUTICAL BOWLS Stores currently consists of social media advertising and coupon and flyer distribution. Our advertising materials currently are created in-house and created by an outside advertising agency.

You may use your own advertising and promotional materials so long as we have approved both the materials and the proposed use. All materials must be submitted to us before first publication or use, and we will use best efforts to notify you of our approval decision within 10 days of their receipt. Materials that are not approved within this 10-day period are considered not approved.

We have an advisory council composed of five elected franchisees, which are elected by a majority vote of the franchisees. We reserve the right to form, change, and dissolve the advertising council.

Grand Opening Advertising

Before the Store opens for business, you must conduct a grand opening advertising event that conforms to our standards and specifications. Specifically, you are required to spend between \$5,000 to \$10,000 on initial marketing to promote and advertise the grand opening of your Store within your Protected Area, and such funds must be expended during the time period beginning approximately thirty (30) days prior to the opening of your Store through the first sixty (60) days following the opening of your Store.

Brand Development Fund

In addition to your initial advertising campaign, you must contribute to our Brand Development Fund (“Fund”) an amount equal to 2% of your Gross Revenue, which contribution will be collected in the same manner as the Royalty Fee.

We may use Fund monies to pay for creative development services (including creation and modification of Store design and trade dress, logos, graphics and vehicle wraps, and advertising and promotional items, including the cost of photography services and design software); preparing and procuring market studies, providing or obtaining marketing services (including, conducting customer surveys, focus groups, and marketing and compliance-related mystery shops and customer interviews); employing advertising and/or public relations agencies; developing, producing, distributing and placing advertising (including, without limitation, preparing and conducting media advertising campaigns in various media, local Store advertising and promotion in a particular area or market, or for the benefit of a particular Store or Stores concerning Store opening promotion or otherwise, conducting and administering in-store promotions; preparing and executing direct mail advertising, and developing, producing and purchasing point-of-sale advertising, and other sales aids and promotional items and materials); new product development and development of product packaging; developing, updating and hosting our web site (including development of locator programs) and/or an intranet or extranet system; obtaining sponsorships and endorsements; preparing and conducting sweepstakes and other promotions; developing, administering, and distributing coupons, gift card and loyalty programs, and customized promotions, and the cost of product associated with the redemption of free coupons, gift cards, loyalty cards and/or other customized promotions; developing and administering other customer loyalty programs; developing and administering online ordering platforms; providing and procuring public relations services; conducting public relations activities; charitable donations; membership fees in international, national, regional, and/or local trade or other associations or organizations. We also may use Fund monies to reimburse ourselves for our costs of personnel and other administrative and overhead costs associated with providing the services described in this paragraph.

We will administer the Fund. We will not use Fund monies for creating or placing any advertisement that is principally a solicitation for new franchisees, but we may include in all advertising prepared using Fund monies (including online advertising) information concerning franchise opportunities, and a portion of Fund monies may be used to create and maintain one or more pages on our web site devoted to advertising franchise opportunities and identifying and screening inquiries and applications submitted by franchise candidates. Any amounts contributed to the Fund that are not spent in the year they are collected will remain in the Fund for use during the next year.

Although not contractually required to do so, we anticipate that each Store owned by us or an affiliate of ours will contribute to the Fund on the same basis as our franchisees. Upon your written request with a minimum of 30 days’ notice, we will provide you an annual unaudited statement of Fund contributions and expenditures. In our last fiscal year ending December 31, 2024, Fund contributions were spent as follows: 14% on administrative and payroll expenses, 42% on production, and 44% on technology and other expenditures.

Local Marketing

You must spend 2% of Gross Revenue per month to promote your Store in your market area.

Advertising Cooperative

We can designate any geographic area in which two or more company-owned or franchised NAUTICAL BOWLS Stores are located as a region for an advertising cooperative (“Cooperative”). If a Cooperative is established for an area in which any Store is located, you must become a member of the Cooperative and participate in the Cooperative. Cooperative contributions will be maintained and administered under the Cooperative’s governing documents, and the Cooperative will be operated solely as a conduit for the collection and expenditure of advertising contributions. Contribution levels will be established by majority vote, with each Store entitled to one vote. We anticipate that franchisor-owned Stores will contribute to the fund on the same basis as franchisees.

We have the sole right to form, change, dissolve, and merge Cooperatives and to create and amend any organizational and governing documents of any Cooperative. As no Cooperatives have yet been established for the franchise system, governing documents are not available for your review. Once established, we may terminate and/or dissolve the Cooperative at any time. The Cooperative will not be terminated, however, until all monies in the Cooperative have been expended for authorized purposes or returned to contributing Stores (whether franchised or company or affiliate-owned), without interest, on the basis determined by a majority vote of its members. Each Cooperative must prepare annual, unaudited financial statements, which will be made available to its contributing members.

Computer and Electronic Cash Register Systems

You must purchase, install, and maintain an electronic point of sale cash register system to record sales and transaction data and track inventory purchases. To operate the POS System, you will need to connect to a high-speed communications device which is capable of accessing the Internet via a third-party network. We have the right to independently access all information and financial data recorded by the system for daily polling, audit, and sales verification. Updates or replacement of the POS System, both hardware and software, may be required. There is no contractual limitation on the frequency or cost of these obligations.

The estimated cost of purchasing the POS System ranges from \$1,000 to \$2,500. You must sign a computer maintenance agreement with the manufacturer of the POS System and pay a maintenance fee, which we estimate currently ranges from \$150 to \$300 a month.

At our request, you must install and maintain interactive multi-media equipment, devices, and facilities that we require, including approved surveillance systems, music systems, Wi-Fi, and other wireless Internet and communications systems and interactive displays, including plasma or LCD screens. If a designated music provider has been identified, you must acquire music from the vendor.

You must (a) use any software, system documentation manuals, and other proprietary materials that we require concerning the operation of the Store; (b) input and maintain in your computer this data and information as we prescribe; and (c) purchase or acquire new or upgraded software, system documentation manuals, and other materials at then-current prices whenever we adopt new requirements system-wide. You must enter into all software license agreements, subscription agreements, “terms of use” agreements, and software maintenance agreements, in the form and manner we prescribe, and pay all fees imposed.

We may independently poll your Gross Revenues and other information input and compiled by your POS System from a remote location. There is no limitation on our right to access this information. Neither we, nor our affiliates, nor any third parties must provide ongoing maintenance, repairs, upgrades, or updates to your POS System or other computer equipment. Except as described above, there are currently no optional or required maintenance/upgrade contracts for the POS System or other computer equipment.

Training

At least 30 days before your Store's opening date, you must attend and complete our initial training program to our satisfaction. If you have designated a Key Person (as defined in this disclosure document) to oversee the operations of your Franchised Business, then both you and your Key Person must attend and complete the initial training program. Our initial training program consists of a four-day training, conducted on an as-needed basis in Minnetonka, Minnesota. Initial training will be conducted by or under the supervision of Bryant Amundson and Rachel Amundson. Bryant and Rachel Amundson co-founded the NAUTICAL BOWLS concept in 2018 and have been affiliated with us since that time.

We provide instructors and training materials at no charge, but you must pay all training-related expenses, including travel, lodging, and dining expenses for all of your employees who attend training. The subjects covered and other information relevant to our initial training program are described below.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Company Overview	1	-	Our designated training facility in Minnesota, or another location we designate
Company Culture	1	-	Our designated training facility in Minnesota, or another location we designate
Recruiting	1	1	Our designated training facility in Minnesota, or another location we designate
Team Building	1-2	1	Our designated training facility in Minnesota, or another location we designate
Product Information	1-2	1	Our designated training facility in Minnesota, or another location we designate
Back-of-house (backend)	2-3	1-2	Our designated training facility in Minnesota, or another location we designate
Bowl Line (backend)	2	1-2	Our designated training facility in Minnesota, or another location we designate
Back-of-house (in person)	-	1-2	Our designated training facility in Minnesota, or another location we designate

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Bowl Line (in person)	-	1-2	Our designated training facility in Minnesota, or another location we designate
Guest Seating & Experience	1-2	1-2	Our designated training facility in Minnesota, or another location we designate
Total	10-14	8-13	

Note 1. We may require that you complete this training either before, or shortly after, the Store opens for business.

Our initial training program is subject to change, without notice, to reflect updates in the materials, methods, manuals, and changes in personnel. The subjects taught and the time periods allocated for each subject may vary based on the experience of the trainees. Instruction materials are our Operations Manuals.

At our request, other personnel whom we designate must attend additional courses, seminars, and training programs that we may reasonably require. We may charge a reasonable tuition for these additional courses, seminars, or other training programs. You are responsible for all training-related costs and expenses including salary, travel, lodging, and dining costs for all of your employees who attend training.

Periodically, we may offer additional training programs and we may charge a fee for attending these training programs. You must also pay the travel and living expenses and supply costs for you and your employees. If you designate a new Key Person after the initial training program, the new general manager must complete the training to our satisfaction. We reserve the right to charge a fee to train any replacement general manager. In addition, we may hold and require that your Key Person or other designated employees attend any conference, meeting, convention or seminar to present new methods and programs for operation, training, management, sales or marketing and we reserve the right to charge you a fee (currently, \$250 per attendee) to attend any conference, meeting or convention we hold. Additionally, if you fail to attend our annual convention, or other not more than quarterly scheduled conventions or workshops, we reserve the right to charge you our then-current non-attendance fee (currently \$1,000 per franchise).

Confidential Operations Manuals

After you sign the franchise agreement, we will provide you access to our Manuals. A copy of the table of contents of our Confidential Operations Manual is attached as Exhibit D.

Site Selection and Opening

Single Store

When you sign the franchise agreement, we will agree on a “Site Selection Area” within which you may locate the Store. You must acquire a site for your Store that meets our site selection criteria within six months after you sign the franchise agreement. We generally do not own or lease the Site to you. For each proposed site that you identify, you must deliver to us a franchise site application in a form that we prescribe, including information about the site as we may reasonably request to perform our evaluation. We will communicate to you our decision whether or not to permit development of the Store at the proposed site within 10 business days of receiving all requested information about the site. The criteria that we use to evaluate the site include general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings, and lease terms.

When the site is selected, we will mutually agree on an “Opening Date” for the Store, which will be no later than a year after you sign the franchise agreement or six months after site selection, whichever occurs first. The Store must be open for business by the Opening Date. Factors which may affect the length of time between signing the franchise agreement and opening for business include the time necessary to find a location, to negotiate a lease, to obtain required financing, to obtain permits and license, to complete construction and leasehold improvements, to complete our initial training program, and to adequately train your personnel. Delay in construction may be caused by inclement weather, material or labor shortages, labor actions, slow deliveries, equipment shortages, or similar factors. If the Store is not open by these deadlines, we can terminate the franchise agreement.

Multiple Stores under Development Agreement

If you have entered into a Development Agreement to open and operate multiple Stores, your Development Agreement will include a Development Schedule containing a deadline by which you must have each of your Stores open and operating. Your Development Schedule may depend on the number of Franchised Businesses you are granted the right to open and operate. (Development Agreement, Section 4(B) and 4(C)).

If you fail to open any Store within the appropriate time period outlined in the Development Agreement, we may terminate your Development Agreement. You will not have any further development rights within the Development Area upon termination of your Development Agreement, except to continue operating the Store(s) that were already open and operating as of the termination date. We must approve of the premises you choose for each Store you are required to open under the Development Agreement.

ITEM 12 TERRITORY

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Franchise Agreement

When the Franchise Agreement is signed, we will agree on a “Site Selection Area”, and you will begin looking for a site within the Site Selection Area to develop your Store. It is your responsibility to select a site for the Store that meets our site selection criteria, and we must accept your selection before you sign a lease. There is no territorial protection within the Site Selection Area, meaning that other franchisees may also be looking for sites within the area at the same time you are looking for sites.

Once you have identified a site that meets our criteria and we have accepted your selection, we will identify an area around the site as your “Protected Area.” Your Protected Area will be of the size and configuration that we determine, in our sole discretion, which may be identified on a map, by geographic description, or by radius, but will consist of at least a quarter-mile radius surrounding your Store. Before you sign a lease, we will complete Attachment B to the Franchise Agreement with the Store address and Protected Area.

Development Agreement

If you are granted the right to open multiple Stores under our form of Development Agreement, then we will provide you with a Development Area upon execution of the Development Agreement. The size of your Development Area will substantially vary from other System developers based on the number of Stores we grant you the right to open and operate and the location and demographics of the general area. The boundaries of your Development Area will be determined by us in our sole discretion and may be identified on a map, by geographic description, or by radius.

Each Store you timely open and commence operating will be operated from a distinct site located within the Development Area and within its own Protected Area that we will define once the site for that Franchised Business has been approved.

We will not own or operate, or license a third party the right to own or operate, a Store utilizing the Marks and System within the Development Area until the earlier of the date we define the Protected Area of the final Store you were granted the right to operate under the Development Agreement, or the expiration or termination of the Development Agreement for any reason.

The Development Area you are granted under the Development Agreement is not “exclusive” because we have the right to open and operate Stores at certain non-traditional sites within your Development Area. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Upon the expiration or termination of your Development Agreement, your territorial rights within the Development Area will terminate, except that each Store that you have opened and are continuously operating as of the date of such occurrence will continue to enjoy the territorial rights within their respective Protected Area that were granted under the Franchise Agreement(s) you entered into for those Store(s).

You must comply with your development obligations under the Development Agreement, including your Development Schedule, in order to maintain your exclusive rights within the Development Area. If you do not comply with your Development Schedule, we may terminate your Development Agreement and any further development rights you have under that agreement. Otherwise, we will not modify the size of your Development Area except by mutual written agreement signed by both parties.

Reserved Rights

During the term, we will not develop or permit anyone else to develop another NAUTICAL BOWLS Store in your Protected Area, with the exception of venues that we consider “Captive Markets.” “Captive Markets” are venues with a captive market of foot traffic, such as military bases, airports, travel plazas, enclosed shopping malls, school campuses, and family entertainment venues. We may operate and grant others the right to operate NAUTICAL BOWLS businesses in Captive Markets within your Protected Area.

Your territorial protection extends only to NAUTICAL BOWLS stores. We and our affiliates may develop and operate other restaurants offering similar or different menu items under a different trademark in your Protected Area, however, neither we nor our affiliates have any present plans to do so.

We reserve to ourselves all rights not expressly granted to you under the franchise agreement. These include the right to distribute products and services identified by the Marks, such as pre-packaged products, through alternative channels of distribution including grocery stores, supermarkets, convenience stores, restaurants, and via online, mail order, and catalog sales. We are not required to compensate you if we exercise any of the rights specified above inside your Protected Area. You are not permitted to use alternative channels of distribution including grocery stores, supermarkets, convenience stores, restaurants, and via online, mail order, and catalog sales. We also have the right to establish commissaries and catering facilities. If a catering order requires delivery into your Protected Area, we may elect to fulfill the order ourselves (or through an affiliate), in which case we will credit to you the amount of the sale, less applicable taxes, and our reasonable cost of fulfilling the order. You are permitted to accept orders from customers located outside your Protected Area.

You may relocate the Store, only with our prior written consent. We will consent to relocation if your lease expires or terminates through no fault of yours, or if the Store premises is destroyed or materially damaged by fire, flood, or other natural catastrophe and you are not in default of the franchise agreement or any other agreement with us.

There are no circumstances that permit us to modify your territorial rights under the franchise agreement. Unless we have mutually agreed otherwise, we do not grant you any options or rights of first refusal to acquire additional franchises.

**ITEM 13
TRADEMARKS**

We own and have registered the following principal trademarks on the Principal Register of the U.S. Patent and Trademark Office. All required affidavits and renewals have been filed.

Mark	Registration Number	Registration Date	International Class
NAUTICAL BOWLS (Standard Character Mark)	6542578	November 2, 2021	043
	6543126	November 2, 2021	043
SUPER FOODS. SUPER LIFE. (Standard Character Mark)	5998030	February 25, 2020	043

There is no presently effective determination of the U.S. Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor any pending infringement, opposition, or cancellation proceeding, nor any pending material litigation involving the Marks which is relevant to their ownership, use, or licensing.

We know of no superior prior rights or infringing use that could materially affect your use of the Marks, and we know of no agreements currently in effect which significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

You may use only the Marks that we designate, must use them only in the manner that we authorize and permit, and must use them with the symbols, “®”, “™”, or “SM”, as appropriate. You may use the Marks only for the operation and promotion of the Franchised Business and only in the manner we prescribe. You may not contest ownership or validity of the Marks or any registration of the Marks or our right to use or to sublicense the use of the Marks. You must sign all documents that we require in order to protect the Marks and to maintain their validity and enforceability.

You may not use the Marks or any part of the Marks in your corporate name, and you may not use them to incur any obligation or indebtedness on our behalf.

You may not use the Marks or any part or derivative of the Mark on the Internet, except as expressly permitted in writing. This prohibition includes use of the Marks or any derivative of the Marks as part of any URL or domain name, as well as their registration as part of any user name on any gaming website or social networking web site (such as GOOGLE MY BUSINESS, YELP, FACEBOOK, INSTAGRAM, or X), whether or not such social media platform is used for commercial gain, or as part of any unauthorized email address.

You must promptly notify us of any suspected unauthorized use of, or any challenge to the validity of the Marks or Copyrighted Works (defined below in Item 14), or any challenge to our ownership of, or license to use and to license others to use, or your right to use, the Marks or Copyrighted Works. We have the right to direct and control any administrative proceeding or litigation or other adjudicative proceeding involving the Marks or Copyrighted Works, including any settlement of the proceeding. We or our affiliate has the right, but is not obligated, to take action against uses by others that may constitute infringement of the Marks or Copyrighted Works. We will defend you against any third-party claim, suit, or demand arising out of your use of the Marks or Copyrighted Works. If we determine that you have used the Marks and Copyrighted Works properly, we will pay the cost of the defense, including the cost of any judgment or

settlement. If we determine that you were using the Marks or Copyrighted Works improperly, you must pay the cost of the defense, including the cost of any judgment or settlement. In regard to any litigation under your use of the Marks or Copyrighted Works, you must sign all documents that we require and do all things that we consider necessary to carry out the defense or prosecution, which may include becoming a nominal party to any legal action. Unless the action is the result of your use of the Marks or Copyrighted Marks in a manner inconsistent with the terms of the franchise agreement, we will reimburse you for your out-of-pocket litigation costs in doing these acts.

We have the right to designate new, modified and/or replacement Marks for your use and to require you to use the new, modified or replacement Marks in addition to or in lieu of any previously designated Marks. You must comply with the directive, at your expense, within 60 days following your receipt of written notice of the change.

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

There are no patents or registered copyrights that are material to the franchise, and there are no pending patent applications. We do claim copyright protection and proprietary rights in the original materials used in the System, including our recipes and procedures, menus, manuals, bulletins, correspondence and communications with our franchisees, training, advertising, and promotional materials, the content and designed of our web site, and other written materials under the operation of NAUTICAL BOWLS Stores and the System (“Copyrighted Works”).

There is no presently effective determination of the U.S. Copyright Office (Library of Congress) or any court affecting our copyrights. There is no currently effective agreement that limits our right to use and/or license our copyrights. We are not obligated by the franchise agreement, or otherwise, to protect any rights you have to use the copyrights. We have no actual knowledge of any infringements that could materially affect the ownership, use, or licensing of the copyrights. You may not use any of our copyrighted works on the Internet without our written permission. This includes display of the copyrighted works on commercial websites, gaming websites, and social networking web sites (such as GOOGLE MY BUSINESS, YELP, FACEBOOK, INSTAGRAM, X, and TIKTOK).

You and your employees must maintain the confidentiality of all information contained in the Manual and other information that we consider confidential, proprietary or trade secret information. “Confidential Information” means all trade secrets, the Standards, and other elements of the System; all customer information; all information contained in the Manuals; our proprietary recipes and standards and specifications for product preparation, packaging and service; financial information; marketing data; vendor and supplier information; all other knowledge, trade secrets, or know-how concerning the methods of operation of the Franchised Business which may be communicated to you, or of which you may be apprised, by virtue of their operation under the terms of the franchise agreement, and all other information that we designate.

ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

Your NAUTICAL BOWLS businesses must be supervised by an individual you designate as your “Key Person.”

Your Key Person is the individual who will be responsible for communicating with us on all matters concerning the Franchised Business. This individual will be identified when the franchise agreement is signed and must satisfy our training requirements. Your Key Person may, but need not, have an equity interest in the franchise. We do not require that your Key Person directly manage operations but do recommend that they provide on-premises supervision as often as possible. You must notify us promptly if your Key Person cannot continue to serve or no longer qualifies for their position and must promptly

identify a replacement Key Person and cause the individual to fulfill our training requirements within the following 30 days.

Each Store that you operate must be under the on-premises supervision of a designated manager (who we call the “Shop Lead”) who has successfully completed our initial training program.

If the franchisee is a business entity, each Owner (and their spouse, if applicable) must sign a Guaranty and Personal Undertaking substantially in the form attached as Attachment D-1 to the Franchise Agreement. Any individual who attends our initial training program must sign a confidentiality and non-compete agreement substantially in the form attached as Attachment D-2 to the franchise agreement. Any personnel with access to our training and confidential information, must sign covenants not to compete and agree to maintain the confidentiality of information they have access to through their relationship with you, in the form attached as Attachment D-2.

**ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer and sell all menu items that we require, and may offer and sell only those menu items that we have approved. We may add, eliminate, or modify authorized goods and services, and we may modify standards and procedures, all in our sole discretion. We may also add, eliminate, or modify the use of pre-approved vendors and manufacturers providing goods and services. There are no contractual limitations on our rights to make these changes.

Menu items and other food and beverage products may be prepared only by properly trained personnel strictly according to our recipes, cooking techniques, and processes. We always have the right to approve or disapprove in advance all products and services that your business sells. We have the right to add or modify authorized items and services that you must offer and may withdraw our approval of previously authorized items and services. There are no limits on our rights to make these changes.

You may not cobrand with another concept, offer, utilize, or provide catering services (such as from a cart, kiosk, food truck, or other mobile unit) or third-party delivery services (such as UberEATS, DoorDash, Postmates, GrubHub, or other third parties offering delivery) without our prior written consent. You may neither ship products nor distribute products through wholesale channels.

We have the right to establish maximum, minimum, or other retail pricing requirements to the extent permitted by law.

You may not permit in the Store any vending, gaming machines, payphones, automatic teller machines, Internet kiosks, or other mechanical or electrical devices, except for those we require or approve.

**ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION
THE FRANCHISE RELATIONSHIP**

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the franchise agreement attached to this disclosure document.

A. Franchise Agreement

Provisions	Section in Franchise Agreement	Summary
a. Length of the franchise term	Sections 2.1	The earlier of 10 years after your Store opens for business, or 11 years after the effective date of your franchise agreement.

Provisions	Section in Franchise Agreement	Summary
b. Renewal or extension of the term	Section 2.2	If you are in good standing, you can renew for additional consecutive five-year terms.
c. Requirements for franchisee to renew or extend	Section 2.2	You must meet all required conditions to renew, including signing our then-current form of franchise agreement, which may be materially different than the form attached to this disclosure document. Other requirements include giving us notice of your intent to renew, compliance with your franchise obligations during the franchise term and at the time of renewal, satisfaction of monetary obligations, having the right to remain in possession of the premises, renovation of the Store to meet our then-current image requirements, compliance with our then-current training requirements, payment of the renewal fee, signing a general release.
d. Termination by franchisee	No provision	No provision, however, you may terminate under any grounds permitted by law.
e. Termination by franchisor without cause	No provision	Not applicable
f. Termination by franchisor with cause	Sections 13.1, 13.2, 13.3, 13.4, 13.5, 13.6, and 13.7	We can terminate the franchise agreement for cause, or on account of the for-cause termination of any other franchise agreement between you and us.
g. “Cause” defined – curable defaults	Sections 13.3, 13.4, 13.5, and 13.6	You have 10 days to cure non-payment of fees, violation of any provision of the franchise agreement concerning the use and protection of the Marks or Copyrighted Works or concerning the preparation, service, appearance, or quality of products. You have 30 days to cure non-compliance with defaults not listed in subsection (h), below.
h. “Cause” defined – non-curable defaults	Sections 13.1 and 13.2	We can terminate without opportunity to cure upon the happening of certain bankruptcy or insolvency events, your conviction of a felony, knowingly maintaining false books or records, trademark misuse, failure to successfully complete training, failure to open the Store by the required opening date or within 12 months after signing the franchise by agreement, abandonment of the Store, failure to maintain the right to operate the Store, violation of confidentiality and non-competition covenants, failure to comply with regard to Crisis Management Events, an attempted transfer in violation of the

Provisions	Section in Franchise Agreement	Summary
		franchise agreement, offering unauthorized products or services, purchase from unapproved suppliers, and repeated curable defaults, whether or not cured.
i. Franchisee’s obligations on termination/ nonrenewal	Article 14	You must cease use of our trademarks, de-identify the premises, pay all amounts due to us, and return the Manuals to us. We may, at our option, assume all telephone numbers for the Store. We may, at our option, assume your lease and purchase certain Store assets. You must, at our option, cancel or assign to us your rights to any Internet websites or web pages or e-mail addresses which contain our Marks. See also “r” below.
j. Assignment of contract by franchisor	Section 12.1	No restriction on our right to assign.
k. “Transfer” by franchisee – defined	Section 12.2, 12.3, and 12.4	Includes transfer of the agreement or change in ownership of the franchisee entity.
l. Franchisor approval of transfer by franchisee	Section 12.4	Transfers require our prior written consent, which will not be unreasonably withheld. However, transfers that do not result in a change of control of you may, subject to certain conditions described in the franchise agreement, be completed without our prior written consent.
m. Conditions for franchisor approval of transfer	Section 12.4	You must be in compliance with franchise agreement and all other agreements. New franchisee: must qualify, complete training, sign a new franchise agreement in our then-current form (if, unless the term of the new franchise agreement will be the remaining term of the existing franchise agreement), pay an initial franchise fee, and refurbish the Store, as needed. You must: sign a guaranty and a general release, and if applicable our resale program fee, all monetary obligations to us must be satisfied; additional requirements apply to business entities. (see also “r” below).
n. Franchisor’s right of first refusal to acquire franchisee’s business	Section 12.8	We can match any offer for your business.
o. Franchisor’s option to purchase your business	Section 14.4	We have the option to purchase some or all of your equipment, furnishings and fixtures on expiration or termination of your franchise agreement.

Provisions	Section in Franchise Agreement	Summary
p. Death or disability or franchisee	Section 12.9	Same requirements as for transfer in “m” above, except there is no transfer fee and we do not have right of first refusal. If your interest is not transferred within six months following your (or a major member, partner or shareholder’s) death or legal incapacity, your franchise agreement may be terminated.
q. Non-competition covenants during the term of the franchise	Section 15.1	Neither you nor your Owners may have any involvement with any health food restaurant or any quick-service or fast casual restaurant that derives a significant portion of its income from the sale of health food and/or superfood items within the U.S., its territories or commonwealths, or any other country, province, state or geographic area in which we or our affiliates have used, sought registration of or registered the Marks or similar marks or operate or license others to operate a business under the Marks or similar marks; no diversion of any present or prospective customer of ours to a competitor; no solicitation of ours or any of our Affiliate’s management employees. Non-competition covenants are subject to State law.
r. Non-competition covenants after the franchise is terminated or expires	Section 15.2	Neither you nor your Owners may have any involvement with any health food restaurant or any quick-service or fast casual restaurant that derives a significant portion of its income from the sale of health food and/or superfood items, other than the one authorized in the Franchise Agreement, at your former Store location or within a 25-mile radius of your former Store or within a 25-mile radius of any other NAUTICAL BOWLS Store for two years following expiration, termination or transfer. Non-competition covenants are subject to State law.
s. Modification of the agreement	Sections 18.1 and 18.2	Must be in writing and signed by all parties
t. Integration/merger clause	Sections 18.1 and 18.2	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). However, nothing in the franchise agreement is intended to disclaim or require you to waive reliance on any representation made in this franchise disclosure document.

Provisions	Section in Franchise Agreement	Summary
u. Dispute resolution by arbitration or mediation	Section 19.2 and 19.3	Claims, controversies, or disputes from or relating to the Franchise Agreement must be mediated and arbitrated, except for actions seeking injunctive relief and actions we bring which are related to or based on our Marks or Confidential Information.
v. Choice of forum	Sections 19.2, 19.3, and 19.4	Mediation and arbitration in the city where our principal business office is located at the time mediation occurs. Venue for any other proceeding is the courts in the county in which we maintain our principal business office (subject to applicable state law).
w. Choice of law	Section 19.1	Texas law applies without giving effect to any conflict of laws principles (subject to state law).

B. DEVELOPMENT AGREEMENT

	Provision	Section in Development Agreement	Summary
a.	Term of franchise	7.1	The Development Agreement will commence on the date it is fully executed and end on the earlier of (a) the last day of the calendar month that the final Franchised Business is required to be opened and operating under the Development Schedule or (b) the day that the final Store is opened.
b.	Renewal or extension of the term	Not Applicable	Not Applicable.
c.	Requirements for you to renew or extend	Not Applicable	Not Applicable.
d.	Termination by you	Not Applicable	Not Applicable.
e.	Termination by us without cause	Not Applicable	Not Applicable.
f.	Termination by us with cause	7.2	We may terminate your Development Agreement with cause.
g.	Cause defined - default which can be cured	Not Applicable	Not Applicable.
h.	Cause defined - default which cannot be cured	7.2	Your Development Agreement can be terminated by us if: (i) you cease to actively engage in development activities in the Development Area or otherwise abandon your development business for three (3) consecutive months, or any shorter period that indicates an intent by you to discontinue development of the Stores within the Development Area; (ii) you become insolvent or

	Provision	Section in Development Agreement	Summary
			are adjudicated bankrupt, or if any action is taken by Franchisee, or by others against you, under any insolvency, bankruptcy or reorganization act, or if you make an assignment for the benefit or creditors or a receiver is appointed by you; (iii) you fail to meet your development obligations under the Development Schedule for any single Development Period, and fail to cure such default within 30 days of receiving notice thereof; and (iv) any Franchise Agreement that is entered into in order to fulfill your development obligations under the Development Agreement is terminated or subject to termination by us, pursuant to the terms of that Franchise Agreement.
i.	Your obligations on termination/ non-renewal	Not Applicable	Not Applicable.
j.	Assignment of contract by us	9	We have the right to assign our rights under the Development Agreement.
k.	“Transfer” by you - definition	9	Any transfer in you (if you are an entity) or your rights/obligations under the Development Agreement.
l.	Our approval of transfer by franchisee	9	You may not transfer any rights or obligations under the Development Agreement without our prior written consent.
m.	Conditions for our approval of transfer	Not Applicable	Not Applicable.
n.	Our right of first refusal to acquire your business	Not Applicable	Not Applicable.
o.	Our option to purchase your business	Not Applicable	Not Applicable.
p.	Your death or disability	Not Applicable	Not Applicable.
q.	Non-competition covenants during the term of the franchise	Not Applicable	Nothing additional. Please see non-competition covenants set forth in your Franchise Agreement(s) entered into under the Development Agreement.
r.	Non-competition covenants after the franchise is terminated or expires	Not Applicable	Nothing additional. Please see non-competition covenants set forth in your Franchise Agreement(s) entered into under the Development Agreement.
s.	Modification of the Development Agreement	29	Any modification of the Development Agreement must be in writing and signed by both parties.
t.	Integration/ merger clauses	29	Only the terms of the Development Agreement are binding (subject to state law). Any representations or promises made outside of the disclosure document and the Development Agreement may not be enforceable.

	Provision	Section in Development Agreement	Summary
u.	Dispute resolution by mediation	15	Claims, controversies, or disputes from or relating to the Franchise Agreement must be mediated and arbitrated, except for actions seeking injunctive relief and actions we bring which are related to or based on our Marks or Confidential Information.
v.	Choice of forum	17	Mediation/arbitration in the city where our principal business office is located at the time mediation/arbitration occurs. Venue for any other proceeding is the courts in the county in which we maintain our principal business office (subject to applicable state law).
w.	Choice of law	1311	Texas law applies without giving effect to any conflict of laws principles (subject to state law).

**ITEM 18
PUBLIC FIGURES**

We do not use any public figure to promote the franchise.

**ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS**

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

Factual Background, Statement of Bases and Material Assumptions

There were 68 NAUTICAL BOWLS stores in the NAUTICAL BOWLS System as of April 2025. Of these stores, 43 were open for the full 12 months ending December 31, 2024 (the “Measurement Period”), 41 of which are owned and operated by System franchisees, and 2 of which are owned and operated by our affiliate (collectively, the “Reporting Outlets”).

This Item 19 discloses the Average Net Sales (as defined below) for each of the Reporting Outlets during the Measurement Period (i) as divided into three (3) tiers (each a “Tier”) based upon the reported Net Sales of each Reporting Outlet, and (ii) for all Reporting Outlets during the Measurement Period, as well as the highest and lowest reported Net Sales per Tier, the median Net Sales per Tier, and the number and percentage that met or exceeded the average per Tier (collectively, the “Associated Data”), as reported to us by the Reporting Outlets. We have excluded from this Item 19 the financial performance of 25 stores that were not open during the entirety of the Measurement Period.

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Some outlets have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.

Average Net Sales and Associated Data of Reporting Outlets During the Measurement Period
(1/1/2024 – 12/31/2024)

Tier 1		Tier 2		Tier 3		All Reporting Outlets	
# of Units: 14		# of Units: 14		# of Units: 15		# of Units: 43	
Average Net Sales¹	\$484,912.77	Average Net Sales	\$359,820.30	Average Net Sales	\$236,281.49	Average Net Sales	\$357,453.15
Highest in Tier	\$723,372.97	Highest in Tier	\$387,959.84	Highest in Tier	\$298,785.77	Highest in Tier	\$723,372.97
Lowest in Tier	\$390,148.71	Lowest in Tier	\$319,865.24	Lowest in Tier	\$153,805.90	Lowest in Tier	\$153,805.90
Median in Tier	\$465,281.29	Median in Tier	\$366,064.21	Median in Tier	\$247,451.22	Median in Tier	\$365,481.69
# and % in Tier that Met or Exceeded the Average	5 (35.7%)	# and % in Tier that Met or Exceeded the Average	8 (57.1%)	# and % in Tier that Met or Exceeded the Average	9 (64.3%)	# and % in Tier that Met or Exceeded the Average	22 (51.2%)

Note 1. “Net Sales” means cash receipts from the sale of food and merchandise, net of customer refunds and sales tax.

Note 2. The historical financial performance representation included in this Item 19 includes certain performance information reported by the Reporting Outlets during the Measurement Period only. It is not a projection of what you can expect to achieve in connection with the operation of a Franchised Business, or a projection of what the Reporting Outlets will achieve in the future.

Note 3: The information presented in this Item 19 discloses only the Average Net Sales and Associated Data for the Reporting Outlets during the Measurement Period, as reflected in the above chart. It does not include or reflect any operating expenses incurred by the Reporting Outlets, including but not limited to rent and occupancy-related expenses, labor and employee costs, payroll taxes, food and inventory expenses, required insurance policy premium costs, bank and merchant account fees, accounting fees, repairs and maintenance, meals and entertainment, and all other expenses that you will incur in operating a Franchised Business. Our current and former franchisees may be one source of this information. Our list of franchisees

is attached as Exhibit D to this disclosure document. You are encouraged to do your own due diligence before investing in this franchise opportunity.

Note 4: You are strongly encouraged to develop your own business plan for your franchise, including capital budgets, financial statements, projects, pro forma financial statements, and other elements appropriate to your circumstances before you invest in this franchise opportunity. We encourage you to consult with your own accounting, business, and legal advisers to assist you in preparing your business plan.

Note 5: The information presented in this Item 19 excludes tax liabilities. You will be responsible for all taxes incurred in connection with the operation of your Franchised Business. You are strongly encouraged to consult with a tax professional before investing in this franchise opportunity.

Other than the preceding financial performance representation, we do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any 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 Bryant Amundson, Nautical Bowls Franchising, LLC, 3432 County Road 101, Minnetonka, Minnesota 55345, bryant@nauticalbowls.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NO. 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2022 TO 2024**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at End of Year	Net Change
Franchised	2022	2	25	+23
	2023	25	54	+29
	2024	54	70	+16
Company-Owned*	2022	2	2	0
	2023	2	3	+1
	2024	3	2	-1
Total Outlets	2022	4	27	+23
	2023	27	57	+30
	2024	57	72	+15

TABLE NO. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR)
FOR YEARS 2022 TO 2024

State	Year	Number of Transfers
Minnesota	2022	1
	2023	2
	2024	3
New York	2022	0
	2023	0
	2024	1
Totals	2022	1
	2023	2
	2024	4

TABLE NO. 3
STATUS OF FRANCHISED OUTLETS
FOR YEARS 2022 TO 2024

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Alabama	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	2	0	0	0	0	2
Arizona	2022	0	0	0	0	0	0	0
	2023	0	3	0	0	0	0	3
	2024	3	2	0	0	0	0	5
Arkansas	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	1	0
California	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	1	0
	2024	0	0	0	0	0	0	0
Connecticut	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	2	0	0	0	0	2
Florida	2022	0	1	0	0	0	0	1
	2023	1	3	0	0	0	1	3
	2024	3	3	0	0	0	2	4
Illinois	2022	0	2	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
	2023	2	2	0	0	0	1	3
	2024	3	2	0	0	0	0	5
Indiana	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	1	0	0	0	0	2
Kansas	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Michigan	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Minnesota	2022	2	15	0	0	0	0	17
	2023	17	12	0	0	0	6	23
	2024	23	3	1	0	0	2	23
Missouri	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Montana	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
New York	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
North Carolina	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	3	0	0	0	0	5
North Dakota	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	1	1
	2024	1	2	0	0	0	0	3
Pennsylvania	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2
	2024	2	0	0	0	0	1	1
South Carolina	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
	2024	1	0	0	0	0	0	1
South Dakota	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Texas	2022	0	1	0	0	0	0	1
	2023	1	4	0	0	0	1	4
	2024	4	1	0	0	0	0	5
Utah	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2
	2024	2	0	0	0	0	1	1
Virginia	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2
	2024	2	1	0	0	0	0	3
Totals	2022	2	23	0	0	0	0	25
	2023	25	39	0	0	0	11	54
	2024	54	24	1	0	0	7	70

**TABLE NO. 4
STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2022 TO 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Minnesota	2022	2	0	0	0	0	2
	2023	2	1	0	0	0	3
	2024	3	0	0	1	0	2
Totals	2022	2	0	0	0	0	2
	2023	2	1	0	0	0	3
	2024	3	0	0	1	0	2

**TABLE NO. 5
PROJECTED OPENINGS AS OF DECEMBER 31, 2024**

State	Franchise Agreements Signed But Outlets Not Open	Projected New Franchised Outlets in Next Fiscal Year	Projected New Company-owned Outlets in Next Fiscal Year
Arizona	12	1	0

State	Franchise Agreements Signed But Outlets Not Open	Projected New Franchised Outlets in Next Fiscal Year	Projected New Company-owned Outlets in Next Fiscal Year
California	5	2	0
Connecticut	1	0	0
Washington, DC	2	0	0
Florida	11	1	0
Georgia	2	0	0
Indiana	2	0	0
Massachusetts	1	0	0
Maryland	3	0	0
Michigan	1	0	0
Minnesota	5	0	0
North Carolina	4	0	0
North Dakota	2	1	0
Ohio	1	0	0
Pennsylvania	4	0	0
South Carolina	5	0	0
South Dakota	1	0	0
Tennessee	3	0	0
Texas	11	0	0
Utah	4	1	0
Virginia	3	0	0
Washington	1	1	0
Wisconsin	5	0	0
Totals	89	7	0

Attached to this disclosure document as Exhibit C is a list of our current franchisees and a list of our former franchisees, if any, as of December 31, 2024. Also attached as Exhibit C is a list of the name, city and state, and current business telephone number or e-mail address of every franchisee who has had an outlet terminated, canceled, or not renewed by us or who otherwise voluntarily or involuntarily ceased to do business under their agreements as of December 31, 2024, or who has not communicated with us within 10 weeks of the date of this disclosure document.

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

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with NAUTICAL BOWLS. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

ITEM 21 FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit A, are our (i) audited balance sheets as of December 31, 2024, December 31, 2023, and December 31, 2022, and the related statements of operations, changes in

stockholders' equity, and cash flows for the fiscal years then-ended, and the related notes, and (ii) our interim unaudited financial statements dated as of August 31, 2025.

Our fiscal year ends December 31.

ITEM 22 CONTRACTS

Attached to this disclosure document are the following contracts:

Exhibit B –Franchise Agreement

- Attachment A – Glossary of Additional Terms
- Attachment B - Key Terms
- Attachment C – Entity Information
- Attachment D-1 – Guaranty and Personal Undertaking
- Attachment D-2 – Confidentiality and Non-Compete Agreement
- Attachment E – ACH Authorization
- Attachment F – Lease Rider
- Attachment G – Franchisee Questionnaire

Exhibit C – Development Agreement

Exhibit E –General Release Example

ITEM 23 RECEIPTS

Attached as Exhibit J are detachable duplicate Receipts. Please sign and date both copies of the Receipt. Keep one signed copy of the Receipt for your file and return to us the other signed copy of the Receipt. The Receipt contains the names of our franchise sellers or brokers.

EXHIBIT A
NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS



NAUTICAL BOWLS FRANCHISING, LLC

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2024, and 2023 (RESTATED)



NAUTICAL BOWLS FRANCHISING, LLC

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Independent Auditor's Report

To the Members
Nautical Bowls Franchising, LLC
Minnetonka, Minnesota

Opinion

We have audited the accompanying financial statements of Nautical Bowls Franchising, LLC, which comprise the balance sheet as of December 31, 2024, and the related statements of operations, members' deficit, and cash flows for the year then ended, 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 Nautical Bowls Franchising, LLC as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 the Company 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.

Emphasis of Matter – 2023 Financial Statements

The financial statements of Nautical Bowls Franchising, LLC, as of December 31, 2023 were audited by other auditors whose report dated February 6, 2024, expressed an unqualified opinion on those statements.

Emphasis of Matter – Restatement of 2023 Financial Statements

As discussed in Note 2 to the financial statements, the Company has restated its previously issued financial statements for the year ended December 31, 2023, due to an error in revenue recognition. The adjustment reflects the appropriate accounting treatment in accordance with applicable standards. The restatement has resulted in a reduction to deferred revenue and deferred commissions and an increase to initial franchise fees and commission expenses. Our opinion is not modified with respect to this matter. We were not engaged to audit the financial statements for the Company for year ending December 31, 2023.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year 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, including omissions, 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 the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Kezas ¹/₃ Dunlavy

St. George, Utah
May 10, 2025

NAUTICAL BOWLS FRANCHISING, LLC

BALANCE SHEETS

As of December 31, 2024 and 2023 (Restated)

	<u>2024</u>	<u>2023*</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 218,397	\$ 121,271
Accounts receivable	51,155	8,666
Related party receivable	-	504,524
Deferred commissions, current	358,602	375,938
Other current assets	51,344	23,930
Total current assets	<u>679,498</u>	<u>1,034,329</u>
Non-current assets		
Loan to member	144,972	-
Deferred income tax asset	772,263	695,340
Property and equipment, net	-	113,586
Deferred commissions, non-current	2,056,761	2,415,363
Total non-current assets	<u>2,973,996</u>	<u>3,224,289</u>
Total assets	<u>\$ 3,653,494</u>	<u>\$ 4,258,618</u>
Liabilities and Members' Deficit		
Current liabilities		
Accounts payable	\$ 90,494	\$ 40,016
Accrued interest payable	55,662	21,658
Gift card liabilities	134,291	118,169
Due to related party	524,740	487,083
Deferred franchise fees, current	698,003	775,549
Total current liabilities	<u>1,503,190</u>	<u>1,442,475</u>
Non-current liabilities		
Deferred franchise fees, non-current	3,877,227	4,536,730
Note payable	200,000	-
Total non-current liabilities	<u>4,077,227</u>	<u>4,536,730</u>
Total liabilities	<u>5,580,417</u>	<u>5,979,205</u>
Members' deficit	<u>(1,926,923)</u>	<u>(1,720,587)</u>
Total liabilities and members' deficit	<u>\$ 3,653,494</u>	<u>\$ 4,258,618</u>

The accompanying notes are an integral part of the financial statements.

NAUTICAL BOWLS FRANCHISING, LLC

STATEMENTS OF OPERATIONS

For the years ended December 31, 2024 and 2023 (Restated)

	<u>2024</u>	<u>2023*</u>
Operating revenues		
Royalties and marketing fees	\$ 1,324,400	\$ 819,902
Initial franchise fees	775,549	649,857
Rebates and other operating revenue	520,375	61,514
Total operating revenues	<u>2,620,324</u>	<u>1,531,273</u>
Operating expenses		
General and administrative	1,416,590	1,225,345
Professional fees	585,320	206,695
Commissions	375,938	357,943
Advertising and marketing	390,051	875,612
Total operating expenses	<u>2,767,899</u>	<u>2,665,595</u>
Loss from operations	(147,575)	(1,134,322)
Non-operating expense		
Loss on Disposition of asset	(104,967)	-
Interest income	3,288	-
Interest expense	(34,005)	-
Total non-operating expense	<u>(135,684)</u>	<u>-</u>
Net loss before income tax	<u>(283,259)</u>	<u>(1,134,322)</u>
Income tax benefit	76,923	302,076
Net loss	<u>\$ (206,336)</u>	<u>\$ (832,246)</u>

The accompanying notes are an integral part of the financial statements.

NAUTICAL BOWLS FRANCHISING, LLC
STATEMENTS OF MEMBERS' DEFICIT
For the years ended December 31, 2024 and 2023 (Restated)

Balance January 1, 2023	\$ (888,341)
Net loss	(832,246)
Balance December 31, 2023	<u>(1,720,587)</u>
Net loss	(206,336)
Balance December 31, 2024	<u><u>\$ (1,926,923)</u></u>

The accompanying notes are an integral part of the financial statements.

NAUTICAL BOWLS FRANCHISING, LLC
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2024 and 2023 (Restated)

	<u>2024</u>	<u>2023*</u>
Cash flow from operating activities:		
Net loss	\$ (206,336)	\$ (832,246)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation expense	3,688	3,672
Deferred income taxes	(76,923)	(306,425)
Loss on disposal of assets	104,967	-
Changes in operating assets and liabilities:		
Accounts receivable	(42,489)	119,436
Related party receivable	504,524	(62,843)
Deferred commissions	375,938	(811,665)
Other current assets	(27,414)	(23,930)
Accounts payable	50,478	(32,174)
Accrued expenses	34,004	(68,029)
Gift card liabilities	16,122	118,169
Due to related party	37,657	487,083
Deferred franchise fees	(737,049)	1,338,776
Net cash provided by (used in) operating activities	<u>37,167</u>	<u>(70,176)</u>
Cash flows from investing activities:		
Acquisitions of property and equipment	-	(117,258)
Proceeds from disposal of assets	4,931	-
Net cash provided by (used in) investing activities	<u>4,931</u>	<u>(117,258)</u>
Cash flows from financing activities:		
Draw on note payable	200,000	-
Loan to member	(144,972)	-
Net cash provided by financing activities	<u>55,028</u>	<u>-</u>
Net change in cash and cash equivalents	97,126	(187,434)
Cash at the beginning of the year	121,271	308,705
Cash at the end of the year	<u>\$ 218,397</u>	<u>\$ 121,271</u>

The accompanying notes are an integral part of the financial statements.

NAUTICAL BOWLS FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024 and 2023 (Restated)

(1) Nature of Business and Summary of Significant Accounting Policies

(a) Nature of Business

Nautical Bowls Franchising, LLC (the “Company”) was formed on September 25, 2020, in the state of Texas as a limited liability company for the principal purpose of conducting franchise sales, marketing, and management. The Company grants qualified franchisees the right to own and operate a Nautical Bowls franchise in the United States. The Company features superfood smoothie bowls and healthy beverages.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

(b) Accounting Standards Codification

The Financial Accounting Standards Board (“FASB”) has issued the FASB Accounting Standards Codification (“ASC”) that became the single official source of authoritative U.S. generally accepted accounting principles (“GAAP”), other than guidance issued by the Securities and Exchange Commission (“SEC”), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

(c) Use of Estimates

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

(d) Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. Also included within cash equivalents are deposits in-transit from banks for payments related to third-party credit cards and debit card transactions. As of December 31, 2024, and 2023, the Company had cash and cash equivalents of \$218,397 and \$121,271, respectively.

(e) Accounts Receivables

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for franchise sales, royalties and other sales transactions. These accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of outstanding amounts. When determining the allowance for doubtful receivable, the Company has adopted ASC 326, *Financial Instruments—Credit Losses*. This standard requires that management utilize the Current Expected Credit Losses (“CECL”) model to recognize the appropriate allowance for doubtful receivables. This model requires entities to estimate and recognize expected credit losses over the life of the financial instrument. For trade receivables, management has elected to apply a simplified approach, based on historical loss experience and adjustments for current and forecasted economic conditions. Management regularly evaluates individual customer receivables, considering their financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. As of December 31, 2024, and 2023, the Company had accounts receivable of \$51,155, and \$8,666, respectively. As of December 31, 2024, and 2023, the Company had no allowance for doubtful accounts.

NAUTICAL BOWLS FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024 and 2023 (Restated)

(f) Fixed Assets

Fixed assets are stated at historical cost. Depreciation is provided utilizing the straight-line method over estimated useful lives, ranging from five to seven years. Leasehold improvements are depreciated over the lease term.

(g) Revenue Recognition

The Company has adopted ASC 606, *Revenue from Contracts with Customers*. ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluated all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue. For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the various components of the transaction price and the Company's performance obligations.

The Company's revenues consist of initial franchise fees, royalties and marketing fees based on a percentage of gross revenues, and rebates.

Royalties and marketing fees

Upon evaluation of the five-step process, the Company has determined that royalties and marketing fees are to be recognized in the same period as the underlying sales.

Rebates

Upon evaluation of the five-step process, the Company has determined that rebates are to be recognized in the same period as the underlying sales.

Initial franchise fees

Initial franchise fees are recognized as the Company satisfies the performance obligation over the franchise term, which is generally 10 years.

(h) Income Taxes

The Company is a limited liability company ("LLC") that has elected to be taxed as a corporation for federal and state income tax purposes. As a result, the Company is subject to corporate income taxes and accounts for income taxes in accordance with applicable accounting standards.

The Company has adopted the liability method of accounting for income taxes ASC 740, *Income Taxes*. Under ASC 740, deferred income taxes are recorded to reflect tax consequences on future years for the differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company adopted the provisions ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*. This provision prescribes recognition thresholds that must be met before a tax position is recognized in the financial statements

NAUTICAL BOWLS FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024 and 2023 (Restated)

and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Under the provision, an entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold.

Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. The Company's evaluation was performed for the tax years ended December 31, 2024, 2023, and 2022. The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2024, the 2023, 2022, and 2021 tax years were open to examination.

(i) Advertising Costs

The Company expenses advertising costs as incurred. For the years ended December 31, 2024 and 2023, advertising expenses were \$390,051, and \$875,612, respectively.

(j) Concentration of Risk

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

(k) Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, pre-paid expenses, and accounts payable the carrying amounts approximate fair value due to their short maturities. The amounts shown for notes payable are also approximate fair value because current interest rates and terms offered to the Company for similar debt are substantially the same.

(2) Emphasis of Matter – Restatement of 2023 Financials

During the year ended December 31, 2024, it was noted that there was an error in revenue recognition calculation during the year ended December 31, 2023. Due to this inadvertent omission, management has determined that a restatement of the financial statements for the year ended December 31, 2023, is required. The restatement is summarized as follows:

	2023 As Previously Reported	2023 Adjustments	2023 Restated
Deferred commissions, current	\$ 75,550	\$ 300,388	\$ 375,938
Deferred commissions, non-current	3,052,031	(636,668)	2,415,363
Deferred income taxes	911,669	(216,329)	695,340
Deferred franchise fees, current	183,243	592,30	775,549
Deferred franchise fees, non-current	5,715,689	(1,178,959)	4,536,730
Initial franchise fees	174,541	475,316	649,857
Commissions	133,00	224,943	357,943
Income tax benefit	68,200	233,876	302,076

NAUTICAL BOWLS FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024 and 2023 (Restated)

(3) Furniture, Fixtures and Equipment, net

Property and equipment consist of the following as of December 31, 2024, and 2023:

	<u>2024</u>	<u>2023</u>
Leasehold improvements	\$ -	\$ 103,683
Furniture and equipment	-	13,575
	-	117,258
Less accumulated depreciation	-	(3,672)
	<u>\$ -</u>	<u>\$ 113,586</u>

Depreciation expense for the years ended December 31, 2024 and 2023 was \$3,688 and \$3,672, respectively.

(4) Franchise Agreements

The Company's franchise agreements generally provide for payment of initial fees as well as continuing royalty and marketing fees to the Company based on a percentage of sales. Under the franchise agreement, franchisees are granted the right to operate in a location using the Nautical Bowls system for a period of ten years. Under the Company's revenue recognition policy, the Company defers initial fees and recognizes revenue over the life of the contract. In addition, the Company defers related contract costs such as broker commissions and records the expense over the same period.

The Company has estimated the following current and non-current portions of deferred commissions as of December 31, 2024, and 2023:

	<u>2024</u>	<u>2023</u>
Deferred commissions, current	\$ 358,602	\$ 375,938
Deferred commissions, non-current	2,056,761	2,415,363
	<u>\$ 2,415,363</u>	<u>\$ 2,791,301</u>

The Company has estimated the following current and non-current portions of deferred franchise fees as of December 31, 2024, and 2023:

	<u>2024</u>	<u>2023</u>
Deferred franchise fees, current	\$ 698,003	\$ 775,549
Deferred franchise fees, non-current	3,877,227	4,536,730
	<u>\$ 4,575,230</u>	<u>\$ 5,312,279</u>

(5) Note Payable

On July 12, 2024, the Company executed a note payable agreement with a principal balance of \$200,000. The note accrues interest at an annual rate of 5.5% and matures in two years. In accordance with the terms of the agreement, the Company will make interest-only payments for the duration of the two-year term, with each annual payment due on the anniversary of the note. As of December 31, 2024, the accrued interest on the loan was \$5,063.

NAUTICAL BOWLS FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024 and 2023 (Restated)

(6) Income Taxes

As of December 31, 2024 and 2023, the components of the Company’s deferred income tax asset are as follows:

	2024	2023
Deferred tax asset		
Net operating loss roll-forward	\$ 350,157	\$ 169,443
Deferred commissions and revenue	422,106	525,897
	\$ 772,263	\$ 695,340

(7) Other Current Assets

The Company has a deposit on its balance sheet, which represents payment made in advance for goods or services to be received in the future. The Company’s deposit is primarily associated with the pre-payment legal fees and surety bond premiums. As of December 31, 2024, and 2023, the total amount of prepaid expenses was \$51,344 and \$23,930, respectively and are classified as a current asset on the balance sheets.

(8) Gift Card Liabilities

Gift card liabilities consist of Company-wide activated gift cards that have not been redeemed as of year-end. They are recorded as a liability until activation. As of December 31, 2024, and 2023, the amount of outstanding activated gift cards was \$134,291, and \$118,169, respectively.

(9) Related Party Transactions

During the year ended December 31, 2024, the Company provided funds to a member in exchange for a promissory note. The loans has a term of seven years, and does not require monthly repayments. As of December 31, 2024, the outstanding receivable balance is \$144,972, and is classified as non-current on the balance sheet.

The Company also has receivables and payables due to related parties for advances made and advances received. As of December 31, 2023 the balance was in a net receivable amount of \$17,441 and as of December 31, 2024, the balance was in a net payable position of \$524,740.

(10) Commitments and Contingencies

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is “probable” and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is “probable” but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is “reasonably possible,” disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are “remote” are neither accounted for nor disclosed. As of December 31, 2024, the following matters were open.

Bright Beacon, Inc. v. Nautical Bowls Franchising, LLC, Peter Taunton, Bryant Amundson, Rachel Amundson, et al. Superior Court of the State of California, San Diego County (Court File No. 37-2023-00055847-CU-FR-CTL). On December 27, 2023, a former franchisee sued us and our officers and other representatives of our company alleging violations of the California Franchise Investment Law, fraud, negligent misrepresentation, breach of contract, violation of the Unfair Competition Law, and violation of the Texas Deceptive Trade Practices Act, in connection with the sale of the franchise. Plaintiff seeks compensatory and exemplary damages and recovery of attorneys’ fees. This case is in the pre-trial stage and we intend to vigorously defend these claims.

NAUTICAL BOWLS FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024 and 2023 (Restated)

Kirin Hawley, et al v. Nautical Bowls Franchising, LLC, Peter Taunton, Bryant Amundson, Rachel Amundson, et al Fourth Judicial District, State of Minnesota (Case No. 27-CV-23-19306). On December 22, 2023, a former franchisee sued us and our officers and other representatives of our company alleging violations of the Minnesota Franchise Law, the Minnesota Deceptive Trade Practices Act, the Texas Deceptive Trade Practices Act, claims of common law fraud and negligent misrepresentation in connection with the sale of her franchise, and promissory/equitable estoppel and breach of contract. Plaintiffs seek compensatory and exemplary damages and recovery of attorneys' fees. This case is in the pre-trial stage and we intend to vigorously defend all claims.

Cheryl Hatfield, et al v. Nautical Bowls Franchising, LLC, Peter Taunton, Bryant Amundson, Rachel Amundson, et al, Fourth Judicial District, State of Minnesota (Case No. 27-CV-19329). On December 22, 2023, a former franchisee sued us and our officers and other representatives of our company alleging violations of the Minnesota Franchise Law, the Minnesota Deceptive Trade Practices Act, the Texas Deceptive Trade Practices Act, claims of common law fraud and negligent misrepresentation in connection with the sale of her franchise, and promissory/equitable estoppel and breach of contract. Plaintiffs seek compensatory and exemplary damages and recovery of attorneys' fees. This case is in the pre-trial stage and we intend to vigorously defend all claims.

(11) Subsequent Events

Management has reviewed and evaluated subsequent events through May 10, 2025, the date on which the financial statements were issued.

NAUTICAL BOWLS FRANCHISING, LLC

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021

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DNJ & ASSOCIATES

Certified Public Accountants
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Arcadia, CA 91007
310-989-8507
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Independent Auditor's Report

To the Members
NAUTICAL BOWLS FRANCHISING, LLC
Minnetonka, MN

Opinion

We have audited the accompanying financial statements of Nautical Bowls Franchising, LLC (the "Company") (a Texas limited liability company), which comprise the balance sheet as of December 31, 2023, and the related statements of operations and members' deficit, and cash flows for the year then ended, and the related notes to financial statements.

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

Basis of 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 the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of Nautical Bowls Franchising, LLC as of December 31, 2022 and 2021 were audited by other auditors whose report dated March 17, 2023 expressed an unmodified opinion on those statements.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditor's Report (Continued)

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 judgement 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 the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

DNJ & ASSOCIATES

Arcadia, California
February 6, 2024

NAUTICAL BOWLS FRANCHISING, LLC
Balance Sheets
December 31, 2023, 2022 and 2021

	Assets		
	2023	2022	2021
Current Assets			
Cash	\$ 121,271	\$ 308,705	\$ 288,857
Accounts receivable, net of allowance of \$0	8,666	28,602	206,027
Franchise fees receivable	-	99,500	-
Accounts receivable-related parties, net of allowance of \$0	504,524	441,681	-
Deferred commissions, current portion	75,550	20,017	26,450
Other current assets	23,930	-	35,020
Total current assets	733,941	898,505	556,354
Deferred commissions, net of current portion	3,052,031	1,959,619	229,721
Deferred income taxes	911,669	839,120	-
Property and equipment, net	113,586	-	-
Total Assets	\$ 4,811,227	\$ 3,697,244	\$ 786,075
	Liabilities and Members' Deficit		
Current Liabilities			
Accounts payable	\$ 158,185	\$ 72,190	\$ 136,392
Accrued interest payable	21,658	-	-
Accrued income taxes	-	57,187	-
Commissions payable	-	32,500	-
Customer deposits	-	-	2,432
Accounts payable-related party	487,083	-	-
Deferred franchise fees, current portion	183,243	71,267	96,500
Total current liabilities	850,169	233,144	235,324
Deferred franchise fees, net of current portion	5,715,689	3,902,236	834,833
Total liabilities	6,565,858	4,135,380	1,070,157
Members' Deficit	(1,754,631)	(438,136)	(284,082)
Total Liabilities and Members' Deficit	\$ 4,811,227	\$ 3,697,244	\$ 786,075

The accompanying notes are an integral part of these financial statements.

NAUTICAL BOWLS FRANCHISING, LLC
Statements of Operations and Members' Deficit
For the Years Ended December 31, 2023, 2022 and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues			
Sales	\$ 45,989	\$ 94,273	\$ 260,616
Franchise fee income	174,541	5,931	35,667
Royalty income	484,747	218,188	17,978
Marketing fund income	335,155	114,027	5,705
Rebate income	15,525	500,538	-
Other revenue	-	-	14,565
Total revenues	<u>1,055,957</u>	<u>932,957</u>	<u>334,531</u>
Cost of revenues	<u>-</u>	<u>84,020</u>	<u>284,302</u>
Gross profit	<u>1,055,957</u>	<u>848,937</u>	<u>50,229</u>
Operating expenses:			
Sales and marketing	875,612	399,280	146,651
General and administrative	1,565,040	1,152,334	183,722
Total operating expenses	<u>2,440,652</u>	<u>1,551,614</u>	<u>330,373</u>
Loss from operations	(1,384,695)	(702,677)	(280,144)
Other income	<u>-</u>	<u>-</u>	<u>15</u>
Loss before income tax benefit	(1,384,695)	(702,677)	(280,129)
Income tax benefit	<u>(68,200)</u>	<u>(654,993)</u>	<u>-</u>
Net loss	(1,316,495)	(47,684)	(280,129)
Members' deficit-beginning of period	(438,136)	(284,082)	(3,953)
Members' distributions	<u>-</u>	<u>(106,370)</u>	<u>-</u>
Members' deficit-end of period	<u>\$ (1,754,631)</u>	<u>\$ (438,136)</u>	<u>\$ (284,082)</u>

The accompanying notes are an integral part of these financial statements.

NAUTICAL BOWLS FRANCHISING, LLC
Statements of Cash Flows
For the Years Ended December 31, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash flows from operating activities			
Net loss	\$ (1,316,495)	\$ (47,684)	\$ (280,129)
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization expense	3,672	-	-
Deferred income taxes	(72,549)	(839,120)	-
Changes in operating assets and liabilities			
Accounts receivable	19,936	177,425	(206,027)
Franchise fees receivable	99,500	(99,500)	-
Accounts receivable-related parties	(62,843)	(441,681)	-
Other current assets	(23,930)	35,020	(35,020)
Deferred commissions	(1,147,945)	(1,723,465)	(256,171)
Accounts payable	85,995	(64,202)	136,392
Accrued interest payable	21,658	-	-
Accrued income taxes	(57,187)	57,187	-
Commissions payable	(32,500)	32,500	-
Customer deposits	-	(2,432)	2,432
Accounts payable-related party	487,083	-	-
Deferred franchise fees	1,925,429	3,042,170	931,333
Net cash provided by (used in) operating activities	<u>(70,176)</u>	<u>126,218</u>	<u>292,810</u>
Cash flows from investing activities			
Acquisitions of property and equipment	<u>(117,258)</u>	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>(117,258)</u>	<u>-</u>	<u>-</u>
Cash flows from financing activities			
Members' distributions	<u>-</u>	<u>(106,370)</u>	<u>(3,953)</u>
Net cash used in financing activities	<u>-</u>	<u>(106,370)</u>	<u>(3,953)</u>
Net increase (decrease) in cash	(187,434)	19,848	288,857
Cash, beginning of period	<u>308,705</u>	<u>288,857</u>	<u>-</u>
Cash, end of period	<u><u>\$ 121,271</u></u>	<u><u>\$ 308,705</u></u>	<u><u>\$ 288,857</u></u>
Supplementary disclosures of cash flow information			
Cash paid during the period for			
Interest	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Income taxes	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements .

NAUTICAL BOWLS FRANCHISING, LLC
Notes to Financial Statements
For the Years Ended December 31, 2023, 2022, and 2021

1. Nature of Organization

Nautical Bowls Franchising, LLC (the “Company”), was formed on September 25, 2020 (date of inception) under the laws of the state of Texas. The Company’s operations commenced in 2021. The Company sells franchises for Nautical Bowls restaurants in the United States. The Company is a healthy, fast-casual restaurant concept that specializes in superfood bowls. During 2023, the Company sold 31 franchise agreements for 67 locations. 60 locations are operating as of December 31, 2023.

Pursuant to member agreement, the initial members were obligated to make capital contributions of \$1 per membership unit, totaling \$100 in initial capital contributions from all members. The term of the Company shall be perpetual existence unless the Company is dissolved in accordance with the provision of its member agreement.

Net income and losses will be allocated to the members primarily in proportion to their ownership interest. The operating agreement provides that no member shall be personally liable for any debt, obligation or liability of the Company, whether that liability or obligation arises in contract, tort, or otherwise, except as required by law.

2. Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

Fiscal Year

The Company’s fiscal year is December 31.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements as well as related disclosures. On an ongoing basis, the Company evaluates its estimates and assumptions based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Concentrations

The Company holds cash and cash equivalents at times may exceed federal insurance limits; however, the Company does not anticipate any losses related to this balance.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2023, 2022, and 2021, respectively.

NAUTICAL BOWLS FRANCHISING, LLC
Notes to Financial Statements
For the Years Ended December 31, 2023, 2022, and 2021

2. Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable includes uncollateralized receivables from the Company's franchisees, due in the normal course of business which include royalties, marketing fees, web development fees and supplies. Interest does not accrue on delinquent balances.

The carrying amount of accounts receivable is reduced by an allowance that reflects management's best estimate of amounts that will not be collected. At December 31, 2023, 2022, and 2021, management believes all amounts will be collected, thus an allowance for doubtful accounts is not considered necessary.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives ranging from seven years to fifteen years for all categories of depreciable assets. Leasehold improvements are stated at cost and depreciation is computed on the straight-line method over the shorter of the lease term or the estimated lives of the assets. Software is stated at cost and is amortized on the straight-line method over the estimated lives ranging from two to five years. Property and equipment costing more than \$1,000 are capitalized.

The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is included in earnings. Maintenance and repairs are expensed currently while major renewals and betterments are capitalized.

Long-lived assets of the Company are reviewed when circumstances warrant as to whether their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the future projected cash flows from related operations. Management also re-evaluates the periods of depreciation to determine whether subsequent events and circumstances warrant revised estimates of useful lives. During the period ended December 31, 2023, there was no impairment losses recognized on long-lived assets.

Revenue Recognition

ASU 2014-09 requires entities to assess the products or services promised in contracts with customers at contract inception to determine the appropriate amount at which to record revenue which is referred to as a performance obligation. Revenue is recognized when control of the promised products or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for the products or services.

Revenue from contracts with customers is recognized using the following five steps:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the Company satisfies a performance obligation.

NAUTICAL BOWLS FRANCHISING, LLC
Notes to Financial Statements
For the Years Ended December 31, 2023, 2022, and 2021

2. Summary of Significant Accounting Policies (Continued)

In accordance with ASC 2014-09, franchise fees are recognized as deferred revenue at the time a franchise agreement is executed or when a location commences operations. The deferred revenue is then recognized as revenue pro-rata over the term of the agreement. For area development agreements, the development fees are recognized as deferred revenue at the time an area development agreement is executed. The deferred revenue is recognized pro-rata over the term of the agreement or when the required number of franchises in the area development agreement are satisfied, whichever occurs earlier.

Deferred commissions for sales of franchises are recorded at the time of sale and recognized as commission expense over the term of the franchise agreement.

Advertising

The Company expenses advertising costs as incurred. Advertising expenses are included in sales and marketing expenses for the years ended December 31, 2023, 2022, and 2021 amounted to approximately \$877,000, \$399,000, and \$100,000, respectively.

Income Taxes

The Company is a limited liability company but has elected to be taxed as a corporation. The Company accounts for income taxes under ASC 740, *Income Taxes*. This statement requires the recognition of deferred tax assets and liabilities for the future consequences of events that have been recognized in the Company's financial statements or tax returns. The Company measures tax assets and liabilities using the enacted tax rates. The Company provides a valuation allowance against net deferred tax assets unless, based upon the available evidence, it is more likely than not that the deferred tax assets will be realized.

As of December 31, 2023, the Company's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

3. Property and Equipment

As of December 31, 2023, property and equipment consisted of the following:

Furniture and fixtures	\$ 13,575
Leasehold improvement	103,683
Toal	117,258
Less accumulated depreciation	(3,672)
Property and equipment, net	\$ 113,586

4. Franchising

The Company executes franchise agreements as outlined under the Company's Franchise Disclosure Document ("FDD") that sets the terms of its arrangement with each franchisee as follows:

NAUTICAL BOWLS FRANCHISING, LLC
Notes to Financial Statements
For the Years Ended December 31, 2023, 2022, and 2021

4. Franchising (Continued)

Franchise Agreements

The franchise agreements require the franchisees to pay a non-refundable franchise fee of \$39,500 for the first restaurant or \$99,500 for three restaurants. The franchise agreement grants the franchisees an agreed-upon, non-exclusive, site selection area within which the restaurant will be established. Franchise agreements are for terms of the earlier of 10 years after a restaurant opens for business, or 11 years after the effective date of the franchise agreement. Agreements may be renewed for two additional consecutive five-year terms. The franchise agreements are non-cancellable by the franchisee, and cancellable for cause, as defined in the agreement, by the Company.

As of the date of these financial statements, there are 114 franchise agreements executed or initial franchise fees earned.

The Company plans to recognize revenue and the associated direct costs relative to the franchise agreements as each of the restaurants under the agreements are opened. The Company is not required to contribute capital as part of these agreements.

Agreement Terms and Continuing Fees

Upon executing a franchise agreement (herein after referred to as the “Agreement”), the Company agrees to provide certain services to the franchisee, including assistance with training, store opening, pre-opening consultation advice, maintenance of a central website, and other ongoing assistance.

Continuing fees for each franchised location are comprised of weekly royalty fees based on 6% of each restaurant’s weekly gross revenue, monthly technology fees ranging from \$250 per month to \$3,000 per calendar year (limitations increasing 10% per calendar year) for the cost the development and use of online and communications technologies, and various non-recurring or per diem fees per the Agreement such as training and administrative fees, transfer fees, inspection and testing fees, relocation fees, and other (as defined in the Agreement). Renewal fees of \$2,500 are collected upon expiration of the Agreements, which have terms of 10 or 11 years (see above) with two additional five-year renewal options. Renewal approval is dependent upon certain conditions as defined in the Agreement.

The Company also receives brand development/marketing contributions from its franchisees. These contributions are a contractual obligation of the franchisee of up to 2% of the franchisee’s gross revenue. The purpose of the fund is to develop marketing and advertising programs that promote the Company’s brand and thus benefit franchisees. Expenditures from the fund may include creative development services, market research, advertising agency fees, local and regional promotional activities, executing direct mail advertising, updating and hosting the website and other expenditures as defined by the Agreement. The Company may reimburse itself from the fund for expenditures related to the cost of personnel and other administrative and overhead costs associated with providing the services as described in the Agreement. Any unused funds unapplied in the current year will be applied towards future years.

NAUTICAL BOWLS FRANCHISING, LLC
Notes to Financial Statements
For the Years Ended December 31, 2023, 2022, and 2021

5. Commitments and Contingencies

Legal

From time to time, the Company is party to legal actions arising out of the ordinary course of business. The Company does not believe that these legal actions will have a material adverse effect on the Company's financial position, results of operations or cash flows.

6. Related Party Transactions

Accounts receivable-related parties

The Company has accounts receivable from related party totaling \$504,524 and \$441,681 for the years ended December 31, 2023, and 2022, respectively. Certain stakeholders of the Company are members of the related parties. The Company believed this balance due is fully collectible and will be paid within the next twelve months thus it is being classified as a current asset.

Accounts payable-related parties

The stockholder of the Company made advances totaling \$487,083 during the year ended December 31, 2023 for working capital purposes. The advance is due on demand, bearing interest at 6.013% per annum. Accrued interest payable amount to \$21,658. The advance is classified within accounts payable-related parties in the accompanying balance sheets as of December 31, 2023.

7. Income Taxes

The provision for income taxes consisted of the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current			
Federal	\$ 4,650	\$ 120,340	\$ -
State	(301)	63,787	-
Change in deferred tax	(72,549)	(839,120)	-
Total deferred tax assets	<u>\$ (68,200)</u>	<u>\$ (654,993)</u>	<u>-</u>

The tax effects of temporary differences between financial statements and tax reporting give rise to deferred tax assets and deferred tax liabilities are presented below:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Deferred tax assets:			
Changes in prepaids	\$ 1,593,522	\$ 1,103,909	\$ -
Other	164,855	-	-
Total deferred tax assets	<u>\$ 1,758,377</u>	<u>\$ 1,103,909</u>	<u>-</u>
Deferred tax liabilities:			
Changes in accruals	\$ (844,649)	\$ (253,872)	-
Property and equipment	(2,060)	(10,917)	-
Total deferred tax liabilities	<u>\$ (846,708)</u>	<u>\$ (264,789)</u>	<u>-</u>
Net deferred tax assets	<u>\$ 911,669</u>	<u>\$ 839,120</u>	<u>\$ -</u>

NAUTICAL BOWLS FRANCHISING, LLC
Notes to Financial Statements
For the Years Ended December 31, 2023, 2022, and 2021

8. Income Taxes (Continued)

The Company's provision for income taxes differs from applying the statutory U.S. federal income tax rate to income before income taxes. The primary differences result from providing for state income taxes and from deducting certain expenses for financial statement purposes but not for federal income tax purposes.

9. Subsequent Events

The Company has evaluated events through February 6, 2024, to assess the need for additional recognition or disclosure in these financial statements. Based upon this evaluation, it was determined that no events occurred that require recognition or additional disclosure in these financial statements.

**THE FOLLOWING FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN
AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE
ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED
THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR
FORM.**

Balance Sheet

Nautical Bowls Franchising, LLC

As of August 31, 2025

DISTRIBUTION ACCOUNT	TOTAL
Assets	
Current Assets	
Bank Accounts	\$241,395.63
Accounts Receivable	
Other Current Assets	
Account Receivable	0.00
Bryant & Rachel Receivable	0.00
Deferred Commissions	3,127,572.00
Inventory - Food	0.00
Inventory - Tables/Supplies	0.00
Loans to Officers	\$132,444.21
Loans to Others / Related Parties	\$0.00
Nautical Bowls Ventures Receiva	341,651.54
Receivable - Chairs	0.00
Receivable - Food (Sysco)	0.00
Receivable - Franchise Sales	0.00
Receivable - Other	0.00
Retainage - Ostlund	25,000.00
Total for Other Current Assets	\$3,626,667.75
Total for Current Assets	\$3,868,063.38
Fixed Assets	
Accumulated Depreciation	-7,359.74
Furniture and Equipment	13,574.89
Leasehold Improvements	103,682.56
Total for Fixed Assets	\$109,897.71
Other Assets	
Accumulated Amortization	-4,930.90
Deferred Income Taxes	911,669.00
Start Up Costs	0.00
Surety Bond	26,344.00
Total for Other Assets	\$933,082.10
Total for Assets	\$4,911,043.19

Balance Sheet

Nautical Bowls Franchising, LLC

As of August 31, 2025

DISTRIBUTION ACCOUNT	TOTAL
Liabilities and Equity	
Liabilities	
Current Liabilities	
Accounts Payable	
Credit Cards	
Other Current Liabilities	
Accounts Payable	0.00
Accrued Income Taxes	0.00
Accrued Interest	50,599.57
Commissions payable	0.00
Customer Deposit	0.00
Deferred Franchise Sales - Curr	5,898,932.00
Gift Card payable	147,821.19
Incorrect Deposits	0.00
Total for Other Current Liabilities	\$6,097,352.76
Total for Current Liabilities	\$6,097,352.76
Long-term Liabilities	
Notes Payable	\$724,739.81
Total for Long-term Liabilities	\$724,739.81
Total for Liabilities	\$6,822,092.57
Equity	-\$1,911,049.38
Total for Liabilities and Equity	\$4,911,043.19

Profit and Loss

Nautical Bowls Franchising, LLC

January 1-August 31, 2025

DISTRIBUTION ACCOUNT	TOTAL
Income	
National Marketing Fund Income	322,162.68
Revenue	
Conference Income	7,000.00
Franchise Sales	15,450.00
Rebates	\$535,718.08
Royalty Income	868,751.81
Technology Fee	64,597.40
Total for Revenue	\$1,491,517.29
Total for Income	\$1,813,679.97
Cost of Goods Sold	
Cost of Goods Sold	\$11,324.61
Total for Cost of Goods Sold	\$11,324.61
Gross Profit	\$1,802,355.36
Expenses	
Advertising - National Marketin	
Brand Marketing	96,038.56
Content Creation	28,696.00
Digital Technology	139,113.29
Film Production	11,071.25
Marketing Executive/Leadership	65,000.00
Mobile App Paytronix	45,000.00
Social Media Campaign	22,522.67
Total for Advertising - National Marketin	\$407,441.77
Business Licenses and Permits	161.55
Entertainment	1,464.55
Events & Conferences	\$12,603.06
Executive Coaching	\$26,000.00
Franchise Support (Non-COGS)	\$9,100.28
Interest Expense	26,172.28
Marketing / Advertising (Non-NMF)	\$23,180.24
Meals	16,926.15
Nutritional Assessment	300.00
Office Supplies & Software	\$105,552.74
Payroll Expenses	\$560,507.97
Professional Fees	\$346,086.87
Rent Expense	\$25,775.24
Telephone Expense	1,087.31

Profit and Loss

Nautical Bowls Franchising, LLC

January 1-August 31, 2025

DISTRIBUTION ACCOUNT	TOTAL
Travel	\$30,057.59
Uniforms	3,660.01
Utilities	1,382.76
Total for Expenses	\$1,597,460.37
Net Operating Income	\$204,894.99
Other Income	\$250.00
Other Expenses	\$208,205.20
Net Other Income	-\$207,955.20
Net Income	-\$3,060.21

EXHIBIT B
NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT



**NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE AGREEMENT**

FRANCHISE AGREEMENT

SUMMARY PAGE

EFFECTIVE DATE: _____

FRANCHISEE(S): _____

ADDRESS FOR NOTICES: _____

KEY PERSON: _____

 Telephone Number: _____

 Email Address: _____

SITE SELECTION AREA: _____

INITIAL FRANCHISE FEE: \$20,000 for single franchise

(check one) \$ _____

ROYALTY FEE: 6% of Gross Revenues

BRAND DEVELOPMENT FUND: Amount we designate periodically, not to exceed 2% of Gross Revenues

RENEWAL FEE: \$2,500

TRANSFER FEE: \$15,000

FRANCHISOR: NAUTICAL BOWLS FRANCHISING, LLC

Principal Place of Business:

3432 County Road 101
Minnetonka, Minnesota 55345

Address for Notices:

3432 County Road 101
Minnetonka, Minnesota 55345

With a copy to:
Fisher Zucker, LLC

Attn: Daniel Z. Nussbaum
21 S. 21st Street
Philadelphia, PA 19103

Franchisor Initial

Franchisee Initial

**FRANCHISE AGREEMENT
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ATTACHMENTS:

Attachment A	Glossary of Additional Terms
Attachment B	Key Terms
Attachment C	Entity Information
Attachment D-1	Guaranty and Personal Undertaking
Attachment D-2	Confidentiality and Non-Compete Agreement
Attachment E	ACH Authorization
Attachment F	Lease Rider
Attachment G	Franchisee Questionnaire

NAUTICAL BOWLS FRANCHISING, LLC FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“Agreement”) is made and entered into as of the Effective Date reflected in the Summary Pages (“**Effective Date**”) by and between NAUTICAL BOWLS FRANCHISING, LLC, a Texas limited liability company (“**Franchisor**”), and the franchisee identified in the Summary Pages (“**you**”).

A. Franchisor franchises the operation of stores featuring a wide variety of superfood smoothie bowls and healthy beverages and other menu items and merchandise, which operate under a proprietary business format and operating system (the “**System**”) and are identified by the name NAUTICAL BOWLS and other trademarks, including logos, slogans, and elements of trade dress (collectively, the “**Marks**”).

B. The distinguishing characteristics of the System include, without limitation, distinctive interior and exterior design, decor, color scheme, graphics, fixtures and furnishings, our proprietary recipes, procedures for preparing, packaging, and serving menu items, operation and customer service standards and procedures, advertising and marketing specifications and requirements, and other standards, specifications, techniques, and procedures that Franchisor designates for developing, operating, managing, and promoting a NAUTICAL BOWLS Store, all of which Franchisor may change, improve, and further develop (collectively, “**Standards**”).

C. You have applied for a franchise to operate a franchised business under the System and Marks (“**Store**”) and, based on the information provided to Franchisor in support of your franchise application, Franchisor has agreed to grant you a franchise, all pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration for the mutual promises contained in this Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. GRANT

1.1. Grant.

1.1.1. Subject to the provisions of this Agreement, Franchisor hereby grants you the nonexclusive right to continuously operate a NAUTICAL BOWLS Store at the location identified (or to be identified) in Attachment B (“**Franchised Location**”) and to use the Marks in the operation and promotion of the Store (the “**Franchised Business**”). To the extent that Franchisor, from time to time, may expand its service offerings to provide catering and delivery services, you have the right to provide such services in such area that Franchisor may authorize according to the terms of this Agreement and Franchisor’s then-current standards, policies and procedures. You hereby undertake the obligation and agree to continually operate the Franchised Business during the term hereof and strictly according to the terms and conditions of this Agreement.

1.1.2. This Agreement grants you no right, among others, to: **(a)** sublicense the use of the System or Marks, **(b)** to cobrand with another concept, **(c)** to provide on-site catering services (such as from a cart, kiosk, food truck or other mobile unit, or customer location) without Franchisor’s prior written consent, **(d)** to utilize third party delivery services (such as UberEATS, DoorDash, Postmates, GrubHub, or other third parties offering delivery) without Franchisor’s prior written consent, or **(e)** to distribute NAUTICAL BOWLS products through wholesale channels, such as supermarkets, convenience stores or other retailers, or through food service providers such as Stores or airlines through in-flight services.

1.2. Protected Area. During the term of this Agreement, Franchisor shall not own or operate, or grant anyone else the right to operate, a NAUTICAL BOWLS Store within the Protected Area identified in Attachment B (which excludes Captive Markets, as defined in Attachment A), but may develop, operate, and offer other concepts that may compete with franchisees in the Protected Area. Franchisor may own, operate, and franchise located competitive businesses under any trademark (including NAUTICAL BOWLS) outside the Protected Area and in Captive Markets located within the boundaries of the Protected

Area. If the Protected Area has not been identified prior to execution of this Agreement, then after you select a site for the Store and Franchisor accepts your selection in accordance with Section 3.2., Franchisor will identify an area surrounding your selected site as your “Protected Area.” The Protected Area will be of the size and configuration that Franchisor determines, in its sole discretion. The Protected Area may be identified on a map, by geographic description, or by radius, but will consist of at least a quarter-mile radius surrounding the site. The parties shall complete and execute Attachment B before a real estate lease may be signed for the Store premises.

1.3. Reservation of Rights. Franchisor reserves to itself all other rights in and to use the Marks. These include the right to distribute products and services identified by the Marks, such as pre-packaged products, through alternative channels of distribution including grocery stores, supermarkets, convenience stores, Stores, and via online, mail order, and catalog sales. Franchisor has the right to establish commissaries and catering facilities. If a catering order requires delivery into your Protected Area, Franchisor may elect to fulfill the order itself or through a third party, in which case we will credit to you the amount of the sale, less applicable taxes, and its reasonable cost of fulfilling the order.

1.4. Right to Operate Businesses Under Different Marks. Nothing in this Agreement prohibits or restricts Franchisor or its Affiliate from owning, acquiring, establishing, operating, or granting franchise rights for one or more other businesses under a different trademark or service mark (*i.e.*, a mark other than NAUTICAL BOWLS), whether or not the business is the same as or competitive with NAUTICAL BOWLS Stores.

2. TERM

2.1. Term. The “**Term**” of this Agreement begins on the Effective Date and expires, unless earlier terminated, on the 10th anniversary of the Store opening, but no later than 11 years from the Effective Date, regardless of the date on which the Store opens to the public for business.

2.2. Renewal. You may renew the franchise granted by this Agreement for additional consecutive five-year periods if, at the end of each term, each of the following conditions has been satisfied: **(a)** you have notified Franchisor of your intent to renew the franchise no less than 12 months and no more than 24 months before the then-current term expiration date; **(b)** you are not in default of any material provision of this Agreement and you have complied with the materials terms and conditions of this Agreement throughout the term; **(c)** you have satisfied all monetary obligations owed to Franchisor, its Affiliates and third party suppliers; **(d)** you have renovated and refurbished the Store premises so that they reflect Franchisor’s then-current image, trade dress, equipment, and furnishings requirements; **(e)** you have the right to remain in possession of the Store premises, or have secured an alternate site with Franchisor’s prior approval; **(f)** you comply with the then-current qualifications and training requirements; **(g)** you sign Franchisor’s then-current form of franchise agreement, the terms of which may be materially different than the terms of this Agreement, and each Owner executes a guaranty and personal undertaking in the form Franchisor prescribes; **(h)** you and each Owner sign a general and full release in favor of Franchisor and its Affiliates, and their respective, officers, directors, shareholders, members, managers, employees, and agents, of any claims arising out of or related to the franchise relationship including the offer and sale of the NAUTICAL BOWLS franchise opportunity; and **(i)** the Renewal Fee, in the amount specified in the Summary Pages, has been paid.

2.3. Operation after Expiration of Term. If this Agreement expires and you continue to operate the NAUTICAL BOWLS Store after expiration, Franchisor may, at its option declare you to be holding over. In such event, the terms of this Agreement will govern the parties’ relationship, provided that: **(a)** either party may terminate the relationship at any time during the holdover period, for any reason or for no reason, by delivering to the other party written notice of termination; and **(b)** the Royalty Fees due and payable during such holdover period shall be 150% of the Royalty Fees due and payable under this Agreement.

3. SITE SELECTION, CONSTRUCTION; LOCATION

3.1. Site Selection. You must identify and acquire a site for the Store within 120 days after the Effective Date of this Agreement. The site must be located within the Site Selection Area identified in the Summary Pages, must meet Franchisor's then-current site selection criteria, and must otherwise be mutually acceptable to you and to Franchisor. Franchisor may make available to you, in its sole discretion, the services of an internal development management team or a designated third-party tenant representative consulting firm. If required, you must use the services of a designated tenant representative consulting firm and pay any fees imposed by the firm. You acknowledge that there is no territorial protection within the Site Selection Area, and that other franchisees may also be looking for sites within the area at the same time you are looking for sites. **Although Franchisor or its tenant representative may propose sites for your consideration, you understand that ultimate site selection is solely your choice and your responsibility.**

3.2. Franchise Site Application. For each proposed site that you identify, you must deliver to Franchisor a completed franchise site application in a form Franchisor prescribes, including such information about the site as Franchisor may reasonably request to perform its evaluation. This information may include, among other things, a description of the proposed site, demographic characteristics, traffic patterns, parking, character of the neighborhood, competition from other businesses in the area, the proximity to other businesses, the nature of other businesses in proximity to the site, and other commercial characteristics (including the purchase price, rental obligations, and other lease terms for the proposed site) and the size, appearance, other physical characteristics, and a site plan of the premises. Franchisor will permit or refuse to permit development of the Store at the proposed site within 10 days after the receipt of these documents and any additional information as Franchisor may reasonably require. Franchisor's failure to provide notification within this time period shall not be considered permission. **The parties acknowledge and agree that Franchisor's permission to develop the Store at a particular site is not an assurance that the Store will achieve a certain sales volume or level of profitability; it means only that the proposed site meets Franchisor's minimum criteria for a NAUTICAL BOWLS Store.**

3.3. Lease. If you will occupy the Franchised Location under a lease with a third-party landlord, Franchisor has the right to approve the lease terms, and the lease shall not be signed until it has been reviewed and approved by Franchisor. **The parties acknowledge and agree that Franchisor's approval of a lease does not mean that the economic terms of the lease are favorable; it means only that the lease contains the lease terms that Franchisor requires.** The lease also must contain the terms reflected in Attachment F, including Franchisor's option to assume the lease in the event of expiration or termination of this Agreement. You shall provide to Franchisor a fully executed copy of the lease within 10 days after its execution.

3.4. Store Design and Build-out. You shall follow Franchisor's procedures for construction and build-out, shall construct and build out the facility according to Franchisor's standards and specifications for design, decor and layout, and shall equip the business according to Franchisor's requirements for fixtures, furnishings, equipment, interior and exterior signage, artwork and graphics, and awnings. Without limiting the foregoing, you shall comply with Franchisor's signage requirements, including any interior or exterior signage, Franchisor requires now or at any time during the franchise term. You are solely responsible for obtaining all government approvals, zoning classifications, permits, and clearances related to the Store and for complying with applicable requirements of the Americans with Disabilities Amendments Act. During construction, you must maintain general liability and property damage insurance of the type and with the limits Franchisor requires, protecting you, Franchisor, and its Affiliates, and their respective partners, shareholders, directors, agents, and employees. Such policy or policies shall be written by a responsible insurer or insurers acceptable to Franchisor and shall contain a waiver of subrogation in favor of Franchisor and its Affiliates, and their respective partners, shareholders, directors, agents, and employees. You shall notify Franchisor in writing when construction begins, and thereafter shall provide a monthly progress report. Franchisor and its designees have the right to inspect the site at all reasonable times.

3.5. **Opening.** When a site is identified, the parties will mutually agree on an opening date (“**Opening Date**”), which will be no later than six months after the date you secure a location for the Store, or more than a year after the Effective Date, whichever is sooner. The Opening Date will be reflected on Attachment B. You must cause the Store to open for business by the Opening Date, but may open for business only with Franchisor’s prior written permission, which will be granted only if: **(a)** all amounts due Franchisor under this Agreement have been paid; **(b)** the Store has been constructed and equipped according to Franchisor’s standards and specifications; **(c)** all of your pre-opening and training obligations have been satisfied; **(d)** Franchisor has received from you a signed ACH Authorization (Attachment E); **(e)** Franchisor has received from you a fully executed copy of your Store lease containing the mandatory lease terms described in Attachment F; **(f)** Franchisor has received from you certificates of insurance as required by Article 11; and **(g)** you are otherwise in good standing under this Agreement.

3.6. **Relocation.** You may relocate the Franchised Business only with Franchisor’s prior written consent. Franchisor will grant its consent if your lease expires or terminates through no fault of yours, or if the Store premises is destroyed or materially damaged by fire, flood, or other natural catastrophe (“**Innocent Loss or Casualty**”) and you are not in default of this Agreement or any other agreement between you and Franchisor. Selection of the relocation site and Store construction, renovation, and opening shall be governed by this Article 3; provided that if the relocation occurred as a result of the loss of an Innocent Loss or Casualty, the Store must be open for business at the new location within six months of closing at the previous location and if the relocation occurred for any other reason, the Store must be open for business at the new location within five days of closing at the previous location. Franchisor may, in its sole discretion, assist you in the site transfer and may offer assistance in, but is not limited to, coordinating suppliers for the new location, training of new staff, and marketing planning assistance. You are solely responsible for all relocation costs and expenses. If Franchisor provides any assistance, you must reimburse Franchisor, upon demand, for all out-of-pocket costs that it incurs in connection with providing such assistance.

4. FEES

4.1. **Initial Franchise Fee.** Upon execution of this Agreement, you shall pay Franchisor an Initial Franchise Fee in the amount specified in the Summary Pages, which is fully earned and nonrefundable upon payment.

4.2. **Royalty Fees.** During the Term of this Agreement, you shall pay to Franchisor a nonrefundable and continuing Royalty Fee in the amount specified in the Summary Pages for the right to use the System and the Marks.

4.3. **Technology Fee.** The parties acknowledge and agree that the technological environment is rapidly changing and that it is difficult to anticipate the cost of developing, acquiring, implementing, and licensing Internet and communications technologies that may benefit franchisees of the System. Accordingly, Franchisor has the right to impose a Technology Fee to cover costs associated with your use of mobile apps, gift card processing fees, and other communication technologies and digital services. As of the Effective Date of this Agreement, the Technology Fee is \$199 per month. The amount of the Technology Fee will not exceed \$1,000 per month during the initial term of this Agreement. You agree to pay the Technology Fee according to the terms prescribed by Franchisor.

4.4. **Advances, Purchases, and Reimbursements.** In addition to all other payments provided in this Agreement, you shall pay Franchisor and its Affiliates promptly when due all amounts advanced by Franchisor or which Franchisor has paid, or for which it has become obligated to pay on your behalf for any reason whatsoever; and shall pay all amounts due to Franchisor, its Affiliates, or third party suppliers, for the purchase of products, supplies or services relating to the Franchised Business. If Franchisor or an Affiliate of Franchisor elects to compensate a customer for a negative experience according to Section 6.1(f), you must reimburse the amount of the payment.

4.5. No Set-off Rights. You may not set-off, deduct, or otherwise withhold any fees or other amounts due Franchisor under this Agreement on grounds of alleged nonperformance by Franchisor of any of its obligations or for any other reason. Withholding payment of Royalty Fees, or any other amounts due Franchisor is a material breach of this Agreement.

4.6. Accounting Period. Franchisor has the right to define applicable accounting periods, for purposes of calculating and paying amounts due under this Agreement. Each period, which may be defined in terms of days, weeks, or months, in Franchisor's sole discretion, will be considered an "**Accounting Period**" for all purposes under this Agreement. Franchisor has the right to change or modify the definition of an Accounting Period, in its discretion, for the entire NAUTICAL BOWLS franchise system, generally, or for you, individually, if you fail to comply with this Agreement. Franchisor shall provide you at least 30 days advance written notice of any change in Accounting Period affecting the NAUTICAL BOWLS franchise system, or at least 30 days advance written notice of any change in Accounting Period affecting you, individually, based on your noncompliance under this Agreement. You shall make all changes necessary to conform to such change or modification.

4.7. Payment Terms and Procedures. All payments required by this Agreement shall be paid within the time Franchisor specifies ("**Due Date**"). If the Due Date is not a Business Day, then payment shall be due on the next Business Day. Franchisor shall determine the amount of the Royalty Fee, Advertising Fee, and other amounts due under this Agreement by accessing and retrieving Gross Revenues data from your computer system, as permitted by Article 10. On each Due Date, Franchisor will transfer from your commercial bank operating account ("**Account**") the fees due and owing. If you have not reported Gross Revenues for any reporting period, or if Franchisor determines that you have underreported Gross Revenues, Franchisor also has the right to transfer from the Account, at its option, an estimated Royalty Fee, and Advertising Fee, which estimate shall be based on prior amounts until sufficient documentation exists to prepare an accurate reconciliation. Any underpayments will bear interest according to Section 4.9., below. Any overpayment will be credited against future payments due under this Agreement.

4.8. Electronic Fund Transfer. You shall participate in Franchisor's then-current electronic funds transfer program. To this end, you shall: **(a)** comply with Franchisor's procedures, as specified in the Manual, or otherwise in writing; **(b)** perform those acts and sign and deliver those documents as may be necessary to accomplish payment by electronic funds transfer as described in this Section 4.8; **(c)** execute and deliver to Franchisor a form authorizing Franchisor to collect the Royalty Fee, and all other amounts due under this Agreement; and **(d)** make sufficient funds available in the Account for withdrawal by electronic funds transfer no later than the Due Date for payment thereof. Notwithstanding the provisions of this Article 4, Franchisor reserves the right to modify, at its option, the method by which you pay the Royalty Fee, and other amounts owed under this Agreement upon receipt of written notice by Franchisor. Your failure to have sufficient funds in the Account is a material breach of this Agreement.

4.9. Interest; Nonsufficient Funds Charge. Any payments not received by Franchisor by the Due Date will accrue interest at the rate of 18% per annum or the highest lawful interest rate permitted by the jurisdiction in which the Store operates, whichever is less. If any check, draft, electronic or otherwise, is returned for insufficient funds, you shall pay to Franchisor a nonsufficient funds charge in the amount of \$100 (which may be increased each year by an amount not to exceed 10% of the then-current amount) and reimburse Franchisor for all expenses that it incurs on account of such nonsufficient funds.

4.10. Partial Payments; Application of Payments. If you pay less than the amount due, your payment will be considered a partial payment on account. Franchisor may accept such payment as a partial payment, irrespective of any endorsement or other statement that the payment constitutes full payment. Franchisor's acceptance of such partial payment will not be considered a waiver of any of its right to demand or receive full payment, and you hereby waive any estoppel defense in this regard. Franchisor may apply your payments to any indebtedness, in its sole and reasonable discretion, regardless of any designation that accompanies the payment.

4.11. Payment of Taxes. If any tax is imposed on payment owed to Franchisor (other than a tax imposed on Franchisor's net income), then you shall be responsible and shall pay the tax in addition to your payment obligation, the intent being that Franchisor shall receive all payments in full, as if no such tax had been imposed.

5. TRAINING AND ASSISTANCE

5.1. Initial Training. Before you may open the Store for business, Franchisor will provide, and your Key Person and one other Store Manager must attend and complete to Franchisor's satisfaction Franchisor's initial training program. The initial training program will take place at a location and time that Franchisor designates. There is no tuition or other charge for three individuals to attend initial training. At your request, Franchisor may permit additional individuals to attend the same training program, subject to space availability and payment of a reasonable tuition. You are responsible for all training-related costs and expenses including employee salary, travel, lodging, and dining costs.

5.2. Opening Assistance.

5.2.1. [Deleted].

5.2.2. If this Agreement is being signed in conjunction with your second or additional NAUTICAL BOWLS Store(s), Franchisor has no obligation to offer on-site opening assistance. However, Franchisor may elect to provide such on-site opening assistance as it deems necessary and appropriate, in its sole discretion. In such event, Franchisor has the right to charge (and you agree to pay) a per diem fee not to exceed \$500 per individual providing such assistance per day, and you must reimburse Franchisor for all out-of-pocket costs that it incurs in connection with providing such on-site opening assistance, including travel, lodging and dining costs for the individual(s) providing such assistance.

5.3. Pre-Opening Consultation. Franchisor shall provide such pre-opening consultation and advice as it deems appropriate, which may include advice with regard to the development and operation of the Store, building layout, furnishings, fixtures, and equipment, plans and specifications, purchasing and inventory control, and such other matters as Franchisor deems appropriate.

5.4. Ongoing Consultation. Franchisor shall provide such ongoing consultation and advice as it deems appropriate, which may include information about new product development, instruction concerning the operation and management of a NAUTICAL BOWLS Store, advertising and marketing advice, and financial and accounting advice. Such consultation and advice may be provided, in Franchisor's discretion, through Store visits by Franchisor personnel, via meetings, seminars or conferences, and/or through dissemination of electronic or printed materials.

5.5. Additional Training. You shall cause your Key Person, Store managers, and/or other employees that Franchisor designates to attend such additional courses, seminars, and other training programs as Franchisor may reasonably require. You may also request additional training. Franchisor may charge a reasonable tuition for these additional courses, seminars, or other training programs, and you are responsible for all training-related costs and expenses including, without limitation, salary, travel, lodging, and dining costs for all employees who participate in the training.

5.6. Mandatory Ongoing Training. Franchisor from time to time may provide and, if it does, may require that previously trained and experienced Franchisees or their Key Person, managers, or employees attend and successfully complete refresher training programs or seminars at such location as may be designated by Franchisor, and at Franchisee's expense; provided, however, that attendance will not be required at more than three such programs for a minimum of two days each in any calendar year. Franchisor may charge a reasonable tuition for these training programs All franchisees are required to attend the annual convention and to pay to Franchisor a registration fee in the amount of \$250 per attendee. If you fail to attend the convention, or any other convention or workshop that Franchisor may schedule from time to time, but not

more than once per quarter, Franchisor reserves the right to charge you their then-current non-attendance fee (currently, \$1,000 per franchise).

5.7. Performance by Delegate. You acknowledge and agree that any rights or duties of Franchisor may be exercised and/or performed by any of Franchisor's designees, agents, or employees. Franchisor reserves the right to retain the services of a master development agent in the geographic area in which the Store will be located. In such event, the master development agent may provide certain consultation, advice, services, and assistance, as Franchisor may direct. You acknowledge and agree that you are not an intended third-party beneficiary under any agreement between Franchisor and any master development agent.

6. OPERATION OF THE FRANCHISED BUSINESS

6.1. General Operating Requirements. You understand and acknowledge that every detail of the System is essential to maintain and enhance the goodwill associated with the Marks and the integrity of the brand. Accordingly, you agree as follows:

(a) To operate the Franchised Business according to the highest applicable health standards and ratings, to timely obtain any and all permits, certificates, or licenses necessary for the lawful operation of the Franchised Business, to operate the Franchised Business according to Franchisor's operating methods, standards, and specifications, and to maintain, at all times, a high moral and ethical standards in the operation of the Franchised Business.

(b) To accept debit cards, credit cards, gift cards, or other non-cash systems that Franchisor specifies periodically to enable customers to purchase menu items and other authorized goods and services, and to install all hardware and/or software necessary to accept such payments.

(c) To take reasonable precautions to prevent data security breaches, and to comply with breach notification statutes and other legal requirements in the event of a security breach.

(d) To notify Franchisor by telephone and confirm in writing within 72 hours of any investigation or violation, actual or alleged, concerning any health, liquor, or narcotics laws or regulations and notify Franchisor in writing within five days of the commencement of any investigation, action, suit or proceeding, and the issuance of any order, writ, injunction, award, or decree of any court, agency or other government instrumentality, which may adversely affect the operation or financial condition of the Franchised Business.

(e) Upon the occurrence of a Crisis Management Event, to immediately inform Franchisor's Chief Executive Officer (or as otherwise instructed in the Manuals) by telephone, and to cooperate fully with Franchisor with respect to Franchisor's response to the Crisis Management Event.

(f) To process and handle all consumer complaints connected with or relating to the Store, and to promptly notify Franchisor of all: (i) food-related illnesses; (ii) safety or health violations; (iii) claims exceeding \$1,000; and (iv) any other material claims against or losses suffered by the Franchised Business. You shall maintain any communications with governmental authorities affecting the Store during the term of this Agreement and for one year after the expiration or earlier termination hereof. If any customer of the Franchised Business contacts Franchisor to report a complaint about Franchisee's Store, the parties agree that Franchisor may, in its discretion, compensate the customer in such manner as Franchisor determines appropriate, and you agree to reimburse Franchisor the amount of such compensation upon demand by Franchisor.

(g) To participate in any online ordering system that may be developed for the System according to its terms.

6.2. Key Person. The Store must at all times be supervised by the individual you designate as your "Key Person." Your Key Person will have the authority to communicate, and be responsible for communicating, with Franchisor on all matters concerning the Franchised Business, and will have full control over day-to-day Store management and operations. Your Key Person must attend and successfully complete

Franchisor's initial training program and all additional training (including food safety training) that Franchisor requires, to Franchisor's satisfaction. Franchisor shall have approved your Key Person as meeting its then-current qualifications for such position. If your Key Person ceases to serve in, or no longer qualifies for, such position, you shall designate another qualified person to serve as your Key Person within 30 days after the date the prior Key Person ceases to serve or no longer qualifies to serve. Any proposed replacement Key Person must successfully complete the initial training program and such other training (including food safety training) required by Franchisor, and be approved by Franchisor, before assuming their position as Key Person and, in no event, later than 90 days after the previous Key Person ceased to serve in such position.

6.3. **Employees.** The Store shall at all times be under the direct, on-premises supervision of either your Key Person or an assistant manager who has satisfied our training requirements. You shall maintain a competent, conscientious, and trained staff, and shall take such steps as are necessary to ensure that your employees render competent, prompt, courteous, and knowledgeable service in accordance with the Standards. You shall cause all employees, while working at the Store, to present a neat and clean appearance and to wear uniforms of such color, design, and other specifications as Franchisor may designate from time to time; and shall prohibit the wearing of such uniforms except during and within the scope of an employee's employment. The parties acknowledge and agree that these requirements are necessary to preserve the goodwill identified by the Marks. The parties further acknowledge and agree that Franchisor neither dictates nor controls labor or employment matters for you or your employees. You are exclusively responsible for hiring personnel, for determining the number of jobs offered or job vacancies to be filled, for determining and changing employee wages and benefits and work hours, and for disciplining and discharging your employees. You are exclusively responsible for labor relations with your employees.

6.4. **Authorized Menu Offerings.** You must offer and sell all menu items that Franchisor requires, and only those menu items that Franchisor has approved. You shall prepare, package, and serve all menu items in accordance with Franchisor's recipes and standards and its procedures for preparation, presentation, and service as communicated to you from time to time via the Manual or other written directives. Such standards and procedures may include, without limitation, adherence to recipes (including use of prescribed ingredients and prescribed measure of ingredients), use of containers and paper goods bearing the Marks, packaging procedures, product holding times, and other standards for displaying for sale menu items and other merchandise. You shall participate in all market research programs that Franchisor requires, which includes test-marketing new products, purchasing a reasonable quantity of new products for test-marketing, promoting the sale of the new products, and providing Franchisor with timely reports and test results for all such programs. You shall participate in all telephone, online, and other ordering programs developed for use by NAUTICAL BOWLS Stores, and pay all third-party fees required for such participation.

6.5. **Purchase Requirements.** You shall purchase and install, at your expense, all fixtures, furnishings, equipment, decor, signs, and other items as Franchisor may reasonably direct; and shall refrain from installing or permitting to be installed on or about the Store premises any fixtures, furnishings, equipment, decor, signs, vending, or game machines or other items not approved for use by Franchisor. In addition, you shall purchase and use only ingredients, containers, packaging materials, and supplies that conform to Franchisor's standards and specifications; and shall purchase, use, offer and/or promote the food and beverage products and other ingredients which are produced or manufactured in accordance with Franchisor's proprietary recipes, specifications and/or formulas or which Franchisor designates as **"Proprietary Products."** **Franchisor makes no warranty and expressly disclaims all warranties, including warranties of merchantability and fitness for any particular purpose, with respect to services, products, equipment (including, without limitation, any required computer systems), supplies, fixtures, furnishings or other items approved or required for use in connection with your operation of the Franchised Business.**

6.6. Purchases from Designated Sources.

6.6.1. Franchisor has developed and owns Proprietary Products for use in preparing menu items. The formulae and methods of preparation of the Proprietary Products are trade secrets of Franchisor. Franchisor will (1) manufacture and supply Proprietary Products to Franchisees of Franchisor, and/or (2) disclose the formulae for and methods and preparation of the Proprietary Products to a limited number of suppliers who will be authorized by Franchisor to manufacture Proprietary Products to Franchisor's precise specifications and sell Proprietary Products to Franchisees of Franchisor. Franchisee acknowledges that he will be required to purchase Proprietary Products from Franchisor or a limited number of suppliers so authorized by Franchisor. Franchisor or its designees agree to sell to Franchisees such quantities of Proprietary Products as Franchisee requires from time to time in the operation of the Franchised Store and at prices in effect at the time of purchase. All NAUTICAL BOWLS businesses are required to use in their operations Proprietary Products as designated by Franchisor. You shall purchase from Franchisor's approved or designated suppliers or distributors ("**Approved Suppliers**") all products and services necessary to construct the Store location (including fixtures, furniture, equipment, signs, décor items, audio/visual systems) and to operate the Franchised Business. and operate the franchised business. Approved Suppliers may be designated for, without limitation, food and beverage items (prepared food, ingredients, and beverages), uniforms, shirts, and all merchandise and items intended for retail sale, advertising and marketing materials, gift cards, packaging, supplies, insurance, and accounting and bookkeeping services. Franchisor shall communicate to you information about Approved Suppliers via the Manual or otherwise in writing. Franchisor may receive money or other benefits from Approved Suppliers based on your purchases; you agree that Franchisor has the right to retain and use all such benefits as it deems appropriate, in its sole discretion.

6.6.2. You may purchase items and services for which Franchisor has not identified Approved Suppliers from any source, so long as the items and services meet Franchisor's specifications. These specifications may include brand requirements.

6.6.3. Franchisor may from time to time modify the list of Approved Suppliers and product and service specifications. You shall promptly comply with all such modifications.

6.6.4. Franchisor may approve one or more suppliers for any goods or materials and may approve a supplier only as to certain goods or materials. Franchisor may concentrate purchases with one or more suppliers or distributors to obtain lower prices and/or the best advertising support and/or services for any group of NAUTICAL BOWLS Stores or any other group of Stores franchised or operated by Franchisor or its Affiliates. Approval of a supplier may be conditioned on requirements relating to the frequency of delivery, reporting capabilities, standards of service, including prompt attention to complaints, or other criteria, and concentration of purchases, as set forth above, and may be temporary pending a further evaluation of such supplier by Franchisor. Franchisor may establish commissaries and distribution facilities owned and operated by Franchisor or an Affiliate that Franchisor may designate as an approved supplier. **Franchisor makes no representation concerning, and expressly disclaims any liability arising out of or in connection with, the services rendered or products furnished by any supplier approved or designated by Franchisor. Franchisor's approval or consent to any services, goods, suppliers, or any other individual, entity or any item shall not create any liability to Franchisor.**

6.6.5. If you propose to purchase from a previously unapproved source, you shall submit to Franchisor a written request for such approval, or shall request the supplier to submit a written request on its own behalf. Franchisor has no obligation to consider your request, but if it does, may condition its consideration on your providing requested information, on being granted access to inspect the supplier's facilities, and/or delivery of samples to Franchisor and/or to an independent, certified laboratory Franchisor designates. Franchisor also shall have the right to impose a reasonable testing fee equal to \$1,000 or Franchisor's actual testing and inspection costs, whichever is less. Additionally, Franchisor may require you to reimburse Franchisor its costs for related travel, lodging, and salary for the individual(s) performing

the inspection or training. Franchisor will use commercially reasonable efforts to notify you within 30 days of your request as to whether you are authorized to purchase such products from that supplier. Franchisor reserves the right, at its option, to re-inspect the facilities and products of any such approved supplier and to revoke its approval of any supplier upon the suppliers' failure to meet Franchisor's criteria for quality and reliability.

6.7. Franchised Location; Vehicles.

6.7.1. You shall maintain the Store (including adjacent public areas) in a clean, orderly condition and in excellent repair and in accordance with Franchisor's standards. You shall, at your expense, make such additions, alterations, repairs, and replacements under this Agreement as may be required for that purpose, including, without limitation, such periodic repainting, repairing, and replacing of obsolete or deteriorated signs, furnishings, fixtures, equipment, and decor as Franchisor may reasonably direct. Upon Franchisor's request, you shall install and maintain at the Store interactive multi-media equipment, devices, and facilities Franchisor requires, including, without limitation, approved surveillance systems, music systems, Wi-Fi, and other wireless Internet and communications systems, and interactive displays, including plasma or LCD screens. You must cause the Store to play only the music or types of music that Franchisor designates. If a designated music provider has been identified, you must acquire music from such provider.

6.7.2 You shall not cause or permit vending, gaming machines, pay telephones, automatic teller machines, Internet kiosks, or any other mechanical or electrical device to be installed or maintained at the Store.

6.7.3 You shall purchase and install, at your expense, all fixtures, furnishings, equipment, decor, signs, and other items as Franchisor may reasonably direct from time to time in the Manual or otherwise in writing in accordance with Franchisor's standards and specifications; and shall refrain from installing or permitting to be installed on or about the Franchised Location, any fixtures, furnishings, equipment, decor, signs, vending, or game machines or other items not previously approved in writing as meeting Franchisor's standards and specifications.

6.7.4 At Franchisor's request, but not more often than once every 60 months (and in addition to any work which you may undertake pursuant to other sections of this Agreement), you shall refurbish the Franchised Location, at your own expense, to conform to the building design, trade dress, color schemes, and presentation of the Marks in a manner consistent with the then-current public image for new or remodeled NAUTICAL BOWLS Stores in the System, including, without limitation, replacement or renovation of equipment, remodeling, redecoration, and modifications to existing improvements and reasonable structural changes that Franchisor may reasonably require or that may be required by law.

6.7.5 Any vehicle used in connection with the operation of the Store shall be maintained in excellent condition and repair, and shall meet Franchisor's standards and specifications.

6.8. Days and Hours of Operation. You shall cause the Store to be open and in normal operation for such hours and days as Franchisor may specify in the Manual or in other written directives, and only during the hours and on the days that Franchisor permits.

6.9. Quality Assurance. Franchisor has the right to enter upon the Store premises during regular business hours for purposes of conducting quality assurance audits and mystery shops and to assess customer satisfaction. During these inspections, Franchisor may obtain for testing purposes and without charge, reasonable quantities of ingredients, products and supplies. Mystery shops may be conducted by Franchisor personnel at Franchisor's expense, or by independent, third party providers at your expense.

6.10. Modification to the System. You shall at your own expense, make such alterations, additions, or modifications to the Franchised Location as Franchisor may reasonably require to accommodate changes made by Franchisor to the System, including, without limitation, changes to menu items or market

positioning. You have 90 days from receipt of notice regarding re-imaging requirements in which to make the required alterations, additions, or modifications to the Franchised Location. You shall not implement any modification to the System without Franchisor's express prior written consent.

6.11. Pricing. To the fullest extent permitted by applicable law, Franchisor has the right to establish the maximum and minimum prices that you charge to your customers and to impose other pricing requirements, including participation in price promotions, to the extent permitted by applicable law.

6.12. Intranet/Extranet System. Franchisor may, at its option, establish and maintain an intranet or extranet system through which members of the NAUTICAL BOWLS franchise network may communicate and through which Franchisor may disseminate updates to the Manual and other Confidential Information. You shall participate in such system and comply with all system policies and procedures. Franchisor has the right to impose a reasonable user fee not to exceed \$1,000 per year.

6.13. Website. Franchisor may, but shall not be obligated to, establish and maintain from time to time Franchisor's website to provide information about the System and the goods and services that NAUTICAL BOWLS provide. Franchisor has sole discretion and control over the design and content of Franchisor's website.

6.14. Social Media. You shall follow Franchisor's mandatory specifications, standards, operating procedures, and rules for using social media in connection with your operation of the Store and you will agree to any Social Media policy Franchisor implements, which may include ownership of accounts. The term "**Social Media**" includes, without limitation, personal blogs, common social networks such as GOOGLE MY BUSINESS, YELP, FACEBOOK, SNAPCHAT, INSTAGRAM, LINKEDIN, TWITTER, or YOUTUBE, applications supported by mobile platforms such as iOS and Android, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites, mobile platforms, or tools.

6.15. Technology Risk. You acknowledge and agree that technology is constantly changing. Technologic devices and computer systems are always being updated, improved, replaced, and discontinued. Consequently, computer systems are sometimes incompatible and are susceptible to Internet, computer system, and communication failures. By entering into this Agreement, you assume all of the risk of all such issues and technology failures, which you acknowledge may affect your ability to order or receive products or to conduct business, and you acknowledge that Franchisor is not responsible for any damages caused by such issues or technology failures, including lost sales or profits.

6.16. Customer Privacy. The parties acknowledge and agree that protection of customer privacy and credit card information is necessary to protect the goodwill of businesses operating under the Marks and System. Accordingly, you agree that you shall cause the Store to meet or exceed, at all times, all applicable security standards developed by the Payment Card Industry Data Security Standards ("**PCI DSS**") council or its successor and other regulations and industry standards applicable to the protection of customer privacy and credit card information, including but not limited to the Fair and Accurate Credit Transaction Act ("**FACTA**"), and all other data security requirements Franchisor may prescribe. You are solely responsible for educating yourself as to these regulations and standards and for achieving and maintaining applicable compliance certifications. You shall defend, indemnify and hold harmless Franchisor, Franchisor's affiliates, and their respective shareholders, directors, officers, employees, agents, successors and assignees ("**Franchisor Indemnitee**") (from and against all losses, damages, liabilities, deficiencies, actions, judgments, interest, awards, penalties, fines, costs or expenses of whatever kind, including but not limited to notification and investigation expenses, reasonable attorneys' fees, the cost of enforcing any right to indemnification hereunder, and the cost of pursuing any insurance providers, arising out of or resulting from any third-party claim or investigation against any Franchisor Indemnitee arising out of or resulting from your failure to comply with any of your obligations under this Section 6.16).

6.17. Best Efforts. You shall use your best efforts to promote and increase the sales and recognition of products and services offered through the Franchised Business. You shall require all of your employees,

managers, officers, agents and representatives to make a good faith effort to enhance and improve the System and the sales of all goods and services provided as part of the System.

6.18. Administrative Fee. If at any time your Franchised Business fails to conform to System requirements, Franchisor has the right to impose and collect from you an administrative fee as described in this Section 6.18 (“**Administrative Fee**”). Specifically, **(a)** Franchisor may impose and collect from you a \$250 Administrative Fee for each “enforcement effort” that Franchisor undertakes on account of your noncompliance with System Standards (e.g., a letter, email, or telephone communication notifying you of noncompliance or continued noncompliance), and **(b)** if Franchisor has notified you of noncompliance and you have failed to correct the issue within seven days, Franchisor may impose and collect from you a \$250 Administrative Fee per week until the issue has been corrected to our satisfaction. Franchisor also may impose and collect a \$250 Administrative Fee if you fail to acknowledge receipt of Franchisor’s communications to you, or to respond to Franchisor’s communications within 24 hours of delivery. This fee is not a penalty, but is intended to compensate Franchisor for the additional costs that it incurs in enforcing your compliance with System Standards, and is in addition to and not in lieu of any other rights or remedies that Franchisor may have based on your noncompliance with System Standards. Franchisor may impose and collect the Administrative Fee whether or not the noncompliance at issue is of the type or degree that constitutes a material default of your obligations under this Agreement and, if it is, whether or not a cure period applies. At Franchisor’s option, Franchisor may require you to demonstrate full compliance with your obligations by submitting to Franchisor a comprehensive walk-through video of your Franchised Business’ premises in accordance with our Standards.

7. MARKS AND COPYRIGHTS

7.1. Franchisor’s Representations. Franchisor represents to you that it has the right to use and to sublicense to you the right to use the Marks in accordance with the terms and conditions of this Agreement.

7.2. Acknowledgments. You acknowledge that Franchisor or its Affiliate owns all right, title, and interest in and to the Marks and the goodwill associated with the Marks, and that you have no ownership interest in the Marks. You further acknowledge and agree that any and all goodwill associated with the Store and identified by the Marks is Franchisor’s property and shall inure directly and exclusively to the benefit of Franchisor and that, upon the expiration or termination of this Agreement for any reason, no monetary amount shall be assigned as attributable to any goodwill associated with your use of the Marks. You understand and agree that any use of the Marks other than as expressly authorized by this Agreement, without Franchisor’s prior written consent, may constitute an infringement of Franchisor’s rights herein and that the right to use the Marks granted herein does not extend beyond the termination or expiration of this Agreement.

7.3. Use of the Marks. You shall use only the Marks designated by Franchisor, shall use them only in the manner that Franchisor authorizes and permits, and shall use them with the symbols “®”, “™”, or “SM”, as appropriate. You shall use the Marks only in connection with the operation and promotion of the Franchised Business, and only in the manner prescribed by Franchisor. You may not contest ownership or validity of the Marks or any registration thereof, or engage in any conduct that adversely affects the ownership or registration of the Marks, or Franchisor’s right to use or to sublicense the use of the Marks. You shall execute all documents that Franchisor requests in order to protect the Marks or to maintain their validity and enforceability.

7.4. Restriction Against Use in Your Legal Name. You may not use the Marks or any part thereof in your legal name, and may not use them to incur any obligation or indebtedness on Franchisor’s behalf. You shall comply with our instructions in filing and maintaining the requisite trade name or fictitious name registrations, and shall execute any documents necessary to obtain protection of the Marks or to maintain their continued validity and enforceability.

7.5. Restriction Against Use of the Marks and Copyrighted Works on the Internet. You may not use the Marks or any part or derivative thereof or any of Franchisor's Copyrighted Works on the Internet, except as expressly permitted in writing. Without limiting the generality of the foregoing, you may not use the Marks or any part or derivative of the Marks as part of any URL or domain name, and may not register the Marks or any part or derivative of the Marks as part of any user name on any gaming website or social networking website (such as GOOGLE MY BUSINESS, YELP, FACEBOOK, INSTAGRAM, or TWITTER), whether or not such social media platform is used for commercial gain, or as part of any unauthorized email address. You also may not display on any website (including commercial websites, gaming websites, and social networking websites) Franchisor's Copyrighted Works, which include the design portion of its Marks, or any menu items or collateral merchandise identified by the Marks.

7.6. Notice. You shall identify yourself as an independent franchise owner of the Franchised Business in conjunction with any use of the Marks or operation of the Franchised Business, including, but not limited to, such use on invoices, order forms, receipts, business stationery, business cards, and contracts, as well as at such conspicuous locations at the Store as Franchisor may designate in writing. The form and content of such notice shall comply with the standards set forth in the Manuals.

7.7. Infringement. You shall promptly notify Franchisor of any suspected unauthorized use of, or any challenge to the validity of the Marks, Copyrighted Works, or any challenge to Franchisor's or its Affiliate's ownership of, Franchisor's license to use and to license others to use, or your right to use, the Marks or Copyrighted Works licensed under this Agreement. You acknowledge that Franchisor or its Affiliate has the right to direct and control any administrative proceeding or litigation, or other adjudicative proceeding involving the Marks or Copyrighted Works, including any settlement thereof. Franchisor or its Affiliate has the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks or Copyrighted Works. Franchisor shall defend you against any third-party claim, suit, or demand arising out of your use of the Marks or Copyrighted Works. If Franchisor, in its sole discretion, determines that you have used the Marks and Copyrighted Works in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by Franchisor. If Franchisor, in its sole discretion, determines that you have not used the Marks and Copyrighted Works in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by you. In the event of any litigation relating to your use of the Marks or Copyrighted Works, you shall execute any and all documents and do such acts as may, in the opinion of Franchisor, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Marks or Copyrighted Works in a manner inconsistent with the terms of this Agreement, Franchisor agrees to reimburse you for your associated costs.

7.8. Changes to the Marks. Franchisor reserves the right, in its sole discretion, to designate one or more new, modified, or replacement Marks for your use and to require your use of any such new, modified, or replacement Marks in addition to or in lieu of any previously designated Marks. You must comply with any such directive within 60 days following your receipt of Franchisor's written notice to you.

8. SYSTEM, MANUALS AND INFORMATION

8.1. Manuals. Franchisor will provide you access to the Manuals, which may be in electronic format. You shall operate the Franchised Business in accordance with the standards, methods, policies, and procedures specified in the Manuals. The Manuals shall at all times remain the sole property of Franchisor. You shall ensure that your copy of the Manuals is kept current at all times, and in the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals maintained by Franchisor shall be controlling. If your copy of the Manual is lost or destroyed, or if you fail to return the Manual upon expiration or termination of this Agreement, you must pay Franchisor a \$250 Manual replacement fee.

8.2. System Modification. You acknowledge that the System, the Manuals, and the products and services offered by the Franchised Business may be modified, (such as, but not limited to, the addition,

deletion, and modification of menu items, operating procedures, products and services) from time to time by Franchisor. You agree to comply, at your expense, with all such modifications, including, without limitation, all requirements to implement the modifications, such as replacement or renovation of equipment, remodeling, redecoration, and modifications to existing improvements, including structural changes. Franchisor shall notify you of any such System changes and you shall implement any System changes upon receipt of notice thereof from Franchisor and shall complete their implementation within such time as Franchisor may reasonably specify. For purposes of this Agreement, System changes shall include, without limitation, changes in any of the categories referred to in this [Section 8.2](#).

8.3. **Confidentiality.** You shall maintain the confidentiality of all Confidential Information. You shall use Confidential Information only in connection with the operation of the Franchised Business and shall divulge Confidential Information only to your employees and only on a need-to-know basis.

9. ADVERTISING AND MARKETING

9.1. **General.** All of your promotional and marketing materials shall be presented in a dignified manner and shall conform to Franchisor's standards and specifications related to advertising, marketing, and trademark use. You shall submit to Franchisor samples of proposed promotional and marketing materials, and notify Franchisor of the intended media, before first publication or use. Franchisor shall use good faith efforts to approve or disapprove proposed promotional and marketing materials within 10 days of their receipt. You may not use the promotional or marketing materials until Franchisor expressly approves the materials and the proposed media. Once approved, you may use the materials only in connection with the media for which they were approved. Franchisor may disapprove your promotional or marketing materials, or the media for which they were approved, at any time, and you must discontinue using any disapproved materials or media upon your receipt of written notice of disapproval.

9.2. **Opening Day Promotion and Initial Marketing Campaign.** Before your Store opens for business, you must conduct a grand opening advertising campaign that conforms to the Standards. You must spend between \$5,000 to \$10,000, as Franchisor designates, on your grand opening advertising campaign within your Protected Area, and such funds must be expended during the time period commencing thirty (30) days prior to the opening of your Store through the first sixty (60) days following the opening of your Store.

9.3. **Brand Development Fund.** Franchisor may establish a Brand Development Fund ("Fund"). If the Fund is established, Franchisee will be required to contribute to the Fund an amount that Franchisor determines from time to time, not to exceed the amount stated on the Summary Page.

9.3.1. Franchisor has the right to use Fund monies, in its sole discretion, to pay for creative development services (including creation and modification of design and trade dress, logos, menu design, graphics and vehicle wraps, and advertising and promotional items, including the cost of photography services and design software), preparing and procuring market studies, providing or obtaining marketing services (including, without limitation, new product development; conducting customer surveys, focus groups, and marketing-related mystery shops and customer interviews); employing advertising and/or public relations agencies; developing, producing, distributing and placing advertising (including, without limitation, preparing and conducting media advertising campaigns in various media, local advertising and promotion in a particular area or market, or for the benefit of one or more particular Stores in connection with opening promotions or otherwise), conducting and administering in-store promotions; preparing and executing direct mail advertising, and developing, producing and purchasing point-of-sale advertising, menus and menu boards, and other sales aids and promotional items and materials); new product development and development of product packaging; developing, updating and hosting Franchisor's web site (including development of locator programs) and/or an intranet or extranet system; obtaining sponsorships and endorsements; preparing and conducting sweepstakes and other promotions; developing, administering, and distributing coupons and gift cards, and the cost of product associated with the redemption of coupons and gift cards; developing and administering other customer loyalty programs; providing and procuring public relations services; conducting public relations activities; charitable

donations; and membership fees in international, national, regional, and/or local trade or other associations or organizations. Franchisor also may use Fund monies to reimburse itself for its costs of personnel and other administrative and overhead costs associated with providing the services described in this Section.

9.3.2. The parties acknowledge that Franchisor owns all rights, and retains all copyrights, in all design and content developed using Fund monies, and that Franchisor will have sole control over the creative concepts, content, form, and media placement of all advertising and promotional materials developed with Fund monies, and the allocations of Fund monies to production, placement, and other costs. Franchisor will own all copyright in any works created using Fund monies. Franchisee acknowledges and agrees that Franchisor is not obligated to expend Fund monies for placement of advertising in Franchisee's trading area, or to ensure that the Franchised Business benefits directly or pro rata from the expenditure of Fund monies. We will not use Fund monies for creating or placing any advertisement that is principally a solicitation for new franchisees, but we may include in all advertising prepared using Fund monies (including Internet advertising) information concerning franchise opportunities, and a portion of Fund monies may be used to create and maintain one or more pages on our website devoted to advertising franchise opportunities and identifying and screening inquiries and applications submitted by franchise candidates. Any amounts contributed to the Fund that are not spent in the year they are collected will remain in the Fund for use during the next year. Franchisor has no fiduciary duty to Franchisee or to any other person with respect to the collection or expenditure of Fund monies. Upon Franchisee's reasonable request, Franchisor will provide Franchisee an annual statement of Fund contributions and expenditures.

9.3.3. Although the Brand Development Fund is intended to be perpetual, Franchisor may terminate the Fund at any time. The Fund will not be terminated, however, until all Fund monies have been spent as provided in this Section 9.3.2. or returned to the Fund contributors on the basis of their respective contributions. Any amounts contributed to the Fund that are not spent in the year they are collected will remain in the Fund for future expenditures.

9.4. Local Marketing Expenditure. You must spend 2% of Gross Revenues, on a quarterly basis, for local marketing purposes.

9.5. Advertising Cooperatives.

9.5.1. Franchisor may, from time to time, form local or regional advertising cooperatives (“**Advertising Cooperative**”) to pay for the development, placement, and distribution of advertising for the benefit of Stores located in the geographic region served by the Advertising Cooperative. Any Advertising Cooperative established by Franchisor will be operated solely as a conduit for the collection and expenditure of Advertising Cooperative fees for the foregoing purposes.

9.5.2. If Franchisor forms an Advertising Cooperative for the region in which the Store is located, you agree to participate in the Advertising Cooperative pursuant to the terms of this Section 9.5.

9.5.3. Franchisor has the exclusive right to create, dissolve, and merge each Advertising Cooperative created, in its discretion, and to create and amend the organizational and governing documents related thereto, provided that such documents shall: **(a)** operate by majority vote, with each NAUTICAL BOWLS (including Stores owned by Franchisor or its Affiliates) entitled to one vote; **(b)** entitle Franchisor to cast one vote (in addition to any votes it may be entitled to on account of its operation of Stores in the area served by the Advertising Cooperative); **(c)** permit the members of the Advertising Cooperative, by majority vote, to determine the amount of required contributions; and **(d)** provide that any funds left in the Cooperative at the time of dissolution shall be returned to the members in proportion to their contributions during the 12-month period immediately preceding termination.

9.5.4. You agree to be bound by all organizational and governing documents created by Franchisor and, at Franchisor's request, shall execute all documents necessary to evidence or affirm your agreement. The Advertising Cooperative shall begin operating on a date determined in advance by Franchisor.

9.5.5. No advertising or promotional plans or materials may be used by the Advertising Cooperative or furnished to its members without Franchisor's prior approval. All advertising plans and materials must conform to the Standards and must be submitted to Franchisor for approval according to the procedures set forth in Section 9.1. of this Agreement.

9.6. Loyalty Programs, Prize Promotions, Meal Deals, and Promotional Literature.

9.6.1. You shall participate in and offer to your customers: **(a)** all customer loyalty and reward programs; **(b)** all contests, sweepstakes, and other prize promotions; and **(c)** all meal deals, which Franchisor may develop from time to time. Franchisor will communicate to you in writing the details of each such program, promotion, and meal deal, and you shall promptly display all point-of-sale advertising and promotion-related information at such places within the Store as Franchisor may designate. You shall purchase and distribute all coupons, and other collateral merchandise (and only the coupons, and collateral merchandise) designated by Franchisor for use in connection with each such program, promotion, or meal deal.

9.6.2. If Franchisor develops or authorizes the sale of gift cards, loyalty cards, and/or customized promotional receipts, you shall acquire and use all computer software and hardware necessary to process their sale and to process purchases made using them and be solely responsible for the service charges related to such processing. All proceeds from the sale of all gift cards belong exclusively to Franchisor, and you shall remit the proceeds of such sales to Franchisor according to the procedures that Franchisor prescribes periodically. Franchisor shall reimburse or credit to you (at Franchisor's option) the redeemed value of gift cards and gift cards accepted as payment for products and services sold by the Store. You shall be responsible for all processing fees associated with gift cards and gift cards.

9.6.3. You also shall display at the Store all promotional literature and information as Franchisor may reasonably require from time to time. This may include, among other things, displaying signage or other literature containing information about the NAUTICAL BOWLS franchise offering.

9.7. Participation in Marketing Programs. You shall participate in and offer to your customers: **(a)** all customer loyalty and reward programs; **(b)** all contests, sweepstakes, and other prize promotions; and **(c)** all meal deals, which Franchisor may develop from time to time. Franchisor will provide you the details of each such program, promotion, and meal deal, you shall promptly display all point-of-sale advertising and promotion-related information at such places within the Store as Franchisor specifies. You shall purchase and distribute all coupons and collateral merchandise that Franchisor designates for use in connection with each such program, promotion, or meal deal.

9.8. Web Site. Franchisor shall maintain a web site on the Internet to, among other things, advertise and promote the NAUTICAL BOWLS System. Franchisor shall also maintain a presence of your Store on the web site, subject to your continued compliance with the System and the provisions of this Agreement. You may not establish any independent web site on your behalf.

10. POS SYSTEM; ACCOUNTING AND RECORDS; TAXES

10.1. POS System. You shall acquire and use only the point-of-sale cash registers and computer systems and equipment that Franchisor prescribes for use by NAUTICAL BOWLS Stores ("**POS System**"), and adhere to Franchisor's requirements for use. Requirements may include, among other things, connection to remote servers, off-site electronic repositories, and high-speed Internet connections. Franchisor may, in its sole discretion, require you to add to your POS System memory, ports, and other accessories or peripheral equipment or additional, new, or substitute software, and replace or upgrade your POS System and software as Franchisor prescribes. Franchisor shall provide you 90 days advance written notice of any change to its POS System requirements. You shall acquire, install, and maintain such anti-virus and anti-spyware software as Franchisor requires and shall adopt and implement such Internet user policies as Franchisor may prescribe for purposes of avoiding, blocking, and eliminating viruses and other conditions that interfere with operation of the POS System.

10.2. Software. You shall: **(a)** use any software, system documentation manuals, and other proprietary materials that Franchisor requires in connection with the operation of the Store; **(b)** input and maintain in your computer such data and information as Franchisor prescribes in the Manual, software, documentation, or otherwise; and **(c)** purchase or acquire new or upgraded software, system documentation manuals, and other materials at then-current prices whenever adopted system-wide. You shall acquire and use all online and mobile app ordering software Franchisor requires and pay all associated fees. You shall enter into all software license agreements, subscription agreements, “terms of use” agreements, and software maintenance agreements, in the form and manner Franchisor prescribes, and pay all fees imposed thereunder.

10.3. Independent Access. Franchisor may independently poll Gross Revenues and other information input and compiled by your POS System from a remote location. There is no limitation on Franchisor’s right to access this information.

10.4. Maintenance of Records. You shall prepare and preserve for at least five years from the date of preparation complete and accurate books, records, and accounts according to generally accepted accounting principles and in the form Franchisor prescribes.

10.5. Submission of Financial Statements and Tax Returns. No later than the tenth business day following the end of each Accounting Period, you shall provide to Franchisor a copy of the Accounting Period’s profit and loss statement. In addition, no later than March 30 of each calendar year, you shall provide to Franchisor: **(a)** a copy of the previous year’s annual profit and loss statements; **(b)** a copy of the previous year’s sales tax returns; and **(c)** a copy of your federal and state income tax returns for the previous year; provided, however, that if you are an individual franchisee, you may submit only those schedules to your personal tax returns which reflect the revenues and expenses of the Franchised Business.

10.6. Submission of Performance Reports. You shall accurately report to Franchisor the Store’s Gross Revenues and such other financial information, as Franchisor may reasonably require, using the procedures that Franchisor prescribes periodically. Reports shall be due on the date prescribed by Franchisor, and shall be signed by an authorized representative, attesting to their accuracy. Within 30 days following the end of each fiscal quarter, you shall provide to Franchisor a copy of your profit and loss statements prepared according to generally accepted accounting principles and which accurately reflect your financial information for the applicable Accounting Periods. You also shall provide to Franchisor such other reports, computer back-up and other information that Franchisor may reasonably request.

10.7. Audit of Franchisee Records. Franchisor or its designated agent has the right to audit, examine, and copy your books, records, accounts, and business tax returns at any time. If an inspection or audit reveals underpayment of amounts owed to Franchisor, you shall immediately pay the understated amount with interest as provided in Section 4.9. If an audit or inspection reveals your understatement of Gross Revenues by 2% or more for any Accounting Period then, in addition to amounts due on the understatement and interest, you shall promptly reimburse Franchisor all costs and expenses that it incurred in connection with performing the audit or inspection (including travel, lodging and wage expenses, and attorneys’ and accountants’ fees).

10.8. Use of Financial Information in Franchise Disclosure Document. You acknowledge and agree that it may be in the best interest of the franchise system to share historical revenue and expense information with prospective franchisees. To that end, you hereby authorize Franchisor to publish information concerning the Store’s Gross Revenues and other information reported to Franchisor in its franchise disclosure document.

10.9. Taxes. You shall promptly pay all taxes due and owing based on your operation of the Store and the Franchised Business including, without limitation, sales taxes, income taxes, and property taxes.

11. INDEPENDENT CONTRACTOR, INSURANCE AND INDEMNIFICATION

11.1. Independent Contractor. The parties acknowledge and agree that you are operating the Franchised Business as an independent contractor. Nothing contained in this Agreement shall create or be construed to create a partnership, joint venture, or agency relationship between the parties. Neither party has any fiduciary obligations to the other or will be liable for the debts or obligations of the other. Neither party may bind the other, transact business in the other party's name or in any manner make any promises or representations on behalf of the other party, unless otherwise agreed between them. You shall conspicuously identify yourself and the Franchised Business in all dealings with your customers, contractors, suppliers, public officials, and others, as an independent franchisee of Franchisor, and shall place a conspicuous notice, in the form and at such place as Franchisor prescribes, notifying the public of such independent ownership.

11.2. Insurance Obligations.

11.2.1. You must maintain in full force and effect throughout the term of this Agreement that insurance which you determine is necessary or appropriate for liabilities caused by or occurring in connection with the development or operation of the franchise. Such insurance must include, at a minimum: **(i)** special/causes of loss coverage forms, including mechanical/equipment breakdown (previously called "All Risk coverage") on the franchise and all fixtures, equipment and other property used in the operation of the franchise, for full replacement value of the equipment and improvements; **(ii)** business interruption insurance covering a minimum 12 months loss of income, written on an actual loss sustained basis, including coverage for our monthly fees with us named as a loss payee with respect to those fees; **(iii)** comprehensive general liability insurance with minimum limits of at least \$1,000,000 per occurrence and \$1,000,000 general aggregate (including product liability and personal and advertising injury) and "Per Location" aggregate limits when multiple franchise locations are insured under one comprehensive general liability policy; **(iv)** automobile liability insurance, including hired and non-owned vehicle coverage with a minimum combined single limit of at least \$1,000,000 per claim; **(v)** workers' compensation and employer's liability insurance covering all of your employees where required by state statute; **(vi)** professional liability insurance with a minimum limit of at least \$1,000,000 per occurrence; **(vii)** Commercial Umbrella/Excess Liability of at least \$1,000,000 per occurrence and \$1,000,000 general aggregate with "Per Location" aggregate limits when multiple franchise locations are insured under one comprehensive umbrella/excess liability policy (unless landlord requires a higher amount) **(viii)** cyber liability with minimum limits of at least \$25,000 per occurrence; **(ix)** medical expense coverage of at least \$1,000 any one person; **(x)** crime (employee dishonesty, theft and robbery) with minimum limits of at least \$10,000 per occurrence; **(xi)** employment practices liability with minimum limits of at least \$50,000 per occurrence and inclusive of both first and third party coverage; **(xii)** NAUTICAL BOWLS, Inc. and any entity with an insurable interest that we designate (the "**Additional Insureds**") must be named an additional insured on all liability policies required by this subparagraph to the extent each has an insurable interest; **(xiii)** each policy of insurance maintained pursuant to this Agreement must contain a waiver of subrogation in favor of the Additional Insureds; and **(xiv)** any other such insurance coverage's or amounts as required by law or other agreement related to the franchise.

11.2.2. All insurance policies must be written by an insurance company or companies satisfactory to us (generally, companies with an AM Best rating of A- or better). Notwithstanding anything to the contrary in the Franchise Agreement, Franchisor will not unreasonably withhold its consent if a Franchisee desires to opt-out of any insurance plan established for the benefit of the System provided that the Franchisee provides a certificate of insurance confirming insurance coverage meeting the Franchisor's then-current minimum required insurance.

11.2.3. The required insurance coverage must commence as of the date the building lease or building purchase agreement has been signed for your Authorized Location. You must deliver to us at commencement and thereafter annually or at our request a proper certificate, endorsement, or other documentation as we

require evidencing the existence of such insurance coverage and your compliance with the provisions of this subparagraph. The insurance certificate or endorsement must show all required Additional Insureds (as noted in (xii) and (xiii) above) and provide that we will be given 30 days' prior written notice of material change in or termination or cancellation of the policy. We also may request copies of all policies. We may modify the required minimum limits from time to time and by written notice to you, as conditions require, to reflect changes in relevant circumstances, industry standards, experiences in the NAUTICAL BOWLS system, standards of liability and higher damage awards. If you do not procure and maintain the insurance coverage required by this Agreement, we have the right, but not the obligation, to procure insurance coverage and to charge the same to you, together with a reasonable fee for the expenses we incur in doing so, payable by you immediately upon notice.

You acknowledge that the foregoing minimum insurance requirements do not constitute advice or a representation that such coverages are necessary or adequate to protect you from losses in connection with the franchise. Nothing in this Agreement prevents or restricts you from acquiring and maintaining insurance with higher policy limits or lower deductibles than we require.

11.3. Indemnification. You shall indemnify and hold harmless to the fullest extent by law, Franchisor, its Affiliates, and their respective directors, officers, employees, shareholders, and agents, (collectively, “**Indemnitees**”) from any and all “**losses and expenses**” (as hereinafter defined) incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof arising out of or related to your operation of the Franchised Business including, but not limited to, claims arising as a result of the maintenance and operation of vehicles or the Franchised Location (“**event**”), and regardless of whether same resulted from any strict or vicarious liability imposed by law on the Indemnitees; provided, however, that this indemnity shall not apply to any liability arising from the gross negligence of Indemnitees (except to the extent that joint liability is involved, in which event the indemnification provided in this Agreement shall extend to any finding of comparative negligence or contributory negligence attributable to you). For the purpose of this Section 11.3, the term “**losses and expenses**” includes compensatory, exemplary, or punitive damages; fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to Franchisor's reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses. You shall give Franchisor prompt notice of any event of which you are aware, for which indemnification is required, and, at your expense and risk, Franchisor may elect to assume (but under no circumstance is obligated to undertake) the defense and/or settlement thereof, provided that Franchisor will seek your advice and counsel. Any assumption by Franchisor shall not modify your indemnification obligation. Franchisor may, in its sole and absolute discretion, take such actions as it seems necessary and appropriate to investigate, defend, or settle any event or take other remedial or corrective actions with respect thereof as may be, in Franchisor's sole and absolute discretion, necessary for the protection of the indemnities or the System.

12. TRANSFER OF INTEREST

12.1. Transfer by Franchisor. Franchisor may transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal entity. With respect to any assignment which results in the subsequent performance by the assignee of all of Franchisor's obligations under this Agreement, the assignee shall expressly assume and agree to perform such obligations and shall become solely responsible for all of Franchisor's obligations under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, you expressly affirm and agree that Franchisor and/or its Affiliates may sell their assets, the Marks, the Copyrighted Works, or the System; may sell securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of Franchisor's name,

the Marks (or any variation thereof), the Copyrighted Works and System and/or the loss of association with or identification of NAUTICAL BOWLS FRANCHISING, LLC as the franchisor under this Agreement. You specifically waive any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing. You agree that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as a NAUTICAL BOWLS Store operating under the Marks, the Copyrighted Works or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which you acknowledge may be proximate to the Franchised Business).

12.2. Transfer by Individual Franchisee to Business Entity for Convenience. If you are an individual, you may transfer your interest in this Agreement to a Business Entity for convenience of operation within the first 12 months of this Agreement by signing Franchisor's standard form of assignment and assumption agreement if: **(a)** the Business Entity is formed solely for purposes of operating the Franchised Business; **(b)** you provide to Franchisor a copy of the Business Entity's formation and governing documents and a certificate of good standing from the jurisdiction under which the Business Entity was formed; **(c)** you sign a general release in favor of Franchisor and in the form Franchisor requires; **(d)** all holders of a legal or beneficial interest in the Business Entity has signed a Guaranty and Personal Undertaking in the form of Attachment D-1; and **(e)** you pay to Franchisor a Transfer Fee in the amount set forth in the Summary Pages.

12.3. Transfer Among Owners; Transfer of Non-Controlling Interest. If you are a Business Entity, your Owners may transfer their ownership interests in the Business Entity among each other, and may transfer up to a Non-Controlling Interest in the Business Entity to one or more third parties, if: **(a)** you have provided to Franchisor advance notice of the transfer, **(b)** Attachment C has been amended to reflect the new ownership; **(c)** each new Owner has signed a Guaranty and Personal Undertaking in the form of Attachment D-1; **(d)** each previous and/or new Owner has signed a general release in favor of Franchisor and in the form Franchisor requires; and **(e)** you pay to Franchisor a Transfer Fee in the amount set forth in the Summary Pages.

12.4. Transfer of Agreement; Transfer of the Franchised Business; Transfer of Controlling Interest. All other transfers (including any sale or transfer of your interest in this Agreement, the sale or transfer of all or substantially all of the assets of the Store, and the sale of a Controlling Interest in you if you are a Business Entity) require Franchisor's prior written consent. Franchisor will not unreasonably withhold its consent to a transfer, but may condition its consent on satisfaction of any or all of the following:

12.4.1. Your written request for consent in writing and delivery of a copy of the proposed transfer agreements, including sale terms, at least 30 days prior to the proposed transfer, and Franchisor's determination, in its sole and reasonable discretion, that the terms of the sale will not materially and adversely affect the post transfer viability of the Franchised Business.

12.4.2. The transferee has demonstrated to Franchisor's satisfaction that the transferee meets Franchisor's then-current educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to operate the Franchised Business; and has sufficient equity capital to operate the Franchised Business (which condition shall be presumed if the transferee's net worth is equal to or exceeds your net worth at the time of transfer, excluding the value of the Franchised Business);

12.4.3. All of your accrued monetary obligations and all other outstanding obligations to Franchisor, its Affiliates, and third-party suppliers shall be up to date, fully paid and satisfied, and you must

be in full compliance with this Agreement and any other agreements between you and Franchisor, its Affiliates and your suppliers;

12.4.4. You or the transferee shall have agreed to refurbish the Store premises so that it meets Franchisor's image requirements for new NAUTICAL BOWLS Stores;

12.4.5. You and each Owner have executed a general release and covenant not to sue, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its Affiliates and their respective officers, directors, shareholders, agents and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and any other matters incident to the termination of this Agreement or to the transfer of your interest herein or to the transfer of your ownership of all or any part of the Franchise; provided, however, that any release will not be inconsistent with any state law regulating franchising;

12.4.6. You agree to remain liable for all direct and indirect obligations to Franchisor in connection with the Franchised Business prior to the effective date of the transfer, shall continue to remain responsible for your obligations of nondisclosure, noncompetition and indemnification as provided elsewhere in this Agreement, and all other obligations that survive termination, expiration or transfer, and shall execute any and all instruments reasonably requested by Franchisor to further evidence such obligation;

12.4.7. You or the transferee shall pay to Franchisor a transfer fee in the amount of \$15,000;

12.4.8. The transferee's execution of Franchisor's then-current form of franchise agreement, the terms of which may be materially different than the terms of this Agreement and may include, among other things, a different percentage royalty fee and different advertising obligations. The term of such agreement shall be the remaining term of this Agreement at the time of transfer.

12.4.9. If the transferee is a Business Entity, then the transferee's Owners each shall sign Franchisor's standard form of Guaranty and Personal Undertaking;

12.4.10. You or the transferee must provide Franchisor with a copy of the agreements of purchase and sale between the transferor and the transferee. The economic terms of the transfer may not materially and adversely affect, in Franchisor's sole judgment, the post transfer viability of the Franchised Business;

12.4.11. The transferee shall have complied with Franchisor's then-current initial training requirements;

12.4.12. You have complied with the requirements set forth in Section 12.8.; and

12.4.13. If Franchisor introduced the buyer to you, you have paid all fees due Franchisor under its then-current franchise resale policy or program.

12.5. Transfers Void. You understand and acknowledge that Franchisor has entered into this Agreement in reliance on your business skill, financial capacity, personal character, and experience. Accordingly, you may not sell or transfer your interest in this Agreement or the assets of the Franchised Business (except in the ordinary course of your business) without Franchisor's prior written consent. In addition, if you are a Franchised Business Entity, no Owner may transfer or assign his or her equity interest in the Franchised Business Entity without Franchisor's prior written consent. Any purported transfer, by operation of law or otherwise, made without Franchisor's prior written consent will be considered null and void and will be considered a material breach of this Agreement.

12.6. Security Interest. You may grant a security interest in this Agreement, or the franchise represented by this Agreement only to the limited extent permitted by Section 9-408 of the Uniform Commercial Code. Any such security interest may only attach to an interest in the proceeds of the operation of the Franchised Business and may not entitle or permit the secured party to take possession of or operate the Franchised Business or to transfer your interest in the franchise without Franchisor's consent.

12.7. Public Offerings. If you are a Business Entity and you intend to issue equity interests pursuant to a public or private offering, you shall first obtain Franchisor's written consent, which consent shall not be unreasonably withheld. You must provide to Franchisor for its review a copy of all offering materials (whether or not such materials are required by applicable securities laws) at least 60 days prior to such documents being filed with any government agency or distributed to investors. No offering shall imply (by use of the Marks or otherwise) that Franchisor is participating in an underwriting, issuance or offering of your securities, and Franchisor's review of any offering shall be limited to ensuring compliance with the terms of this Agreement. Franchisor may condition its approval on satisfaction of any or all of the conditions set forth in Section 12.4 and on execution of an indemnity agreement, in a form prescribed by Franchisor, by you and any other participants in the offering. For each proposed offering, you shall pay to Franchisor a retainer in an amount determined by Franchisor, which Franchisor shall use to reimburse itself for the reasonable costs and expenses it incurs (including, without limitation, attorneys' fees and accountants' fees) in connection with reviewing the proposed offering.

12.8. Right of First Refusal.

12.8.1. If you receive a bona fide offer to purchase your interest in this Agreement or all or substantially all of the assets of the Franchised Business in connection with the transferee's execution of a NAUTICAL BOWLS Franchise Agreement, or if any Owner receives a bona fide offer to purchase his or her equity interests in you, and if you or such Owner wishes to accept such offer, you or the Owner must deliver to Franchisor written notification of the offer and, except as otherwise provided herein, Franchisor shall have the option, exercisable within 30 days after receipt of such written notification, to purchase the seller's interest on the same terms and conditions offered by the third party. If the bona fide offer provides for the exchange of assets other than cash or cash equivalents, the bona fide offer shall include the fair market value of the assets and you shall submit with the notice an appraisal prepared by a qualified independent third party evidencing the fair market value of such assets as of the date of the offer.

12.8.2. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same right of first refusal by Franchisor as in the case of an initial offer. If Franchisor elects to purchase the seller's interest, closing on such purchase must occur by the later of: **(a)** the closing date specified in the third-party offer; or **(b)** within 60 days from the date of notice to the seller of Franchisor's election to purchase. Franchisor's failure to exercise the option described in this Section 12.8, shall not constitute a waiver of any of the transfer conditions set forth in this Article 12.

12.9. Transfer Upon Death or Incapacitation. Upon the death or permanent incapacity (mental or physical) of any person with an interest in this Agreement, in you, or in all or substantially all of the assets of the Franchised Business, the executor, administrator, or personal representative of such person shall transfer such interest to a third party approved by Franchisor within six months after such death or mental incapacity. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as a lifetime transfer, except that the transfer fee shall be waived. In the case of transfer by devise or inheritance, however, if the heirs or beneficiaries of any such person are unable to meet the conditions of this Section 12.9, the executor, administrator, or personal representative of the decedent shall transfer the decedent's interest to another party approved by Franchisor within six months, which disposition shall be subject to all the terms and conditions for transfer contained in this Agreement. If the interest is not disposed of within such period, Franchisor may, at its option, terminate this Agreement, pursuant to Section 13.5.

12.10. Non-Waiver of Claims. Franchisor's consent to a transfer shall not constitute a waiver of any claims it may have against the transferring party, and it will not be deemed a waiver of Franchisor's right to demand strict compliance with any of the terms of this Agreement, or any other agreement to which Franchisor's and the transferee are parties, by the transferee.

13. DEFAULT AND TERMINATION

13.1. Termination In the Event of Bankruptcy or Insolvency. You will be in default under this Agreement, and all rights granted to you in this Agreement shall automatically terminate without notice, if you become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed and against you and you do not oppose it; if you are adjudicated as bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver for you or other custodian for your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law is instituted by or against you; if a final judgment remains unsatisfied or of record for 30 days or longer (unless a *supersedeas* bond is filed); if you are dissolved; if execution is levied against your business or property; if judicial, non-judicial or administrative proceedings to foreclose any lien or mortgage against the Franchised Location premises or assets or equipment is instituted against you and not dismissed within 30 days; or if the real or personal property of the Franchised Business is sold after levy thereupon by any sheriff, marshal, or constable.

13.2. Termination with Notice and Without Opportunity to Cure. Franchisor has the right to terminate this Agreement, which termination will become effective upon delivery of notice without opportunity to cure if: **(a)** your Key Person fails to successfully complete training; **(b)** you fail to open the Store for business by the Opening Date or within twelve months after the Effective Date, whichever occurs sooner; **(c)** you abandon the Franchised Business (which will be presumed if you cease operations for three consecutive days or more); **(d)** you lose any license required to operate the Franchised Business or you lose your right to occupy the Store premises; **(e)** you or any Owner is convicted of, or pleads no contest to, a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System; **(f)** there is any transfer or attempted transfer in violation of Article 12 of this Agreement; **(g)** you or any Owner fails to comply with the confidentiality or noncompete covenants in this Agreement; **(h)** you or any Owner has made any material misrepresentations in connection with your franchise application; **(i)** you fail to comply with notification requirements set forth in Sections 6.1.(d) or (e) concerning investigations and Crisis Management Events; **(j)** you understate any payment to Franchisor by 2% or more, or understate any such payment in any amount, twice in any two-year period; **(k)** if an imminent threat or danger to public health or safety results from the operation of the Franchised Business; **(l)** you knowingly maintain false books or records or submit any false reports or statements to Franchisor; **(m)** you offer unauthorized products or services from the Store premises or in conjunction with the Marks or Copyrighted Works; **(n)** purchase items for which Franchisor has identified Approved Suppliers from an unapproved source; **(o)** failure to pass two or more quality assurance inspections within any rolling 12-month period; or **(p)** Franchisor delivers to you three or more written notices of default pursuant to this Article 13 within any rolling 12-month period, regardless of whether or not the defaults described in such notices ultimately were cured.

13.3. Termination with 10-Day Cure Period. Franchisor has the right to terminate this Agreement, which termination will become effective upon delivery of written notice of termination, if you fail to cure the following defaults within 10 days after delivery of written notice: **(a)** failure to obtain or maintain required insurance coverage; **(b)** failure to pay any amounts due to Franchisor; **(c)** you fail to pay any amounts due to your trade creditors (unless such amount is subject to a bona fide dispute); **(d)** you fail to pay any amounts for which Franchisor has advanced funds for or on your behalf, or upon which Franchisor is acting as guarantor of your obligations; **(e)** your violation of any provision of this Agreement concerning the use and protection of the Marks or Copyrighted Works; or **(f)** your violation of any provision of this Agreement concerning the preparation, service, appearance or quality of NAUTICAL BOWLS products.

13.4. Termination with 30-Day Cure Period. Except as otherwise provided in this Article 13, Franchisor has the right to terminate this Agreement, which termination will become effective upon delivery of written notice of termination, if you fail to cure any curable default within 30 days after delivery of written notice.

13.5. Termination Related to Death or Permanent Incapacity. Franchisor has the right to terminate this Agreement if an approved transfer as required by Section 12.9 is not completed within the required time frame following a death or permanent incapacity (mental or physical).

13.6. Cross-Default. Any default under any agreement between you and Franchisor or its Affiliates, and failure to cure within any applicable cure period, shall be considered a default under this Agreement and shall provide an independent basis for termination of this Agreement.

13.7. Step In Rights. To prevent any interruption of the business of the Store, and any injury to the goodwill and reputation to the System which may be caused thereby, you hereby authorize Franchisor, and Franchisor shall have the right, but not the obligation, to operate the Store on your behalf for as long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies Franchisor may have under this Agreement, in the event that: **(a)** your Key Person is absent or incapacitated by reason of illness, death or disability and, therefore, in Franchisor's sole determination, you are not able to operate the Store in full compliance with this Agreement; **(b)** any allegation or claim is made against your or any of your principals, or the operation of the Store, involving or relating to fraudulent, deceptive or illegal practices or activities; or **(c)** Franchisor determines that operational problems require Franchisor to operate your Store for a period of time to maintain the operation of the business as a going concern. If Franchisor undertakes to operate the Store pursuant to this Section 13.7., Franchisor shall have the right to collect and pay from the revenues of the Store all operating expenses including, without limitation, Royalty Fees, Advertising Fees, and employee salaries, and further shall be entitled to collect, as compensation for its efforts, a reasonable management fee of up to 10% of Gross Revenue. You shall indemnify and hold harmless Franchisor from any and all claims arising from the alleged acts and omissions of Franchisor and its representatives. Nothing contained herein shall prevent Franchisor from exercising any other right which Franchisor may have under this Agreement, including, without limitation, termination.

13.8. Additional Remedies. In addition to, or in lieu of, termination of this Agreement, in its sole discretion, Franchisor may require the Store be closed during any cure period relating to a default based on public health and safety concerns.

14. OBLIGATIONS UPON TERMINATION OR EXPIRATION

14.1. Cease Use of Marks; Copyrighted Works; Cancellation of Fictitious Name; Assignment of E-mail Addresses, URLs, Domain Names, Internet Listings. You shall immediately cease all use of the Marks, Copyrighted Works, and Confidential Information. You shall cancel any assumed name registration containing the Marks. You shall, at Franchisor's option and request, assign to Franchisor all rights to all e-mail addresses, URLs, domain names, online directory listings, and social media accounts related to the Franchised Business. You hereby appoint Franchisor as your attorney-in-fact with full power and authority for the sole purpose of assigning these rights to Franchisor. This appointment shall be deemed to be coupled with an interest and shall continue in full force and effect until the termination or expiration of this Agreement.

14.2. Assignment of Lease; De-Identification. At Franchisor's request, you shall assign to Franchisor or its designee your interest in the lease, including your interest in all leasehold improvements, without additional compensation. If Franchisor does not request assignment of the lease before or as of the date of expiration or termination of this Agreement, then within 10 days after termination or expiration of this Agreement, you shall modify the Store premises (including, without limitation, the changing of the color scheme and other distinctive design features, and the changing of and assigning to Franchisor of, the telephone numbers) as may be necessary to distinguish the appearance of the Franchised Location from that of other NAUTICAL BOWLS Stores, and shall make such specific additional changes to the Franchised Location as Franchisor may reasonably request for that purpose. If you fail de-identify the Store premises within a reasonable time, you hereby grant a license to Franchisor's personnel and designees to enter upon the Store premises and take all actions necessary to de-identify the premises as a NAUTICAL BOWLS Store including, without limitation, removing all signage, advertising materials, trade dress, displays,

proprietary equipment, and Proprietary Products, and any other items which display the Marks or reflect Franchisor's trade dress. Franchisor may charge a reasonable fee for its services; you agree to pay the fee on demand and to reimburse Franchisor for all de-identification related costs that it incurred.

14.3. Return of Manuals and Other Confidential Information. You shall immediately deliver to Franchisor the Manuals and all other manuals, records, correspondence, files, and any instructions containing Confidential Information relating to the operation of the Franchised Business which are in your possession; and all copies thereof (all of which are acknowledged to be the property of Franchisor).

14.4. Franchisor's Right to Purchase Fixtures and Tangible Assets. Franchisor has the option to purchase your interest (if any) in any or all of the Store's leasehold improvements, furniture, fixtures, equipment, inventory, supplies, and interior and exterior signs for a purchase price equal to the lesser of your cost or then-current fair market value, to be determined by a qualified independent third-party of Franchisor's choosing, and may set off against the purchase price any amounts that you owe to Franchisor. Franchisor shall exercise its option by written notice to you delivered before or within 30 days after the date of expiration or termination of this Agreement.

15. COVENANTS

15.1. Non-Competition During Term of Agreement. You and each Owner acknowledge that you and each Owner will receive valuable specialized training and Confidential Information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques and trade secrets of Franchisor and the System. You and each Owner covenant and agree that during the term of this Agreement, except as otherwise approved in writing by Franchisor, you and, if applicable, such Owner, shall not, either directly or indirectly, for yourselves, or through, on behalf of, or in conjunction with any person, or legal entity:

15.1.1. Divert or attempt to divert any present or prospective customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

15.1.2. Employ or seek to employ any person who is or has been within the previous 30 days employed by Franchisor or an Affiliate of Franchisor as a salaried managerial employee, or otherwise directly or indirectly induce such person to leave his or her employment.

15.1.3. Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, any Competitive Business, other than a NAUTICAL BOWLS Store operated pursuant to a then-currently effective franchise agreement with Franchisor at any location within the United States, its territories or commonwealths, or any other country, province, state or geographic area in which Franchisor or its Affiliates have used, sought registration of or registered the Marks or similar marks or operate or license others to operate a business under the Marks or similar marks.

15.2. Non-Competition After Expiration or Termination of Agreement. For a continuous two-year period commencing upon a transfer permitted under Section 12 of this Agreement, expiration of this Agreement (without renewal), or termination of this Agreement (regardless of the cause for termination), you shall not either directly or indirectly, for yourselves, or through, on behalf of, or in conjunction with any person, persons, or legal entity, own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in or relationship or association with any Competitive Business, other than a NAUTICAL BOWLS Store operated pursuant to a then-currently effective franchise agreement with Franchisor, and **(a)** is, or is intended to be, located at the location of the former Store; **(b)** within a 25-mile radius of the Store; or **(c)** within a 25-mile radius of any other NAUTICAL BOWLS Store in existence or under development at the time of such expiration, termination or transfer. If any Owner ceases to be an Owner of the franchisee for any reason during the franchise time, the foregoing covenant shall apply to the departing Owner for a

two-year period beginning on the date such person ceases to meet the definition of an Owner. The obligations described in this Section 15.2 shall be tolled during any period of noncompliance.

15.3. Additional Provisions. The parties acknowledge and agree that Franchisor has the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 15.1 and 15.2, or any portion thereof, without your consent or the consent of any Owner, effective immediately upon delivery of written notice to the affected party; and you and each Owner agree that such person shall comply forthwith with any covenant as so modified. You and each Owner expressly agree that the existence of any claims you may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to Franchisor's enforcement of the covenants in this Article 15. You agree to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Article 15.

15.4. Covenants from Individuals. Each individual who attends Franchisor's training program and other key employees designated by Franchisor shall be required to sign a confidentiality and noncompete agreement substantially in the form attached as Attachment D-2 to this Agreement. You shall be responsible for ensuring compliance with such agreement.

15.5. Breach of Covenants Causes Irreparable Injury. You acknowledge that your violation of any covenant of this Article 15 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and you consent to the issuance of, and agree to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to such conduct or action.

15.6. Exception for Publicly Held Companies. The foregoing restrictions shall not apply to your ownership or any Owner's ownership of less than a 5% beneficial interest in the outstanding equity securities of any company registered under the Securities Act of 1933 or the Securities Exchange Act of 1934.

15.7. Improvements. If you, your employees, or Owners develop any new concept, process or improvement in the operation or promotion of a NAUTICAL BOWLS Store ("Improvement"), you agree to promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Any such Improvement shall become Franchisor's sole property and Franchisor shall be the sole owner of all related patents, patent applications, and other intellectual property rights. You and your Owners hereby assign to Franchisor any rights you or your Owners may have or acquire in the Improvements, including the right to modify the Improvement, and waive and/or release all rights of restraint and moral rights therein and thereto. You and your Owners agree to assist Franchisor in obtaining and enforcing the intellectual property rights to any such Improvement in any and all countries and further agree to execute and provide Franchisor with all necessary documentation for obtaining and enforcing such rights. You and your Owners hereby irrevocably designate and appoint Franchisor as agent and attorney-in-fact for you and for them to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property right related to any such Improvement. In the event that the foregoing provisions of this Section 15.7 are found to be invalid or otherwise unenforceable, you and your Owners hereby grant to Franchisor a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the Improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe on you or your Owners' rights therein.

16. REPRESENTATIONS

16.1. Representations of Franchisor. Franchisor represents and warrants that: **(a)** Franchisor is duly organized and validly existing under the law of the state of its formation; **(b)** Franchisor is duly qualified and authorized to do business in each jurisdiction in which its business activities or the nature of the properties it owns requires such qualification; and **(c)** the execution of this Agreement and the performance

of the transactions contemplated by this Agreement are within Franchisor's corporate power and have been duly authorized.

16.2. Representations of Franchisee.

16.2.1. You represent and warrant that the information set forth in Attachment C, incorporated by reference hereto, is accurate and complete in all material respects. You shall notify Franchisor in writing within 10 days of any change in the information set forth in Attachment C. You further represent to Franchisor that: **(a)** you are duly organized and validly existing under the law of the state of your formation; **(b)** you are duly qualified and authorized to do business in each jurisdiction in which your business activities or the nature of the properties you own require such qualification; and **(c)** your corporate charter or written partnership or limited liability company agreement, as applicable, will at all times provide that your activities are confined exclusively to the operation of the Franchised Business. You warrant and represent that neither you nor any of your Affiliates or Owners own, operate or have any financial or beneficial interest in any business that is the same as or similar to a NAUTICAL BOWLS Store; and the execution of this Agreement and the performance of the transactions contemplated by this Agreement are within your corporate power, or if you are a partnership or a limited liability company, are permitted under your written partnership or limited liability company agreement and have been duly authorized.

16.2.2. You acknowledge that you have conducted an independent investigation of the NAUTICAL BOWLS franchise opportunity, and recognize that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent on your ability as an independent business person.

16.2.3. You represent that neither Franchisor nor its agents or representations have made any representations, and you have not relied on representations made by Franchisor or its agents or representatives, concerning actual or potential sales, expenses or profit of a NAUTICAL BOWLS Store, except for any information that may have been contained in Item 19 of the franchise disclosure document, delivered to you in connection with your purchase of a NAUTICAL BOWLS franchise.

16.2.4. You acknowledge that you have received a complete copy of Franchisor's Franchise Disclosure Document at least 14 calendar days before you signed this Agreement or paid any consideration to Franchisor for your franchise rights.

16.2.5. You acknowledge that you have read and that you understand the terms of this Agreement and its attachments, and that you have had ample time and opportunity to consult with an attorney or business advisor of your choice about the potential risks and benefits of entering into this Agreement.

16.2.6. You represent that neither your property nor any interest in your property, nor the property of any of your Owners, officers, directors, managers, partners, agents or employees, or their respective interests therein, have been blocked pursuant to Executive Order 13224 of September 23, 2001, pertaining to persons who commit, threaten to commit, or support terrorism ("**Blocked Persons**"). You represent and warrant to Franchisor that you will not accept money from or employ any Blocked Person.

17. **NOTICES**

17.1. Notices. All notices or demands shall be in writing and shall be served in person, by Express Mail, by certified mail; by private overnight delivery; or email. Service shall be deemed conclusively made: **(a)** at the time of service, if personally served; **(b)** 24 hours (exclusive of weekends and national holidays) after deposit in the United States mail, properly addressed and postage prepaid, if served by Express Mail; **(c)** upon the earlier of actual receipt or three calendar days after deposit in the United States mail, properly addressed and postage prepaid, return receipt requested, if served by certified mail; **(d)** 24 hours after delivery by the party giving the notice, statement or demand if by private overnight delivery; and **(e)** at the time of transmission by email. Notices and demands shall be given to the respective parties at the addresses set forth on the Summary Pages, unless and until a different address has been designated by written notice

to the other party. Either party may change its address for the purpose of receiving notices, demands and other communications as in this Agreement by providing a written notice given in the manner aforesaid to the other party.

18. CONSTRUCTION

18.1. Franchisee Representations.

18.1.1. You represent and warrant to Franchisor that, except for the information contained in Item 19 of the Franchise Disclosure Document delivered to you in connection with your entering into this Agreement, neither Franchisor nor any of its agents have made any representations or promises to you about the actual or potential earnings or profit of a NAUTICAL BOWLS Store, and that you are entering into this Agreement relying solely on your own independent due diligence.

18.1.2. You represent and warrant to Franchisor that, in entering into this Agreement, you have not relied on any representation or promise that Franchisor or any of its agents made to you about the actual or potential earnings or profit of a NAUTICAL BOWLS Store, other than information contained in Item 19 of the Franchise Document delivered to you in connection with your entering into this Agreement.

18.2. Integration and Merger. This Agreement represents the entire, fully integrated agreement between the parties and supersedes all other negotiations, agreements, representations, and covenants, oral or written, concerning the subject matter hereof. Except for Franchisor's unilateral rights under this Agreement, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Nothing in this Agreement is intended to disclaim any representation made in the franchise disclosure document delivered to you in connection with your purchase of a NAUTICAL BOWLS franchise.

18.3. No Waiver. No waiver or modification of this Agreement or of any covenant, condition, or limitation herein contained shall be valid unless the same is made in writing and duly executed by the party to be charged therewith. No evidence of any waiver or modification shall be offered or received in evidence in any proceeding, arbitration, or litigation between the parties arising out of or affecting this Agreement, or the rights or obligations of any party hereunder, unless such waiver or modification is in writing, duly executed as aforesaid.

18.4. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

18.5. Survival of Terms. Any provision or covenant of this Agreement which expressly or by its nature imposes obligations beyond the expiration or termination of this Agreement shall survive such expiration or termination.

18.6. Definitions and Captions. Unless otherwise defined in this body of this Agreement, capitalized terms have the meaning ascribed to them in Attachment A ("**Glossary of Additional Terms**"). All captions in this Agreement are intended for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision of this Agreement.

18.7. Persons Bound. This Agreement shall be binding on the parties and their respective successors and assigns. Each Owner shall execute the Guaranty and Personal Undertaking attached as Attachment D-1. Failure or refusal to do so shall constitute a breach of this Agreement. You and each Owner shall be joint and severally liable for each person's obligations hereunder and under the Guaranty and Personal Undertaking.

18.8. Rules of Construction. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. Terms used in this Agreement shall be construed and interpreted according to their ordinary meaning. If any provision of this Agreement is susceptible to two or more meanings, one of which would

render the provision enforceable and the other(s) which would render the provision unenforceable, the provision shall be given the meaning that renders it enforceable.

18.9. Timing. Time is of the essence with respect to all provisions in this Agreement. Notwithstanding the foregoing, if performance of either party is delayed on account of a Force Majeure, the applicable deadline for performance shall be extended for a period commensurate with the Force Majeure, but not to exceed 12 months.

18.10. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement.

19. APPLICABLE LAW; DISPUTE RESOLUTION; REPRESENTATIONS

19.1. Choice of Law. This Agreement and all claims arising out of or related to this Agreement or the parties' relationship created hereby shall be construed under and governed by the laws of the State of Texas (without giving effect to any conflict of laws).

19.2 Internal Dispute Resolution. The parties have reached this Agreement in good faith and with the belief that it is advantageous to each of them. In recognition of the strain on time, unnecessary expense and wasted resources potentially associated with litigation and/or arbitration, and in the spirit of cooperation, the parties pledge to try to resolve any dispute amicably, without litigation or arbitration. Accordingly, you must first bring any claim or dispute between you and Franchisor to Franchisor's President and/or Chief Executive Officer, after providing notice as set forth in Section 17 of this Agreement, and make every effort to resolve the dispute internally. You must exhaust this internal dispute resolution procedure before you may bring the dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

19.3. Mediation. Other than an Excluded Claim brought by Franchisor or a Franchisor Related Party (as defined herein), and with the exception of injunctive relief or specific performance actions, before the filing of any arbitration, you and Franchisor agree to mediate any dispute, controversy or claim between Franchisor and/or any of Franchisor's affiliates, officers, directors, managers, members, owners, guarantors, employees or agents (each a "Franchisor Related Party"), on the one hand, and you and/or any of your affiliates, officers, directors, managers, shareholders, members, owners, guarantors, employees or agents (each a "Franchisee Related Party"), including without limitation, in connection with any dispute, controversy or claim arising under, out of, in connection with or in relation to: (a) this Agreement; (b) the parties' relationship; or (c) the events occurring prior to the entry into this Agreement. Good faith participation in these procedures to the greatest extent reasonably possible, despite lack of cooperation by one or more of the other parties, is a precondition to maintaining any arbitration or legal action, including any action to interpret or enforce this Agreement. This agreement to first attempt resolution of disputes internally and through mediation shall survive termination or expiration of this Agreement.

Mediation will be conducted in Minnetonka, Minnesota (or, if Franchisor's corporate headquarters is no longer in Minnetonka, Minnesota, the county where Franchisor's corporate headquarters is then-located). Persons authorized to settle the dispute must attend each mediation session in person. The party seeking mediation (the "Initiating Party") must commence mediation by sending the other party/parties a written notice of its request for mediation (the "Mediation Notice"). The Mediation Notice must specify, to the fullest extent possible, the nature of the dispute, the Initiating Party's version of the facts surrounding the dispute, the amount of damages and the nature of any injunctive or other such relief such party claims, and must identify one or more persons with authority to settle the dispute for the Initiating Party. Upon receipt of the Mediation Notice, the parties will endeavor, in good faith, to resolve the dispute outlined in the Mediation Notice. If the parties have been unable to resolve any such dispute within thirty (30) days after the date the Mediation Notice is provided by the Initiating Party to the other party, either party may initiate a mediation procedure in accordance with this provision. The parties agree to participate in the mediation proceedings in good faith with the intention of resolving the dispute if at all possible, within sixty (60) days

of the notice from the party seeking to initiate the mediation procedures. The parties agree to participate in the mediation procedure to its conclusion, as set forth in this section.

The mediator shall advise the parties in writing of the format for the meeting or meetings. If the mediator believes it will be useful after reviewing the position papers, the mediator shall give both himself or herself and the authorized person designated by each party an opportunity to hear an oral presentation of each party's views on the matter in dispute. The mediator shall assist the authorized persons to negotiate a resolution of the matter in dispute, with or without the assistance of counsel or others. To this end, the mediator is authorized both to conduct joint meetings and to attend separate private caucuses with the parties. All mediation sessions will be strictly private. The mediator must keep confidential all information learned unless specifically authorized by the party from which the information was obtained to disclose the information to the other party.

The parties commit to participate in the proceedings in good faith with the intention of resolving the dispute if at all possible. The mediation may be concluded: (a) by the signing of a settlement agreement by the parties; (b) by the mediator's declaration that the mediation is terminated; or (c) by a written declaration of either party, no earlier than at the conclusion of a full day's mediation, that the mediation is terminated. Even if the mediation is terminated without resolving the dispute, the parties agree not to terminate negotiations and not to begin any arbitration or legal action or seek another remedy before the expiration of five (5) days following the mediation. A party may begin arbitration within this period only if the arbitration might otherwise be barred by an applicable statute of limitations or in order to request an injunction from a Court of competent jurisdiction to prevent irreparable harm.

The fees and expenses of the mediator shall be shared equally by the parties. The mediator may not later serve as a witness, consultant, expert, or counsel for any party with respect to the dispute or any related or similar matter in which either of the parties is involved. The mediation procedure is a compromise negotiation or settlement discussion for purposes of federal and state rules of evidence. The parties agree that no stenographic, visual, or audio record of the proceedings may be made. Any conduct, statement, promise, offer, view, or opinion, whether oral or written, made in the course of the mediation by the parties, their agents or employees, or the mediator is confidential and shall be treated as privileged. No conduct, statement, promise, offer, view, or opinion made in the mediation procedure is discoverable or admissible in evidence for any purpose, not even impeachment, in any proceeding involving either of the parties. However, evidence that would otherwise be discoverable or admissible shall not be excluded from discovery or made inadmissible simply because of its use in the mediation.

19.4 Arbitration. With the exception of "Excluded Claims" (as defined below), and if not resolved by the negotiation and mediation procedures set forth in Sections 19.2 and 19.3 above, any dispute, controversy or claim between you and/or any Franchisee Related Party, on the one hand, and Franchisor and/or any Franchisor Related Party, on the other hand, including, without limitation, any dispute, controversy or claim arising under, out of, in connection with or in relation to: (a) this Agreement, (b) the parties' relationship, (c) the events leading up to the entry into this Agreement, (d) the territory, (e) the scope or validity of the arbitration obligation under this Agreement, (f) any System standard; and/or (g) any claim based in tort or any theory of negligence shall be submitted to binding arbitration under the authority of the Federal Arbitration Act and must be determined by arbitration administered by the American Arbitration Association pursuant to its then-current commercial arbitration rules and procedures.

Any arbitration must be on an individual basis and the parties and the arbitrator will have no authority or power to proceed with any claim as a class action, associational claim, or otherwise to join or consolidate any claim with any other claim or any other proceeding involving third parties. In the event a court determines that this limitation on joinder of or class action certification of claims is unenforceable, then this

entire commitment to arbitrate shall become null and void and the parties shall submit all claims to the jurisdiction of the courts.

The arbitration must take place in Minnetonka, Minnesota (or, if our corporate headquarters is no longer in Minnetonka, Minnesota, the county where our corporate headquarters is then-located). The arbitration will be heard before one arbitrator. The arbitrator must follow the law and not disregard the terms of this Agreement. The arbitrator must have at least five (5) years of significant experience in franchise law. Any issue as to whether a matter is subject to arbitration will be determined by the arbitrator. A judgment may be entered upon the arbitration award by any state or federal court in Minnetonka, Minnesota.

In connection with any arbitration proceeding, each party will submit or file any claim which would constitute a compulsory counterclaim (as defined by the then-current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding will be forever barred. The decision of the arbitrator will be final and binding on all parties to the dispute; however, the arbitrator may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; (2) assess punitive or exemplary damages; (3) certify a class or a consolidated action; or (4) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance that we set. The arbitrator shall have the right to make a determination as to any procedural matters that a court of competent jurisdiction would be permitted to make in the state in which our main office is located. Further, the arbitrator shall decide all factual, procedural, or legal questions relating in any way to the dispute between the parties, including, without limitation, questions relating to whether Sections 19.2, 19.3 and 19.4 are applicable and enforceable as against the parties; the subject matter, timeliness, and scope of the dispute; any available remedies; and the existence of unconscionability and/or fraud in the inducement.

The arbitrator can issue summary orders disposing of all or part of a claim and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships, and other equitable and/or interim/final relief. Each party consents to the enforcement of such orders, injunctions, etc., by any court having jurisdiction.

The arbitrator shall have subpoena powers limited only by the laws of the State of Minnesota. The parties ask that the arbitrator limit discovery to the greatest extent possible consistent with basic fairness in order to minimize the time and expense of arbitration. The parties to the dispute shall otherwise have the same discovery rights as are available in civil actions under the laws of the State of Minnesota. All other procedural matters shall be determined by applying the statutory, common laws, and rules of procedure that control a court of competent jurisdiction in the State of Minnesota.

Other than as may be required by law, the entire arbitration proceedings (including, without limitation, any rulings, decisions or orders of the arbitrator), shall remain confidential and shall not be disclosed to anyone other than the parties to this Agreement.

The judgment of the arbitrator on any preliminary or final arbitration award shall be final and binding and may be entered in any court having jurisdiction.

Franchisor reserves the right, but has no obligation, to advance your share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so shall not be deemed to have waived or relinquished Franchisor's right to seek recovery of those costs against you.

19.5 Exceptions to Mediation/Arbitration; "Excluded Claims". Notwithstanding Section 19.3 or 19.4, the parties agree that the following claims will not be subject to internal dispute resolution, mediation, or arbitration:

(a) any action for declaratory or equitable relief, including, without limitation, seeking preliminary or permanent injunctive relief, specific performance, other relief in the nature of equity to enjoin any harm or

threat of harm to such party's tangible or intangible property, brought at any time, including, without limitation, prior to or during the pendency of any arbitration proceedings initiated hereunder;

(b) any action in ejectment or for possession of any interest in real or personal property; or

(c) any claim by Franchisor and/or any Franchisor Related Party: (a) relating to your failure to pay any fee due to Franchisor and/or its affiliates under this Agreement or any other agreement; (b) relating to your or any Franchisee Related Party's failure to comply with the confidentiality and non-competition covenants set forth in this Agreement; (c) relating to your indemnification obligations under this Agreement; and/or (d) relating to your use of the Marks and/or the System, including, without limitation, claims for violations of the Lanham Act

19.6. Venue. Any action brought by either party against the other in any court, whether federal or state, shall be brought and maintained exclusively in the state or federal court situation the judicial district in which Franchisor maintains its principal place of business at the time the action is initiated, and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision. Notwithstanding the foregoing, Franchisor shall have the right to seek injunctive relief from any court of competent jurisdiction.

19.7. Nonexclusivity of Remedy. No right or remedy conferred upon or reserved to Franchisor or you by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy in this Agreement or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

19.8. WAIVER OF JURY TRIAL. EACH PARTY IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.

19.9. WAIVER OF PUNITIVE DAMAGES. THE PARTIES HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.

19.10. Contractual Limitations Period. No legal action or proceeding may be brought against Franchisor or its officers, directors, agents, or employees, for any claim or cause of action (whether sounding in contract, tort, or otherwise) unless such action or proceeding is instituted within two years and one day from the date the claim or cause of action accrued. This provision is intended to shorten any applicable statute of limitations to the extent permitted by law.

19.11. Attorneys' Fees. If either party commences a legal action against the other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to have and recover from the other party its reasonable attorneys' fees and costs of suit.

(Signature Page Follows)

IN WITNESS WHEREOF, the parties have executed this Agreement to be effective on the Effective Date set forth above.

FRANCHISEE: (For an entity)

Name of Entity: _____

Signature: _____

Name: _____

Title: _____

FRANCHISOR:

NAUTICAL BOWLS FRANCHISING, LLC
a Texas limited liability company

Signature: _____

Name: _____

Title: _____

FRANCHISEE: (For an individual)

Signature: _____

Name: _____

Signature: _____

Name: _____

Signature: _____

Name: _____

Signature: _____

Name: _____

**NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE AGREEMENT**

**ATTACHMENT A
GLOSSARY OF ADDITIONAL TERMS**

“**Account**” means your commercial bank operating account.

“**Affiliate**” means an affiliate of a named person identified as any person or entity that is controlled by, controlling or under common control with such named person.

“**Agreement**” means the Franchise Agreement.

“**Business Day**” means each day other than a Saturday, Sunday, U.S. holiday or any other day on which the Federal Reserve is not open for business in the United States.

“**Business Entity**” means any person with the power to enter into contracts, other than a natural person. The term includes a corporation, limited liability company, limited partnership, and trust.

“**Captive Market**” means venues with a captive market of foot traffic, such as military bases, airports, travel plazas, enclosed shopping malls, school campuses, and family entertainment venues.

“**Competitive Business**” means (a) any health food restaurant or (b) any quick-service or fast casual restaurant that derives more than 20% of its business from the sale of superfood smoothie bowls and healthy beverages, except for a NAUTICAL BOWLS business operated under a valid franchise agreement with Franchisor.

“**Confidential Information**” means all trade secrets, the Standards, and other elements of the System; all customer information; all information contained in the Manuals; Franchisor’s proprietary recipes and standards and specifications for product preparation, packaging and service; financial information; marketing data; vendor and supplier information; all other knowledge, trade secrets, or know-how concerning the methods of operation of the Franchised Business which may be communicated to you, or of which you may be apprised, by virtue of their operation under the terms of the Franchise Agreement, and all other information that Franchisor designates.

“**Controlling Interest**” means: (a) if you are a corporation or a limited liability company, that the Owners, either individually or cumulatively (i) directly or indirectly own at least 51% of the shares of each class of the developer entity’s issued and outstanding capital stock or membership units, as applicable; and (ii) are entitled, under its governing documents and under any agreements among the Owners, to cast a sufficient number of votes to require such entity to take or omit to take any action which such entity is required to take or omit to take under this Agreement; or (b) if you are a partnership, that the Owners (i) own at least 51% interest in the operating profits and operating losses of the partnership as well as at least 51% ownership interest in the partnership (and at least 51% interest in the shares of each class of capital stock of any corporate general partner); and (ii) are entitled under its partnership agreement or applicable law to act on behalf of the partnership without the approval or consent of any other partner or be able to cast a sufficient number of votes to require the partnership to take or omit to take any action which the partnership is required to take or omit to take under this Agreement. Any interest less than 51% of the corporation, limited liability company, or partnership is a “**Non-Controlling Interest**.”

“**Copyrighted Works**” means works of authorship which are owned by Franchisor and fixed in a tangible medium of expression including, without limitation, the content of the Manual, the design elements of the Marks, Franchisor’s menus, bulletins, correspondence and communications with our franchisees, training, advertising and promotional materials, and the content and design of Franchisor’s Web site.

“**Crisis Management Event**” means any event that occurs at or about the Store premises or in connection with the operation of the Franchised Business that has or may cause harm or injury to customers or employees, such as food contamination, food spoilage/poisoning, food tampering/sabotage, contagious

diseases, natural disasters, terrorist acts, shootings or other acts of violence, or any other circumstance which may materially and adversely affect the System or the goodwill symbolized by the marks.

“Force Majeure” means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe); strikes, lockouts or other industrial disturbances; war, terrorist acts, riot or other civil disturbance; epidemics; or other similar forces which could not, by the exercise of reasonable diligence, have been avoided; provided, however, that neither an act or failure to act by a government authority, nor the performance, nonperformance, or exercise of rights by your lender, contractor, or other person qualifies as a Force Majeure unless the act, failure to act, performance, non-performance, or exercise of rights resulted from a Force Majeure. Your financial inability to perform or your insolvency is not a Force Majeure.

“Gross Revenue” means the total selling price of all services and products and all income of every other kind and nature related to your NAUTICAL BOWLS Store, whether for cash or credit and regardless of collection in the case of credit. Gross Revenue does not include (i) sales (or similar) taxes that you collect from your customers if you transmit them to the appropriate taxing authority; (ii) proceeds from isolated sales of trade fixtures that are not part of the products and services you offer and that do not have any material effect on the operation of your NAUTICAL BOWLS Store; (iii) tips or gratuities paid directly by Store customers to your employees or paid to you and then turned over to these employees by you in lieu of direct tips or gratuities; or (iv) returns to shippers or manufacturers. Gross Revenue also do not include proceeds from the sale of gift cards (all proceeds from the sale of gift cards belong to us), but it does include the redemption value of gift cards at the time purchases are made.

“Manual” means the compilation of information and knowledge that is necessary and material to the System. The term “Manual,” as used in this Agreement, includes all publications, materials, drawings, memoranda, videotapes, CDs, DVDs, MP3s, and other electronic media that Franchisor from time to time may loan to you. The Manual may be supplemented or amended from time to time by letter, electronic mail, bulletin, videotape, CD, DVD, MP3, or other communications concerning the System to reflect changes in the image, specifications, and standards relating to developing, equipping, furnishing, and operating a NAUTICAL BOWLS.

“Marks” means certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited, to the mark “NAUTICAL BOWLS” and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System.

“Owner” means each individual or entity holding a beneficial ownership in the developer entity. It includes all shareholders of a corporation, all members of a limited liability company, all general and limited partners of a partnership, and the grantor and the trustee of the trust. If any “Owner” is, itself, a partnership or other entity, then the term “Owner” includes each individual or entity holding a beneficial ownership in the partnership or entity; the intent being that the term “Owner” is intended to include all individuals holding a beneficial interest in the franchisee, either directly or indirectly.

“Proprietary Products” means recipes and menu items that incorporate Franchisor’s trade secrets and proprietary information and products and ingredients that are manufactured according to proprietary specifications.

“You” means the franchisee identified above and its successors and assigns.

**NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE AGREEMENT**

**ATTACHMENT B
KEY TERMS**

Section 1.1.1. The “Franchised Location” is at: _____

Section 1.2. The “Protected Area” is described as follows:

excluding any “Captive Markets” in this area.

Section 3.5. The “Opening Date” is: _____

IN WITNESS WHEREOF, the parties have executed this Attachment B on _____.

NAUTICAL BOWLS FRANCHISING, LLC
a Texas limited liability company

FRANCHISEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

**NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE AGREEMENT**

**ATTACHMENT C
ENTITY INFORMATION**

If Franchisee is an entity, you represent and warrant that the following information is accurate and complete in all material respects as of _____.

- (1) Franchisee is a _____, formed under the laws of the state of _____.
- (2) You shall provide to Franchisor concurrently with the execution hereof true and accurate copies of the franchisee’s charter documents and governing documents including Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution hereof, and any amendments to the foregoing.
- (3) You promptly shall provide such additional information as Franchisor may from time to time request concerning all persons who may have any direct or indirect financial interest in the franchisee entity.
- (4) The name and address of each of Owner:

NAME

ADDRESS

**NUMBER OF SHARES OR
PERCENTAGE INTEREST**

NAUTICAL BOWLS FRANCHISING, LLC
a Texas limited liability company

FRANCHISEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

**NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE AGREEMENT**

**ATTACHMENT D-1
GUARANTY AND PERSONAL UNDERTAKING**

The undersigned represents and agrees as follows:

1. I have read the Franchise Agreement between NAUTICAL BOWLS FRANCHISING, LLC (“**Franchisor**”), and _____ (“**Franchisee**”).
2. I either (a) own a beneficial interest in the Franchisee and would be considered an “**Owner**” within the definition contained in Franchise Agreement, or (b) am the spouse of such owner.
3. I understand that, were it not for this Guaranty and Personal Undertaking (“**Guaranty**”), Franchisor would not have agreed to enter into the Franchise Agreement with the Franchisee.
4. I will comply with of the provisions contained in Article 7 of the Franchise Agreement concerning the Franchisee’s use of Franchisor’s Marks and Copyrighted Works (as that term is defined in the Franchise Agreement). I understand that, except for the license granted to the Franchisee, I have no individual right to use the Marks or Copyrighted Works and I have no ownership interest in the Marks or Copyrighted Works.
5. I will comply with all of the provisions contained in Article 8 of the Franchise Agreement concerning the use of the Confidential Manuals and Information. I will maintain the confidentiality of all Confidential Information disclosed to me. I agree to use the Confidential Information only for the purposes authorized under the Franchise Agreement. I further agree not to disclose any of the Confidential Information, except (**a**) to the Franchisee’s employees on a need to know basis, (**b**) to the Franchisee’s and my legal and tax professionals to the extent necessary for me to meet my legal obligations, and (**c**) as otherwise may be required by law.
6. I will comply with all of the provisions contained in Article 12 of the Franchise Agreement concerning the transfer of my ownership interest in the Franchisee.
7. While I am an Owner of the Franchisee and, for a two-year period after I cease to be an Owner (or two years after termination or expiration (without renewal) of the Franchise Agreement, whichever occurs first), I will not:
 - (**a**) Divert or attempt to divert any present or prospective customer of the NAUTICAL BOWLS Store to any competitor or do anything to harm the goodwill associated with the Marks and the System;
 - (**b**) Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, any Competitive Business. This restriction shall apply, while I am an Owner, to any location within the United States, its territories or commonwealths, or any other country, province, state or geographic area in which Franchisor or its Affiliates have used, sought registration of or registered the Marks or similar marks or operate or license others to operate a business under the Marks or similar marks. It will apply for two years after I cease to be an Owner (or two years after termination or expiration of the Franchise Agreement, whichever occurs first) to any location that (**i**) is, or is intended to be, located at the location of the former Store; (**ii**) within a 25-mile radius of the Store; or (**iii**) within a 25-mile radius of any other NAUTICAL BOWLS Store in existence or under development at the time I cease being an Owner (or termination or expiration of the Franchise Agreement, whichever occurs first). This two-year period described in this Section 7(c) shall be tolled during any period of any noncompliance.
8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Guaranty. If all or any portion of a covenant in this Guaranty is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which

Franchisor is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Guaranty.

9. I understand and acknowledge that Franchisor has the right, in its sole discretion, to reduce the scope of any covenant set forth in this Guaranty, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof, and I agree to comply forthwith with any covenant as so modified.

10. I agree that the provisions contained in Article 19 of the Franchise Agreement will apply to any dispute arising out of or relating to this Guaranty. If Franchisor brings any legal action to enforce its rights under this Guaranty, I will reimburse Franchisor its reasonable attorneys' fees and costs.

11. I hereby guarantee the prompt and full payment of all amounts owed by the Franchisee under the Franchise Agreement.

12. I will pay all amounts due under this Guaranty within 14 days after receiving notice from Franchisor that the Franchisee has failed to make the required payment. I understand and agree that Franchisor need not exhaust its remedies against the Franchisee before seeking recovery from me under this Guaranty.

13. No modification, change, impairment, or suspension of any of Franchisor's rights or remedies shall in any way affect any of my obligations under this Guaranty. If the Franchisee has pledged other security or if one or more other persons have personally guaranteed performance of the Franchisee's obligations, I agree that Franchisor's release of such security will not affect my liability under this Guaranty.

14. **I WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INVOLVING FRANCHISOR, WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THE FRANCHISE AGREEMENT, THE PERFORMANCE OF ANY PARTY UNDER THE FRANCHISE AGREEMENT, AND/OR THE OFFER OR GRANT OF THE FRANCHISE.**

15. I understand that Franchisor's rights under this Guaranty shall be in addition to, and not in lieu of, any other rights or remedies available to Franchisor under applicable law.

16. I agree that any notices required to be delivered to me will be deemed delivered at the time delivered by hand; one Business Day after electronically confirmed transmission by facsimile or other electronic system; one Business Day after delivery by Express Mail or other recognized, reputable overnight courier; or three Business Days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the address identified on the signature line below. I may change this address only by delivering to Franchisor written notice of the change.

(Signatures on following page)

Intending to be legally bound, I have executed and delivered this Guaranty and Personal Undertaking on [DATE].

PERSONAL GUARANTORS:

Individually

Name

Address

Individually

Name

Address

**NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE AGREEMENT**

**ATTACHMENT D-2
CONFIDENTIALITY AND NON-COMPETITION AGREEMENT
(for trained employees of _____ (“Franchisee”))**

In accordance with the terms of this Confidentiality and Non-Competition Agreement (“**Confidentiality Agreement**”) and in consideration of my being in a trusted position with the Franchisee, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree that:

1. Franchisee has acquired the right and franchise from NAUTICAL BOWLS FRANCHISING, LLC (“**Franchisor**”) to establish and operate a Franchised Business (“**Franchised Business**”) and the right to use in the operation of the Franchised Business Franchisor’s trade names, trademarks, service marks, including the service mark NAUTICAL BOWLS (“**Marks**”) and the system developed by Franchisor and/or its affiliates for operation and management of Franchised Businesses (“**System**”), as they may be changed, improved, and further developed from time to time in Franchisor’s sole discretion.
2. Franchisor possesses certain proprietary and confidential information relating to the operation of the System, which includes the Manuals, recipes, trade secrets, and copyrighted materials, methods, and other techniques and know-how (“**Confidential Information**”).
3. Any and all manuals, trade secrets, copyrighted materials, methods, information, knowledge, know-how, and techniques which Franchisor specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Confidentiality Agreement.
4. In my trusted position with Franchisee, Franchisor and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, Franchisor’s operations manual (“**Manual**”) and other general assistance during the term of this Confidentiality Agreement.
5. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term hereof, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.
6. The Confidential Information is proprietary, involves trade secrets of Franchisor, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by Franchisor as confidential. Unless Franchisor otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my job duties, and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.
7. Except as otherwise approved in writing by Franchisor, I shall not, while in my position with the Franchisee and for a continuous uninterrupted period commencing upon the cessation or termination of my position with Franchisee, regardless of the cause for termination, and continuing for one year thereafter, either directly or indirectly, for myself or through, on behalf of, or in conjunction with any other person, partnership, corporation, or other business entity own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to, or have any interest in (a) any health food restaurant, or (b) any quick-service or fast casual restaurant that derives a significant portion of its income from the sale of superfood smoothie bowls and healthy beverages items other than the business authorized in the Franchise Agreement, within a radius of 25 miles of any NAUTICAL BOWLS Restaurant, as those terms are defined in the Franchise Agreement. This restriction does not apply to my ownership of less than five percent beneficial

interest in the outstanding securities of any publicly held corporation. The two-year time period restriction will be tolled during any period of my noncompliance.

8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Confidentiality Agreement. If all or any portion of a covenant in this Confidentiality Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Confidentiality Agreement.

9. I understand and acknowledge that Franchisor has the right, in its sole discretion, to reduce the scope of any covenant set forth in this Confidentiality Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof, and I agree to comply forthwith with any covenant as so modified.

10. Franchisor is a third-party beneficiary of this Confidentiality Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Confidentiality Agreement will cause Franchisor and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or Franchisor may apply for the issuance of an injunction preventing me from violating this Confidentiality Agreement, and I agree to pay the Franchisee and Franchisor all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Confidentiality Agreement is enforced against me. Due to the importance of this Confidentiality Agreement to the Franchisee and Franchisor, any claim I have against the Franchisee or Franchisor is a separate matter and does not entitle me to violate or justify any violation of this Confidentiality Agreement.

11. This Confidentiality Agreement shall be construed under the laws of the State of Texas. The only way this Confidentiality Agreement can be changed is in writing signed by both the Franchisee and me.

12. With respect to all claims, controversies and disputes, I irrevocably consent to personal jurisdiction and submit myself to the jurisdiction of the state courts located in Hennepin County, Minnesota, and the United States District Court for the District of Minnesota. I acknowledge that I am to receive valuable information emanating from Franchisor's headquarters in Excelsior, Minnesota. In recognition of the information and its origin, I hereby irrevocably consent to the personal jurisdiction of the state and federal courts of Texas as set forth above. Notwithstanding the foregoing, I acknowledge and agree that Franchisor or the Franchisee may bring and maintain an action against me in any court of competent jurisdiction for injunctive or other extraordinary relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions.

THE PARTIES HERETO, INTENDING TO BE LEGALLY BOUND, HAVE EXECUTED THIS CONFIDENTIALITY AGREEMENT AS OF THE DATES NOTED BELOW.

[EMPLOYEE]

ACKNOWLEDGED BY FRANCHISEE

Signature: _____

By: _____

Name: _____

Name: _____

Address: _____

Title: _____

Title: _____

Date: _____

Date: _____

NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE AGREEMENT

ATTACHMENT E
ACH AUTHORIZATION
AUTHORIZATION AGREEMENT FOR DIRECT PAYMENTS (ACH DEBITS)

Please complete and sign this form.

FRANCHISEE INFORMATION

Franchisee Name or Legal Entity

NAUTICAL BOWLS Store Number & Location

Name and Email of Person to Receive ACH Debit Advice

AUTHORIZATION AGREEMENT

I (we) hereby authorize NAUTICAL BOWLS FRANCHISING, LLC (“Company”) to make ACH withdrawals from my (our) account at the financial institution named below. I also authorize the Company to initiate direct deposits into this account in the event that a debit entry is made in error. I (we) acknowledge that the origination of ACH transactions to or from my (our) account must comply with the provisions of U.S. law.

I agree to indemnify the Company for any loss arising in the event that any withdrawals from my (our) account shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

This agreement will remain in effect until the Company has received advanced written notice of cancellation from me (us) in such time and in such manner as to afford the Company a reasonable opportunity to act on it, and in no event shall such notice period be less than 30 days.

PAYOR/FRANCHISEE ACCOUNT INFORMATION

Name of Financial
Institution:

ABA Routing Number:

Account Number: Checking Savings

PAYOR/FRANCHISEE SIGNATURE

Authorized Signature
(Primary):

Date:

Authorized Signature (Joint):

Date:

Account holder(s), please sign here: *(Joint accounts require the signature of all persons having authority over the account)*

Please attach a voided check at right, fax and mail to:

NAUTICAL BOWLS FRANCHISING, LLC
Attn: President ATTACH CHECK HERE
3432 County Road 101
Minnetonka, Minnesota 55345

**NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE AGREEMENT**

**ATTACHMENT F
LEASE RIDER**

THIS LEASE RIDER (“**Rider**”) is made and entered into as of the ___ day of _____, 20___, by and between _____ (“**Landlord**”), with its principal offices at _____ and _____ (“**Franchisee**” or “**Tenant**”), with its principal offices at _____, and NAUTICAL BOWLS FRANCHISING, LLC (“**Franchisor**”).

In consideration of, and as an inducement to the execution of the Franchise Agreement between Franchisor and its franchisee, each of the undersigned agree as follows:

(a) Landlord acknowledges that Tenant is a franchisee of Franchisor and that the Store located at the Premises (“**Unit**”) is operated under the NAUTICAL BOWLS franchise system, pursuant to a franchise agreement (“**Franchise Agreement**”) between Tenant and Franchisor. Landlord consents to Tenant’s use at the Premises of such marks and signs, decor items, color schemes, and related components of the NAUTICAL BOWLS system as Franchisor may prescribe for the Unit. During the term of the Franchise Agreement, the Premises may be used only for the operation of the Unit.

(b) Landlord agrees to furnish to Franchisor copies of any and all letters and notices sent to Tenant pertaining to the Lease and the Premises at the same time that such letters and notices are sent to Tenant. Without limiting the foregoing, in the event of any default by Tenant, Landlord shall give Franchisor written notice of such default. If Tenant has failed to cure such default at the expiration of the applicable cure period, Landlord shall give Franchisor further written notice of such failure (“**Franchisor Notice**”). Following Franchisor’s receipt of the Franchisor Notice, Franchisor shall have the right (but not the obligation) to cure Tenant’s default before Landlord shall exercise any of Landlord’s remedies arising as a consequence of Tenant’s default. Any such cure shall be completed within 15 days following Franchisor’s receipt of the Franchisor Notice. Such cure by Franchisor shall not be deemed to be an election to assume the terms, covenants, obligations, and conditions of the Lease.

(c) If Franchisor cures Tenant’s default, or if Franchisor notifies Landlord that the Franchise Agreement has been terminated (which termination shall constitute a non-curable default pursuant to the Lease upon Landlord’s receipt of Franchisor’s notice thereof), Landlord agrees, upon Franchisor’s written request, to assign to Franchisor any and all rights that Landlord may have under the Lease to remove and evict Tenant from the Premises and shall cooperate with Franchisor in order to pursue such action to a conclusion.

(d) If Franchisor cures Tenant’s default, or notifies Landlord of the termination of the Franchise Agreement, Franchisor shall have the right and option, upon written notice to Landlord, to do the following:

(i) Undertake to perform the terms, covenants, obligations, and conditions of the Lease on behalf of the Tenant (notwithstanding any removal or eviction of Tenant) for a period not to exceed six months from the first date of any cure by Franchisor; or

(ii) At any time within or at the conclusion of such six-month period, assume the terms, covenants, obligations, and conditions of the Lease for the remainder of the term, together with any applicable renewal options. In such event, Landlord and Franchisor shall enter into an agreement to document such assumption. Franchisor is not a party to the Lease and shall have no liability under the Lease unless and until said Lease is assigned to, and assumed by, Franchisor as herein provided.

(e) If, during the six-month period set forth in section (d)(1) above, or at any time after the assignment contemplated in section (d)(2), Franchisor shall notify Landlord that the franchise for the Unit is being granted to another NAUTICAL BOWLS franchisee, Landlord shall permit the assignment of the Lease to

said franchisee without the payment of any fee or other cost requirement, provided that, said franchisee meets Landlord's reasonable financial qualifications. Landlord shall not unreasonably withhold consent to such assignment. Thereafter, Franchisor shall be released from any and all further liabilities under the Lease. The parties agree to execute any commercially reasonable documents in furtherance of this section.

(f) Tenant will not assign the Lease or renew or extend the term thereof without the prior written consent of Franchisor, nor shall Landlord and Tenant amend or otherwise modify the Lease in any manner that could materially affect any of the foregoing requirements without the prior written consent of Franchisor.

(g) Franchisor shall have the right to enter the Premises to make any modification or alteration necessary to protect the NAUTICAL BOWLS System and Marks (including, without limitation, remove all signs, advertising materials, displays, fixtures, proprietary equipment and inventory, and any other items which display the Marks or are indicative of NAUTICAL BOWLS trade dress) or to cure any default under the Franchise Agreement or under the Lease, without being guilty of trespass or any other crime or tort. Landlord shall not be responsible for any expenses or damages arising from any such action by Franchisor. Tenant hereby releases, acquits, and discharges Franchisor and Landlord, their respective subsidiaries, affiliates, successors, and assigns and the officers, directors, shareholders, partners, employees, agents, and representatives of each of them, from any and all claims, demands, accounts, actions, and causes of action, known or unknown, vested or contingent, which any of them may have, ever had, now has, or may hereafter have by reason of any event, transaction, or circumstance arising out of or relating to the exercise of Franchisor's rights pursuant to the Addendum.

(h) Landlord shall subordinate any lien in favor of Landlord created by the Lease to Franchisor. Landlord's rights to collect on any liens that Landlord files or attaches to Tenant's property rights shall be subordinate and inferior to Franchisor's lien rights against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by Tenant and on the premises operated by Tenant under the Lease.

(i) All notices sent pursuant to this Addendum shall be sent in the manner set forth in the Lease, and delivery of such notices shall be effective as of the times provided for in the Lease. For purposes of notice under the Lease, Franchisor's mailing address shall be 3432 County Road 101, Minnetonka, Minnesota 55345, Attention: Chief Executive Officer, which address may be changed by written notice to Landlord in the manner provided in the Lease.

[Signature Page Follows]

Intending to be legally bound, the parties have executed and delivered this Agreement intending for it to be effective on the date first set forth above.

FRANCHISOR:

NAUTICAL BOWLS FRANCHISING, LLC

a Texas limited liability company

By: _____

Name: _____

Title: _____

FRANCHISEE: (For an entity)

Name of Entity: _____

Signature: _____

Name: _____

Title: _____

FRANCHISEE: (For an individual)

Signature: _____

Name: _____

Signature: _____

Name: _____

Signature: _____

Name: _____

Signature: _____

Name: _____

LANDLORD:

Name of Entity: _____

By: _____

Name: _____

Title: _____

**NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE AGREEMENT**

**ATTACHMENT G
FRANCHISEE QUESTIONNAIRE**

Do not complete or sign this Questionnaire if you are a resident of, or intend to operate the Franchised Business in, any of the following states:

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

As you know, NAUTICAL BOWLS FRANCHISING, LLC (“we” or “us”) and you are preparing to enter into a Franchise Agreement for the operation of a NAUTICAL BOWLS franchise. The purposes of this Questionnaire are 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 Franchise Agreement and pay your 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 in detail the claim, representation, or statement below.

Yes ___ No ___

1. Have you received the Franchise Disclosure Document we provided?

Yes ___ No ___

2. Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer?

Yes ___ No ___

3. Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be brought in the judicial district in which our principal place of business is located, if not resolved informally or by mediation?

Yes ___ No ___

4. A) Do you understand that the U.S. Government has enacted anti-terrorist legislation that prevents us from carrying on business with any suspected terrorist or anyone associated directly or indirectly with terrorist activities?

Yes ___ No ___

B) Is it true that you have never been a suspected terrorist or associated directly or indirectly with terrorist activities?

Yes ___ No ___

C) Do you understand that we will not approve your purchase of a NAUTICAL BOWLS franchise if you are a suspected terrorist or associated directly or indirectly with terrorist activity?

Yes ___ No ___

D) Is it true that you are not purchasing a NAUTICAL BOWLS franchise with the intent or purpose of violating any anti-terrorism law or for obtaining money to be contributed to a terrorist organization?

Yes ___ No ___

5. Is it true no employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a NAUTICAL BOWLS franchise that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes ___ No ___

6. Is it true no employee or other person speaking on our behalf made any statement or promise regarding the actual, average, or projected profits that you may earn in operating your Store?

Yes ___ No ___

7. Is it true that no one speaking on our behalf made any representation to you concerning the amount of money or profits that any other NAUTICAL BOWLS Store derived that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes ___ No ___

8. Do you understand that the Franchise Agreement contains the entire agreement between us and you concerning the franchise, meaning that we are not bound by any prior oral or written statements that may have been made to you but which are not contained in the Franchise Agreement or Franchise Disclosure Document?

If you answered "No" to questions 1-8, please explain in detail the claim, representation or statement:

NOTE: IF THE FRANCHISEE IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, ALL OWNERS MUST EXECUTE THIS FRANCHISEE ACKNOWLEDGMENT.

Signed: _____
Name: _____
Date: _____

EXHIBIT C
TO NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
DEVELOPMENT AGREEMENT

DEVELOPMENT AGREEMENT

This Development Agreement (“Agreement”) entered into this _____ (the “Effective Date”) between: (i) NAUTICAL BOWLS FRANCHISING, LLC, a Texas limited liability company with its principal place of business at 3432 Country Road 101, Minnetonka, Minnesota 55345 (the “Franchisor”); and (ii) _____, a (resident of) (corporation organized in) (limited liability company organized in) _____ with a business address at _____ (the “Developer”).

BACKGROUND

A. Franchisor and its principals have expended a considerable amount of time, effort, and money to develop a system for the operation of unique retail eating establishments specializing in providing a wide variety of superfood smoothie bowls and healthy beverages and other menu items and merchandise that Franchisor authorizes under the name “NAUTICAL BOWLS” and/or other proprietary marks we designate (the “Franchised Business” or “Store”).

B. Stores are established and operated using a unique operating system, the distinguishing characteristics of which include: (i) unique proprietary recipes (the “Proprietary Recipes”); (ii) uniform specifications for food and beverage preparation and presentation; (iii) distinctive interior and exterior Store design, decor and color schemes; (iv) uniform specifications for furniture, fixtures, equipment, and signage; (v) merchandising, marketing, advertising, and inventory management systems; and (vi) other standards and procedures for operation and management of a Store in the manner set forth in this Agreement and in the Operations Manual provided by Franchisor, as modified from time to time (the “System”).

C. The System is identified by proprietary trademarks, service marks, trade dress, logos and other indicia of origin including, without limitation, the trade name and service mark “NAUTICAL BOWLS” (the “Proprietary Marks”). The rights to all such Proprietary Marks as are now, or shall hereafter be, designated as part of the System will be owned exclusively by Franchisor or its affiliates and be used for the benefit of Franchisor, its affiliates and Franchisor’s franchisees to identify to the public the source of the products and services marketed thereunder. Franchisor continues to develop, expand, use, control, and add to the Proprietary Marks and System for the benefit of itself, its affiliates, and its franchisees and licensees in order to identify for the public the source of products and services marketed thereunder and to represent the System’s high standards of quality and service.

D. Franchisor offers franchises to qualified individuals for the right to operate a single or multiple Stores under the System and Proprietary Marks.

E. Developer desires to obtain the exclusive right to develop the designated territory granted hereunder (“Development Area”) by opening multiple Stores pursuant to the Mandatory Development Schedule set forth herein (the “Development Business”).

F. Developer understands and acknowledges the importance of Franchisor’s uniformly high standards of quality and service and the necessity of ensuring that Developer operates Developer’s Stores in strict conformity with Franchisor’s quality control standards and specifications.

G. Franchisor hereby grants to Developer the right to operate multiple Stores, in reliance upon all of the representations made in Developer’s application and in this Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

AGREEMENT

1. **Development Area.**

1.1 Subject to the terms and conditions set forth herein, Franchisor grants Developer the right, and Developer undertakes the obligation, to develop and establish _____ Stores within the Development Area defined in the Data Sheet attached hereto as Exhibit A (the “Data Sheet”), provided Developer opens and commences operations of such Stores in strict accordance with the mandatory development schedule also set forth in the Data Sheet (the “Development Schedule”) and otherwise subject to the terms and conditions set forth herein.

1.2 Except as provided in Section 1.3 and otherwise herein, during the term of this Agreement Franchisor will not open or operate, or license any third party the right to open or operate, any Store utilizing the Proprietary Marks and System within the Development Area.

1.3 Developer agrees and acknowledges that Franchisor will have the right to modify the boundaries of the Development Area upon written notice to Developer to account for any designated territory that is granted to another System franchisee or developer in connection with a premises for a Store at a location that (a) Developer secures, and (b) is close to the outer boundaries of the Development Area, to the extent necessary to avoid overlap between that designated territory and the Development Area. In the event Franchisor notifies Developer that it is modifying the Development Area as set forth in this Section, Developer agrees to work in good faith with Franchisor to enter into an addendum to this Agreement detailing the modified Development Area.

2. **Development Fee**

2.1 Developer shall pay Franchisor the development fee set forth in the Data Sheet (the “Development Fee”) immediately upon the execution of this Agreement. The parties hereby agree and acknowledge that (i) the Development Fee is paid in consideration solely for the territorial rights that are being granted to Developer within the Development Area under this Agreement; (ii) the Development Fee is not tied to (a) any particular franchise, or (b) the pre-opening or other obligations of either party in connection with any particular franchise; and (iii) the Development Fee shall be deemed fully earned upon payment and is not refundable under any circumstances.

2.2 Upon Developer’s payment of the Development Fee, Developer shall not be required to pay Franchisor an initial franchise fee in connection with each of the Stores that Developer is granted the right to develop and open pursuant to this Agreement.

3. **Initial Franchise Agreement.** Contemporaneous with the execution of this Agreement, Developer must enter into Franchisor’s current form of Franchise Agreement for the first Store that Developer is required to open within the Development Area (the “Initial Store”). In the event Developer is a business entity of any kind, then Developer’s principals/owners must each execute the form of personal guaranty attached to the foregoing Franchise Agreement, as well as any additional Franchise Agreements described in Section 4 of this Agreement.

4. **Additional Franchise Agreements.** Developer agrees and acknowledges that it must: (i) enter into Franchisor’s then-current form of Franchise Agreement for each additional Store that Developer is required to open under this Agreement; and (ii) unless Franchisor otherwise provides its written consent

otherwise, enter into each such Franchise Agreement(s) upon the earlier to occur of (i) six (6) months before the expiration of the Development Period for the applicable Store, or (ii) within ten (10) business days of executing a lease or otherwise securing an approved premises for the applicable Store. Without limitation of any of the foregoing, Developer acknowledges and agrees that Developer is required to execute any additional Franchise Agreement(s) for the Store(s) that Developer must develop pursuant to this Agreement within the time necessary to timely meet, and strictly adhere to, its obligations under the agreed-upon Development Schedule.

5. **Development Obligations.** Developer must ensure that, at a minimum, Developer: (i) opens and commences operations of the number of new Stores during each of the development periods defined in the Development Schedule (each, a “Development Period”); and (ii) has the minimum cumulative number of Stores open and operating at the expiration of each such Development Period. The parties agree and acknowledge that time is of the essence with respect to the foregoing development obligations, and that Developer’s failure to comply with the Development Schedule in any manner with respect to any Development Period is grounds for immediate termination of this Agreement (and any future development rights granted hereunder) if not timely cured as set forth in Section 7.2 of this Agreement.

6. **Training.** Franchisor and Developer hereby agree and acknowledge that each Store developed and opened by Developer pursuant to this Agreement must, at all times, be staffed with a Key Person and/or a Manager who has successfully completed Franchisor’s initial training program. Developer hereby agrees and acknowledges that it shall comply with all training-related provisions of the applicable franchise agreement with respect each Store to be developed and opened by Developer pursuant to this Agreement.

7. **Term and Termination.**

7.1 This Agreement will commence as of the date it is fully executed and, unless earlier terminated by Franchisor, will expire on the earlier of: (i) the last day of the calendar month that the final Store is required to be opened and operating under the Development Schedule; or (ii) the date Developer actually opens the final Store that Developer is granted the right to open under this Agreement. Upon expiration or termination of this Agreement for any reason, Developer will not have any rights within the Development Area other than the territorial rights granted in connection with any “Protected Area” associated with a Store that Developer has opened and commenced operating as of the date this Agreement is terminated or expires (as such rights are granted by Franchisor under the respective Franchise Agreement(s) into which Developer has entered for such Store(s)).

7.2 Franchisor will have the right, at its option, to terminate this Agreement and all rights granted to Developer hereunder, without affording Developer any opportunity to cure such default, effective upon written notice to Developer, upon the occurrence of any of the following events: (i) if Developer ceases to actively engage in development activities in the Development Area or otherwise abandons its Development Business for three (3) consecutive months, or any shorter period that indicates an objective intent by Developer to discontinue development of the Stores within the Development Area; (ii) if Developer becomes insolvent or is adjudicated bankrupt, or if any action is taken by Developer, or by others against the Developer, under any insolvency, bankruptcy or reorganization act, or if Developer makes an assignment for the benefit of creditors or a receiver is appointed by the Developer; (iii) if Developer fails to meet its development obligations under the Development Schedule for any single Development Period, and fails to cure such default within 30 days of receiving notice thereof; or (iv) if any Franchise Agreement that is entered into in order to fulfill Developer’s development obligations under this Agreement is terminated or subject to termination by Franchisor, pursuant to the terms of that Franchise Agreement.

8. **Reservation of Rights.** Except as provided in Section 1 of this Agreement, the parties agree and acknowledge that the rights granted in this Agreement are non-exclusive and that Franchisor and its

affiliates reserve all other rights not expressly granted to Developer herein.

9. **Sale or Assignment.** Developer's rights under this Agreement are personal and Developer may not sell, transfer, or assign any right granted herein without Franchisor's prior written consent, which may be withheld in its sole discretion. Notwithstanding, if Developer is an individual or a partnership, Developer has the right to assign its rights under this Agreement to a corporation or limited liability company that is wholly owned by Developer according to the same terms and conditions as provided in Developer's initial Franchise Agreement. Franchisor has the right to assign this Agreement in whole or in part in its sole discretion.

10. **Acknowledgment.** Developer acknowledges that this Agreement is not a Franchise Agreement and does not confer upon Developer any rights to use the Franchisor's Proprietary Marks or System.

11. **Notices.** All notices, requests and reports to be given under this Agreement are to be in writing, and delivered either by hand, overnight mail via recognized courier such as UPS or FedEx, or certified mail, return receipt requested, prepaid, to the addresses set forth above (which may be changed by written notice).

12. **Choice of Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without reference to this state's conflict of laws principles.

13. **Internal Dispute Resolution.** The parties have reached this Agreement in good faith and with the belief that it is advantageous to each of them. In recognition of the strain on time, unnecessary expense and wasted resources potentially associated with litigation and/or arbitration, and in the spirit of cooperation, the parties pledge to try to resolve any dispute amicably, without litigation or arbitration. Accordingly, Developer must first bring any claim or dispute between Developer and Franchisor to Franchisor's President and/or Chief Executive Officer, after providing notice as set forth in Section 11 of this Agreement and make every effort to resolve the dispute internally. Developer must exhaust this internal dispute resolution procedure before Developer may bring Developer's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

14. **Mediation.** Other than an Excluded Claim brought by Franchisor or a Franchisor Related Party (as defined herein), and with the exception of injunctive relief or specific performance actions, before the filing of any arbitration, Developer and Franchisor agree to mediate any dispute, controversy or claim between Franchisor and/or any of Franchisor's affiliates, officers, directors, managers, members, owners, guarantors, employees or agents (each a "Franchisor Related Party"), on the one hand, and Developer and/or any of Developer's affiliates, officers, directors, managers, shareholders, members, owners, guarantors, employees or agents (each a "Developer Related Party"), including without limitation, in connection with any dispute, controversy or claim arising under, out of, in connection with or in relation to: (a) this Agreement; (b) the parties' relationship; or (c) the events occurring prior to the entry into this Agreement. Good faith participation in these procedures to the greatest extent reasonably possible, despite lack of cooperation by one or more of the other parties, is a precondition to maintaining any arbitration or legal action, including any action to interpret or enforce this Agreement. This agreement to first attempt resolution of disputes internally and through mediation shall survive termination or expiration of this Agreement.

Mediation will be conducted at the offices of the AAA in the city in which Franchisor maintains its principal place of business. Persons authorized to settle the dispute must attend each mediation session in person. The party seeking mediation (the "Initiating Party") must commence mediation by sending the other party/parties a written notice of its request for mediation (the "Mediation Notice"). The Mediation Notice must specify, to the fullest extent possible, the nature of the dispute, the Initiating Party's version of the facts surrounding the dispute, the amount of damages and the nature of any injunctive or other such relief such party

claims, and must identify one or more persons with authority to settle the dispute for the Initiating Party. Upon receipt of the Mediation Notice, the parties will endeavor, in good faith, to resolve the dispute outlined in the Mediation Notice. If the parties have been unable to resolve any such dispute within thirty (30) days after the date the Mediation Notice is provided by the Initiating Party to the other party, either party may initiate a mediation procedure in accordance with this provision. The parties agree to participate in the mediation proceedings in good faith with the intention of resolving the dispute if at all possible, within sixty (60) days of the notice from the party seeking to initiate the mediation procedures. The parties agree to participate in the mediation procedure to its conclusion, as set forth in this section.

The mediator shall advise the parties in writing of the format for the meeting or meetings. If the mediator believes it will be useful after reviewing the position papers, the mediator shall give both himself or herself and the authorized person designated by each party an opportunity to hear an oral presentation of each party's views on the matter in dispute. The mediator shall assist the authorized persons to negotiate a resolution of the matter in dispute, with or without the assistance of counsel or others. To this end, the mediator is authorized both to conduct joint meetings and to attend separate private caucuses with the parties. All mediation sessions will be strictly private. The mediator must keep confidential all information learned unless specifically authorized by the party from which the information was obtained to disclose the information to the other party.

The mediation may be concluded: (a) by the signing of a settlement agreement by the parties; (b) by the mediator's declaration that the mediation is terminated; or (c) by a written declaration of either party, no earlier than at the conclusion of a full day's mediation, that the mediation is terminated. Even if the mediation is terminated without resolving the dispute, the parties agree not to terminate negotiations and not to begin any arbitration or legal action or seek another remedy before the expiration of five (5) days following the mediation. A party may begin arbitration within this period only if the arbitration might otherwise be barred by an applicable statute of limitations or in order to request an injunction from a Court of competent jurisdiction to prevent irreparable harm.

The fees and expenses of the mediator shall be shared equally by the parties. The mediator may not later serve as a witness, consultant, expert, or counsel for any party with respect to the dispute or any related or similar matter in which either of the parties is involved. The mediation procedure is a compromise negotiation or settlement discussion for purposes of federal and state rules of evidence. The parties agree that no stenographic, visual, or audio record of the proceedings may be made. Any conduct, statement, promise, offer, view, or opinion, whether oral or written, made in the course of the mediation by the parties, their agents or employees, or the mediator is confidential and shall be treated as privileged. No conduct, statement, promise, offer, view, or opinion made in the mediation procedure is discoverable or admissible in evidence for any purpose, not even impeachment, in any proceeding involving either of the parties. However, evidence that would otherwise be discoverable or admissible shall not be excluded from discovery or made inadmissible simply because of its use in the mediation.

15. **Arbitration.** With the exception of "Excluded Claims" (as defined below), and if not resolved by the negotiation and mediation procedures set forth in Sections 13 and 14 above, any dispute, controversy or claim between Developer and/or any Developer Related Party, on the one hand, and Franchisor and/or any Franchisor Related Party, on the other hand, including, without limitation, any dispute, controversy or claim arising under, out of, in connection with or in relation to: (a) this Agreement, (b) the parties' relationship, (c) the events leading up to the entry into this Agreement, (d) the Development Area, (e) the scope or validity of the arbitration obligation under this Agreement, (f) any System standard; and/or (g) any claim based in tort or any theory of negligence shall be submitted to binding arbitration under the authority of the Federal Arbitration Act and must be determined by arbitration administered by the American Arbitration Association pursuant to its then-current commercial arbitration rules and procedures.

Any arbitration must be on an individual basis and the parties and the arbitrator will have no authority or power to proceed with any claim as a class action, associational claim, or otherwise to join or consolidate

any claim with any other claim or any other proceeding involving third parties. In the event a court determines that this limitation on joinder of or class action certification of claims is unenforceable, then this entire commitment to arbitrate shall become null and void and the parties shall submit all claims to the jurisdiction of the courts.

The arbitration must take place at the offices of the AAA in the city in Franchisor maintains its principal place of business. The arbitration will be heard before one arbitrator. The arbitrator must follow the law and not disregard the terms of this Agreement. The arbitrator must have at least five (5) years of significant experience in franchise law. Any issue as to whether a matter is subject to arbitration will be determined by the arbitrator. A judgment may be entered upon the arbitration award by any state or federal court in the city in which Franchisor's principal place of business is then located.

In connection with any arbitration proceeding, each party will submit or file any claim which would constitute a compulsory counterclaim (as defined by the then-current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding will be forever barred. The decision of the arbitrator will be final and binding on all parties to the dispute; however, the arbitrator may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; (2) assess punitive or exemplary damages; (3) certify a class or a consolidated action; or (4) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance that we set. The arbitrator shall have the right to make a determination as to any procedural matters that a court of competent jurisdiction would be permitted to make in the state in which Franchisor's headquarters is then located. Further, the arbitrator shall decide all factual, procedural, or legal questions relating in any way to the dispute between the parties, including, without limitation, questions relating to whether Sections 13, 14, or 15 are applicable and enforceable as against the parties; the subject matter, timeliness, and scope of the dispute; any available remedies; and the existence of unconscionability and/or fraud in the inducement.

The arbitrator can issue summary orders disposing of all or part of a claim and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships, and other equitable and/or interim/final relief. Each party consents to the enforcement of such orders, injunctions, etc., by any court having jurisdiction.

The arbitrator shall have subpoena powers limited only by the laws of the State of Texas. The parties ask that the arbitrator limit discovery to the greatest extent possible consistent with basic fairness in order to minimize the time and expense of arbitration. The parties to the dispute shall otherwise have the same discovery rights as are available in civil actions under the laws of the State of Texas. All other procedural matters shall be determined by applying the statutory, common laws, and rules of procedure that control a court of competent jurisdiction in the State of Texas.

Other than as may be required by law, the entire arbitration proceedings (including, without limitation, any rulings, decisions or orders of the arbitrator), shall remain confidential and shall not be disclosed to anyone other than the parties to this Agreement.

The judgment of the arbitrator on any preliminary or final arbitration award shall be final and binding and may be entered in any court having jurisdiction.

Franchisor reserves the right, but has no obligation, to advance Developer's share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so shall not be deemed to have waived or relinquished Franchisor's right to seek recovery of those costs against Developer.

16. Exceptions to Mediation and/or Arbitration (the "Excluded Claims"). Notwithstanding Section 14 and 15, the parties agree that the following claims will not be subject to internal dispute resolution, mediation, or arbitration:

(a) any action for declaratory or equitable relief, including, without limitation, seeking preliminary or permanent injunctive relief pursuant to Section 19 below, specific performance, other relief in the nature of equity to enjoin any harm or threat of harm to such party's tangible or intangible property, brought at any time, including, without limitation, prior to or during the pendency of any arbitration proceedings initiated hereunder;

(b) any action in ejectment or for possession of any interest in real or personal property; or

(c) any claim by Franchisor and/or any Franchisor Related Party: (i) relating to Developer's failure to pay any fee due to Franchisor and/or its affiliates under this Agreement or any other agreement; (ii) relating to Developer's or any Developer Related Party's failure to comply with the confidentiality and non-competition covenants set forth in this Agreement; (iii) relating to Developer's indemnification obligations under this Agreement; and/or (iv) relating to Developer's use of the Marks and/or the System, including, without limitation, claims for violations of the Lanham Act.

17. **Venue.** Subject to Franchisor's right to obtain injunctive relief in any court of competent jurisdiction, the parties hereby expressly agree that the United States District Court where our corporate headquarters is then-located, or if such court lacks subject matter jurisdiction, the applicable state court located in or nearest to the county where our corporate headquarters is then-located, shall be the exclusive venue and exclusive proper forum in which to adjudicate any case or controversy arising out of or related to, either directly or indirectly, this Agreement, ancillary agreements, or the business relationship between the parties. The parties further agree that, in the event of such litigation, they will not contest or challenge the jurisdiction or venue of these courts. Developer acknowledges and agrees that Developer is to receive valuable and continuing services emanating from Franchisor's headquarters. Without limiting the generality of the foregoing, the parties waive all questions of jurisdiction or venue for the purposes of carrying out this provision. Developer acknowledges and agrees that this location for venue is reasonable and the most beneficial to the needs of and best meets the interest of all of the members of the System. In recognition of such services and their origin, Developer hereby irrevocably consents to the personal jurisdiction of the state and federal courts as set forth in this Section.

18. **Prior Notice of Claims.** As a condition precedent to commencing an action for damages or for violation or default of this Agreement, Developer must notify Franchisor within 30 days after the occurrence of the violation or default, and failure to timely give such notice shall preclude any claim for damages.

19. **Injunctive Relief.** Developer acknowledges and agrees that irreparable harm could be caused to Franchisor by Developer's violation of certain provisions of this Agreement and, as such, in addition to any other relief available at law or equity, Franchisor shall be entitled to obtain in any court of competent jurisdiction, without bond, restraining orders or temporary or permanent injunctions in order to enforce, among other items, the provisions of this Agreement relating to: (i) Developer's use of the Proprietary Marks and Franchisor's confidential information; (ii) Developer's covenant not to compete, as well as any other violations of the restrictive covenants set forth in this Agreement or any Franchise Agreement with Franchisor; (iii) Developer's obligations on termination or expiration of this Agreement; (iv) disputes and controversies based on or arising under the Lanham Act, or otherwise involving the Proprietary Marks, as now or hereafter amended; (v) disputes and controversies involving enforcement of the Franchisor's rights with respect to confidentiality under this Agreement; and (vi) prohibiting any act or omission by Developer or its employees that constitutes a violation of applicable law, threatens Franchisor's franchise system or threatens other franchisees of Franchisor. Developer's only remedy if such an injunction is entered will be the dissolution of the injunction, if appropriate, and Developer waives all damage claims if the injunction is wrongfully issued.

20. **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of this Agreement and the dispute resolution procedures contained herein, including without limitation, the right to specifically utilize and exhaust the mediation

procedure with respect to any and all claims asserted against such person(s) by Developer or its principals.

21. **JURY TRIAL WAIVER.** THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER WILL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR DEVELOPER'S PURCHASE FROM FRANCHISOR OF THE DEVELOPMENT RIGHTS DESCRIBED HEREIN.

22. **WAIVER OF CLASS ACTIONS.** THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE DEVELOPMENT RIGHTS GRANTED HEREIN, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN DEVELOPER, DEVELOPER'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

23. **Waiver of Punitive Damages.** Developer waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) that Developer may have against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, Developer's recovery will be limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions will continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

24. **Attorneys' Fees.** If either party institutes any judicial or mediation proceeding to enforce any monetary or nonmonetary obligation or interpret the terms of this Agreement and Franchisor prevails in the action or proceeding, Developer will be liable to Franchisor for all costs, including reasonable attorneys' fees and court costs, incurred in connection with such proceeding.

25. **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Agreement will not be a waiver of Franchisor's right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default will not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Agreement will be cumulative. Franchisor's election to exercise any remedy available by law or contract will not be deemed a waiver or preclude exercise of any other remedy.

26. **Severability.** The parties agree that if any provisions of this Agreement may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision will have the meaning which renders it valid and enforceable. The provisions of this Agreement are severable, and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions will be enforced to the extent that they are valid and enforceable. If any material provision of this Agreement will be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Agreement.

27. **Construction of Language.** The language of this Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as Developer, their

obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

28. **Successors.** References to “Franchisor” or “Developer” include the respective parties’ successors, assigns or transferees, subject to the limitations of Section 8 of this Agreement.

29. **Additional Documentation.** Developer must, from time to time, subsequent to the date first set forth above, at Franchisor’s request and without further consideration, execute and deliver such other documentation or agreements and take such other action as Franchisor may reasonably require in order to effectuate the transactions contemplated in this Agreement. In the event that Developer fails to comply with the provisions of this Section, Developer hereby appoints Franchisor as Developer’s attorney-in-fact to execute any and all documents on Developer’s behalf, as reasonably necessary to effectuate the transactions contemplated herein.

30. **No Right to Offset.** Developer may not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of the alleged nonperformance of Franchisor or any of its affiliates or as an offset against any amount Franchisor or any of its affiliates may owe or allegedly owe Developer under this Agreement or any related agreements.

31. **Entire Agreement.** This Agreement contains the entire agreement between the parties concerning Developer’s development rights within the Development Area; no promises, inducements or representations (other than those in the Franchise Disclosure Document) not contained in this Agreement have been made, nor will any be of any force or effect, or binding on the parties. Modifications of this Agreement must be in writing and signed by both parties. Franchisor reserves the right to change Franchisor’s policies, procedures, standards, specifications or manuals at Franchisor’s discretion. In the event of a conflict between this Agreement and any Franchise Agreement(s), the terms, conditions and intent of this Agreement will control. Nothing in this Agreement, or any related agreement, is intended to disclaim any of the representations Franchisor made to Developer in the Franchise Disclosure Document that Franchisor provided to Developer.

***THE REST OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK
SIGNATURES ON THE FOLLOWING PAGE.***

IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HERETO HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.

**FRANCHISOR: NAUTICAL BOWLS
FRANCHISING, LLC**

DEVELOPER:

Print Name: _____

Date: _____

IF AN INDIVIDUAL:

By: _____

Print Name: _____

Date: _____

Spouse Signature: _____

Spouse Name: _____

Date: _____

IF LLC, CORPORATION, OR OTHER ENTITY:

By: _____

Print Name: _____

Title: _____

Owner Signature: _____

Owner Name: _____

Owner Signature: _____

Owner Name: _____

Date: _____

EXHIBIT A to DEVELOPMENT AGREEMENT

DATA SHEET

1. **Development Area.** The Development Area, as referred to in Section 1 of the Development Agreement, is described below (or an attached map) by geographic boundaries and will consist of the following area or areas:

2. **Development Schedule.** The Development Schedule referred to in Section 5 of the Development Agreement is as follows:

Expiration of Development Period (each, a “Development Period”)	# of New Stores Opened Within Development Period	Cumulative # of Stores that Must Be Open and Operating
___ Months from Effective Date	1	1
___ Months from Effective Date	1	2
___ Months from Effective Date	1	3

3. **Development Fee.** The Development Fee that is due and payable to Franchisor immediately upon execution of this Agreement shall be \$_____.

***THE REST OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK
SIGNATURES ON THE FOLLOWING PAGE.***

APPROVED AND ACCEPTED BY:

FRANCHISOR: NAUTICAL BOWLS FRANCHISING, LLC

Print Name: _____

Date: _____

DEVELOPER:

(Individual, Partnership or Corporation Name)

By: _____

Title: _____

Date: _____

EXHIBIT D
TO NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

LIST OF CURRENT FRANCHISEES
AND LIST OF FORMER FRANCHISEES

NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES AS OF DECEMBER 31, 2024

Franchisee	Street Address	City	State	Zip	Email
Cheryl Hatfield	1113 West Martin Luther King Boulevard	Fayetteville	AR	72701	fayetteville45@nauticalbowls.com
David Patalski	10030 W. McDowell Road, Suite 150, Space 033	Avondale	AZ	85323	avondale105@nauticalbowls.com
Kristi Browne & Kevin Browne	18529 N. Scottsdale Rd., Suite 128	Scottsdale	AZ	85255	scottsdale38@nauticalbowls.com
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Jacob Schoenleben	10515 N. Oracle Rd, Suite 167	Oro Valley	AZ	85737	orovalley52@nauticalbowls.com
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Lisa & Kevin Hinderleider	34 Wilbur Cross Way, Suites 101A and 101B	Storrs	CT	06268	storrs93@nauticalbowls.com
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Brian & Roxana Hampson	117 NW 136TH Ave	Sunrise	FL	33325	sunrise76@nauticalbowls.com
Parth Patel	1518 Commons Dr	Geneva	IL	60134	geneva119@nauticalbowls.com
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Parth Patel	11 Danada Square East	Wheaton	IL	60187	wheaton114@nauticalbowls.com
Parth Patel	8130 Calumet Ave, Suite 101	Munster	IN	46321	munster80@nauticalbowls.com
Dave Rinker	8051 W. 160th St.	Overland Park	KS	66223	overland103@nauticalbowls.com
Dave Rinker	11648 W 135th St, Unit 18	Overland Park	KS	66221	overland74@nauticalbowls.com
Daniel Fisch	30955 Woodward Ave Suite 425	Royal Oak	MI	48073	Royaloak25@nauticalbowls.com
Nate & Amy Bernal	14873 S. Robert Trail	Rosemount	MN	55068	rosemount42@nauticalbowls.com
Richard Berger	420 Division Street	Northfield	MN	55057	northfield62@nauticalbowls.com
Joe Kraus	15050 Cedar Ave Suite 113	Apple Valley	MN	55124	Applevalley6@nauticalbowls.com

Franchisee	Street Address	City	State	Zip	Email
Devin & Mikaylah Pokorney	10904 Baltimore St	Blaine	MN	55449	blaine7@nauticalbowls.com
Alex & Devane Trogstad	606 Crossroads Campus Dr	Buffalo	MN	55313	buffalo47@nauticalbowls.com
Mike Roeder	12496 Champlin Dr	Champlin	MN	55316	Champlin11@nauticalbowls.com
Alena Severson & Anne Brehmer	144 Pioneer Trail	Chaska	MN	55318	chaska57@nauticalbowls.com
Trent Anderson	1322 5th Street SE	Dinkytown	MN	55414	dinkytown26@nauticalbowls.com
Brant & Andrea Marple	3344 Promenade Ave.	Eagan	MN	55121	Eagan5@nauticalbowls.com
Bryant & Rachel Amundson	16534 W 78th St	Eden Prairie	MN	55346	edenprairie1001@nauticalbowls.com ljoyce@nauticalbowls.com
Bryant & Rachel Amundson	291 Water Street	Excelsior	MN	55331	excelsior1002@nauticalbowls.com
Monica & Komarof Revollo	11301 Highway Suite 301	Hopkins	MN	55305	hopkins43@nauticalbowls.com
Eva & Alex Villalobos	17706 Kenwood Trail	Lakeville	MN	55044	lakeville9@nauticalbowls.com
Martin Kruger	60 East Broadway, Suite S366	Mall Of America	MN	55425	mallofamerica@nauticalbowls.com
Devin & Mikaylah Pokorney	1600 Warren St.	Mankato	MN	56001	mankato53@nauticalbowls.com
Bryant Bohlig	7967 Wedgewood Ln	Maple Grove	MN	55369	maplegrove1@nauticalbowls.com
Bryant & Rachel Amundson	3432 County Rd 101	Minnetonka	MN	55345	minnetonka1000@nauticalbowls.com
Vanessa Riffel	4237A Winnetka Ave N	New Hope	MN	55428	newhope67@nauticalbowls.com
Alex & Devane Trogstad	3500 Vicksburg Lane North, Suite 600	Plymouth	MN	55447	plymouth14@nauticalbowls.com
Martin Kruger	1816 66th Street, Suite 1816	Richfield	MN	55423	richfield28@nauticalbowls.com
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Devin & Mikaylah Pokorney	14020 Suite 250, Highway 13	Savage	MN	55378	savage3@nauticalbowls.com
Dan & Adam Wagner	110 2nd Street South, Suite 116B	Waite Park	MN	56387	stcloud51@nauticalbowls.com

Franchisee	Street Address	City	State	Zip	Email
Alena Severson & Anne Brehmer	1750 Tower Blvd, Suite 104	Victoria	MN	55386	victoria2@nauticalbowls.com
Katie & Adam Stowell	4717 Highway 61	White Bear Lake	MN	55110	whitebearlake44@nauticalbowls.com
Laura & Madi Sosa	9955 Hudson Place, Suite 550	Woodbury	MN	55125	woodbury4@nauticalbowls.com
Matt Norring	5013 Ewing Ave S	Edina	MN	55410	edina8@nauticalbowls.com
Chris Rasmussen	8250 N Oxford Ave	Kansas City	MO	64158	kansascity31@nauticalbowls.com
Byron & Kim Bagaasen	1205 Parkside Main Street	Cary	NC	27519	cary96@nauticalbowls.com
Nicole & Lou D'Errico	8040 #400 Providence Road	South Charlotte	NC	28277	southcharlotte27@nauticalbowls.com
Lane Vergeldt	116 Charlie Medlin Drive, Suite E	Surf City	NC	28445	surfcity65@nauticalbowls.com
Todd & Cathy Natale	32 Harnett St	Wilmington	NC	28401	wilmington81@nauticalbowls.com
Mike Beyer	665 32nd Ave Suite 106	Fargo	ND	58078	Fargo20@nauticalbowls.com
Jon Miskavige	3251 32nd Avenue South Suite A1	Grand Forks	ND	58201	grandforks85@nauticalbowls.com
Cameron & Jamie Scalzo	927 Holt Rd, Suite 400	Webster	NY	14580	webster55@nauticalbowls.com
Meena Aggarwal	1597 Washington Pike, Suite a34	Bridgeville	PA	15017	bridgeville24@nauticalbowls.com
Humza Tanvir	810 Loucks Rd	York	PA	17404	york83@nauticalbowls.com
Mark & Monique Wallace	600 Long Point Rd	Mt. Pleasant	SC	29464	mountpleasant37@nauticalbowls.com
Lexus Paulson	4009 W 41st Street	Sioux Falls	SD	57106	siouxfalls15@nauticalbowls.com
Paul & Melissa Garcia	12261 Eastlake Blvd, Suite b203	El Paso	TX	79928	elpaso77@nauticalbowls.com
Todd Nickell & Lorna Sawatzky	1900 Aldrich Street, Suite #145	Austin	TX	78723	austin73@nauticalbowls.com
Nam Vuong Nguyen	1301 Keller Pkwy, Suite 400	Keller	TX	76248	keller41@nauticalbowls.com
Ola & Bibi Ladipo-Ajayi	4849 Farm to Market Rd 1488	The Woodlands	TX	77354	thewoodlands68@nauticalbowls.com
Taneisha Ward	W Hickory and W Oak Street	Denton	TX	Taneisha Ward	940-367-7280

Franchisee	Street Address	City	State	Zip	Email
Nathan & Marci Herrell	1314 N Redwood Rd Suite 200	Saratoga Springs	UT	84048	saratogasprings70@nauticalbowls.com
Noah & Linnae Ford	2121 East, 9400 South	Sandy	UT	84093	sandy58@nauticalbowls.com
Gabriel, Keisha, James, Susan & Andrew Wolfe	19353 Promenade Dr	Leesburg	VA	20178	leesburg102@nauticalbowls.com
Kelly & Mark Eckels	103 West Edge Way, Unit E	Lynchburg	VA	24502	lynchburg66@nauticalbowls.com

**LIST OF FRANCHISEES WITH SIGNED FRANCHISE AGREEMENT,
BUT OUTLET NOT OPEN AS OF DECEMBER 31, 2024**

City	Street Address	State	Zip	First Name	Cell Number
Gilbert	South Val Vista Dr. and E. Mercy Rd	AZ	85297	Kristi & Kevin Browne	847-612-3694
Queen Creek	Queen Creek Rd. & Ellsworth Rd	AZ	85142	Jenn & Tony Roldan	480-225-5696
Gilbert	Gilbert Rd. and Baseline Rd	AZ	85204	Jenn & Tony	480-225-5696
Tucson	Cortaro and Silverbell	AZ	85743	Jacob Schoenleben	320-293-8493
Tucson	1200 East University Blvd	AZ	85721	Jacob Schoenleben	320-293-8493
Phoenix	Tatum Blvd & Shea Blvd	AZ	85028	Steve & Elaine Weberman	248-324-8250
Phoenix	2550 W Happy Valley Rd	AZ	85085	Steve & Elaine Weberman	248-324-8250
San Diego	Del Mar Heights Rd & Carmel Valley Rd	CA	92130	Aaron Berco	619-794-9055
Roseville	Galleria Blvd. and Roseville Pkwy	CA	95678	Prasanth Reddy Nyalapatla & Mounika Mallepalli	361-355-1752
Roseville	Douglas Blvd. and Sierra College Blvd	CA	95661	Prasanth Reddy Nyalapatla & Mounika Mallepalli	361-355-1752
South Windsor	Hemlock Ave. & Evergreen Way	CT	6074	Lisa & Kevin Hinderleider	623-693-1303
Washington	4000 Wisconsin Ave NW	DC	20016	Hassan Tetteh	917-568-8400
Washington	2323 Sherman Ave NW	DC	20001	Hassan Tetteh	917-568-8400
Miramar	Red Rd & Miramar Pkwy	FL	33025	Elijah & Anisse Campbell	754-364-7825 763-954-0399
Weston	Weston Rd & Emerald Estates Dr	FL	33331	Elijah & Anisse Campbell	754-364-7825 763-954-0399
Horizon West	New Independence Parkway and Hamlin Groves Trail	FL	85297	Steve & Megan de Barril	209.743.8956

City	Street Address	State	Zip	First Name	Cell Number
Windermere	Universal Blvd and Destination Parkway	FL	32819	Steve & Megan de Barril	209.743.8956
Sarasota	US Hwy 41 & Bahia Vista St	FL	34239	Mark Kleinschmidt & KevinFahey	651-270-8515 309-472-9362
Sarasota	John Ringling Blvd & N Washington Dr	FL	34236	Mark Kleinschmidt & KevinFahey	651-270-8515 309-472-9362
Naples	Radio RD and Airport Pulling	FL	34014	Dan & Amanda Martin	(763) 218-7867
Plainfield	Smith Rd. & Township Line 300 S	IN	46168	Jigna Shah Singh & Kulwinder Malhi	317-989-1581
Indianapolis	7800 Col. H. Weir Cook Memorial Dr.	IN	46241	Jigna Shah Singh & Kulwinder Malhi	317-989-1581
Fairway	West 53rd St. & Belinder Ave.	KS	66205	Rinker Rinker	256-224-9862
Franklin	Main St. & Dean Avenue	MA	2038	Lisa & Kevin Hinderleider	623-693-1303
College Park	4400 Calvert Rd	MD	20740	Sean & Andrea Sowards	571-232-1170
Marquette	N 3rd St & W Bluff St	MI	49855	Michael & Miryah Bosio	920-216-4501 218-820-3366
Duluth	S 21st Ave E & London Rd	MN	55812	Jon Miskavige	701-330-3237
Kansas City	Highway 9 & US 169	MO	64116	Chris Rasmussen	712-574-3567
Kansas City	NW Roanridge Rd & NW Barry Rd	MO	85297	Chris Rasmussen	712-574-3567
Chapel Hill	Church St & W Franklin St	NC	27516	Byron & Kim Bagaasen	(919) 244-6849
Jacksonville	Western Blvd. and Gum Branch Rd.	NC	28540	Todd & Cathy Natale	845-656-6554
Leland	Ocean Hwy E (Hwy 17) & Ploof Rd.,	NC	28451	Todd & Cathy Natale	845-656-6554
Grand Forks	N 4th St & University Ave	ND	58203	Jon Miskavige	701-330-3237
Jenkintown	933 Old York Rd	PA	19046	Humza Tanvir	732-470-2011
Ardmore	112 Coulter Ave	PA	19003	Humza Tanvir	732-470-2011
North Wales	1460 Bethlehem Pike	PA	19454	Humza Tanvir	732-470-2011
Wayne	171 Swedesford Rd	PA	19087	Humza Tanvir	732-470-2011
Mount Pleasant	3525 Park Ave, Mount Pleasant	SC	29466	Mark & Monique Wallace	864-764-2398
Summerville	200 Scholar Way	SC	29483	Mark & Monique Wallace	864-764-2398
Elgin	583 Spears Creek Church Rd	SC	29045	Melvin & Tunisia Wells	803-705-0465

City	Street Address	State	Zip	First Name	Cell Number
Myrtle Beach	Myrtle Beach Boardwalk & Promenade	SC	29577	Melvin & Tunisia Wells	803-705-0465
Sioux Falls	Arrowhead Pkwy & Veterans Pkwy	SD	57110	Lexus Paulson	605-370-4587
Franklin	E Main St & 2nd Ave N	TN	37064	John Stoebe	952-334-9711
Nashville	US-431 & TN-248	TN	37064	John Stoebe	952-334-9711
League City	FM646 & Gulf Fwy S,	TX	77539	Fethi Benraouane	832-580-3085
The Woodlands	Six Pines Dr & Lake Woodlands Dr	TX	85297	Fethi Benraouane	832-580-3085
Dallas	Mockingbird Ln & N Central Expy	TX	75205	Khanxay Makkhavane Mangkone Chanthaphone	817-266-7957 817-262-7576
Frisco	Dallas North Tollway & Main St	TX	75033	Khanxay Makkhavane Mangkone Chanthaphone	817-266-7957 817-262-7576
West Lake Hills	3300 Bee Caves Rd	TX	78746	Todd Nickell Lorna Sawatzky	612-356-7934 612-499-5419
Lakeway	1945 Medical Drive	TX	78734	Todd Nickell Lorna Sawatzky	612-356-7934 612-499-5419
Riverton	W 12600 S & S Pasture RD	UT	84096	Noah & Linnae Ford	763-898-7606 763-954-1708
Orem	State St & University Pkwy	UT	84097	Noah & Linnae Ford	763-898-7606 763-954-1708
Fairfax	4100 Monument Corner Dr.	VA	22030	Sean & Andrea Sowards	571-232-1170
Arlington	1109 N. Highkand St.	VA	22201	Gabriel Wolfe	703-728-9094
Appleton	S Appleton St & W College Ave	WI	54911	Michael & Miryah Bosio	920-216-4501 218-820-3366
La Crosse	3900 Highway 1 La Crosse	WI	54650	Jeff Kothenbeutel	507-261-1630
Madison	State St & W Gorham St	WI	53703	Jon Miskavige	701-330-3237
Madison	N Midvale Blvd & University Ave	WI	53705	Jon Miskavige	701-330-3237

LIST OF FRANCHISEES WHO LEFT THE SYSTEM AS OF DECEMBER 31, 2024

Franchisee	City	State	Phone or Email
Noah and Linnea Ford	Sandy	UT	21ntford06@gmail.com
Cheryl Hatfield	Fayetteville	AR	479-871-6247
Alex and Devone Trogstad	Buffalo	MN	awtrogstad@gmail.com

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

EXHIBIT E
TO NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
TABLE OF CONTENTS OF MANUAL

NAUTICAL BOWLS
FRANCHISE OPERATIONS MANUAL
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EXHIBIT F
TO NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
GENERAL RELEASE (SAMPLE FORM ONLY)

GENERAL RELEASE (“Release Agreement”)

The undersigned (“**Releasor**”) and my heirs, administrators, executors, ancestors, and assigns, (collectively “**Releasor Agent(s)**”), for good and valuable consideration, the receipt of which is hereby acknowledged, hereby remise, release, and forever discharge NAUTICAL BOWLS FRANCHISING, LLC, a Texas limited liability company (“**NBF**”), with its principal business offices located at 3432 County Road 101, Minnetonka, Minnesota 55345 and its Affiliates, and their respective owners, officers, directors, regional directors, managers, shareholders, members, employees, agents, successors and assigns, (collectively, the “**NBF Released Parties**”) from any and all claims, whether at law or in equity, and all contracts, controversies, claims, and demands whatsoever, at law or in equity, that Releasor and/or any Releasor Agent ever had, now have, or that any of their respective heirs, administrators, ancestors, executors, and/or assigns may have against the RBP Released Parties including, without limitation, (i) any and all claims arising out of or related to that certain Franchise Agreement between NBF and _____ dated _____, 20____, (ii) the offer and sale of the NAUTICAL BOWLS franchise opportunity, (iii) any and all claims arising under federal, state, and local laws, rules, and ordinances.

I acknowledge that this general release extends to claims which I do not know or suspect to exist in my favor at the time of executing this Release Agreement, which if were known to me may have materially affected my decision to enter into this Release Agreement. I understand that the facts in respect of which this Release Agreement is given may hereafter turn out to be other than or different from the facts in that connection known or believed to be true. I expressly assume the risk of the facts turning out to be so different and agree that this Release Agreement shall be in all respects effective and not subject to termination or rescission by any such difference in facts.

This General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

IN WITNESS WHEREOF, the parties hereto have executed this Release Agreement as of the date set forth below.

Signature: _____

Name: _____

Date: _____

[This Release Agreement will be modified as necessary for consistency with any state law regulating franchising.]

EXHIBIT G
TO NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS

LIST OF STATE ADMINISTRATORS

California

Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013
(866) 275-2677

Hawaii

Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

Illinois

Office of Attorney General
500 S. Second Street
Springfield, Illinois 62701
(217) 782-4465

Indiana

Franchise Section
Securities Division
302 W. Washington St., Room E-111
Indianapolis, Indiana 46204
(317) 232-6681

Maryland

Office of Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202
(410) 576-7042

Michigan

Consumer Protection Division
Antitrust and Franchise Unit
Department of Attorney General
525 W. Ottawa St.
G. Mennen Williams Bldg., 1st Floor
Lansing, Michigan 48913
(517) 373-7117

Minnesota

Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1627

New York

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
212-416-8222

North Dakota

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol – 14th Floor Dept. 414
Bismarck, North Dakota 58505-0510
(701) 328-4712

Rhode Island

Securities Division
Department of Business Regulation
1511 Pontiac Avenue
John O. Pastore Complex – Building 68-2
Cranston, Rhode Island 02920
(401) 462-9527

South Dakota

Division of Insurance
Securities Regulation
124 S. Euclid Ave., Suite 104
Pierre, South Dakota 57501
(605) 773-3563

Virginia

State Corporation Commission
Division of Securities and Retail Franchising
1300 Main Street, 14th Floor
Richmond, Virginia 23219
(804) 371-9051

Washington

Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, Washington 98507
(360) 902-8760

Wisconsin

Franchise Administrator
Division of Securities
Department of Financial Institutions
345 West Washington Avenue
Madison, Wisconsin 53703

EXHIBIT H
TO NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
AGENTS FOR SERVICE OF PROCESS

California

Commissioner of Financial Protection and Innovation
Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013

Hawaii

Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

Illinois

Office of the Attorney General
500 South Second Street
Springfield, Illinois 62701

Indiana

Indiana Secretary of State
Securities Division
302 W. Washington Street., Room E-111
Indianapolis, Indiana 46204

Maryland

Maryland Securities Commissioner
Maryland Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2021

Michigan

Michigan Department of Attorney General
Consumer Protection Division
Attn: Franchise Section
525 West Ottawa Street
G. Mennen Williams Bldg., 1st Floor
Lansing, Michigan 48913

Minnesota

Minnesota Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101-2198

New York

Secretary of the State of New York
One Commerce Plaza
99 Washington Avenue
Albany, New York 12231

North Dakota

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol, Fourteenth Floor Dept 414
Bismarck, North Dakota 58505

Oregon

Division of Consumer and Business Services
Finance and Corporate Securities
350 Winter Street N.E.
Labor and Industries Building, Room 21
Salem, Oregon 97310

Rhode Island

Director, Department of Business Regulation
Securities Division
1511 Pontiac Avenue, Bldg. 68-2
Cranston, Rhode Island 02920

South Dakota

Division of Insurance
Securities Regulation
124 South Euclid, Suite 104
Pierre, South Dakota 57501

Virginia

Clerk of the State Corporation Commission
1300 East Main Street, 14th Floor
Richmond, Virginia 23219

Washington

Director of Department of Financial Institutions
Securities Division
150 Israel Road, S.W.
Tumwater, Washington 98501

Wisconsin

Administrator, Division of Securities
Department of Financial Institutions
345 West Washington Street, 4th Floor
Madison, Wisconsin 53703

Texas

Registered Agents, Inc.
5900 Balcones Drive, Suite 100
Austin, Texas 78731

EXHIBIT I

**STATE-SPECIFIC ADDENDA RIDERS
TO THE FDD AND FRANCHISE AGREEMENT**

[RESERVED]

EXHIBIT J
STATE EFFECTIVE DATES

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

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.

State	Effective Date
California	Not Registered
Illinois	Not Registered
Indiana	Not Registered
Maryland	Not Registered
Michigan	Not Registered
Minnesota	Not Registered
New York	Not Registered
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Virginia	Not Registered
Washington	Not Registered
Wisconsin	Not Registered

EXHIBIT K
TO NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

RECEIPTS

RECEIPTS

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Nautical Bowls Franchising, LLC offers you a franchise, it must provide you this disclosure document 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. Michigan law requires that we give you this disclosure document at least 10 business 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. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business 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.

If Nautical Bowls Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, and the appropriate state administrator listed in Exhibit F. Our agents for service of process are listed in Exhibit G.

Issuance Date: May 21, 2025, as amended October 22, 2025.

The name, principal business address, and telephone number of the franchise seller offering the franchise is:

Name	Principal Business Address	Telephone Number
Bryant Amundson	3432 County Road 101 Minnetonka, Minnesota 55345	(320) 434-3124

I received a disclosure document dated May 21, 2025, as amended October 22, 2025. This disclosure document included the following Exhibits and Attachments:

- Exhibit A Financial Statements
- Exhibit B Franchise Agreement with all Attachments
- Exhibit C List of Current Franchisees and List of Former Franchisees
- Exhibit D Table of Contents of Manual
- Exhibit E General Release (sample)
- Exhibit F List of State Administrators
- Exhibit G Agents for Service of Process
- Exhibit H State Specific Riders to the Franchise Agreement
- Exhibit I State Effective Dates Page
- Exhibit J Receipts

Date of Receipt: _____, _____,

Signature

Printed Name

Individually or as an Officer of

(a _____ Corporation)

(a _____ Partnership)

(a _____ Limited Liability Company)

[Sign, date, and keep this page for your records.]

RECEIPTS

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Nautical Bowls Franchising, LLC offers you a franchise, it must provide you this disclosure document 14 calendar days before you sign a binding agreement with, or make a payment to, franchisor or an affiliate in connection with the proposed franchise sale. Michigan law requires that we give you this disclosure document at least 10 business 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. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business 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.

If Nautical Bowls Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, and the appropriate state administrator listed in Exhibit F. Our agents for service of process are listed in Exhibit G.

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- Exhibit H State Specific Riders to the Franchise Agreement
- Exhibit I State Effective Dates Page
- Exhibit J Receipts

Date of Receipt: _____, _____,

Signature

Printed Name

Individually or as an Officer of

(a _____ Corporation)

(a _____ Partnership)

(a _____ Limited Liability Company)

**[Sign, date, and return to NAUTICAL BOWLS FRANCHISING, LLC,
3432 County Road 101, Minnetonka, Minnesota 55345 or bryant@nauticalbowls.com]**