

FRANCHISE DISCLOSURE DOCUMENT



Nautical Bowls Franchising, LLC

A Texas limited liability company

3432 County Road 101

Minnetonka, Minnesota 55345

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bryant@nauticalbowls.com

nauticalbowls.com

You will operate a fast casual restaurant featuring superfood smoothie bowls and healthy beverages under the name “NAUTICAL BOWLS.” In our discretion, we may grant you the right to operate a food truck selling products in a protected area.

The total investment necessary to begin operation of a NAUTICAL BOWLS franchised business ranges from \$150,000 to \$250,000. This includes \$30,000 that must be paid to the franchisor or its affiliate(s) for a single location franchise fee. At your option, but subject to the franchisor’s approval, you may acquire the rights to open three NAUTICAL BOWLS franchised businesses for a discounted fee of \$25,000 per franchised business for a total of \$75,000 for all three (“Three Pack”).

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: October 21, 2020

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.

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.

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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.

We have never operated a business of the type being franchised, but our affiliate, Nautical Bowls, LLC (“NB LLC”), has operated a similar business since May 2018.

The Franchise Offered

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

A NAUTICAL BOWLS Restaurant features superfood smoothie bowls and healthy beverages under the name “NAUTICAL BOWLS.” Our Restaurants typically occupy 900 to 1,200 commercial square feet of space, or if the location offers drive-through services only, 400 to 600 square feet.

The distinguishing characteristics of our System include distinctive Restaurant 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.

If you meet certain criteria, which include operation of a NAUTICAL BOWLS Restaurant and full compliance with your franchise obligations, we may, in our discretion, also offer you the opportunity to operate a food truck in a protected territory. If you acquire these rights, you will sign a separate food truck license agreement.

NAUTICAL BOWLS Restaurants are identified by the NAUTICAL BOWLS service mark and other proprietary trademarks, service marks, our trade dress, and other indicia of origin that we designate to identify businesses operating according to the System (“Marks”).

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.

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 Restaurants 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 Restaurants 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: Managing Member

Bryant Amundson co-founded the NAUTICAL BOWLS concept and has served as our manager since our inception on September 25, 2020. Bryant also has served as Vice President of NB LLC in St. Paul, Minnesota since October, 2017. Bryant also has served as account executive of Dunord Reinsurance Consulting in Bloomington, Minnesota from April, 2018 to April 2019. Bryant also has served as account executive of Definitive Technology Solutions in Bloomington, Minnesota from January, 2017 to April 2018. Bryant also has served as self-employed motivational speaker in Minneapolis, Minnesota from September, 2015 to January, 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. Rachel also has served as territory development manager of Yerbae in Scottsdale, Arizona from June, 2017 to February, 2018. Rachel also has served as member services specialist of Lifetime Fitness in Chanhassen, Minnesota from November, 2016 to April 2017. Rachel also has served as event planner for Tessa Lyn Events in Los Angeles, California from December, 2015 to May, 2016.

ITEM 3 LITIGATION

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

The initial franchise fee for a single NAUTICAL BOWLS Restaurant is \$30,000, which is uniform for all franchisees and is nonrefundable upon payment.

Alternatively, and with our approval, you may purchase three NAUTICAL BOWLS Restaurants (“Three Pack”), in which case, you will pay us a non-refundable initial franchise fee of \$75,000, be required to open the three NAUTICAL BOWLS Restaurants within 18 months, and you will sign a “Three Pack Addendum” at Attachment H to the Franchise Agreement. If you are granted the right to operate a food truck, and execute the required food truck license agreement, you will be required to pay an additional non-refundable fee for this.

GO FAST KIT

We reserve the right to allow you to purchase the GO FAST kit from us or our affiliate which may include, but is not limited to, Sign Package, Shelving Package, Cabinetry Package, Equipment Package, Office Supplies Package, Decor Package, Opening Inventory Package, Restaurant Supplies Package, and Lighting Package.

Nautical Bowls Insurance Program

We have established an insurance plan for the benefit of our franchisees called the Nautical Bowls Insurance Program, where in you may acquire insurance coverage through our preferred vendor under our requirements. You must have insurance from the date you sign your lease that meets our minimum requirements and may obtain insurance coverage through Nautical Bowls Insurance Program or from a different source provided your coverage meets our minimum requirements. The insurance premium may be collected by us as the billing administrator and forwarded to the insurance providers. We estimate the amount you pay for this insurance prior to opening will be \$330 to \$720. See Item 8 for additional information about insurance.

**ITEM 6
OTHER FEES**

Franchise Agreement

Type of Fee¹	Amount	Due Date	Remarks
Royalty Fee	6% of Gross Revenue ²	Weekly	
Brand Development/ Marketing Fund Contribution	An amount we specify periodically, not to exceed 2% of Gross Revenue	Weekly	
Local Advertising	2% of Gross Revenue		
Additional Training; Remedial Training	N/A	Before training.	Our rate is subject to change.
Mandatory Ongoing Training and Seminars	N/A	Before training	Our rate is subject to change.
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.

Type of Fee ¹	Amount	Due Date	Remarks
Mystery shop program	Up to \$150 per month	On demand	Payable if we require you to participate in a mystery shop program.
Nonsufficient Funds Fee	Our then-current rate; currently \$100 per occurrence	As invoiced	Payable if you have insufficient funds in your bank account for us to process electronic funds transfer. Our rate is subject to change.
Interest/Late Fee	18% per year or the maximum lawful rate	As invoiced	
Transfer Fee	\$1,500	With transfer application	Payable if you sign the franchise agreement as an individual and you request to transfer to a corporation or other business entity that you control.
Transfer Fee	\$2,500	With transfer application	Payable if an Owner requests to transfer a non-controlling ownership interest to another party.
Transfer Fee	25% of then-current initial franchise fee if transferring the business or transferring control in the franchisee entity to a new franchisee to the System	With transfer application	Payable if you request to sell the business to a third party.
Renewal Fee	\$2,500	Before renewal	
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	

Type of Fee ¹	Amount	Due Date	Remarks
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 Net Sales by 2% or more.
Technology Fee	If implemented, we can charge up to \$250 per month or \$3,000 per calendar year (which limitation increases 10% per calendar year)	Monthly or another period that we specify	We have the right, but do not current charge, a technology fee to pay for the development and use of online and communications technologies.
Insurance	\$330 to \$360 monthly	As incurred	See Item 8 for more information on the insurance program.
Convention	Our then-current fee (currently, \$129 per franchise or attendee)	Annual	Non-Attendance fee 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 Restaurant, 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 Restaurant 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 the annual convention. If you fail to attend the convention, or any other convention or work shop 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
YOUR ESTIMATED INITIAL INVESTMENT:

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee(1)	\$30,000	Lump sum	When you sign the Franchise Agreement	Us

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Site Selection Assistance	\$0 to \$1,000	As arranged	As invoiced	Us
Lease Security Deposit(2)	\$3,000 to \$7,500	As arranged	As invoiced	Landlord
Leasehold Improvements(3)(4)	\$50,000 to \$100,000	As arranged	As invoiced	Contractor(s)
Signage(5)	\$4,000 to \$12,000	As arranged	As required by sign vendor	Us
Fixtures, Furniture, and Equipment(3)(6)	\$10,000 to \$20,000	As arranged	As invoiced	Us
POS System(7)	\$2,000 to \$5,000	As arranged	As invoiced	POS Supplier
Back Office Computer Hardware and Software	\$1,000	As incurred	On demand	Suppliers
Smallwares, Uniforms, and Initial Supplies	\$5,000	As arranged	As invoiced	Us
Utility Deposits	\$500			Utility service providers
Professional Services(8)	\$2,500 to \$5,000	As arranged	As invoiced	Accountants, lawyers, etc.
Initial Inventory(9)	\$15,000	As arranged	As invoiced	Us
Insurance(10)	\$1,000 to \$3,000	As arranged	As invoiced	Insurance Broker
Training Expenses(11)	\$1,000 to \$5,000	As invoiced	As arranged	Airline, Hotel and Restaurants
Grand Opening Advertising	\$5,000 to \$10,000	As arranged	As invoiced	Suppliers
Additional Funds(12)	\$20,000 to \$30,000	As incurred	As incurred	Employees, third party vendors and suppliers
TOTAL(13)	\$150,000 to \$250,000			

Notes

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

Note 2. We anticipate that the Restaurant will occupy 900 to 1,200 square feet of commercial space or, if the location offers drive-thru services only, 400 to 600 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, rent can range anywhere from \$15 to \$50 or more per square foot. These figures do not factor in common area maintenance charges or any other charges that may be imposed under your lease. You should consult a broker in the area in which you plan to operate your Restaurant.

Note 3. This range does not include the cost of the Go Fast Kit, which we reserve the right to allow your purchase of in the future, which may include, but is not limited to, Sign Package, Shelving Package, Cabinetry Package, Equipment Package, Office Supplies Package, Decor Package, Opening Inventory Package, Restaurant Supplies Package, and Lighting Package.

Note 4. Construction costs vary widely, depending upon the location, design, configuration and condition of the premises. The low figure represents the estimated cost of building out a second-generation strip center space that already has a sufficient HVAC system, grease trap and floor drains, ADA-compliant restrooms, and appropriate utility service and hook-ups. The high figure represents the estimated cost of building out a “vanilla box” space in a strip center location, and includes the cost of adding or upgrading the HVAC system, installing a grease trap and floor drains, restrooms, and utilities. This estimate does not reflect any tenant improvement allowance or other incentives that may be offered by the landlord. You must follow our design standards and construction process and have its approval to open. The cost of construction and leasehold improvements depends upon the size, condition, and location of the Restaurant and the local cost of labor. If your Restaurant is located in a high-rise building, your construction/build out costs will likely be higher than those reflected in the chart.

Note 5. These include signage menu boards, and graphics.

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

Note 7. See Item 11 for more information about our POS computer hardware and software requirements. These estimates include the cost of acquiring one POS system and the first annual maintenance and support services fee.

Note 8. You will likely need to engage an attorney, an accountant, and other consultants to assist you in setting up your business and in reviewing the franchise offering. These fees may vary from location to location depending on the prevailing rates of local attorneys, accountants, and consultants.

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

Note 10. See Item 8 for more information about insurance requirements. These amounts reflect an estimated down payment of your annual premiums, equal to one month’s payment, plus the first two monthly premium charges.

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 rent, 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. These amounts are estimates only, and we cannot assure you that you will not have additional expenses. Your actual costs will depend on factors like your management skills, experience, and business acumen. You should review these numbers carefully with your business advisor before purchasing a NAUTICAL BOWLS franchise.

Note 13. All amounts are non-refundable unless otherwise noted.

If you develop multiple Restaurants, the initial investment for each Restaurant developed may vary, depending on rent and operating costs. If you require additional on-site assistance beyond your first Restaurant, you must pay our then-current fee and reimburse us our expenses.

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 Restaurant 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. 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. See Item 11 for more information about computer hardware and software requirements. If a designated music provider has been identified, you must acquire music from the designated provider.

Approved Suppliers

You must purchase food products, menu items, ingredients, fixtures, furnishings, equipment and signage that meet our Standards. We may require you to purchase these items from us or from approved or designated supplier. We or our affiliate may be designated as a supplier, or as the only approved supplier, of these items.

We will provide a list of approved food products, menu items, ingredients and condiments, including designation by brand and our standards and specifications, as contained in our Confidential Operations Manual or otherwise in writing, and when applicable, we will provide a list of our approved or designated suppliers. You must strictly comply with our standards and specifications and comply with all required purchases of food products in conformity with our standards and specifications. All menu items and food products must be prepared in strict compliance with our recipes and the procedures.

We have and may continue to develop certain products and ingredients for the System, including other proprietary food products or ingredients, which are proprietary to the System and which may be identified by the Marks. If such products become a part of the System, you will use only our proprietary recipes and other proprietary products and will purchase these items either from us or from an approved supplier we designate. We have developed specifications and standards for the construction and operation of your NAUTICAL BOWLS Restaurant. You must utilize construction materials, fixtures, furnishings, equipment and signage that we have approved as meeting these specifications and standards.

Our standards and specifications, and supplier requirements, will be communicated to you in the Confidential Operations Manual and otherwise in writing.

Except for certain Proprietary Products, neither we nor our affiliates currently are approved suppliers for any products or services. None of our officers hold an interest in any of our privately-held suppliers or a material interest in any publicly-held suppliers.

Approval of Alternative Suppliers

NAUTICAL BOWLS may approve other suppliers of food who meet our standards and specifications. If you would like to purchase these items from another supplier, you must obtain our approval. Based on the information and samples you supply to us and your payment to us of any reasonable fees and expenses, we will test the items supplied and review the proposed supplier’s financial records, business reputation, delivery performance, credit rating, and other information. Our review typically is completed in 30 days.

Approval of alternative suppliers may be revoked if we determine that their supplies fail to satisfy our then-current standards and specifications.

We reserve the right to allow you to purchase the GO FAST kit from us or our affiliate which may include, but is not limited to, Sign Package, Shelving Package, Cabinetry Package, Equipment Package, Office Supplies Package, Decor Package, Opening Inventory Package, Restaurant Supplies Package, and Lighting Package.

Franchised Location and Lease

You must acquire a site for your Restaurant that meets our site selection criteria and that we approve. If you occupy the Restaurant 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 participate in our required group insurance program (“Nautical Bowls Insurance Program”) unless you provide proof of insurance meeting our minimum limits outlined in the Franchise Agreement. The Nautical Bowls Insurance Program includes property, crime, general liability, hired and owned auto, professional liability, employment practices liability, and excess liability. Our Nautical Bowls Insurance Program provides 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
Fire Legal Liability: Damages to franchise premises	\$500,000
Medical Expenses	\$1,000 any one person
Professional liability including abuse and molestation (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)	\$250,000 per gym; \$25,000,000 policy aggregate
Employment Practices Liability Insurance (inclusive of first and third party)	\$50,000
Property and Crime Deductible	\$1,000

Type of Insurance	Minimum Amount
Defense Costs	In addition to policy limits
Commercial Excess Liability	\$9,000,000 per occurrence and \$9,000,000 general aggregate

In addition to participation in our Nautical Bowls Insurance Program, you must carry workers' compensation and employer's liability coverage as required by the jurisdiction in which you operate the franchise.

All required insurance not included in our Nautical Bowls Insurance Program 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.

Neither we nor our affiliates derived any revenue on account of franchisee purchases or leases as of the date of this franchise disclosure document.

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. If we negotiate a purchase agreement, you must participate in the purchasing program. 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. We do not provide you any material benefits (for example, additional renewal rights or rights to acquire 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	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 3.1 and 3.3	Items 8 and 11
b. Pre-opening purchases/leases	Sections 3.4, 6.5, 6.6, 10.1, and 10.2	Items 5, 6, 7, 8, and 11

Obligation	Section(s) in Franchise Agreement	Disclosure Document Item
c. Site development and other pre-opening requirements	Sections 3.4 and 5.3	Items 1, 7, 8, and 11
d. Initial and ongoing training	Sections 5.1 and 5.5	Items 6, 7, and 11
e. Opening	Sections 3.5 and 5.2	Items 7 and 11
f. Fees	Sections 4.1, 4.2, 4.3, 4.8, 4.9, 4.11, 9.3, 9.4, and 9.5	Items 5, 6, 8, and 11
g. Compliance with standards and policies/Manuals	Article 8	Items 8, 11, 14, and 16
h. Trademarks and proprietary information	Article 7	Items 11, 13, and 14
i. Restrictions on products/services offered	Sections 1.1, 6.4, 6.5 and 6.8	Items 8 and 16
j. Warranty and customer service requirements	Sections 4.4 and 6.1	Item 16
k. Territorial development and sales quotas	Not applicable	Item 12
l. Ongoing product/service purchases	Sections 6.5, 6.6 and 8.2	Items 8, 11, and 16
m. Maintenance, appearance and remodeling requirements	Sections 6.7 and 6.10	Item 8
n. Insurance	Article 11.2	Items 7 and 8
o. Advertising	Article 9	Items 6, 8, and 11
p. Indemnification	Section 11.3	Item 6
q. Owner's participation/ management/staffing	Sections 6.2 and 6.3	Items 1, 11, and 15
r. Records and reports	Sections 10.4, 10.5, and 10.6	Item 11
s. Inspections and audits	Sections 6.9 and 10.7	Items 6 and 11
t. Transfer	Article 12	Items 6, 12, and 17
u. Renewal or extension of rights	Section 2.2	Items 6, 12, and 17
v. Post-termination obligations	Article 14 and Section 15.2	Item 17
w. Noncompetition covenants	Section 15.1 and 15.2	Item 17
x. Dispute resolution	Article 19	Item 17
y. Guaranty	Sections 12.3 and 18.6	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 Restaurant, we or our designee will:

1. Consider and permit or decline to permit development of a Restaurant at a proposed site within 10 days of receiving all requested information. (Franchise Agreement, Section 3.2.)
2. Admit up to three individuals to our initial training program, described below. (Franchise Agreement, Section 5.1.)
3. With regard to the first Restaurant you develop, make available at least one of our representatives to provide up to three days of opening assistance. (Franchise Agreement, Section 5.2.1.)
4. With regard to the first Restaurant 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 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 Restaurant, 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 Restaurant, 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 Restaurant, 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 Restaurant and provide other information to promote the NAUTICAL BOWLS System. (Franchise Agreement, Section 9.8.)

Advertising

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

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.

Currently, there is no advertising council composed of franchisees that advises us on advertising policies.

Grand Opening Advertising

Before the Restaurant opens for business, you must conduct a grand opening advertising event that conforms to our standards and specifications.

Brand Development/Marketing Fund

In addition to your initial advertising campaign, you must contribute to our Brand Development/Marketing Fund (“Fund”) an amount up 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 Restaurant 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 Restaurant advertising and promotion in a particular area or market, or for the benefit of a particular Restaurant or Restaurants concerning Restaurant 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 Restaurant owned by us or an affiliate of ours will contribute to the Fund on the same basis as our franchisees. Upon your reasonable request, we will provide you an annual unaudited statement of Fund contributions and expenditures. This is the first year of the Fund, and it has had no contributions and no expenditures as of the date of this disclosure document.

Local Marketing

We recommend, but do not require, that you spend 2% of Gross Revenue on a quarterly basis to promote the Restaurant in your market area.

Advertising Cooperative

We can designate any geographic area in which two or more company-owned or franchised NAUTICAL BOWLS Restaurants are located as a region for an advertising cooperative (“Cooperative”). If a Cooperative is established for an area in which any Restaurant 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 Restaurant entitled to one vote. We anticipate that franchisor-owned Restaurants 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 Restaurants (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 \$6,000 to \$7,000. You must sign a computer maintenance agreement with the manufacturer of the POS System and pay a maintenance fee which currently ranges from \$300 to \$400 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 Restaurant; (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 Restaurant’s opening date, your Operating Principal and at least one other person must attend and complete our initial training program to our satisfaction. Our initial training program is offered 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	-	Corporate Headquarters
Company Culture	2	-	Corporate Headquarters
Recruiting	2	1	Corporate Headquarters
Team Building	2	1	Corporate Headquarters
Product Information	2	1	Corporate Headquarters
Back-of-house (backend)	3	10-12	Corporate Headquarters/ Operating Corporate Location
Bowl Line (backend)	2	5-10	Corporate Headquarters/ Operating Corporate Location
Back-of-house (in person)	-	5-10	Operating Corporate Location
Bowl Line (in person)	-	10-15	Operating Corporate Location
Guest Seating & Experience	2	2-5	Corporate Headquarters/ Operating Corporate Location

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

Our initial training program is subject to change, without notice, to reflect updates in the materials, methods, and 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 general manager 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 Principal Owner (this is, a person who owns a 25% or greater interest in the franchisee entity) and general manager or other designated employees attend, at your expense, 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, \$129 per franchise) 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

When you sign the franchise agreement, we will agree on a “Site Selection Area” within which you may locate the Restaurant. You must acquire a Restaurant site meeting our site selection criteria within 10 months after you sign the franchise agreement. 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 Restaurant 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 Restaurant, which will be no later than a year after you sign the franchise agreement or 10 months after site selection, whichever occurs first. The Restaurant 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 Restaurant is not open according by these deadlines, we can terminate the franchise agreement.

ITEM 12 TERRITORY

Except for the territorial protection described below, 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 non-exclusive “Site Selection Area” within which the Restaurant will be established. It is your responsibility to select a site for the Restaurant, and we must accept the site as meeting our minimum criteria. You may relocate the Restaurant, 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 Restaurant 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.

Once the site is identified, we will designate a “Protected Area,” which will be identified in Attachment B to the franchise agreement. Your Protected Area may be defined as a specified radius with its central point located at the Restaurant’s main entrance, may be identified on a map, or may be identified by a geographic description. The minimum Protected Area may be as small as an office or retail building for Restaurants in densely populated, urban areas, and will likely be larger in suburban, less populated areas. Except as

provided below, no other NAUTICAL BOWLS Restaurants will be located in your Protected Area, but another franchisee’s Protected Area may overlap with your Protected Area.

Carved out from protection in the Protected Area will be any venues that we consider “Captive Markets.” A Captive Market is any facility that serves a captive market, such as department store, supermarket, shopping mall (defined as enclosed or open retail centers with gross leasable area in excess of 350,000 square feet), amusement park, airport, train station, travel plaza, casino, nightclub, Restaurant, public facility, college or school campus, sports or entertainment stadium or arena, hospital, office building, convention center, or military base. We may own, operate, and franchise NAUTICAL BOWLS businesses anywhere outside the Protected Area and in Captive Markets.

You have the right to make deliveries and advertise to residents outside your Protected Area, but not inside another franchisee’s protected area.

During the franchise term, we will not own or operate, or grant anyone else the right to operate, a NAUTICAL BOWLS Restaurant within your Protected Area (which excludes any Captive Markets), but we may develop, operate, and offer other similar concepts that may compete with franchisees in the Protected Area.

We reserve to ourselves all other rights to use the Marks in and outside the Protected Territory. 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.

We 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.

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 applied to register 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	Serial Number	Application Date	International Class
NAUTICAL BOWLS (Standard Character Mark)	90133591	August 24, 2020	043
	90221934	September 29, 2020	043

To date, we do not have a federal registration for these Marks. Therefore, the Marks do not have as many legal benefits and rights as a federally registered trademark. If our right to use these Marks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

We own and have registered the following principal trademark on the Principal Register of the United States

Patent and Trademark Office, and all required affidavits and renewals have been filed.

Mark	Registration Number	Date of Registration	International Class
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 TWITTER), 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 Restaurants 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, or TWITTER).

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 “Operating Principal.” If you are an individual, you will be the Operating Principal. If the franchisee is a business entity, your Operating Principal must hold at least a 51% ownership interest in the entity.

Your Operating Principal must devote his or her full time and best efforts to supervising operations and may not engage in any other business. He or she must satisfy our training requirements and our other standards and must successfully complete our initial training program and must devote his or her full-time efforts to the management and operation of the Franchised Business. We recommend, but do not require, that your Operating Principal provide on-premises supervision as often as possible. Each Restaurant that you operate must be under the on-premises supervision of an assistant manager (who we call the “Shop Lead”) who has successfully completed our initial training program.

You must notify us promptly if your Operating Principal cannot continue to serve or no longer qualifies for his or her position. You will have 30 days from the date of the notice (or from any date that we independently determine the Operating Principal no longer meets our standards) to take corrective action. During that 30-day period, you must provide for interim management of your operations in compliance with the Franchise Agreement.

If the franchisee is a business entity, each Owner (and your Operating Principal, whether or not this individual is an “Owner”) 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 Restaurant 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.

Franchise Agreement

Provisions	Section in Franchise Agreement	Summary
a. Length of the franchise term	Sections 2.1	The earlier of 10 years after your Restaurant opens for business, or 11 years after the effective date of your franchise agreement.
b. Renewal or extension of the term	Section 2.2	If you are in good standing, you can renew for two additional consecutive five-year terms.

Provisions	Section in Franchise Agreement	Summary
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 Restaurant 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	Not applicable
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, 30 days to cure non-compliance with laws and 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 Restaurant by the required opening date or within 10 months after signing the franchise by agreement, abandonment of the Restaurant, failure to maintain the right to operate the Restaurant, violation of confidentiality and non-competition covenants, failure to comply with regard to Crisis Management Events, offering unauthorized products or services, purchase from unapproved suppliers, and repeated curable defaults, whether or not cured.

Provisions	Section in Franchise Agreement	Summary
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 Restaurant. We may, at our option, assume your lease and purchase certain Restaurant 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), and refurbish the Restaurant, as needed; sign a guaranty and a general release, pay the transfer fee, 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.
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 Restaurant location or within a 25-mile radius of your former Restaurant or within a 25-mile radius of any other NAUTICAL BOWLS Restaurant for two years following expiration, termination or transfer.
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 are binding. 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, 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 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).

**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.

As of December 31, 2019, our affiliate operated one NAUTICAL BOWLS Restaurant in Minnetonka, Minnesota. The following chart reflects sales, costs of goods, and certain operating expenses for this Restaurant for 12 months ending December 31, 2019.

Gross Sales	\$893,201
Cost of Goods	\$317,101
Labor Costs ²	\$223,366
Rent ³	\$35,101

Note 1. “Cost of Goods Sold” was calculated by dividing the total cost of goods for all locations the Minnetonka location by Gross Sales for all four locations the Minnetonka location,

Note 2. “Labor Costs” was calculated by dividing total labor costs (i.e., payroll, payroll taxes, and benefit expense) by Gross Sales for the Minnetonka location. Labor Costs includes labor expense for managers and hourly workers, but does not include owner salary.

Note 3. “Rent” includes rent, CAM charges, taxes, insurance, and utilities paid to the landlord.

While some outlets have earned the above amounts, your individual results may differ. There is no assurance that you will earn as much.

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

Except for the information presented above, we do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised Stores. 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 2017 TO 2019**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at End of Year	Net Change
Franchised	2017	0	0	0
	2018	0	0	0
	2019	0	0	0
Company-Owned	2017	0	0	0
	2018	0	1	+1
	2019	1	1	0
Total Outlets	2017	0	0	0
	2018	0	1	+1
	2019	1	1	0

**TABLE NO. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR)
FOR YEARS 2017 TO 2019**

State	Year	Number of Transfers
Total	2017	0
	2018	0
	2019	0

**TABLE NO. 3
STATUS OF FRANCHISED OUTLETS
FOR YEARS 2017 TO 2019**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Totals	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0

**TABLE NO. 4
STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2017 TO 2019**

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	2017	0	0	0	0	0	0
	2018	0	1	0	0	0	1
	2019	1	0	0	0	0	1
Totals	2017	0	0	0	0	0	0
	2018	0	1	0	0	0	1
	2019	1	0	0	0	0	1

**TABLE NO. 5
PROJECTED OPENINGS AS OF DECEMBER 31, 2019**

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
Minnesota	0	3	0
Totals	0	3	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, 2019. 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, 2019, 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.

No franchisees have signed confidentiality agreements during the last three years. Currently, there are no trademark specific franchisee associations.

ITEM 21
FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit A, is our audited balance sheet as of September 25, 2020. Our fiscal year ends December 31. We have not been in business for three years or more and, therefore, cannot include all the financial statements required by this Item.

ITEM 22
CONTRACTS

Attached to this disclosure document are the following contracts:

Attached as Exhibit B is our current form of Franchise Agreement with all Attachments;

Attached as Exhibit E is a copy of sample general release language.

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.

STATE APPENDIX TO THE FRANCHISE DISCLOSURE DOCUMENT

FOR THE STATE OF MINNESOTA

Item 13 of the disclosure document is supplemented by the following:

The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols ("Marks") or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

As required by the Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), we will reimburse you for any costs incurred that you incur in the defense of your right to use the Marks, so long as you were using the Marks in the manner that we authorized, and so long as we are timely notified of the claim and given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

Item 17 of the disclosure document is supplemented by the following:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that (1) a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

To the extent that any condition, stipulation, or provision contained in the Franchise Agreement (including any choice of law provision) purports to require any person who, at the time of acquiring a franchise is a resident of Minnesota, or, in the case of a partnership or corporation, organized or incorporated under the laws of Minnesota, or purporting to bind a person acquiring any franchise to be operated in Minnesota, to waive compliance with the Minnesota Franchises Law, such condition, stipulation, or provision may be void and unenforceable under the non-waiver provision of the Minnesota Franchises Law.

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

EXHIBIT A
NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

EXHIBIT B
NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

FINANCIAL STATEMENT AND
INDEPENDENT AUDITORS' REPORT

NAUTICAL BOWLS FRANCHISING, LLC

SEPTEMBER 25, 2020
(DATE OF INCEPTION)

An independent member of BKR International with member firms in principal cities throughout the world.

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Independent Auditors' Report

Board of Directors
Nautical Bowls Franchising, LLC

We have audited the accompanying balance sheet of Nautical Bowls Franchising, LLC, (a Texas LLC) as of September 25, 2020 (date of inception), the beginning of the initial accounting period of the Company, and the related notes.

Management's Responsibility for the Financial Statement

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Nautical Bowls Franchising, LLC as of September 25, 2020 (date of inception) in accordance with accounting principles generally accepted in the United States of America.

DS&B, Ltd.

Minneapolis, Minnesota
October 21, 2020

FINANCIAL STATEMENT AND
INDEPENDENT AUDITORS' REPORT

NAUTICAL BOWLS FRANCHISING, LLC

SEPTEMBER 25, 2020
(DATE OF INCEPTION)

An independent member of BKR International with member firms in principal cities throughout the world.

Nautical Bowls Franchising, LLC

BALANCE SHEET

September 25, 2020
(Date of Inception)

ASSETS

OTHER ASSETS

Trademarks	\$	<u>1,050</u>
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LIABILITIES AND MEMBERS' EQUITY (DEFICIT)

CURRENT LIABILITIES

Accounts payable	\$	4,975
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COMMITMENTS AND CONTINGENCIES

MEMBERS' EQUITY (DEFICIT)

Subscription receivable	(100)
Members' equity (deficit)	<u>(3,825)</u>
	<u>(3,925)</u>

	\$	<u>1,050</u>
--	----	--------------

Nautical Bowls Franchising, LLC

NOTES TO FINANCIAL STATEMENT

September 25, 2020
(Date of Inception)

NOTE A – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

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 has not commenced principal operations and has incurred expenditures for the legal formation of the Company, as well as design of materials that will be used in principal operations. Once the Company's planned principal operations commence, the Company intends to sell franchises for Nautical Bowls restaurants in the United States. Nautical Bowls is a healthy fast-casual restaurant concept that specializes in superfood bowls.

Pursuant to its 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 provisions of its member agreement.

Net income and losses will be allocated to the members primarily in proportion to their ownership interest. The Company 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.

Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statement follows:

1. Amortization

Amortization is provided for in an amount sufficient to relate the cost of the amortizable asset to operations over the estimated service life. Trademarks will be amortized over 10 years, using the straight-line method.

The estimated aggregate amortization expense or trademarks for each of the five succeeding years is approximately as follows:

Years ending December 31,

2020	\$ 28
2021	105
2022	105
2023	105
2024	105

Nautical Bowls Franchising, LLC

NOTES TO FINANCIAL STATEMENT

September 25, 2020

(Date of Inception)

**NOTE A – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED**

2. Long -Lived Assets

The Company periodically evaluates the net realizable value of long-lived assets, including trademarks, relying on a number of factors including operating results, business plans and economic projections, and anticipated future cash flows. An impairment in the carrying value of an asset is recognized when the fair value of the asset is less than its carrying value.

3. Income Taxes

Nautical Bowls Franchising, LLC is a partnership. Earnings of this partnership will be passed through to the members and the related income taxes are an obligation of the members individually. Accordingly, no provision has been made for income taxes related to this partnership.

The Company's policy is to evaluate the likelihood that any uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions, and other evidence. It is the opinion of management that the Company has no significant uncertain tax positions that would be subject to change upon examination. The federal and state income tax returns of the Company are subject to examination by the income taxing authorities, generally for three years after they are filed. Interest and penalties, if any, assessed by income taxing authorities, will be recorded in general and administrative expenses.

4. Use of Estimates

In preparing the financial statement in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statement, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – FRANCHISING

The Company plans to execute franchise agreements as outlined under the Company's Franchise Disclosure Document that sets the terms of its arrangement with each franchise as follows:

Nautical Bowls Franchising, LLC

NOTES TO FINANCIAL STATEMENT

September 25, 2020

(Date of Inception)

NOTE B – FRANCHISING – CONTINUED

Franchise Agreements

As of September 25, 2020 (date of inception), the franchise agreement requires the franchisee to pay non-refundable franchise fees of \$30,000 for the first restaurant, or \$75,000 for three restaurants. The franchise agreement grants the franchisee to 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 franchisor.

As of September 25, 2020 (date of inception), there are no franchise agreements executed or initial franchise fees collected.

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 restaurant 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 years with two additional 5-year renewal options. Renewal approval is dependent upon certain conditions as defined in the Agreement.

Nautical Bowls Franchising, LLC

NOTES TO FINANCIAL STATEMENT

September 25, 2020
(Date of Inception)

NOTE B – FRANCHISING – CONTINUED

Agreement Terms and Continuing Fees - continued

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 restaurant's gross revenue. The purpose of the fund is to develop marketing and advertising programs that promote the Company's brand. 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 web site 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. There were no advertising contributions collected or funds distributed as of September 25, 2020 (date of inception).

NOTE C – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through October 21, 2020, the date which the financial statement was available to be issued.



**NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE AGREEMENT**

FRANCHISE AGREEMENT

SUMMARY PAGE

EFFECTIVE DATE: _____

FRANCHISEE(S): _____

ADDRESS FOR NOTICES: _____

OPERATING PRINCIPAL: _____

 Telephone Number: _____

 Email Address: _____

SITE SELECTION AREA: _____

INITIAL FRANCHISE FEE: \$30,000 for single, \$75,000 for Three Pack (check one)

ROYALTY FEE: 6% of Gross Revenues for the first year of opening and 5% of Gross Revenues for each year thereafter

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

RENEWAL FEE: \$2,500

TRANSFER FEE: \$1,500 (Convenience of Ownership, Section 12.2)

 \$2,500, plus reimbursement of Franchisor’s cost in facilitating the transfer (including reasonable attorneys’ fees) (Non-Controlling Interest, Section 12.3)

 50% of our then-current Initial Franchise Fee for transfers of the franchised business or controlling interest in the franchisee entity to new franchisee (Section 12.4)

FRANCHISOR: NAUTICAL BOWLS FRANCHISING, LLC
3432 County Road 101
Minnetonka, Minnesota 55345

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
Attachment H	Three Pack Addendum

Franchisor Initial

Franchisee Initial

**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 has acquired the license to use and to sublicense the use of a distinctive business format and system relating to the establishment and operation of a Restaurant, featuring a wide variety of superfood smoothie bowls and healthy beverages, as well as merchandise, under the name NAUTICAL BOWLS (“**System**”).

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 Restaurant, all of which Franchisor may change, improve, and further develop (collectively, “**Standards**”).

C. The System is identified by means of 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 (“**Marks**”).

D. You desire to enter into the business of operating a Restaurant under the System and Marks (“**Restaurant**”) and Franchisor desires to grant you such rights, all pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration for the mutual premises 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 Restaurant 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 Restaurant (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 Restaurants 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 Restaurant 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 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 the franchise agreement, we will designate such Protected Area in Attachment B prior to permitting development of the Store, according to Section 3.2.

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, Restaurants, and via online, mail order, and catalog sales. We 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.

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 Restaurants.

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 Restaurant opening, but no later than 11 years from the Effective Date, regardless of the date on which the Restaurant opens to the public for business.

2.2. Renewal. You may renew the franchise granted by this Agreement for two 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 Restaurant 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 Restaurant 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 Restaurant 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 Restaurant 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 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. **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 Restaurant 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 Restaurant at a particular site is not an assurance that the Restaurant 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 Restaurant.**

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. Restaurant 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. You are solely responsible for obtaining all government approvals, zoning classifications, permits, and clearances related to the Restaurant 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 10 months after the date you secure a location for the Restaurant, 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 Restaurant 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 Restaurant 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 Restaurant 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 Restaurant 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 Restaurant 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 Restaurant 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 Restaurant 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, in addition to the Royalty Fee, Franchisor reserves the right to impose a Technology Fee in an amount determined by Franchisor but which shall not exceed a defined amount in any calendar year (“**Technology Fee Cap**”). For calendar year in which this Agreement became effective, the Technology Fee Cap is the greater of \$250 per month or \$3,000 per calendar year. The Technology Fee Cap shall increase automatically each calendar year by an amount not to exceed 10% of the prior year’s Technology Fee Cap. 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 Restaurant 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 Restaurant for business, Franchisor will provide, and your Operating Principal and one other Restaurant 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 two 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. If this Agreement is being signed in conjunction with your first NAUTICAL BOWLS Restaurant, Franchisor will make available a representative to provide up to three days of on-site opening assistance. At your request, or if Franchisor deems necessary, Franchisor shall provide additional on-site opening assistance, subject to availability of personnel. In such event, Franchisor has the right to charge (and you agree to pay) a reasonable fee for such assistance, and you must reimburse Franchisor for all out-of-pocket costs that it incurs in connection with providing such additional assistance, including travel, lodging, and dining costs for the individual(s) providing such assistance.

5.2.2. If this Agreement is being signed in conjunction with your second or additional NAUTICAL BOWLS Restaurant(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 Restaurant, 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 Restaurant, advertising and marketing advice, and financial and accounting advice. Such consultation and advice may be provided, in Franchisor's discretion, through Restaurant 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 Operating Principal, Restaurant 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 Operating Principal, 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. All franchisees are required to attend the annual convention. If you fail to attend the convention, or any other convention or work shop 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 Restaurant 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 Restaurant, 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 Restaurant 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 Restaurant, 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. Operating Principal. The Restaurant must at all times be supervised by your Operating Principal. The Operating Principal shall have at least a 25% equity interest in the franchisee. The Operating Principal shall have full control over day-to-day Restaurant management and operations. The Operating Principal 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. The Operating Principal shall devote his or her full-time efforts to Restaurant operations, and shall not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitment. Franchisor shall have approved the Operating Principal as meeting its then-current qualifications for such position. If the Operating Principal ceases to serve in, or no longer qualifies for, such position, you shall designate another qualified person to serve as your Operating Principal within 30 days after the date the prior Operating Principal ceases to serve or no longer qualifies to serve. Any proposed replacement Operating Principal 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 his or her position as Operating Principal and, in no event, later than 90 days after the previous Operating Principal ceased to serve in such position.

6.3. Employees. The Restaurant shall at all times be under the direct, on-premises supervision of your Operating Principal 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 Restaurant, 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 Restaurants, 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 Restaurant 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 Restaurant 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 Restaurant 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 ("**Approved Brands**"), and to the extent that Approved Brands have been identified, you may purchase and use only the Approved Brands.

6.6.3. Franchisor may from time to time modify the list of Approved Suppliers and/or Approved Brands. 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 Restaurants or any other group of Restaurants 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. Franchisor will 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 Restaurant (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 Restaurant 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 Restaurant 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 Restaurant.

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 Restaurants 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 Restaurant 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 Restaurant 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 Restaurant 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 reserves the right to establish maximum, minimum, or other pricing requirements with respect to the prices you may charge for products or services.

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. Franchisor will have no obligation to establish or to maintain the intranet indefinitely, and may dismantle it at any time without liability to you. Franchisor may establish policies and procedures for the intranet's use. Franchisor expects to adopt and adhere to a reasonable privacy policy. However, you acknowledge that, as administrator of the intranet, Franchisor can access and view any communication that anyone posts on the intranet. You further acknowledge that the intranet facility and all communications that are posted to it will become Franchisor's property, free of any claims of privacy or privilege that you or any other individual may assert. If you fail to pay when due any amount payable to Franchisor under this Agreement, or if you fail to comply with any policy or procedure governing the intranet, Franchisor may temporarily suspend your access to any chat room, bulletin board, listserv, or similar feature the intranet includes until such time as you fully cure the breach. Franchisor has the right to impose, and you shall pay at Franchisor's request if implemented, 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 Restaurant 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 Restaurant 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 goods 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 Restaurant 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 Restaurant 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. Within the first 90 days after the Restaurant opens for business, you must conduct a grand opening advertising campaign that conforms to the Standards.

9.3. Brand Development/Marketing Fund. Franchisor may establish a Brand Development/Marketing 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 Restaurants 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/Marketing 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. Franchisor recommends, but does not require, that you 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 Restaurants 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 Restaurant 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 Restaurants 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 Restaurants 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 Restaurant 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 Restaurant. You shall be responsible for all processing fees associated with gift cards and gift cards.

9.6.3. You also shall display at the Restaurant 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 Restaurant 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 Restaurant 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 Restaurants (“**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 Restaurant; **(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 Restaurant’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 Restaurant'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 Restaurant 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 \$2,000,000 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, including abuse and molestation, with a minimum limit of at least \$1,000,000 per occurrence; **(vii)** Commercial Umbrella/Excess Liability of at least \$9,000,000 per occurrence and \$9,000,000 general aggregate with "Per Location" aggregate limits when multiple franchise locations are insured under one comprehensive umbrella/excess liability policy **(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 Restaurant 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 Restaurant, 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 Restaurant premises so that it meets Franchisor's image requirements for new NAUTICAL BOWLS Restaurants;

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. Payment of the Transfer Fee in the amount set forth in the Summary Pages;

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 Operating Principal fails to successfully complete training; **(b)** you fail to open the Restaurant for business by the Opening Date or within 10 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 Restaurant 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 Restaurant 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 Restaurant, 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 Restaurant 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 Operating Principal 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 Restaurant in full compliance with this Agreement; **(b)** any allegation or claim is made against you or any of your principals, or the operation of the Restaurant, involving or relating to fraudulent, deceptive or illegal practices or activities; or **(c)** Franchisor determines that operational problems require Franchisor to operate your Restaurant for a period of time to maintain the operation of the business as a going concern. If Franchisor undertakes to operate the Restaurant pursuant to this Section 13.7., Franchisor shall have the right to collect and pay from the revenues of the Restaurant 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 Restaurant 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 Restaurant 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 Restaurants, 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 Restaurant premises within a reasonable time, you hereby grant a license to Franchisor's personnel and designees to enter upon the Restaurant premises and take all actions necessary to de-identify the premises as a NAUTICAL BOWLS Restaurant 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 Restaurant'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 Restaurant 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 Restaurant 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 Restaurant; **(b)** within a 25-mile radius of the Restaurant; or **(c)** within a 25-mile radius of any other NAUTICAL BOWLS Restaurant 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 Restaurant ("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 Restaurant; 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 representatives 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 Restaurant, 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 by facsimile or other electronic system. 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 facsimile, if such transmission occurs prior to 5:00 p.m. on a Business Day and a copy of such notice is mailed within 24 hours after the transmission. 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; Integration and Merger.

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 Restaurant, 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 Restaurant, other than information contained in Item 19 of the Franchise Document delivered to you in connection with your entering into this Agreement.

18.1.3. 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.

18.2. 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.

18.3. 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.

18.4. 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.

18.5. 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.

18.6. 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.

18.7. 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.

18.8. 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.

18.9. 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. Mediation.

19.2.1. The parties acknowledge that during the term and any extensions of this Agreement certain disputes may arise that the parties are unable to resolve, but that may be resolvable through mediation. To facilitate such resolution, Franchisor, you, and each Owner agree to submit to mediation any claim, controversy or dispute between you and Franchisor (and either party’s respective Affiliates) including, without limitation, claims arising out of or related to: **(a)** this Agreement or any other agreement between Franchisor and you, **(b)** Franchisor’s relationship with you, or **(c)** the validity of this Agreement or any other agreement between Franchisor and you, before bringing such claim, controversy or dispute in a court or before any other tribunal.

19.2.2. The mediation shall be conducted by a mediator agreed upon by Franchisor and you and, failing such agreement within not more than 15 days after either party has notified the other of its desire to seek mediation, by the American Arbitration Association or any successor organization (“AAA”) in accordance with its rules governing mediation. Mediation shall be held at the offices of the AAA in the city in which Franchisor maintains its principal place of business at the time the mediation is initiated. The costs and expenses of mediation, including the compensation and expenses of the mediator (but excluding attorneys’ fees incurred by either party), shall be borne by the parties equally.

19.2.3. If the parties are unable to resolve the claim, controversy or dispute within 90 days after the mediator has been chosen, then, unless such time period is extended by written agreement of the parties,

either party may bring a legal proceeding pursuant to Section 19.3. The parties agree that statements made during such mediation proceeding will not be admissible for any purpose in any subsequent legal proceeding.

19.2.4. Notwithstanding the foregoing provisions of this Section 19.2, the parties' agreement to mediate shall not apply to controversies, disputes or claims related to or based on amounts owed to Franchisor pursuant to this Agreement, your misuse or infringement of the Marks or Copyrighted Works, or your misuse of Franchisor's Confidential Information. Moreover, regardless of this mediation agreement, Franchisor and you each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief in any court of competent jurisdiction.

19.3. 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 serving 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.

19.4. 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.

19.5. 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.

19.6. 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.

19.7. 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.

19.8. 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.

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

NAUTICAL BOWLS FRANCHISING, LLC
a Texas limited liability company

FRANCHISEE

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

**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 any facility serving a captive market, including department stores, supermarkets, shopping malls, amusement parks, airports, train stations, travel plazas, casinos, nightclubs, stores, public facilities, college and school campuses, arenas, stadiums, ballparks, hospitals, office buildings, convention centers, and military bases. As used herein, the term “shopping malls” includes any retail center (enclosed or open), including “outlet malls,” with an aggregate gross leasable area in excess of 350,000 square feet.

“**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 Restaurant 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 Restaurant, 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 Restaurant; (iii) tips or gratuities paid directly by Restaurant 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**

1. I have read the Franchise Agreement between NAUTICAL BOWLS FRANCHISING, LLC (“**Franchisor**”), and _____ (“**Franchisee**”).
2. I own a beneficial interest in the Franchisee, and would be considered an “**Owner**” within the definition contained in Franchise Agreement.
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 Restaurant 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 Restaurant; **(ii)** within a 25-mile radius of the Restaurant; or **(iii)** within a 25-mile radius of any other NAUTICAL BOWLS Restaurant 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 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 this Guaranty and Personal Undertaking on the date set forth below:

GUARANTOR

Dated: _____

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 Dallas, Texas. 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 Restaurant 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
3432 County Road 101
Minnetonka, Minnesota 55345

ATTACH CHECK HERE

**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 Restaurant 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 is the next page.]

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:

LANDLORD:

NAUTICAL BOWLS FRANCHISING, LLC

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

**NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE AGREEMENT**

**ATTACHMENT G
FRANCHISEE QUESTIONNAIRE**

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 your answer on the back of this sheet.

- Yes ___ No ___ 1. Have you received and personally reviewed the Franchise Agreement and each exhibit or schedule attached to it?
- Yes ___ No ___ 2. Have you received and personally reviewed the Franchise Disclosure Document we provided?
- Yes ___ No ___ 3. Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?
- Yes ___ No ___ 4. Do you understand all the information contained in the Franchise Disclosure Document and Franchise Agreement?
- Yes ___ No ___ 5. Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer?
- Yes ___ No ___ 6. Do you understand the success or failure of your franchise will depend in large part upon your skills, abilities, and efforts and those of the person you employ, as well as many factors beyond your control such as weather, competition, interest rates, the economy, inflation, labor and supply costs, lease terms, and the marketplace?
- Yes ___ No ___ 7. Do you understand we are not obligated to provide assistance to you in finding and securing a location for your NAUTICAL BOWLS Restaurant?
- Yes ___ No ___ 8. Do you understand that we are not responsible for any construction delays?
- Yes ___ No ___ 9. 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 ___ 10. Do you understand the Franchise Agreement provides you can only collect compensatory damages on any claim under or relating to the Franchise Agreement, and not any punitive, exemplary, incidental, indirect, special, consequential, or other damages (including, without limitation, loss of profits)?
- Yes ___ No ___ 11. 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 ___

12. 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 ___

13. 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 Restaurant?

Yes ___ No ___

14. 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 Restaurant 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 ___

15. Is it true that no one speaking on our behalf made any statement or promise or agreement, other than those matters addressed in our Franchise Agreement, concerning advertising, marketing, media support, marketing penetration, training, support services, or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes ___ No ___

16. 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?

Dated: _____

Name: _____, Individually
Printed Name

Dated: _____

By: _____
Name: _____
Printed Name

of _____
(a _____ Corporation)
(a _____ Partnership)

**NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE AGREEMENT**

**ATTACHMENT H
THREE PACK ADDENDUM
NAUTICAL BOWLS FRANCHISING, LLC**

This Three Pack Addendum (“**Addendum**”) made between NAUTICAL BOWLS FRANCHISING, LLC, a Texas limited liability company with its principal business located at 3432 County Road 101, Minnetonka, Minnesota 55345 (“**Franchisor**”), and the Franchisee identified in the Summary Page (“**you**”), to be effective on the Effective Date identified in the Summary Page.

RECITALS

A. Contemporaneously with the execution of this Addendum, you are entering into the NAUTICAL BOWLS Franchise Agreement (the “**Franchise Agreement**”), pursuant to which you will open and begin operating a NAUTICAL BOWLS franchised business on or before _____ (the “Nautical Bowls #1”).

B. You and us are parties to that NAUTICAL BOWLS Franchise Agreement and desire for you to open, and operate two additional NAUTICAL BOWLS franchised businesses and be bound to a NAUTICAL BOWLS franchise agreement for each of those additional franchised businesses (“Additional NAUTICAL BOWLS”) (also each referred to as “Nautical Bowls #2”, and “Nautical Bowls #3”), such franchise agreements being substantially the same as the NAUTICAL BOWLS Franchise Agreement.

C. The parties desire to enter into this Addendum in order to clarify certain obligations under the Franchise Agreements, as they relate to the Additional NAUTICAL BOWLS.

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

AGREEMENT

1. **Definitions.** Capitalized terms will have the meanings ascribed to them in each of the respective Franchise Agreements unless otherwise defined herein.
2. **Franchise Fee.** The parties agree that you will not pay the initial franchise fee of \$30,000 but will pay an initial franchise fee of \$25,000 per NAUTICAL BOWLS Franchised Business, \$75,000 for all three locations due upon signing of this Addendum.
3. **Franchisee Obligations.** You agree that you are required to begin operation of NAUTICAL BOWLS #2 within six months after you begin operation of NAUTICAL BOWLS #1. You agree that you are required to begin operation of NAUTICAL BOWLS #3 within six months after you begin operation of NAUTICAL BOWLS #2.
4. **Franchise Agreements.** Upon Execution of this Addendum, the parties shall simultaneously execute a separate franchise agreement identical to the Franchise Agreement herein for each of NAUTICAL BOWLS #1, NAUTICAL BOWLS #2, and NAUTICAL BOWLS #3.
5. **Default.** Failure to timely begin operation of any of the NAUTICAL BOWLS Franchised Businesses herein according to the obligations herein shall be an automatic forfeiture of the Protected Area for that Franchised Business that you failed to timely begin operating, and shall cause that franchise agreement to be terminated without refund of the Initial Franchise Fee.
6. **Ratification.** All other terms and conditions of the Franchise Agreement, and as they apply to all three franchise agreements herein, and of this Addendum are hereby ratified and confirmed.

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

FRANCHISEE: (For an entity)

FRANCHISEE: (For individuals)

Name of Entity: _____

Signature: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Signature: _____

Printed Name: _____

FRANCHISOR:

NAUTICAL BOWLS FRANCHISING, LLC

By: _____
Bryant Amundson, Director of Franchise Sales
and Development

EXHIBIT C
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, 2019

Franchisee	Street Address	City	ST	Zip	Phone
None					

**LIST OF FRANCHISEES WITH SIGNED FRANCHISE AGREEMENT,
BUT OUTLET NOT OPEN AS OF DECEMBER 31, 2019**

Franchisee	Street Address	City	ST	Zip	Phone
None					

LIST OF FRANCHISEES WHO LEFT THE SYSTEM AS OF DECEMBER 31, 2019

Franchisee	Street Address	City	ST	Zip	Phone or E-Mail
None					

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

EXHIBIT D
TO NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
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NAUTICAL BOWLS
FRANCHISE OPERATIONS MANUAL
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EXHIBIT E
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.

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 F
TO NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS

LIST OF STATE ADMINISTRATORS

California

Department of Business Oversight
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
212-416-8285

North Dakota

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol – 5th 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, 9th Floor
Richmond, Virginia 23218
(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 G
TO NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
AGENTS FOR SERVICE OF PROCESS

AGENTS FOR SERVICE OF PROCESS

STATE	AGENT
Minnesota	Minnesota Commissioner of Commerce Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198
Texas	Registered Agents, Inc. 5900 Balcones Drive, Suite 100 Austin, Texas 78731

EXHIBIT H
STATE-SPECIFIC RIDERS
TO THE FRANCHISE AGREEMENT

**RIDER TO THE NAUTICAL BOWLS FRANCHISING, LLC
FRANCHISE AGREEMENT FOR USE IN MINNESOTA**

This Rider (the “**Rider**”) is made and entered into as of this _____ day of _____, 20__ (the “**Agreement Date**”), between **NAUTICAL BOWLS FRANCHISING, LLC**, a Texas limited liability company, with its principal mailing address at 3432 County Road 101 Minnetonka, Minnesota 55345 (“**Franchisor**”), and _____, whose principal business address is _____ (“**Franchisee**”).

1. Background. Franchisor and Franchisee are parties to that certain Franchise Agreement that has been signed concurrently with the signing of this Rider (the “**Franchise Agreement**”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the NAUTICAL BOWLS franchise that Franchisee will operate under the Franchise Agreement will be located in **Minnesota**; and/or (b) any of the franchise offering or sales activity with respect to the Franchise Agreement occurred in **Minnesota**.

2. Section 7 of the Franchise Agreement is amended so that Section 7.6 is added and will state:

The franchisor will protect the franchisee’s rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols (“**Marks**”) or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

As required by the Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), we will reimburse you for any costs incurred that you incur in the defense of your right to use the Marks, so long as you were using the Marks in the manner that we authorized, and so long as we are timely notified of the claim and given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

3. Minnesota Law. The following paragraphs are added to the end of the Franchise Agreement:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that (1) a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the Agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

To the extent that any condition, stipulation, or provision contained in the Franchise Agreement (including any choice of law provision) purports to require any person who, at the time of acquiring a franchise is a resident of Minnesota, or, in the case of a partnership or corporation, organized or incorporated under the laws of Minnesota, or purporting to bind a person acquiring any franchise to be operated in Minnesota, to waive compliance with the Minnesota Franchises Law, such condition, stipulation, or provision may be void and unenforceable under the non-waiver provision of the Minnesota Franchises Law.

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the date stated on the first page above.

FRANCHISOR:

NAUTICAL BOWLS FRANCHISING, LLC, a Texas limited liability company

By: _____
Title: _____

FRANCHISEE

(IF CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP):

[Name]

By: _____
Title: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

EXHIBIT I
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:

State	Effective Date
Minnesota	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT J
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, 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: October 21, 2020

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) 434-5290

I received a disclosure document dated October 21, 2020. 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.

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Issuance Date: October 21, 2020

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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: _____

Individually or as an Officer of

_____ 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]**