

## FRANCHISE DISCLOSURE DOCUMENT



UA HOLDINGS, INC.  
An Oklahoma Corporation  
24850 Amah Parkway  
Claremore, Oklahoma 74019  
Telephone Number: (833) 349-2953  
E-Mail: [info@unitedaxle.com](mailto:info@unitedaxle.com)  
Website: [www.unitedaxle.com](http://www.unitedaxle.com)

UA Holdings, Inc. does business as United Axle and is offering franchises for the operation of spindle replacement businesses.

The total investment necessary to begin operation of a United Axle business is from \$65,000 to \$106,000. This includes an initial franchise fee of at least \$25,000 for your first United Axle business and the purchase of an equipment package ranging from \$10,000 to \$80,000, which must both be paid to the franchisor.

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, us or an affiliate in connection with the proposed franchise sale. **Note, however that no government 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 Cara Carroll, 24850 Amah Parkway, Claremore, Oklahoma 74019, telephone 1-844-774-6353.

The terms of your contract will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or 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, DC 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information on franchising.

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

**Issuance Date: April 30, 2025**

## How to Use This Franchise Disclosure Document

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

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

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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 Oklahoma. 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 Oklahoma than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

## **NOTICE REQUIRED BY STATE OF MICHIGAN**

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

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

- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

**The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.**

Any questions regarding this notice should be directed to the Department of Attorney General, State of Michigan, 670 Williams Building, Lansing, Michigan 48913, telephone (517) 373-7117.

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

## TABLE OF CONTENTS

	Page
Item 1	The Franchisor and any Parents, Predecessors and Affiliates..... 3
Item 2	Business Experience .....5
Item 3	Litigation ..... 6
Item 4	Bankruptcy .....6
Item 5	Initial Fees ..... 6
Item 6	Other Fees .....7
Item 7	Estimated Initial Investment ..... 12
Item 8	Restrictions on Sources of Products and Services ..... 15
Item 9	Franchisee's Obligations..... 16
Item 10	Financing..... 17
Item 11	Franchisor's Assistance, Advertising, Computer Systems and Training ..... 17
Item 12	Territory..... 24
Item 13	Trademarks..... 25
Item 14	Patents, Copyrights and Proprietary Information ..... 27
Item 15	Obligation to Participate in the Actual Operation of the Franchise Business..... 29
Item 16	Restrictions on What the Franchisee May Sell ..... 30
Item 17	Renewal, Termination, Transfer and Dispute Resolution..... 30
Item 18	Public Figures ..... 35
Item 19	Financial Performance Representations ..... 35
Item 20	Outlets and Franchisee Information..... 36
Item 21	Financial Statements..... 38
Item 22	Contracts..... 38
Item 23	Receipts ..... 39

## EXHIBITS

- A. FINANCIAL STATEMENTS
- B. FRANCHISE AGREEMENT AND RELATED MATERIALS
- C. TABLE OF CONTENTS OF OPERATING MANUAL
- D. LIST OF FRANCHISEES AND FORMER FRANCHISEES
- E. FRANCHISEE ORGANIZATIONS WE HAVE CREATED, SPONSORED, OR ENDORSED
- F. INDEPENDENT FRANCHISEE ASSOCIATIONS
- G. LIST OF STATE REGULATORY AGENCIES AND ADMINISTRATORS
- H. LIST OF AGENTS FOR SERVICE OF PROCESS
- I. MULTISTATE ADDENDUM
- J. TWO COPIES OF DETACHABLE RECEIPT

**Item 1**  
**The Franchisor and any Parents, Predecessors, and Affiliates**

The Franchisor The Franchisor is UA Holdings, Inc., an Oklahoma corporation, doing business as United Axle (referred to in this disclosure document, as the "Company," "Franchisor," "we," "us," or "our" and where the context requires also includes our affiliates). We refer to the person or entity that will be signing the Franchise Agreement as "you," "your," or "Franchisee." If you are a corporation, limited liability company, partnership, or any other type of legal entity, the provisions of this disclosure document and the Franchise Agreement will also apply to your owners. Our principal business address is 24850 Amah Parkway, Claremore, Oklahoma, 74019. Our telephone number is 1-833-349-2953.

Our Predecessors and Affiliates We have one predecessor, one affiliate and no parent.

Axle Tech, Inc., an Oklahoma corporation, is UA Holdings, Inc.'s predecessor and its principal business address was 24850 Amah Parkway, Claremore, Oklahoma, 74019. Axle Tech, Inc. previously granted three franchises located in Texas, Pennsylvania and Louisiana. These three franchises are substantially similar to those currently being offered by us. Pursuant to an assignment agreement dated February 4, 2019, Axle Tech, Inc. transferred and otherwise assigned all of its existing rights and obligations to UA Holdings, Inc., except for its parts business. The parts business was transferred to our affiliate, United Machine Alliance, Inc.

Our affiliate United Machine Alliance, Inc.'s address is 24850 Amah Parkway, Claremore, Oklahoma, 74019. United Machine Alliance, Inc. provides franchisees with, among other things, parts and supplies.

Name under which the Franchisor Does or Intends to do Business. United Axle is the name that the Franchisor uses and intends to use to conduct business.

Name and Address of Our Agent for Service of Process. Our agent for service of process within the State of Oklahoma is Todd Carroll, 24850 Amah Parkway, Claremore, Oklahoma, 74019; other agents for service of process, if any, are listed on Exhibit G.

Our Form of Business Organization. We are a corporation organized in Oklahoma and have a registered tradename of United Axle.

The Franchisor's Business and the Franchises to be Offered. Our business is offering franchises for spindle replacement businesses that operate using the name "United Axle" established and operated using our format and system (the "System") and serving as the franchisor to the System. We are not engaged in other businesses.

There is currently one Company-owned United Axle business.

We currently have 26 franchises. We have not offered franchises in other lines of businesses.

As a franchisee in the System you will own and operate a franchised United Axle business featuring spindle replacement services at a retail location and/or on a mobile basis from

one or more vehicles, each displaying our trademark(s), trade dress, and/or features, and which operates using our Proprietary Products and Services and under our proprietary methods, trade secrets, designs, processes, technical and operational information, know-how, and other intellectual property (the "Concept") relating to the operation and implementation of franchised business.

The franchised business features proprietary spindles, which must be purchased from Franchisor, and a proprietary method of replacing spindles ("Proprietary Products and Services"), as well as a variety of non-proprietary products and services that we designate from time to time.

Such businesses are characterized by our System. Some of the features of our System include standard specifications and standards for products, equipment, materials, supplies, specifications and procedures for operations, training and assistance, marketing, and promotional programs. We may periodically improve, further develop, or otherwise modify and change the System, the Concept, and the Proprietary Products and Services.

The Market. Your primary market will be truck drivers and owners in need of replacement spindles. This sector of the business market is developing. Sales are not expected to be seasonal.

Law, Rules, and Regulations. You must comply with federal, state, and local regulations; license, certificate, and permit requirements for business operation and occupancy; and federal and state laws governing such matters as minimum wages, working conditions, and overtime. The enactment of future legislation increasing employee benefits, such as mandated health insurance, could also adversely affect you, us, and the general business industry, as could future increases in workers' compensation rates. You must also comply with other federal, state, and local laws including occupancy requirements, EEOC, OSHA, discrimination, employment, and sexual discrimination laws.

Your Franchised Business must also meet applicable municipal, county, state, and federal building codes and handicap access codes. In particular, your Franchised Business is subject to licensing and regulation by various agencies in each state and/or municipality in which your Franchised Business is located.

We have not experienced material difficulties in these areas, but regulatory difficulties or failures in obtaining the required licenses or approvals could delay or prevent the opening of a new business in a particular area or otherwise materially affect profitability of a particular business.

You will be responsible for obtaining any applicable real estate permits (i.e. zoning), real estate licenses, and operational licenses. You are responsible for complying with any federal, state, county, municipal, or other local laws and regulations that may apply to your Franchised Business. You should consider these laws and regulations when evaluating your purchase of a franchised business. There may be other laws applicable to your Franchised Business. You should investigate other possible applicable laws and consult your attorney concerning those and other local laws and ordinances that may affect the operation of your Franchised Business before entering into a Franchise Agreement.

The Competition. The spindle replacement industry is developing. Our Proprietary

Products and Services are patent pending, and thus there is an expectation that your competitors may very well be businesses owned by us and other franchisees. Other competitors include other businesses that use other products and services. You also could compete with other businesses owned or franchised by us, with third-party businesses licensed by us to use the Proprietary Products and Services but not the Proprietary Marks, or with third-party businesses that purchase our Proprietary Products. The business that you will develop and operate will compete with other national and local businesses that provide similar services to the general public. Your direct competitors will include other businesses in the area of your Franchised Business. We may establish other franchised businesses in your area (if permitted under the Franchise Agreement) and/or sell or license others to sell our products in your area. An investment in a business under the System, like any other business, involves business risks, and the success of your Franchised Business is primarily dependent upon your location, general economic conditions in your area, and your business abilities and efforts. See Items 8, 9, 12, and 16 for a description of your permitted activities and your rights, and our permitted and restrictive activities and rights.

Franchise Agreement. We may offer to enter into a Franchise Agreement with you if you are a qualified legal entity or person. A copy of our standard form of Franchise Agreement is attached as Exhibit B. Under a Franchise Agreement, we will grant you the right, and you will accept the obligation, to open and operate a business under the System at an agreed-upon location (the "Approved Location"). In this disclosure document the term "Franchised Business" means the business franchised to you under a Franchise Agreement.

If you are not an individual, you must designate one of your owners, who must be an individual person and who must be reasonably acceptable to us (the "Designated Principal") to act as the general manager of your Franchised Business. If your owners are all entities your Designated Principal may be a third party who must be an individual person and who must be reasonably acceptable to us.

The Prior Business Experience of the Franchisor, its Predecessors, and Affiliates. We began offering rights to use the Concept to franchisees on July 10, 2017. As of the date of this disclosure document, we have one company-owned business and one franchised businesses.

## **Item 2 Business Experience**

The following are the names and positions of our managers, principal officers, and other individuals who will have management responsibility for the sale and operation of our franchises being offered. Also included are each person's principal occupations and employers during the past five years.

### Principal Managers:

Todd Carroll is the Founder and President of UA Holdings, Inc. Carroll was raised by his father, who was a heavy equipment mechanic. He learned at a very young age all about the moving parts of a vehicle and how to service them. With this wealth of real-world experience, Carroll obtained extensive mechanical experience.

During 2012, Carroll started his own trucking business as a sole proprietor and operated this business until May of 2014 driving over the road and servicing trucks.

Then, during May of 2014, Carroll began operating trucking business through a corporate entity named Allied Trucking Inc. This entity operated a successful flatbed trucking business based in Claremore, Oklahoma. From this inside industry position, he realized one of the largest expenses of owning a trucking business was the cost of repairs. As a result, he began taking a closer look at spindle repairs and thought there had to be a better and more advantageous way of replacement.

Carroll sold Allied Trucking Inc. during July of 2018 so that he could focus solely on United Axle's products and franchising, which, at that time was conducted through Axle Tech, Inc. He was that company's President and head of research and development. Since January of 2019, he has been our President and head of research and development. He is also President of our affiliate United Machine Alliance, Inc.

Cara Carroll is Vice President of UA Holdings, Inc. Carroll has a bachelor's degree in education and has taught Oklahoma students in schools and over the Internet. From August 2013 to August 2015 Carroll taught at Oklahoma Virtual Charter Academy located in Midwest City, Oklahoma. Later, from September 2015 to August 2016, she taught at Epic Charter Schools located in Oklahoma City, Oklahoma.

During May of 2016, Cara Carroll began working for her husband's trucking company, Allied Trucking Inc. Through their efforts, the Carrolls significantly increased the company's revenues and ultimately sold the business during July of 2018. Since July of 2018, Carroll began working full time for Axle Tech, Inc. as its Vice President. During January of 2019, Carroll became our Vice President and the Vice President of our affiliate United Machine Alliance, Inc.

### **Item 3 Litigation**

There is no litigation that must be disclosed in this disclosure document.

### **Item 4 Bankruptcy**

No bankruptcies are required to be disclosed in this disclosure document.

### **Item 5 Initial Fees**

Initial Franchise Fee. You must pay a franchise fee for each Franchised Business you open. You must pay the franchise fee in full at the time you sign your Franchise Agreement.

The amount of the franchise fee will be based on the size and location of the territory. The minimum franchise fee is \$25,000.

Your franchise fee will be fully earned when paid and non-refundable in consideration of administrative and other expenses we incur in entering into the Franchise Agreement and for our lost or deferred opportunity to enter into a Franchise Agreement with others.

Pre-Opening Expenses. You are required to purchase an Equipment Package as described in Section 6.6 of the Franchise Agreement from us or our affiliates prior to the opening of your Franchised Business. You may purchase an Equipment Package with a vehicle for approximately \$80,000, depending on market prices, or without a vehicle for \$10,000. You are also required to purchase all spindles from us. Our spindles are proprietary, are currently patent pending, and may be purchased only from us. Your initial purchases of the proprietary spindles to open the new Franchised Business are estimated to be approximately \$12,500, payable to us.

Except for the fees discussed in this Item 5 or in Item 6 or Item 7, you are not required to pay us or our affiliates any fees or payments for services or goods before your business opens.

**Item 6  
Other Fees**

Type of Fee	Amount	Due Date	Remarks
Continuing Royalty Fee (Note 1, 2, 6)	\$550 per month	Monthly	This fee commences on the 31 <sup>st</sup> day of operations following the opening of the Franchise Business.
Advertising and Brand Development Fund (Note 1, 2, 6)	\$1,200 per year; Franchisor reserves the right to change the amount to 1.0% of gross receipts of each Franchised Business	Annually	These funds are used for development of the brand by means of product development, advertising research, customer development and research, and equipment research and development.
Local Telephone and Online Directories	Varies	Upon Demand	We may require you to or we may, on your behalf, advertise your Franchised Business in local directories. You must bear the costs for your Franchised Business, including reimbursements to us.
Late Payments (Note 1, 3)	12% per annum or highest applicable legal rate for open account business credit from the date such payment was due	Late payments are due only if you fail to pay when due any amounts due to us under the Franchise Agreement (which are set forth in this table)	Repeated failures to pay amounts when due also constitute grounds for termination of the franchise

Type of Fee	Amount	Due Date	Remarks
Record Keeping Requirements (Note 4)	Upon discovery of a discrepancy of 2% or more, all expenses connected with the audit (including but not limited to reasonable accounting and legal fees)	Upon Demand	You are required to establish and maintain a bookkeeping and record keeping system conforming to our requirements which includes tracking vehicles for which work is performed and serial numbers of spindles installed.
Transfer Fees (Note 1)	\$12,500	Upon your sale or other transfer of your Franchised Business and/or a controlling interest in your business entity	This fee is assessed to each Franchised Business, or right to develop a Franchised Business, which is transferred. No transfer fees are charged in connection with a transfer to other existing shareholders, members, partners, immediate family members or if the franchisee is an individual, to an entity owned 100% by the Franchisee if the transfer does not result in a change in control of your business entity. We have a right of first refusal on any transfers to third parties.
Relocation fees (Note 1)	\$5,000	Upon relocation of your Franchised Business	This fee is assessed if you elect to relocate your Franchised Business. You must request our written approval of your relocation and you cannot be in default of any of your agreements with us. We must approve your new location and lease or purchase agreement. You must have the financial resources to relocate and you must enter into our then current form of franchise agreement. The relocation fee will not

Type of Fee	Amount	Due Date	Remarks
			apply to your existing Franchised Business if it is damaged or destroyed and cannot be repaired or replaced in a reasonable period of time.
Training (Note 1, 5)	Included in the Franchise Fee	Upon execution of the Franchise Agreement (See Item 8)	The Franchise Fee covers our costs of training your general manager and our costs of rendering pre-opening assistance.
Additional Training (Note 1, 8)	Varies under the circumstances	As incurred	If you request assistance beyond the initial training and opening assistance as noted above, you will reimburse us for costs in providing you with this assistance.
Costs and Attorneys' Fees (Note 1)	Varies under the circumstances	As incurred	Payable only if you do not comply with the Franchise Agreement and/or the Area Development Agreement, and we prevail in our lawsuit.
Indemnification under the Franchise Agreement	Varies under the circumstances	As incurred	You must reimburse us if we are held liable for claims resulting from your Franchised Business.
Securities Offering (Note 1)	Our actual expenses	Upon demand	Payable only if you propose to engage in a public or private securities offering. You will be required to reimburse us for all reasonable costs and expenses (including attorney's fees and accounting fees) we expend to evaluate your proposed offering.

Type of Fee	Amount	Due Date	Remarks
Renewal Fee	10% of the initial Franchise Fee	At end of term, prior to renewal	This fee is due upon each renewal of the Franchise Agreement, prior to the end of the then-current term.

See Note 7 below for miscellaneous comments.

Note 1 Except where otherwise specified, these fees are imposed by and are payable to us or our affiliates and not to any third party, and are non-refundable.

Note 2 With the exception of the franchise fee, you will pay all payments and fees which you owe us under the Franchise Agreement through an Electronic Depository Transfer Account ("Electronic Depository Transfer Account") as described in the Manuals, by business check, or credit card.

Note 3 We may apply any of your payments to any of your past due indebtedness for the Continuing Royalty Fee, Marketing Fund contributions or other advertising contributions, expenses, purchases from us, interest, or any other indebtedness. We may also apply funds that we hold on your behalf against liabilities or obligations that you owe us.

Note 4 You are required to establish and maintain a book keeping and record keeping system that conforms to our requirements, as revised periodically, including use and retention of sales, purchase orders, invoices, payroll records, customer lists, check stubs, sales tax records and returns, cash receipts and disbursements journals, and general ledgers. You must make your spindle books and records reasonably available for inspection by us in the event it is needed.

We or our representatives have the right at all reasonable times to inspect and copy your spindle books and records. Upon discovery of a discrepancy of 2% or more, you are also required to pay and reimburse us for all expenses connected with said inspection, including, but not limited to, travel, lodging, and wages expenses and reasonable accounting and legal fees. Otherwise, we must pay the cost of the audit.

Note 5 You are responsible for your own and your managers' transportation costs, room and board expenses, compensation and benefits, and other expenses incurred while attending training. If you request assistance beyond the initial training and opening assistance normally provided, you must reimburse us for our costs in providing the assistance.

We may provide seminars for our previously trained and experienced franchisees and their employees. Attendance at these seminars will be at your expense and is not mandatory.

Note 6 The ranges and categories of expenses listed on the table above are based solely on the experience of our managers in the business industry and your expenses may be significantly different depending on which approved suppliers you use and local costs. Do not rely on this estimate of expenses to project your future performance because your expenses may differ from the ranges above and you will have additional expenses to third party suppliers, to us, and/or to affiliates which we have not listed. See Items 7 and 8 for additional information concerning your purchases from third party suppliers.

The Franchise Agreement provides that the relationship between you and us is that of an independent contractor and not that of an agent. Because you are not our agent, you must indemnify and hold us harmless against any and all claims and expenses arising from your operation of your business.

We have reserved the right to modify and improve the Concept employed throughout the System. As we modify the Concept, it may require that you adopt the modifications in your Franchised Business. Such modifications may include changes to the products and services offered, the advertising system, the signage, the Proprietary Marks, or the operating procedures and requirements.

You may participate in our agreements with major credit card companies. Because of the volume of charges generated by us and participating franchisees, the major credit card companies may provide lower charges to us and participating franchisees than would normally be available to a franchisee that contracts directly with such companies.

The aforementioned fees do not contemplate all payments you will make to suppliers, lessors, and other people during the term of the Franchise Agreement. No fees payable to us are refundable unless stated above. Except as otherwise stated herein, all fees to be paid to us by our franchisees are uniform throughout the System.

Note 7 You also must obtain, before beginning any operations under the Franchise Agreement, and must maintain in full force and effect at all times during the term of the Franchise Agreement, at your own expense, an insurance policy or policies protecting you, us, our affiliates, and your and our respective officers, directors, managers, partners, and employees. The policies must provide protection against any demand or claim relating to personal and bodily injury, death or property damage, or any liability arising from your operation of the Franchised Business. All policies must be written by a responsible carrier or carriers whom we determine to be acceptable, must name us and our affiliates as additional insureds, and must provide at least the types and minimum amounts of coverage specified in the Franchise Agreement or otherwise in the Manuals. The policies must provide that they cannot be cancelled without 30 days written notice to us and we will require you to provide us a copy of the endorsement to the policy that includes us as a named insurer. Additionally, we may designate one or more insurance companies as the insurance carrier(s) for United Axle businesses. If we do so, we may require you to obtain your insurance through a designated carrier. (Franchise Agreement, Article XIII).

**Item 7**  
**Estimated Initial Investment (see Note 1)**

AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Franchise Fee (Note 2)	\$25,000 minimum	Lump Sum	Upon Signing of Franchise Agreement	UA Holdings, Inc.
Equipment Package (Notes 1, 3)	Approximately \$80,000 with vehicle; \$10,000 without vehicle	Lump Sum	Prior to opening	UA Holdings, Inc.
Training Expenses (Note 4)	\$1,000	As incurred	As incurred	Lodging, airfare, etc. employees, pre-opening trainer expenses
Acquisition/remodeling/etc of property/ lease (Notes 5, 6)	(Note 5)	(Note 5)	As incurred	(Note 5)
Signage	\$3,000	As incurred	Prior to Opening	Suppliers-vendors
Equipment and furnishings and fixtures	\$2,000	As incurred	Prior to Opening	Suppliers-vendors
Inventory (Note 7)	\$12,500	As incurred	Prior to opening and as incurred	Our suppliers-vendors
Security Deposits, Utility deposits and Fees	\$1,500	As incurred	Prior to Opening	Utility and other service providers
Business licenses	\$1,000	As incurred	Prior to Opening	Local and State agencies
Wages for employees	\$15–20 per hour	As incurred	As incurred	Employees
Insurance (Note 8)	\$5,000–10,000	As incurred	As incurred	Insurance provider
Additional funds (initial 3 months) (Note 9)	\$5,000–10,000	As incurred	As incurred	Employees, Suppliers

AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Other (Note 10)	\$500–5,000	As incurred	As incurred	Suppliers, Accountants, Advertising, Attorneys, etc.
Total (Note 11)	\$65,000-\$106,000 minimum (excluding real property)			

Note 1 The figures in this chart reflect our estimates of your initial investment for one stand-alone Franchised Business from the time you submit your initial application through approximately three months after you open your first Franchised Business. Certain of these expenses will not be necessary if your Franchised Business will be through an existing business. The ranges and categories of expenses listed on the table above are based solely on United Axle’s experience in running a United Axle-owned business and your expenses may be significantly different depending on which approved suppliers you use and local costs. Do not rely on this estimate of expenses to project your future performance because your expenses may differ from the ranges above and you may have additional expenses which we have not listed. You should carefully review these figures with your business advisor before making any decision to purchase a business under the System. As to whether or not these fees are refundable, see Notes 2 and 3. Any remaining fees/investments shown in the table are not paid to us and whether they are refundable or not will depend upon your transaction with suppliers, lessors, vendors, or other parties.

Note 2 As described in Item 5, you will pay us a franchise fee for each of your Franchised Businesses. These fees are due upon and payable as noted in Item 5. See Item 5 for the conditions when these fees are partly refundable. The amount of the franchise fee will be based on the size and location of the territory but the minimum is \$25,000.

Note 3 You will have the option to buy a package of equipment and tools necessary for commencing the Franchised Business. The Equipment Package may include proprietary equipment, such as a specialized jig and other tools necessary for performing the Proprietary Services. Such proprietary equipment may be available only from Franchisor. Franchisor may offer two Equipment Packages, one with a vehicle satisfying the minimum standards for the Vehicle(s) and one without; you may elect which Equipment Package to buy from Franchisor. If you select an Equipment Package without a vehicle but plan to offer mobile services, you must additionally purchase a vehicle from a third party meeting the requirements set forth in the Franchise Agreement and otherwise in writing by Franchisor. If you select an Equipment Package with a vehicle, the exact price will be dependent on the type and features of vehicle you select. These fees are not refundable.

Note 4 Tuition and fees for the training school for up to 4 persons, including you and/or your general manager, are included in your franchisee fee. You are required to pay for

transportation, lodging, and meals and any other incidental expenses incurred for you and your trainees in attending the training school. The chart estimates only your trainees' living and transportation expenses. While not required, it has been our experience that most trainees receive a salary and benefits while in attendance. As discussed in Item 11, we may provide one or more representatives to perform pre-opening training and opening assistance at your Franchised Business. You will be responsible for the costs of travel, lodging, and meals for these representatives during this training period. For a fee mutually agreed to by you and us, we will provide additional training where necessary to improve operations.

Note 5 Amount does not include the cost of real property. You may already have an appropriate site for your Franchised Business, your cost of construction or leasehold improvements for your Franchised Business may be minimal, or you may plan to operate your Franchised Business through an existing business. The cost of construction or leasehold improvements will vary depending on your construction and renovation costs and whether your landlord will pay some or all of these costs. You must employ architects, designers, engineers, and other professionals to complete, adapt or modify our sample layout, plans, and specifications for your Franchised Business, including any changes required by your landlord.

Note 6 In addition to the Equipment Package, you may be required to purchase or lease other equipment, furnishings, or fixtures required to operate the business in accordance with our standards. Unless otherwise required by the Franchise Agreement, the Manual, or otherwise in writing, you may purchase or lease the equipment, furniture, or fixtures directly from a manufacturer or third party upon such terms and conditions as you may negotiate. It is estimated that the cost of standard equipment, furniture, and fixtures will be between \$1,000 and \$5,000 (exclusive of financing costs). Your actual costs may be more or less than estimated above depending on your location, the size and type of equipment you purchase, and your chosen manufacturer or third party.

Note 7 You will purchase all items of inventory necessary to commence the operation of the Franchised Business. Inventory can be purchased only from suppliers approved by us. We will provide you a list of approved suppliers. You will purchase the inventory directly from a supplier in accordance with the supplier's terms of payment. The amounts designated are for beginning inventory.

Note 8 The above amounts reflect the estimated annual premiums for the types of insurance required under the Franchise Agreement, exclusive of worker's compensation insurance which is statutorily based on your business's payroll and varies significantly from state to state. Premiums on such insurance policies will vary and you should consult with your insurance agent with the objective of ascertaining the costs to be associated with obtaining and maintaining such insurance.

Note 9 This estimates your start-up expenses for the initial three months of your Franchised Business. These expenses include payroll costs, but do not include an owner's salary or draw. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as:

how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for our product; the prevailing wage rate; competition; and the sales level reached during the initial period.

Note 10 The amount designated for miscellaneous start-up costs includes items such as accounting fees, attorney fees, tax deposits, and initial advertising. Many of these expenditures are discretionary; therefore, the total amount may vary.

Note 11 You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not, either directly or indirectly, offer financing to any franchisees (See Item 10).

## **Item 8 Restrictions on Sources of Products and Services**

Obligation to Purchase Products from Franchisor or Designated Suppliers. All products sold, offered for sale, or otherwise provided at your Franchised Business must meet our then-current standards and specifications and must be approved by us. You must purchase, install, and use all fixtures, furnishings, equipment, décor, supplies, computers and communications hardware and software, signs, and materials as we may reasonably require in the Manuals or other written materials (collectively, the "Business Items"). You must purchase all of your requirements for Proprietary Products from Franchisor or Franchisor's designee(s). We do not negotiate purchase arrangements with suppliers for the benefit of franchisees. No purchasing or distribution cooperatives exist.

Franchisor shall have the right to introduce additional, substitute new, or discontinue Proprietary Products from time to time. You also must purchase and install all proprietary equipment and equipment and tools specific to the Proprietary Products and Services, including the jig and spindles from Franchisor or Franchisor's designee(s). Our president and vice president, Todd and Cara Carrol own the supplier United Machine Alliance, Inc., which supplies the jig and spindles. We estimate that our revenue from required purchases from franchisees will be \$702,000 per year. Please note that these are merely estimates.

We estimate that purchases of products and services from Franchisor and/or approved suppliers will constitute approximately 15% of your initial investment and approximately 80% of your ongoing annual expenses to operate your Franchised Business.

We may grant or revoke approval of alternative suppliers. In determining whether we will approve any particular supplier, we consider factors, including but not limited to whether the supplier can demonstrate the ability to meet standards and specifications for such items and adequate quality controls and capacity to supply your needs promptly and reliably. You may not contract with alternative suppliers without our permission. If you desire to purchase Products (except for Proprietary Products) from alternative suppliers, you must first submit a written request for authorization to purchase such items. You must submit to us such information and samples as we may reasonably require, and we shall have the right to require periodical inspections. A charge not to exceed our reasonable cost of the evaluation and testing shall be paid by you. Our determination of whether to approve the supplier will be made within 30 days after receiving all the requisite information. We reserve the right to re-inspect from

time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of our then-current criteria.

We do not provide or withhold material benefits to you (such as renewal rights or the right to open additional locations) based on whether you purchase through the sources we designate or approve; however, purchases of unapproved products or purchases from unapproved suppliers in violation of the Franchise Agreement will entitle us, among other things, to terminate the Franchise Agreement.

### **Item 9 Franchisee's Obligations**

**The table below 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 in Franchise Agreement	Item in Disclosure Document
a. Site selection and acquisition/lease	Article VI	Items 7 and 11
b. Pre-opening purchases/leases	Article VI and Article VIII	Items 6, 7, 8, and 11
c. Site development and other pre-opening requirements	Article VI	Items 8 and 11
d. Initial and ongoing training	Article V and Article VI	Item 11
e. Opening	Article VI and Article XII	Item 11
f. Fees	Article IV and Article XII	Items 5, 6, and 7
g. Compliance with standards and policies/Operating Manual	Article V, Article VI, and Article IX	Items 7, 8, 11, 15, and 16
h. Trademarks and proprietary information	Articles VII and Article X	Items 13 and 14
i. Restrictions on products/services offered	Article I and Article IX	Items 8 and 16
j. Warranty and customer service requirements	Article VI	Item 16
k. Territorial development and sales quotas	Article III and Article XV	Item 12
l. Ongoing product/service purchases	Article VI	Items 6 and 18
m. Maintenance, appearance & remodeling requirements	Article VI	Item 11
n. Insurance	Article XIII	Items 6, 7, and 17
o. Advertising	Article XII	Item 11

Obligation	Section in Franchise Agreement	Item in Disclosure Document
p. Indemnification	Article XX	Item 6
q. Owner's participation/management/staffing	Article V, Article VI, and Article XIX	Item 15
r. Records and reports	Article IV, Article VI, and Article XIX	Item 6
s. Inspections and audits	Articles V and Article VI	Item 6
t. Transfer	Article XIV	Items 6 and 17
u. Renewal	Article II	Items 6 and 17
v. Post-termination obligations	Article VI, Article VII, Article IX, Article X, Article XV, Article XVI, and Article XXIII	Item 17
w. Non-competition covenants	Article XVII, Appendix A	Item 17
x. Dispute resolution	Article XXIII	Item 17
y. Other – Other Duties	Article IX	Items 6, 7, and 8

**Item 10  
Financing**

We do not offer any direct or indirect financing to you. We do not guarantee your note, lease, or other obligation.

**Item 11  
Franchisor's Assistance, Advertising, Computer Systems and Training**

**Except as listed below we are not required to provide you with any assistance.**

Pre-Opening Obligations. Before you open your business, we will perform the following obligations:

1. Designate your Territory. (Franchise Agreement, Section 1.1)
2. Provide training, via video and/or in person at a location designated by us, training for you and/or your general manager and other representatives and/or employees, provided the maximum number of people being trained does not exceed four (4). The training program will occur prior to the opening of the Franchised Business, and will last for three (3) days. The training program syllabus shall be as described in the Operations Manual (collectively, the "Manuals," or individually each a "Manual"). Transportation, room and board, compensation, benefits, and any other expense incurred by you and your manager/other employees in connection with attending the training school will be borne solely by you. We will bear the costs relating to instructors, the training materials, and administrative overhead.

We may, at our discretion, furnish to you, at your expense, up to five (5) days of on-site training. During this training, our representative(s) will assist you in establishing and standardizing procedures and techniques essential to the operation of the business and shall assist in training personnel. Prior to the arrival of our representative(s), you shall have completed all training of your initial staff of employees for the Franchised Business, as shall be necessary for you to comply with its staffing obligations hereunder. Should you request additional assistance from us in order to facilitate the opening of the Franchised Business, and should we deem it necessary and appropriate to comply with the request, you shall pay our per diem training fee and our out of pocket expenses in providing such additional assistance as set forth in the Manuals as the same may be from time to time. Such out-of-pocket expenses include, but are not limited to, lodging, food, and travel arrangements for our representative(s).

We shall not be responsible for training or offering guidance with respect to compliance with any laws, ordinances, or other legal matters. We also shall not be responsible for training or offering guidance with respect to welding, and all trainees must be able to weld prior to commencing training. We reserve the right to refuse to train any individual deemed by us to have insufficient welding abilities, according to our sole judgment. (Franchise Agreement, Section 5.2)

3. Furnish one (1) set of all training materials needed for the pre-opening training program of the Franchised Business. You shall be responsible for the accurate duplication and distribution of the materials to your employees. (Franchise Agreement, Section 5.9)

4. Loan you one (1) copy of our Manuals in hardcopy or electronic format for use at the Franchised Business, subject to certain conditions set by us. (Franchise Agreement, Section 5.11)

5. Provide you with a list of suppliers designated and/or approved by us to supply Products and Services, equipment, signage, materials, and services to franchisees in the System. (Franchise Agreement, Section 5.14)

6. Approve or disapprove your Vehicle(s) submitted for approval. (Franchise Agreement, Section 6.5)

7. Approve or disapprove your proposed wrap or sticker for your Vehicle(s). (Franchise Agreement, Section 6.5)

8. Offer an Equipment Package for your purchase, which may include equipment and tools necessary for commencing the Franchised Business. We reserve the right to require you to purchase the Equipment Package from us prior to commencement of the Franchised Business. The Equipment Package may include proprietary equipment, such as a specialized jig and other tools necessary for performing the Proprietary Services. Such proprietary equipment may be available only from us. You must purchase replacement proprietary equipment only from us or our designee. We may offer two Equipment Packages, one with a vehicle satisfying the minimum standards for the Vehicle(s) and one without; You may elect which Equipment Package to buy from us. (Franchise Agreement, Section 6.6)

9. Approve or disapprove your intended opening date. (Franchise Agreement, Section

6.7)

10. Sell you your initial inventory of Proprietary Products. (Franchise Agreement, Section 6.15)

We are not obligated to provide or to assist you to obtain the following items or services: (1) locating a site for your business(s) or negotiating the purchase or lease of the site; (2) conforming the business premises to local ordinances and building codes and obtaining the required permits (i.e., health, sanitation, building, driveway, utility, and sign permits); (3) constructing, remodeling, or decorating the premises for the business(s); (4) purchasing or leasing equipment, signs, fixtures, opening inventory, and supplies; and (5) hiring employees. We require that your Franchised Business(s) comply with local and state laws, regulations, and ordinances. We require that you sell only such products as have been expressly approved for sale in writing by us. We will approve suppliers of these products and will provide you with a list of approved suppliers.

We are not required by the Franchise Agreement to furnish any other services or assistance to you before the opening of your Franchised Businesses.

Typical Length of Time Before Operation. You must open your Franchised Business within 6 months after signing a lease or purchase contract for the site of your Franchised Business, unless otherwise approved by us in writing. We anticipate that it will take approximately 30 days between the signing your Franchise Agreement and the opening of your Franchised Business if your Franchised Business will be located in an existing building or if you plan to conduct solely mobile operations, as least initially. If you will be newly constructing your Franchised Business, we anticipate that it will take approximately 6 months between the signing of your Franchised Agreement and the opening of your Franchised Business. The time required to open may be affected by various factors including your ability to select a suitable site, delays in making leasing and financing arrangements, completing construction, leasehold improvements and décor and furnishings, completing training, meeting local ordinances or community requirements, delivery of equipment and signs, and similar factors. You must have all necessary licenses, permits, and approvals, have hired and trained personnel, including satisfactory completion of our initial training program, installed equipment, and otherwise implemented all components of the Concept before opening. If you fail to begin operations within 6 months after signing a lease or purchase contract for the site of your Franchised Business, or as otherwise approved by us in writing, we may terminate your Franchise Agreement. Our estimates are based on the experience of our principals in the business and information provided to us by third parties and we have not provided any independent verification of any of this information.

Post-Opening Obligations. During the operation of your Franchised Business(s), we will perform the following obligations:

1. Provide training for new or replacement designated principals and/or managers. In the event that your designated principal or general manager ceases active employment in the Franchised Business, you shall enroll a qualified replacement who is reasonably acceptable to us in our training program promptly following cessation of the employment of said individual. The replacement designated principal and any required managers shall complete the initial training program as soon as is practicable and in no event later than any time periods as we may

specify from time to time in the Manuals and otherwise in writing. We reserve the right to review any Franchisee-trained personnel and require that such persons attend and complete, to the satisfaction of us, the initial training program offered by us at a location designated by us.

You shall have the option of training any manager (following the training of the first manager by us) at the Franchised Business or other businesses operated by you or your affiliates, provided that the training is conducted: (a) by the designated principal or other personnel who has completed our initial training program, to the satisfaction of the us (and who remains acceptable to us to provide such training); (b) in accordance with any requirements or standards as we may from time to time establish in writing for such training; and (c) you are in compliance with all agreements between you and us. In the event you are not certified to provide training or you lose your training certification, then we will train the additional or replacement manager. We reserve the right to require you to pay our then-current charges for such training, which charges are in addition to any out-of-pocket expenses to be incurred in relation to such training, such as travel, lodging, food, and wages.

We may also require that you or you designated principal and managers attend such refresher courses, seminars, and other training programs as we may reasonably require from time to time, provided that such training shall not exceed two (2) days per person each year, and attendance for up to two (2) days per person each year at conventions, if any, conducted for our franchisees.

The cost of all training (instruction and required materials) shall be borne by us, except as provided below. All other expenses incurred in connection with training, including without limitation the costs of transportation, lodging, meals, wages, and worker's compensation insurance, shall be borne by you. If you request that we provide additional on-site training or that any other training programs offered or required by us be conducted for you at the Franchised Business, and we do so, then you agree that you shall pay our then-current per diem charges and out-of-pocket expenses, which shall be as set forth in the Manuals or otherwise in writing. (Franchise Agreement, Sections 5.3 to 5.8)

2. Provide you with such periodic newsletters, bulletins, and additional informational material as we deem advisable. (Franchise Agreement, Section 5.9)

3. Make available from time to time promotional materials for in marketing by you for which you shall pay the reasonable value thereof, if used. You will be notified by us in advance, in writing, as to which promotional materials you are required to use and which promotional materials are optional. We must review and approve all advertising and promotional material which you propose to use. (Franchise Agreement, Section 5.10)

4. At our discretion, conduct each calendar quarter an inspection of the Franchised Business, including its Premises and/or Vehicle(s), as applicable, and such other periodic inspections as may be desirable, subject to two days prior notice to you. The cost of such quarterly inspections will be borne by us; provided, to the extent that you request the assistance of our personnel at times other than the regular quarterly inspections, costs incurred by us in furnishing such personnel and assistance will be borne by you. (Franchise Agreement, Section 5.12)

5. Approve or disapprove any requests for authorization to purchase items from suppliers not previously approved. (Franchise Agreement, Section 5.14)

6. Sell you Proprietary Products. (Franchise Agreement, Section 6.15)
7. Approve or disapprove requests to relocate and/or reconstruct the Premises. (Franchise Agreement, Section 6.23)
8. Approve or disapprove advertising materials, including coupons, promotional campaigns, designs, advertisements, signs, or other forms of publicity, submitted by you. (Franchise Agreement, Section 12.7)

The Franchise Agreement does not require us to provide any other assistance or services to you during the operation of the Franchised Business.

You are required to establish and maintain a bookkeeping and record keeping system that conforms to our requirements, as revised periodically, including use and retention of sales (guest checks), purchase orders, invoices, customer lists, check stubs, sales tax records and returns, cash receipts and disbursements journals, and general ledgers. You are required to submit periodic reports, forms, and records as specified in the Manuals or otherwise in writing by us. You must make your spindle books and records reasonably available for inspection by us.

Advertising. The media in which the advertising may be disseminated includes Internet, print, radio, television, outdoor, point-of-sale, and direct mail. The coverage of the media is typically local or regional in scope. The source of the advertising may include an in-house advertising department, as well as national and/or regional advertising agencies. You may use your own advertising materials, provided that you obtain our prior written approval before you begin your use of the advertising. As of the date of this disclosure document, there is no advertising council composed of franchisees. (Franchise Agreement, Article XII)

Advertising and Brand Development Fund. We have established an Advertising and Brand Development Fund, to which every franchisee is required to contribute \$1,200 annually. In lieu of this fee, we reserve the right to require all franchisees to contribute 1.0% of their gross receipts, calculated and payable weekly by EFT (electronic fund transfer) no later than the Tuesday after the close of each week, to the marketing fund. Company-owned businesses, if any, do not contribute to this marketing fund. These funds may be used to create advertising materials that advertise United Axle businesses. In particular, these funds may specifically be used for establishing, maintaining, and improving the Website. (Franchise Agreement, Section 12.2) The Marketing Fund may be used to support any National Accounts Program that is intended to attract National Account customers for services that are provided by franchisees in the United Axle System, and that is being administered by Franchisor or its designee.

Business Opening. Unless waived by us in writing, you must advertise the opening of any new business.

Other Advertising Information. There is currently no advertising council composed of franchisees that advises the franchisor on advertising policies.

Websites. Websites are considered advertising under the Franchise Agreement. You cannot offer, promote, or sell any products or services, nor make use of any Proprietary Marks that references the Franchised Business, United Axle, the System, or the Concept, on any website

without our prior written approval. We shall have the right, but not the obligation, to establish and maintain a World Wide Web or other Internet website (“Website”), which may, without limitation, promote the Proprietary Marks, any or all of the Products and Services, businesses in the System, the franchising of businesses, and/or the System. We shall have the sole right to control all aspects of the Website, including without limitation, its design, content, functionality, links to the websites of third parties, legal notices, and policies and terms of usage; we shall also have the right to discontinue operation of the Website. We shall have the right, but not the obligation, to designate one or more web page(s) to describe you and/or the Franchised Business, with such web page(s) to be located within our Website. You shall comply with our policies with respect to the creation, maintenance, and content of any such web pages; and we shall have the right to refuse to post and/or discontinue posting any content and/or the operation of any web page. You shall not have the right to create your own website. (Franchise Agreement, Section 8.6)

Operating Manuals. Copies of the Manuals may be reviewed at our offices. The Table of Contents of the Manuals, showing the total number of pages devoted to each subject, is on Exhibit C.

Computer Systems and Cash Registers. We do not require you to purchase or lease a specific computer system or cash register for specific use with the franchise. In the event you would purchase a computer system, we estimate you would spend approximately \$250-500. In the event you purchase a cash register, we estimate the cost would be approximately \$100-250. You have no obligation to upgrade cash registers or computer systems. We do not anticipate that you will have any costs for optional or required maintenance updating, upgrading for support or otherwise for a computer system or cash register, but you may. We will not have independent access to the information generated and stored on your cash register or computer system.

Training Program. Prior to the opening of your Franchised Business, you and/or your general manager must attend our training program. Other representatives and/or employees may also attend, provided the maximum number of people being trained does not exceed four (4). We will provide you and/or other trainees with an initial training and familiarization course of approximately three (3) days in duration, depending on the experience and performance levels of the attendees, to be conducted at such place as we shall designate. (Franchise Agreement, Section 5.2.1)

The following is a general outline of the initial three (3) day Training Program. This outline also includes the "average" trainee's time spent in each segment of the program.

<b>TRAINING PROGRAM</b>			
<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of on the Job Training</b>	<b>Location*</b>
Intro Franchise	1	0	Claremore, Oklahoma
Day-to-Day Operations	1	0	Claremore, Oklahoma

Purchasing	1	0	Claremore, Oklahoma
Website/Marketing Materials/Advertising	1	0	Claremore, Oklahoma
Types of spindles/Recognizing Bad Spindles	1	0	Claremore, Oklahoma
Spindle Replacement Manual	3	0	Claremore, Oklahoma
Hands-on Spindle Replacement	0	16	Claremore, Oklahoma

\* May be at a different approved training site

Notes:

1. Training is offered on an as-needed basis. Training is conducted at a business that is owned and operated by us, an affiliate, or a franchisee, or at a designated training facility.
2. We do not maintain a formal management training staff. The training will be supervised and conducted by our employees who have been certified in specific aspects of the operation of the business.
3. During orientation, the trainee will learn about the history of the United Axle Concept, our operating philosophy, and what the trainee is expected to accomplish during training.

Todd Carroll will oversee the training program and either conduct the training himself or designate the training program instructors from among our General Managers and Assistant Managers, although initially managers of franchised businesses are expected to participate in training. Training is provided on an individual basis, based upon the actual skills, abilities, and experience of the trainee. Our instructors are persons who are knowledgeable in the operations of the United Axle businesses, and seek to direct trainee(s) in both theory and practice. The training course and all materials are presented in English; therefore sufficient oral, reading, and writing skills are needed in English to complete the training program. The training course will not cover welding, and thus all trainees must be sufficiently trained in welding prior to attending the training program.

The initial training program will cover many aspects of the United Axle business operations, including day-to-day operations, purchasing, website/marketing materials, selling/advertising spindles in your area, recognizing bad spindles, types of spindles, the spindle replacement process, prepping a spindle for installation, and servicing spindles. Trainees are expected to cooperate with the training program and instructions. If a trainee is uncooperative or otherwise fails to comply with the standards of the training program, this could result in termination of the program for that trainee.

Attendance at the training program is mandatory. You and key personnel at your business(s) must attend and successfully complete the training program conducted by us in order to open your business(s). This training is available to all franchisees. We do not charge for this training or service, but you must pay the travel, living expenses, and employee compensation, if any, for you and your other trainees. You may also elect to provide, at your own expense, salary and benefits for your trainees while they attend the training. If you request assistance beyond the initial training and opening assistance normally provided, you will reimburse us for our costs in providing the assistance. All training occurs at our corporate headquarters or such other place as we will designate. We offer these initial training programs on an as-needed basis.

Failure to properly staff for opening will result in a delay until such time as a full supervisory team is on staff and fully trained.

As part of the opening of your Franchised Business, we may, at our discretion, conduct pre-opening training and opening assistance for 5 days at your Franchised Business. The cost of this training is included in your franchise fee, but you will be required to reimburse us for our trainer's travel, meal, and lodging expenses. You must have completed the initial training of your staff prior to the arrival of our representative. During this training, our representative will assist you in establishing standard procedures and techniques necessary to effectively operate your Franchised Business. We will not be responsible for any training or offering guidance with respect to compliance with any applicable laws, regulations, or other legal matters or with respect to welding. If you request additional days of on-site training in connection with your opening or at a later time, we may charge you the then current per diem training fee for each additional day of training provided as well as requiring you to reimburse us for all out of pocket expenses associated with your additional training, including wages and lodging, food, and travel arrangements for our representative.

We may require that you, your designated principal, and your managers attend such refresher courses, seminars, and other training programs as we may require from time to time, provided that required refresher and additional training will not exceed 2 days per person each year. We may also require that your designated principal and your managers attend conventions up to 2 days per person each year.

## **Item 12 Territory**

Franchise Agreement. We will grant you a Territory in your Franchise Agreement. We will describe your Territory in detail in your franchise agreement.

You may not relocate your Franchised Business without our written approval.

If your Franchised Business is a Stand-Alone Business as defined by and as set forth in the Franchise Agreement, while your Franchise Agreement is in effect, we will not license another franchisee to establish a Stand-Alone Business or Ancillary Business at any location within your Territory. You have only the right to operate the Franchised Business under the terms and conditions of the Franchise Agreement, and we reserve all other rights to ourselves and our affiliates. The rights granted to you do not restrict us or our affiliates from contacting international, national or regional organizations or other clients with headquarters or locations in the Territory for any purpose, including the purpose of promoting the use or increased use of services and products marketed by us or our franchisees, or for the purpose of creating or servicing a National Account program offering.

If your Franchised Business is an Ancillary Business as defined by and as set forth in the Franchise Agreement, while your Franchise Agreement is in effect, we will not license another franchisee to establish an Ancillary Business or Stand-Alone Business within your Territory. You have only the right to operate the Franchised Business under the terms and conditions of the Franchise Agreement, and we reserve all other rights to ourselves and our affiliates.

The Franchise Agreement allows you to use the trademark UNITED AXLE and other related Proprietary Marks for the operation of your Franchised Business.

Our affiliates and we also have the right to sell products under the Proprietary Marks within and outside your Territory, as applicable, through any method of distribution other than a dedicated business operating under the System in your Territory, including sales through such channels of distribution as the Internet, catalog sales, telemarketing, or other direct marketing sales (together, "alternative distribution channels"). You may not use alternative distribution channels to make sales outside or inside your Territory and you will receive no compensation for our sales through alternative distribution channels.

You do not receive the right to acquire additional franchises within your area. We may consider granting you the right to establish additional Franchised Businesses under additional Franchise Agreements if you are in compliance with your Franchise Agreements and the Manuals and you propose to open Franchised Businesses in areas and at sites which we approve, but we have no obligation to grant you this right. The Franchise Agreement grants you no options, rights of first refusal, or similar rights to acquire additional Franchised Businesses, including acquired businesses, within the Territory or any contiguous territories.

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

We may decide sometime in the future to offer franchises under other service marks, and such franchises may be offered in your Territory. We do not need to compensate you for soliciting and/or conducting business within your Territory. Our affiliates and related entities may also decide to offer franchises under different services marks and such franchises may be offered in your Territory. In addition, we and our affiliates can use alternative channels of distribution to make sales within your Territory of products or services under trademarks different from the Priority Marks you will use under the Franchise Agreement.

### **Item 13 Trademarks**

The Franchise Agreement will allow you to use the Proprietary Marks for your Franchised Business. We are the owner of all rights, title, and interest and goodwill connected to our trade names, service marks, and trademarks, including UNITED AXLE, and associated logos and commercial symbols to be used in connection with the franchises offered by us.

Specifically, you will be allowed to use the UNITED AXLE mark and associated logo(s),

Registration No. 5479704 dated May 29, 2018 in association with our proprietary spindles. You may be authorized to use other Proprietary Marks as we later designate.

We have a federal registration for our principal trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

We reserve the right to seek federal registrations of any or all of our trademarks. In addition to possibly future Federal statutory registration rights, we, as owner of the Proprietary Marks, also claim common law rights to each mark and to additional trademarks.

Based on our information and belief, there are no presently effective determinations of the U.S. Patent and Trademark Office, the Trademark Trial and Appeal Board, or the trademark administrator of any state or any court; any pending interference, infringement, opposition, or cancellation proceeding; or any pending material litigation involving the Proprietary Marks which are relevant to their use in any state. There are no agreements currently in effect which significantly limit our rights to use or license the use of the Proprietary Marks in any manner material to you.

We know of no superior prior rights or infringing uses of the Proprietary Marks that could materially affect your use of the Proprietary Marks within this state or the state in which the business is to be located.

You must recognize that we may change or modify the Proprietary Marks or adopt new or modified trade names, service marks, trademarks, copyrighted materials, products, equipment, or techniques. You must agree to accept any such changes in the Concept, as if they were part of the Franchise Agreement at the time of its execution.

Your use of the Proprietary Marks and any goodwill established because of your use thereby will be to our exclusive benefit. You are prohibited from contesting the validity or ownership of the Proprietary Marks or assisting another from contesting the Proprietary Marks.

In regard to all the Proprietary Marks, you are obligated to immediately notify us of any claim, demand, or cause of action based upon or arising from any attempt by a third party to use the Proprietary Marks or marks confusingly similar to the Proprietary Marks. We will have sole discretion to take such action as we deem appropriate. We have the right to exclusively control any litigation or administrative proceeding arising out of any such infringement, challenge, or claim or otherwise relating to any Proprietary Marks. You will be required to execute any and all instruments and documents, render such assistance and do such things as in the opinion of our counsel is necessary to protect our interests.

While we are not required by the Franchise Agreement to defend you against any infringement, unfair competition, or other claims respecting your use of the Proprietary Marks, we are obligated to indemnify you against, and to reimburse you for, all damages for which you are held liable in any proceeding arising out of the use of the Proprietary Marks and for all costs reasonably incurred by you in the defense of any such claim, provided that you have notified us of such claim as described above, and have acted in good faith and not in a negligent or reckless manner. You will execute any documents deemed necessary by us or our counsel to obtain protection for the Proprietary Marks or to maintain their validity. If you are forced to remove,

replace, or alter any signs, advertising, or other items by reason of litigation over the Proprietary Marks, we will reimburse you for your reasonable costs.

We reserve the right to substitute different Proprietary Marks for use in identifying the System and the business operating under it if we, in our sole discretion, determine that substitution of different marks as Proprietary Marks will be beneficial to the System. You must promptly implement any substitution of new Proprietary Marks.

You may not use any Proprietary Mark within your corporate or trade name, in an internet domain name, or in the sale of any unauthorized product or service, or in any manner not expressly authorized in writing by us. You shall not use the Proprietary Marks without appropriate symbols, including ®, ™, or ℠ where applicable.

#### **Item 14 Patents, Copyrights, and Proprietary Information**

Patents. United Axle has the rights to U.S. Patent No. 10,202,002, which was issued on February 12, 2019. The patent describes a replacement spindle that can be easily removed for service or replacement. The spindle may have a threaded projection corresponding to a threaded bushing, which may be secured within an axle tube. The spindle may be screwed into place for use, then unscrewed for service or replacement.

Our right to use or license this patent is not materially limited by any agreement or known infringing use. Your use of the information contained in the patent, as well as any related patent or patent application, outside the scope of the Franchise Agreement may be considered infringement. Your license to use the patented spindles and method will be non-exclusive.

You shall promptly notify us of any use by any person or legal entity other than us or another of our franchises of the products and/or processes covered by the patent application or any related patent or patent application. In the event of patent litigation against you, you shall promptly notify us and shall cooperate fully in defending or settling such litigation. You agree that Franchisor, upon notification to you, may elect, in our sole discretion, to assume control over, and responsibility for, any such litigation instituted against you. In the event of any such litigation, you agree to execute and convey to us any and all documents and to render such assistance as may, in the opinion of our counsel, be reasonably necessary to carry out such defense or prosecution.

Copyrights. We claim copyright protection covering various materials used in our business and the development and operation of United Axle businesses, including Manuals, advertising and promotional materials, signs, and similar materials. We have not registered these materials in the United States Copyright Office and reserve the right to do so. There are no agreements currently in effect which significantly limit your right to use our copyrights. As of the date of this disclosure document, we are unaware of any infringing uses of, or superior previous rights to, any of our copyrights which could materially affect your use of any of the copyrights in any state.

No agreement requires us to protect or defend our copyrights or to indemnify you for any expenses or damages you incur in any judicial or administrative proceedings involving the copyrighted materials. If we require, you must immediately modify or discontinue using the

copyrighted materials. Neither we nor our affiliates will have an obligation to reimburse you for any expenses you incur because of any discontinuance or modification of any copyrighted materials.

All rights, title, and interest in advertising and promotional materials that you develop or prepare (or that are prepared for you) or that bear any Proprietary Marks will belong to us. You must sign any documents we reasonably require to evidence our right, title, and interest in and to the advertising and promotional materials. To the extent that any rights, title, or interest in any such materials is owned by you, you agree to assign such rights, title, and interest to us without compensation; likewise, to the extent that you have a third party develop or prepare any such materials, you agree to require the third party to assign all rights, title, and interest to us without additional compensation. We will have the right to use these materials and to provide them to other franchisees and advertising funds and programs of the System, without compensation to you, regardless of how the materials are developed. Additionally, we may require you to sign a license agreement for the use of any proprietary materials we provide to you in electronic format.

Proprietary Information. We own proprietary rights on certain information used in connection with the operation of United Axle businesses. You will receive a license or right to use these rights under the Franchise Agreement.

The Franchise Agreement requires that you acknowledge that your entire knowledge of our processes and products, all proprietary technology, know-how, and operations of your business is derived from information disclosed to you by us under the Franchise Agreement and the Manuals, and that such information is proprietary and confidential and a trade secret. We have established security procedures to maintain the secrecy of all such proprietary information. You and your managers must maintain the confidentiality of this information.

To preserve our proprietary know-how, and to ensure that you properly use this know-how, we have the right to enter and inspect your premises at all reasonable times.

Confidential Information. You also agree not to disclose, use, or sell any portion of this proprietary information except as we permit (See Item 17). You must also have your general manager and each manager execute a written agreement, substantially in the forms attached to the Franchise Agreement, generally agreeing with the confidential nature of these materials.

We are entitled to seek restraining orders and injunctive relief (in addition to other remedies) if necessary to safeguard our proprietary information. You are responsible for taking appropriate steps to ensure that your employees maintain the confidentiality of our proprietary information. Such steps commonly include limiting access to such information and obtaining confidentiality agreements from your employees having access to such information.

Confidential Manuals. You must conduct business at your Franchised Business in accordance with the Manuals. We will lend you one set of our Manuals for the term of your Franchise Agreement, which you must return to us at the expiration or termination of the Franchise Agreement. The Manuals may consist of multiple volumes of printed text, computer disks, or other electronically stored data, and periodic updates or bulletins that we issue to our franchisees and others operating under the System. You must treat the Manuals, as amended and supplemented, as confidential and must use your best efforts to maintain this information, in any form, as secret and confidential. You must not reproduce these materials or otherwise make them

available to any unauthorized person. The Manuals will remain our sole property and should be kept in a secure place on the Franchised Business's premises. Duplication of the Manuals is not allowed. If you would like an additional copy of the Manuals, you must request additional copies from us in writing. An additional charge of up to \$50.00 per Manual may apply to cover our costs and expenses in duplicating the Manuals.

We may revise the contents of the Manuals, and you must comply with each new or changed standard. We will notify you in writing of revisions to the Manuals. You must ensure that the Manuals are kept current at all times. If there is a dispute over the contents of the Manuals, the terms of the master copies we maintain at our home office will control.

### **Item 15**

#### **Obligation to Participate in the Actual Operation of the Franchise Business**

We do not require that you personally supervise your Franchised Business, although if a franchisee is an individual, rather than a corporate or business entity, we recommend his or her "on-premises" supervision of the Franchised Business. You may operate your Franchised Business under the direct, on-premises supervision of a trained and competent employee acting as full-time general manager.

If you operate more than one Franchised Business, or if you do not devote your full time to the management and operation of the Franchised Business, then you must choose a full-time general manager. You must notify us of the identity of any such manager(s) and he or she is not required to have an equity interest in your business entity. You must at all times faithfully, honestly, and diligently perform your obligations and not engage in any business or other activities that will compete or conflict with your Franchised Business(s). Under the Franchise Agreement, you must maintain the confidentiality of the information in the Manuals, the methods of operation of the business(s), and our trade secrets. Non-compete and confidentiality agreements must also be signed by your manager(s); any other of your management or supervisory personnel who have received training from us; and all your executive officers, managers, general partners, directors, and holders of a beneficial interest of 10% or more in your corporation or other business entity.

You must enter into a written agreement with each employee described in the above paragraphs which prohibits that employee from misusing any of our proprietary information (See Item 14). These agreements also must permit us to enforce these prohibitions directly against those employees. The forms of agreement those employees will sign are attached to the Franchise Agreement (See Item 17).

Each individual who owns over a 10% interest in the franchise must sign the Franchise Agreement and agree to discharge all obligations of the "Franchisee" under those agreements, unless we waive this requirement in our sole discretion.

You or your designated general manager, if applicable, must attend and successfully complete the initial training program to be held at our headquarters or another designated location. Other than training requirements and non-compete and confidentiality agreements, there are no limitations in the Franchise Agreement on whom you may hire as a manager.

**Item 16**  
**Restrictions on What the Franchisee May Sell**

You must operate your Franchised Business(s) in compliance with the Manual which we may change from time to time. We may also advise you of further written requirements from time to time. All goods and services which you sell must comply with our standards in this Manual. We require you to offer and sell only those goods and services that we have approved. You must sell all products and services we specify in the Manuals or otherwise in writing. We have the right, without limitation, to change the types of authorized products and services and you must abide by any such changes (See Item 8).

You must not use the Franchised Business or the Proprietary Marks for any other business or operation or for any other purpose or activity at any time without first obtaining our prior written consent. You must operate your business in strict compliance with our Manuals and other instructions which we provide you in writing.

You are not limited to whom you may sell the business's goods and services, but you may not sell products by catalog, mailing, toll free numbers, by use of the Internet, or via any other alternative distribution channels (See Item 12).

**Item 17**  
**Renewal, Termination, Transfer and Dispute Resolution**

**THE FRANCHISE RELATIONSHIP**

**This table lists important provisions of the Franchise Agreement. You should read these provisions in the agreements attached to this Disclosure Document.**

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 2.1	The initial term is for a period of 10 years from the date of signing of the Franchise Agreement.
b. Renewal or extension of the term	Section 2.2	You can sign up to four renewal agreements for terms of 5 years each if we are franchising in your state and you notify us no more than eighteen (18) months and no less than twelve (12) months prior to expiration and comply with the required conditions (see c. below).
c. Requirements for franchisee to renew or extend	Section 2.2	You must: a. Be in good standing; b. Not be in default of the Franchise Agreement or any other agreement with us or our affiliates; c. Have met all of your monetary requirements under the Franchise Agreement;

		<p>d. Give proper notice of renewal (see b. above);</p> <p>e. Make proper renovations;</p> <p>f. Submit evidence that you can remain in current location or have a new location;</p> <p>g. Sign a new franchise agreement, sign release; and</p> <p>h. Comply with qualification and training requirements.</p> <p>You may be asked to sign a contract with materially different terms and conditions than your original contract, but the boundaries of your Territory will remain the same.</p>
d. Termination by franchisee	Section 15.4	You may terminate the Franchise Agreement if we materially breach the agreement (after 60 days' prior written notice to us) or if we are bankrupt or insolvent (after 30 days' prior written notice to us).
e. Termination by franchisor without cause	None	
f. Termination by franchisor with cause	Article XV	We can terminate if you default. The Franchise Agreement describes defaults throughout. Please read it carefully.
g. "Cause" defined – curable defaults	Section 15.3	You have either 10 days or 60 days, depending on whether your default relates to your financial obligations or the operation of your Franchised Business, after notice to cure if you do not comply with any Franchise Agreement provision or other United Axle business requirement (except for non- curable defaults listed in the Franchise Agreement and described in h. of this table). Particular actions that may, in the Franchisor's discretion, be considered defaults include but are not limited to: more than three (3) customer complaints in any thirty (30) day period or more than five (5) customer complaints in any six (6) month period; failure to handle any warranty claim in regards to workmanship and/or failure to participate in the warranty claims review process; failure to meet corporate standards as set forth in the manual; failure to attend new product development workshops; failure to

		<p>purchase new spindle lines as they become available to meet customers' needs; price gauging; timeliness complaints; quality of work complaints; failure to maintain proper records of work performed, including serial numbers; failure to maintain a working phone; and failure to maintain proper tools needed to perform the job(s).</p>
<p>h. "Cause" defined – non- curable defaults</p>	<p>Sections 15.1 and 15.2</p>	<p>Automatic, without notice: bankruptcy, insolvency, foreclosure of lien, liquidation, or similar events. On notice to you, if:</p> <ul style="list-style-type: none"> <li>a. You fail to open your Franchised Business within the required time limits and procedures;</li> <li>b. You fail to secure a location for your Franchised Business within the required time limits and procedures;</li> <li>c. You cease to operate the business or lose the right to operate Franchised Business;</li> <li>d. You are convicted of or plead nolo contendere to a felony or other major offense;</li> <li>e. You attempt to make any unapproved transfers;</li> <li>f. You fail to comply with non-compete provisions;</li> <li>g. You improperly disclose trade secrets or confidential information;</li> <li>h. You fail to make approved transfer after death or mental incompetence;</li> <li>i. We discover you made a material misrepresentation or the omission of a material fact in the material that you furnish to us;</li> <li>j. Any part of the agreement relating to payment offers or trade names is declared invalid;</li> <li>k. The continued operation of the Franchised Business is a threat or danger to public health and safety;</li> <li>l. An audit shows that you understated gross revenues by 10% or more;</li> <li>m. You do not cure a default which materially impairs the goodwill of the Proprietary Marks after 72 hours' notice;</li> <li>n. You do not purchase the required</li> </ul>

		<p>insurance;</p> <p>o. Repeated defaults even if cured; or</p> <p>p. Gross receipts for Franchised Business in a rolling period of 12 calendar months are less than \$500,000.</p>
i. Franchisee's obligations on termination/non-renewal	Sections 16.1 and 16.2	<p>a. You must immediately close your business and not remove any property for 30 days.</p> <p>b. You must stop using, and return to us, all our trade names, trademarks, service marks, and logos and all methods of operation described in the manuals.</p> <p>c. You must stop using all telephone numbers, e- mail addresses, etc. listed in directories under our Proprietary Marks.</p> <p>d. We have the option to buy your inventory for fair market value. Fair market value is either the price agreed to by you and us or set by appraisers chosen as described in the agreement. We have the right to purchase all other property on the same terms that a third party has proposed to purchase the property.</p> <p>e. You must pay all outstanding amounts owed to us, including any applicable damages, fees and expenses.</p> <p>f. If you lease the business premises, you must assign your lease to us, upon our request, or you must modify your premises to prevent any association with us or the System. (also see "r" below).</p>
j. Assignment of contract by franchisor	Section 14.1	No restrictions on our right to assign.
k. "Transfer" by franchisee – defined	Sections 14.1.2 and 14.2.3	Includes pledge or transfer of the Franchise Agreement or assets or ownership change.
l. Franchisor approval of transfer by franchisee	Section 14.2	We have the right to approve all transfers, but may not arbitrarily withhold approval.
m. Conditions for franchisor approval of transfer	Section 14.2	<p>a. You will remain liable for obligations prior to transfer;</p> <p>b. You must be in good standing (no default, all payments made);</p> <p>c. The transfer fee must be paid;</p> <p>d. A release must be signed by you;</p> <p>e. The new transferee must qualify and assume full liability for performance;</p>

		<p>f. Our current form of agreement must be signed by new the franchisee;</p> <p>g. The new franchisee must upgrade each Franchised Business to be transferred to our current standards; and</p> <p>h. Training must be arranged for new franchisee.</p>
n. Franchisor's right of first refusal to acquire franchisee's business	Sections 14.3	We can match any offer for your business or assets of your business
o. Franchisor's option to purchase franchisee's business	Section 16.1.13	Upon termination or expiration of the Franchise Agreement, we may, but are not obligated to, purchase items unique to the business and United Axle concept at fair market value.
p. Death or disability of franchisee	Section 14.4	Within 6 months, franchise must be assigned by estate to approved buyer or to heirs or nearest relatives by blood or marriage provided that such persons satisfy the conditions required of other transferees.
q. Non-competition covenants during the term of the franchise	Sections 10.1.1, 17.2, 17.3 and 17.4	You will devote full time and best efforts to your business and you will <u>not</u> engage in any competing business, divert business to competitor, own an interest in a competitor, harm the United Axle system, or take employees from our or other franchises.
r. Non-competition covenants after the franchise is terminated or expires	Section 10.1.2	For two years after expiration or termination you will not engage in any competing business within your "territory" under the Franchise Agreement or within a five-mile radius of any other business under the System.
s. Modification of the agreement	Sections 23.5	No modifications generally, but the operating manual is subject to change.
t. Integration/merger clause	Section 23.5	The Franchise Agreement and the documents referred to in it (such as the operating manual) are the entire agreement, are binding, and control over prior agreements.
u. Dispute resolution by mediation	Sections 23.9 and 23.10	Except for certain claims, all disputes must be mediated in Tulsa, Oklahoma.
v. Choice of forum	Section 23.10	Any actions for injunctive relief must be brought in the federal or state courts where the Franchisor's main office is located or in any court in the county where the Franchised Business

		is located.
w. Choice of law	Section 23.8	Oklahoma law applies, except as may otherwise be required by applicable state and federal law.

A provision in the Franchise Agreement which terminates the franchise upon the bankruptcy of the franchise may not be enforceable under Title 11, United States Code Section 101.

**Item 18  
Public Figures**

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

**Item 19  
Financial Performance Representations**

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

We do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Todd Carroll at 24850 Amah Parkway, Claremore, Oklahoma 74019, (918) 344-1157, the Federal Trade Commission, and the appropriate state regulatory agencies.

**Item 20**  
**Outlets and Franchisee Information**

Our predecessor began offering franchises on July 10, 2017 and we have been offering franchises since February of 2019. We have owned one outlet since 2016.

Table No. 1  
Systemwide Franchise Summary  
For Years 2019 to 2024

Location Type	Year	Locations at the Start of Year	Locations at the End of Year	Net Change
Franchised	2019	2	9	+7
	2020	9	13	+4
	2021	13	15	+2
	2022	15	20	+5
Company Owned/Affiliate	2019	1	0	0
	2020	1	0	0
	2021	0	0	0
	2022	0	0	0
Total Outlets	2019	3	9	+6
	2020	9	13	+6
	2021	13	15	+2
	2022	15	20	+5
	2023	20	26	+6
	2024	26	29	+3

Table No. 2  
Transfers of Locations from Franchisees to New Owners (other than the Franchisor)  
For Years 2019 to 2024

State	Year	Number of Transfers
All States	2019	0
	2020	0
	2021	2
	2022	0
Total	2019	0
	2020	0
	2021	2
	2022	0
	2023	1
	2024	1

Table No. 3  
Status of Franchised Locations  
For Years 2019 to 2024

State	Year	Number at Start of Year	Number Opened	Terminations	Non-renews	Re-acquired by Franchisor	Ceased Operations - Other Reasons	Number at End of Year
All States	2019	3	7	0	0	0	0	9
	2020	9	4	0	0	0	0	13
	2021	13	2	0	0	0	0	15
	2022	15	6	1	0	0	0	20
	2023	20	7	1	0	0	0	26
	2024	26	3	0	0	0	0	29

Table No. 4  
Status of Company-Owned Locations  
For Years 2019 to 2024

State	Year	Locations At Start of the Year	Locations Opened	Locations Reacquired From Franchisee	Locations Closed	Locations Sold to Franchisee	Locations at End of the Year
Oklahoma	2019	1	0	0	0	1	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	1	0	0	1
	2024	1	0	0	0	0	1

Table 5  
Projected Openings as of December 31, 2024.

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets In the Next Fiscal Year	Projected New Company-Owned Outlet In the Next Fiscal Year
All States	0	0	0

Names and Addresses for Franchisees and Their Outlets. There currently is one franchised outlets. A list of the names of all franchisees and the addresses and telephone numbers of their franchised businesses will be provided in Exhibit D when applicable.

The names, city and state and the current business telephone number (or, if unknown, the last known home telephone number) of every developer and/or franchisee who has had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business within the United Axle system during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the date of issuance date of this disclosure document would also be listed on Exhibit D, if any existed. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

We have not signed confidentiality agreements as part of a settlement of a dispute between us and a current or former franchisee. In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experiences with us and the United Axle System. Once we begin issuing franchises, you may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

Trademark-Specific Franchisee Organization. Currently, there are no trademark-specific franchisee organizations. The names, addresses, telephone numbers, e-mail address, and Web address, to the extent known, of each trademark-specific franchisee organization associated with the System being offered which we have created, sponsored, or endorsed will be provided in Exhibit E when applicable.

Independent Franchisee Associations. Currently, there are no independent franchisee associations. The independent franchisee associations that ask to be included in this disclosure document will be provided in Exhibit F when applicable.

## **Item 21 Financial Statements**

An audited balance sheet for period ending December 31, 2024 is attached hereto as Exhibit A to this disclosure document.

## **Item 22 Contracts**

A copy of the Franchise Agreement is attached hereto as Exhibit B to this disclosure document together with its specific exhibits:

EXHIBIT A –APPROVED TERRITORY and INITIAL FEE  
EXHIBIT B –ADA CERTIFICATION  
EXHIBIT C –DIRECTORS, OFFICERS AND MANAGERS  
EXHIBIT D – PRINCIPAL SHAREHOLDER AND DESIGNATED PRINCIPAL  
EXHIBIT E –TRANSFER CERTIFICATE  
EXHIBIT F –POWER OF ATTORNEY (UTILITIES)  
EXHIBIT G –POWER OF ATTORNEY (TAXES)  
EXHIBIT H –MULTI-STATE ADDENDUM  
EXHIBIT I –FRANCHISEE QUESTIONNAIRE  
APPENDIX A –CONFIDENTIALITY AGREEMENT  
APPENDIX B –AUTHORIZATION AGREEMENT FOR PRE-ARRANGED PAYMENTS

### STATE EFFECTIVE DATES

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

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

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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.

### Item 23 Receipts

Exhibit J contains two copies of a detachable receipt.

**EXHIBIT A**

**FINANCIAL STATEMENTS**

**UA HOLDINGS, INC. d/b/a UNITED AXLE**

Financial Statements

Year Ended December 31, 2024

With

Independent Auditor's Report



**UA HOLDINGS, INC. d/b/a UNITED AXLE**

**TABLE OF CONTENTS**

	<u>PAGE</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Balance Sheet - December 31, 2024	3
Statement of Income - Year Ended December 31, 2024	4
Statement of Stockholders' Deficit - Year Ended December 31, 2024	5
Statement of Cash Flows - Year Ended December 31, 2024	6
Notes to Financial Statements	7 - 12



## Independent Auditor's Report

To the Board of Directors and Stockholders  
UA Holdings, Inc. d/b/a United Axle  
Claremore, Oklahoma

### **Opinion**

We have audited the accompanying financial statements of UA Holdings, Inc. d/b/a United Axle, which comprise the balance sheet as of December 31, 2024, and the related statements of income, stockholders' deficit, and cash flows for the year ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position as of December 31, 2024, and the results of its operations and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of UA Holdings, Inc. d/b/a United Axle, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than

for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UA Holdings, Inc. d/b/a United Axle's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions of events, considered in the aggregate, that raise substantial doubt about UA Holdings, Inc. d/b/a United Axle's ability to continue as a going concern for a reasonable period of time.

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

MORSE & CO., PLLC

Tulsa, Oklahoma  
April 29, 2025

**UA HOLDINGS, INC. d/b/a UNITED AXLE**  
**BALANCE SHEET**  
**DECEMBER 31, 2024**

---

**ASSETS**

Current assets	
Cash and cash equivalents	\$ 225,024
Trade accounts receivable	24,839
Related party receivable	375,214
Current portion of franchise fees receivable	74,370
	<hr/>
Total current assets	699,447
	<hr/>
Noncurrent assets	
Franchise fees receivable	23,300
Property and equipment, net	107,519
Intangibles, net	14,572
	<hr/>
Total noncurrent assets	145,391
	<hr/>
Total assets	\$ 844,838
	<hr/> <hr/>

**LIABILITIES AND STOCKHOLDERS' DEFICIT**

Current liabilities	
Accounts payable	\$ 6,062
Accrued expenses	1,214
Deferred revenue, current	99,700
Current portion of notes payable	40,941
	<hr/>
Total current liabilities	147,917
	<hr/>
Noncurrent liabilities	
Deferred revenue	394,150
Notes payable, less current maturities	919,896
	<hr/>
Total noncurrent liabilities	1,314,046
	<hr/>
Total liabilities	1,461,963
	<hr/> <hr/>
Stockholders' deficit	
Common stock, \$1 par value, 100 shares issued and outstanding	100
Retained earnings (deficit)	(617,225)
	<hr/>
Total stockholders' deficit	(617,125)
	<hr/>
Total liabilities and stockholders' deficit	\$ 844,838
	<hr/> <hr/>

See independent auditor's report and accompanying notes to financial statements.

**UA HOLDINGS, INC. d/b/a UNITED AXLE**  
**STATEMENT OF INCOME**  
**YEAR ENDED DECEMBER 31, 2024**

Revenues	
Services	\$ 197,428
Royalties	184,250
Franchise sales	162,594
Product sales	69,831
Advertising and brand development	33,400
National account program fee	15,306
Billable expense income	13,582
Other sales and service revenue	15,185
Total revenues	<u>691,576</u>
Operating expenses	
Advertising	122,555
Depreciation and amortization	109,913
Franchise sales fees	35,702
Building maintenance	3,558
Utilities	2,126
Total operating expenses	<u>273,854</u>
Net operating income	<u>417,722</u>
Non-operating expenses	
National account program	218,036
Professional fees	75,472
Payroll expenses	54,614
Insurance	13,173
Office supplies	11,573
Trade show expenses	8,121
Subscriptions	7,226
Taxes	4,609
Travel	3,024
Bank service charges	2,241
Automobile expense	845
Charitable contributions	166
Total non-operating expenses	<u>399,100</u>
Other income (expense)	
Insurance proceeds	99,436
Late fee income	2,187
Other income	18,131
Interest expense	(61,149)
Total other income (expense)	<u>58,605</u>
Net income	<u><u>\$ 77,227</u></u>

See independent auditor's report and accompanying notes to financial statements.

**UA HOLDINGS, INC. d/b/a UNITED AXLE**  
**STATEMENT OF STOCKHOLDERS' DEFICIT**  
**YEAR ENDED DECEMBER 31, 2024**

---

	Common Stock	Retained Earnings	Total Shareholders' Deficit
Balance at December 31, 2023	\$ 100	\$ (564,906)	\$ (564,806)
Net income	-	77,227	77,227
Distributions	-	(129,546)	(129,546)
Balance at December 31, 2024	<u>\$ 100</u>	<u>\$ (617,225)</u>	<u>\$ (617,125)</u>

See independent auditor's report and accompanying notes to financial statements.

**UA HOLDINGS, INC. d/b/a UNITED AXLE**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2024**

Cash flows from operating activities	
Net income	\$ 77,227
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Depreciation	107,783
Amortization	2,130
Changes in assets and liabilities provided by (used in) operating activities	
Trade accounts receivable	(9,089)
Related party receivable	(101,754)
Franchise fees receivable	127,630
Other receivables	3,555
Accounts payable	1,735
Accrued expenses	75
Deferred revenue	<u>(95,995)</u>
Net cash provided by (used in) operating activities	<u>113,297</u>
Cash flows from financing activities	
Proceeds from note payable	102,218
Payments on notes payable	(26,587)
Shareholder distributions	<u>(129,546)</u>
Net cash provided by (used in) financing activities	<u>(53,915)</u>
Net increase (decrease) in cash	59,382
Cash and cash equivalents, beginning of year	<u>165,642</u>
Cash and cash equivalents, end of year	<u><u>\$ 225,024</u></u>
Supplemental disclosures	
Cash paid for interest	<u><u>\$ 61,149</u></u>

See independent auditor's report and accompanying notes to financial statements.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Accounting policies and methods of their application that significantly affect the financial position and the results of operations of UA Holdings, Inc. d/b/a United Axle (the “Company”) are as follows:

### ***Nature of Operations and Risks***

UA Holdings, Inc. is an Oklahoma corporation established on January 22, 2019, that does business as United Axle and is offering franchises for the use of its proprietary spindle replacement process. Its patented product allows for a quick and cost-effective method to replace broken spindles. The Company offers two types of franchises: franchises that operate as stand-alone businesses and franchises that operate existing truck and trailer repair businesses that add United Axle’s product to vertically integrate the line of business. Both types of franchises offer the same United Axle products and services, including proprietary replacement spindles and installation, and both utilize the United Axle trademark.

### ***Cash and Cash Equivalents***

For purposes of reporting cash flows, the company considers all highly liquid and unrestricted demand deposit accounts with a maturity of less than ninety days to be cash and cash equivalents, which consists of the checking accounts.

### ***Trade Accounts Receivable***

Trade accounts receivables are primarily comprised of amounts owed to the Company resulting from royalties revenue. Accounts are written off as uncollectible when it is determined that further collection efforts will be unsuccessful. Historically, the Company has not had a significant amount of write-offs.

### ***Franchise Fees Receivable***

Franchise receivables are non-interest bearing and uncollateralized. Doubtful accounts are charged to operations in the period deemed uncollectible, based on the status of payments. Franchise receivables older than 30 days are considered past due.

### ***Allowance for Doubtful Accounts***

Management considers the probability of collection of trade and franchise accounts receivable based on past experience, taking into account specific circumstances of franchisees as well as general economic factors, when determining whether an allowance for doubtful accounts is necessary. Management has determined that an allowance for doubtful accounts was not necessary at December 31, 2024.

In accordance with Accounting Standards Update (“ASU”) 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, at management’s discretion, certain receivables may be written off through an “allowance for credit losses” over a period that management deems appropriate. Management has determined that an allowance was not necessary at December 31, 2024.

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Property and Equipment***

Purchased property and equipment are recorded at cost. Expenditures and improvements that extend the useful lives of the assets are capitalized at cost. The Company follows the practice of capitalizing expenditures in excess of five hundred dollars with a useful life of more than one year. Expenditures for repairs and maintenance are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the property and equipment, which range from three to ten years.

The Company records impairments to its property and equipment when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated lives. Impairments are recorded to reduce the carrying value of the assets to their estimated fair values determined by the Company based on facts and circumstances in existence at the time of the determination, estimates or probable future economic conditions, and other information. No impairments were recorded as of December 31, 2024.

***Intangible Assets***

The intangible asset, which consists of patents, is stated at cost and amortized over its useful life.

***Deferred Revenue***

Deferred revenue results from initial franchise fees paid by franchisees which are generally recognized on a straight-line basis after the initial fee over the remaining term of the underlying franchise agreement.

***Revenue Recognition***

Revenues consist of franchise fees, including renewal and transfer fees and royalties. Revenues derived from the sale of a franchise are recognized over the term of the franchise agreement, which is generally ten years. The Company has multiple performance obligations to fulfill, the most substantial is to provide training to new franchisees prior to their first sale. The Company has determined approximately 91% of all performance obligations are fulfilled within the first year. The remaining 9% of the performance obligations related to the franchise fee are fulfilled in years two through ten.

Royalty revenues are based on a percent of sales and recognized at the time the underlying sales occur. The Company allows franchisees to renew their agreement after the initial ten-year period is completed. Franchisee's must be in good standing, fully complied with the provisions of the initial Franchise Agreement and are not in default of any provision of the Franchise Agreement.

The renewal fee is recognized on a straight-line basis over the renewal period of ten years or 10% per year. The Company allows franchisees to transfer the remaining life of their Franchise Agreement and the assets or any interest in the franchise or business. It has been determined that 100% of the transfer fee will be recognized at the time of transfer for the training and related benefits provided to the new owner.

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Revenue Recognition (Continued)***

Factors that could impact the nature, amount, timing, and uncertainty of revenue and cash flows as follows: (1) vulnerability to the cyclical nature of the franchising industry; (2) demand for the Company's services; (3) the timing of franchise sales are outside of the Company's control.

Revenues are recognized when control of the promised products and/or services is transferred to customers. The Company recognizes revenue upon the transfer of promised benefit to its customers in an amount that reflects the consideration to which the Company expects to be entitled by applying the following five-step process:

- 1) Identify the contract(s) with a customer
- 2) Identify the performance obligations
- 3) Determine the transaction price
- 4) Allocate the transaction price
- 5) Recognize revenue when the performance obligations are met

***Income Taxes***

The Company, with consent of its stockholders, has elected under the Internal Revenue Code to be taxed as an S corporation. In lieu of corporate income taxes, the stockholders are taxed on the Company's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in the financial statements.

Management has determined that the Company does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures.

Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company or its stockholders will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Company's tax returns remain open for three years for federal and state income tax examination.

***Accounting Estimates***

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation. It is reasonably possible that changes may occur in the near term that would affect management's estimates with respect to the fair value measurements, allowance for doubtful accounts, accrued expenses, amortization and depreciation. Revisions in estimates are made in the year in which circumstances requiring the revision become known.

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Leases***

Operating leases are to be included in operating lease right-of-use (“ROU”) assets, other current liabilities, and operating lease liabilities in the Company’s balance sheet. Finance leases are to be included in property and equipment, other current liabilities, and other long-term liabilities in the balance sheet.

ROU assets represent the Company’s right to use an underlying asset for the lease term, and lease liabilities represent the Company’s obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company uses the implicit rate when it is readily determinable. Since most of the Company’s leases do not provide an implicit rate, to determine the present value of lease payments, management uses the Company’s incremental borrowing rate (historical prime rate, 7.5% at December 31, 2024) based on the information available at lease commencement. Operating lease ROU assets also includes any lease payments made and excludes an lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company’s lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise the option. The Company had no material leases qualifying as ROU assets and liabilities as of December 31, 2024.

***Advertising***

The Company expenses promotion and advertising costs as they are incurred. Advertising expense for the year ended December 31, 2024 was \$122,555.

***Subsequent Events***

The Company has evaluated subsequent events through April 29, 2025 the date the financial statements were available to be issued.

**NOTE 2 - CONCENTRATIONS OF CREDIT AND MARKET RISK**

The Company’s financial instruments exposed to concentrations of credit risk consist primarily of cash. The Company maintains its cash balances at local banks. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at December 31, 2024. At times, the Company’s balances may exceed the insured limit. Management believes the risk related to these deposits is minimal.

**NOTE 3 - INTANGIBLE ASSETS**

Intangible assets consist of patents owned by the Company that are amortized over a ten-year life.

Patents	\$ 31,957
Less accumulated amortization	<u>(17,385)</u>
Total	<u><u>\$ 14,572</u></u>

Amortization expense for the year ended December 31, 2024 was \$2,130.

(Continued)

**UA HOLDINGS, INC. d/b/a UNITED AXLE**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2024

---

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property, plant and equipment consist of the following at December 31, 2024:

Equipment	\$	530,319
Vehicles		76,816
Office equipment		33,075
		<u>640,210</u>
Less accumulated depreciation		<u>(532,691)</u>
Total	\$	<u>107,519</u>

Depreciation expense for the year ended December 31, 2024 was \$107,783.

**NOTE 5 - CONTRACT BALANCES**

In accordance with Accounting Standards Codification, balances from contracts with customers at December 31, 2024 and 2023 are presented below.

	<u>2024</u>	<u>2023</u>
Trade accounts receivable	<u>\$ 24,839</u>	<u>\$ 15,750</u>

**NOTE 6 - RELATED PARTY TRANSACTIONS**

United Machine Alliance (UMA) is operated under common ownership. UMA cuts, threads and installs spindles to the transportation industry as well as providing repair services to spindles. UMA owes the Company \$375,214 as of December 31, 2024. There are no specified payment terms for these services and any remaining balance at year end bears no interest.

**NOTE 7 - CONTINGIENCIES**

In the normal course of business, the Company may be involved in legal proceedings. In the opinion of management, any liability from such proceedings would not have a material adverse effect on the Company's financial statements.

(Continued)

**UA HOLDINGS, INC. d/b/a UNITED AXLE**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2024

---

**NOTE 8 - LONG-TERM DEBT**

At December 31, 2024, long-term debt consists of the following:

Variable note payable bearing interest at 7.50% with monthly principal and interest payments totaling \$7,340. The note is amortized over a 4-year period with the remaining outstanding principal to be repaid in 2029. The balance as of December 31, 2024 was \$921,034.

Note payable bearing interest at 3.99% with monthly principal and interest payments totaling \$1,050. The note amortizes over a 7-year period. The note matures in 2028. The balance as of December 31, 2024 was \$38,949.

Note payable bearing no interest with monthly principal payments of \$214. The note is payable over a 44-month period. The note matures in 2025. The balance as of December 31, 2024 was \$854.

At December 31, 2024, future long-term maturities are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2025	\$ 40,941
2026	42,604
2027	45,288
2028	38,499
2029	<u>793,505</u>
Total	<u>\$ 960,837</u>

**EXHIBIT B**

**FRANCHISE AGREEMENT AND RELATED MATERIALS**

**FRANCHISE  
AGREEMENT BETWEEN  
UA HOLDINGS, INC. D/B/A  
UNITED AXLE  
AND**

---

**(FRANCHISEE NAME)**

**FOR**

---

**(FRANCHISE TERRITORY)**

## TABLE OF CONTENTS

ARTICLE I. FRANCHISE GRANT .....	2
ARTICLE II. TERM AND RENEWAL .....	3
ARTICLE III. TERRITORY .....	4
ARTICLE IV. FRANCHISE AND ADVERTISING FEES .....	5
ARTICLE V. DUTIES OF FRANCHISOR .....	6
ARTICLE VI. DUTIES OF FRANCHISEE .....	9
ARTICLE VII. PROPRIETARY RIGHTS .....	19
ARTICLE VIII. TECHNOLOGY .....	24
ARTICLE IX. CONFIDENTIAL OPERATIONS .....	25
ARTICLE X. CONFIDENTIAL INFORMATION .....	26
ARTICLE XI. ACCOUNTING AND RECORDS .....	28
ARTICLE XII. USE OF NAME; ADVERTISING .....	29
ARTICLE XIII. INSURANCE .....	31
ARTICLE XIV. TRANSFERS OF INTEREST .....	32
ARTICLE XV. DEFAULT AND TERMINATION .....	37
ARTICLE XVI. OBLIGATIONS UPON TERMINATION OR EXPIRATION .....	40
ARTICLE XVII. AGREEMENTS .....	44
ARTICLE XVIII. TAXES, PERMITS, AND INDEBTEDNESS .....	45
ARTICLE XIX. FRANCHISEE ORGANIZATION, AUTHORITY, AND FINANCIAL CONDITION .....	46
ARTICLE XX. RELATIONSHIP AND INDEMNIFICATION .....	47
ARTICLE XXI. APPROVALS AND WAIVERS .....	48
ARTICLE XXII. WARRANTIES OF FRANCHISEE .....	49
ARTICLE XXIII. GENERAL PROVISIONS .....	49

EXHIBIT A –APPROVED TERRITORY AND INITIAL

FEE EXHIBIT B –ADA CERTIFICATION

EXHIBIT C –DIRECTORS, OFFICERS AND MANAGERS

EXHIBIT D – PRINCIPAL SHAREHOLDER AND DESIGNATED PRINCIPAL

EXHIBIT E –TRANSFER CERTIFICATE

EXHIBIT F –POWER OF ATTORNEY (UTILITIES)

EXHIBIT G –POWER OF ATTORNEY (TAXES)

EXHIBIT H –MULTI-STATE ADDENDUM

EXHIBIT I –FRANCHISEE QUESTIONNAIRE

APPENDIX A –CONFIDENTIALITY AGREEMENT

APPENDIX B –AUTHORIZATION AGREEMENT FOR PRE-ARRANGED PAYMENTS

**UNITED AXLE  
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (this “**Agreement**”) made and entered into as of this day of \_\_\_\_\_, 20\_\_\_\_(the “**Effective Date**”), by and between UA HOLDINGS, INC., an Oklahoma corporation D/B/A United Axle (“**Franchisor**”); \_\_\_\_\_, a \_\_\_\_\_ corporation/limited liability company/limited partnership (“**Franchisee**”); and \_\_\_\_\_ (collectively the “**Principal Shareholders**,” and individually, a “**Principal Shareholder**” of Franchisee):

WHEREAS, Franchisor owns a format and system (the “**System**”) relating to the establishment and operation of axle replacement businesses which use Franchisor's equipment, process, and know-how and which feature and may operate under the Proprietary Marks (as defined below). A United Axle franchise operates using Franchisor's proprietary spindles and offers services featuring Franchisor’s proprietary process (“**Proprietary Products and Services**”), as well as using other non-proprietary products, tools, and equipment and offering other non-proprietary services, all as designated by Franchisor from time to time (collectively, with the Proprietary Products and Services, “**Products and Services**”).

WHEREAS, the distinguishing characteristics of the System include (a) patented or patent pending spindles; (b) patented or patent pending processes; (c) standards and specifications for products, equipment, materials, and supplies; (d) uniform standards, specifications, and procedures for operations; (e) purchasing and sourcing procedures; (f) training and assistance; and (g) marketing and promotional programs as applicable; all of which may be changed, eliminated, improved, and/or further developed by Franchisor from time to time.

WHEREAS, the System is identified by means of certain trade names, service marks, trademarks, logos, emblems, and/or indicia of origin as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System including the mark UNITED AXLE and other marks (the “**Proprietary Marks**”) owned by the Franchisor.

WHEREAS, Franchisee desires to conduct business under the System and using one or more of the Proprietary Marks, and wishes to enter into this Agreement with Franchisor for that purpose, and to receive the training and other assistance provided by Franchisor in connection therewith.

WHEREAS, Franchisor owns valuable goodwill connected with the System and has formulated and developed methods, trade secrets, designs, processes, technical and operational information, know-how, and other intellectual property relating to the operation of a business in the System (the “**Concept**”).

WHEREAS, Franchisee understands and acknowledges the importance of the high standards of Franchisor for quality, appearance, and service and the necessity of operating the business franchised hereunder in conformity with the standards and specifications of Franchisor.

NOW, THEREFORE, in consideration of the undertakings, commitments, and mutual covenants contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, covenant and agree as follows:

## ARTICLE I.

### **FRANCHISE GRANT**

1.1 **Franchise Grant.** Subject to the terms and conditions of this Agreement, Franchisor hereby grants to Franchisee, and Franchisee accepts, the right and license (the “**Franchise**”) to open and operate a business (the “**Franchised Business**”) in accordance with the Concept, as it may be changed, improved, and further developed from time to time, and such intellectual property, trade secrets, trademarks, and know-how as may be designated from time to time. The Franchised Business may operate as a stand-alone business under the UNITED AXLE mark (a “**Stand-Alone Business**”) or may provide the Products and Services through an existing business (an “**Ancillary Business**”), as set forth in Exhibit A. Franchisee shall operate the Franchised Business only in the territory specified in Exhibit A (the “**Approved Territory**” or “**Territory**”) and shall not relocate the Franchised Business without Franchisor's prior written consent. Franchisee shall have no right under this Agreement to license or grant franchises to others and shall use the Concept and Proprietary Marks only in connection with the operation of its Franchised Business.

1.2 **Limit on Sales.** Franchisee's rights hereunder shall be limited to offering, selling, and providing Products and Services in the Approved Territory; provided that all such activities shall be conducted only in accordance with the requirements of this Agreement and the procedures set forth in the Manuals (as defined in Section 5.2.1 below) and all applicable laws. If Franchisee desires to engage in activities outside the Approved Territory, Franchisee must apply in writing for Franchisor's approval prior to engaging in such activities and if approved by Franchisor, Franchisee may engage in such activities pursuant to such programs, policies, terms, and conditions as Franchisor may establish from time to time. Franchisee shall not, without the prior written approval of Franchisor, engage in any other type of sale of, or offer to sell, or distribution, or other provision of Products and Services, including, but not limited to: selling, distributing, or otherwise providing, any Products and Services to third parties at wholesale, or for resale or distribution by any third party, and selling, distributing, or otherwise providing any Products and Services through catalogs, mail order, toll free numbers for delivery, telemarketing, or electronic means (e.g., the Internet).

1.3 **Premises and Vehicle(s).** Franchisee may offer the Products and Services on premises located within the Approved Territory (the “**Premises**”). For a Stand-Alone Business, the Premises shall be used exclusively for the Franchised Business, unless otherwise approved in writing by Franchisor. For an Ancillary Business, the Premises shall be those of the existing business that additionally offers the Products and Services under the UNITED AXLE mark, if approved in writing by Franchisor. Additionally or alternately, for either a Stand-Alone Business or an Ancillary Business, Franchisee may offer the Products and Services from one or more vehicles (the “**Vehicle(s)**”). As such, the Products may be sold or otherwise provided and the Services performed at a location other than the Premises, including but not limited to a place of business of a customer, of a third-party, or of the Franchisor, or in the field. In all instances,

such sales, delivery of Products, and performance of Services shall occur within the Approved Territory unless otherwise approved in writing by Franchisor.

## ARTICLE II.

### **TERM AND RENEWAL**

2.1 **Initial Term.** Except as otherwise provided in this Agreement, the initial term of this Agreement shall be for a period of ten (10) years from the date of execution of this Agreement.

2.2 **Renewal.** Franchisee may, at its option, renew the right and license to operate its Franchised Business for four (4) additional five-year (5 year) periods; provided, however, that prior to the end of the applicable term:

221 Franchisee has given Franchisor written notice of its election to renew not less than 12 months nor more than 18 months prior to the end of the initial term and each five-year renewal term, as applicable; and Franchisee has made or provided for renovations of Franchisee's Premises and equipment, as Franchisor may reasonably require, including, without limitation, upgrading of equipment and renovation and modernization of the Premises, signs, fixtures, and equipment so as to reflect the then-current specifications and standards of the System and the Concept; and,

222 Franchisee has paid Franchisor the Renewal Fee as set forth in Section 4.3.2 below; and,

223 Franchisee and the Principal Shareholders are not in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee, Franchisor, and the Principal Shareholders, or their subsidiaries and affiliates, and have substantially complied with all of the terms and conditions of such agreements and have exercised all prior renewals during the term and renewal term(s) hereof; and,

224 Franchisee and the Principal Shareholders have satisfied all monetary obligations owed by Franchisee to Franchisor and its subsidiaries and affiliates and have timely met these obligations throughout the term of this Agreement; and Franchisee shall present satisfactory evidence that Franchisee has the right to remain in possession of any Premises for the renewal term, or has obtained Franchisor's approval of a new location for the Franchised Business; and,

225 Franchisee and the Principal Shareholders have executed Franchisor's then-current form of franchise agreement (with appropriate modifications to reflect the granting of a renewal) for the renewal term described in this Section 2.2, which agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement; and,

226 Franchisee and the Principal Shareholders have executed a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its

subsidiaries and affiliates, and their respective officers, directors, agents, and employees; and,

22.7 Franchisee has complied with Franchisor's then-current qualification and training requirements.

### **ARTICLE III.**

#### **TERRITORY**

31 Territory for Stand-Alone Business. If the Franchised Business is a Stand-Alone Business, during the term of this Agreement until its expiration or earlier termination, Franchisor shall not establish a business utilizing the Proprietary Marks or license another franchisee to establish a Stand-Alone Business or Ancillary business at any location within the Approved Territory, as set forth in Exhibit A. Furthermore, Franchisor may establish a business or may license a business to a third party within the Approved Territory, provided that such business does not utilize the System or the Proprietary Marks.

32 Territory for Ancillary Business. If the Franchised Business is an Ancillary Business, during the term of this Agreement until its expiration or earlier termination, Franchisor shall not license another franchisee to establish an Ancillary Business or Stand-Alone business within the Approved Territory, as set forth in Exhibit A. Furthermore, Franchisor may establish a business or may license a business to a third party within the Approved Territory, provided that such business does not utilize the System or the Proprietary Marks

33 Reserved Rights of Franchisor. Regardless of whether the Franchised Business is a Stand-Alone Business or an Ancillary Business, Franchisor retains the rights, among others, on any terms and conditions Franchisor deems advisable, and without granting Franchisee any rights therein:

3.3.1 To adjust the boundaries of the Approved Territory at any time Franchisor believes it conflicts with another franchisee's approved territory or trade area, with the caveat that the Premises remain within the adjusted Approved Territory.

3.3.2 To own, acquire, establish, and/or operate and license others to establish and operate businesses under the System at any location outside the Approved Territory notwithstanding their proximity to the Approved Territory or their actual or threatened impact on sales of the Franchised Business; and,

3.3.3 To own, acquire, establish, and/or operate and license others to establish and operate businesses under the Proprietary Marks but not under the System at any location within or outside the Approved Territory; and,

3.3.4 To own, acquire, establish, and/or operate and license others to establish and operate businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar or different from the Franchised Business, at any location within or outside the Approved Territory notwithstanding their proximity to the Approved Territory or their actual or threatened impact on sales of the Franchised Business; and,

3.3.5 To sell and to distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any Products and Services (including, but not limited to, the Proprietary Products and Services) through outlets that are primarily retail in nature, or through catalogs, mail order, toll free numbers, other direct marketing techniques, or the Internet, including those Products and Services bearing Franchisor's Proprietary Marks provided that distribution within the Approved Territory shall not be from a business established under the System that is operated from within the Territory; and,

3.3.6 To (a) acquire one or more retail businesses that are the same as, or similar to, businesses then operating under the System (each an “**Acquired Business**”), which may be at any location within or outside the Approved Territory notwithstanding their proximity to the Approved Territory or their actual or threatened impact on sales of the Franchised Business, and to (b) operate and/or license others to operate any Acquired Business under its existing name or as a business under the System, provided that Franchisor shall not license a third party to operate an Acquired Business as a business operating under the System in the Approved Territory during the Term of this Agreement.

#### ARTICLE IV.

##### **FRANCHISE AND ADVERTISING FEES**

4.1 Franchise Fees. Franchisee shall pay Franchisor the franchise fees described in this Article IV.

4.2 No Application Fee. Franchisee is not obligated to pay an Application Fee.

4.3 Initial Fee. Upon execution of this Agreement, Franchisee shall pay Franchisor a nonrefundable, Initial Fee specified in Exhibit A (the “**Initial Fee**”), which is paid as specified in Exhibit A in consideration of the Franchise granted herein. The Initial Fee shall be paid in full upon the execution of this Agreement.

4.3.1 Refundability. Except as provided below, payment of the Initial Fee shall be non-refundable in consideration of administrative and other expenses incurred by Franchisor in granting this Franchise and for Franchisor's lost or deferred opportunity to franchise to others.

4.3.2 Renewal Fee. Upon each renewal of this Agreement, as set forth in Section 2.2 above, Franchisee shall pay Franchisor a nonrefundable Renewal Fee (the “**Renewal Fee**”) equal to 10% of the Initial Fee paid for franchise.

4.3.3 Continuing Royalty Fee. Commencing on the 31<sup>st</sup> day of operations following the opening of the Franchised Business, Franchisee shall pay to Franchisor,

without set-off, credit, or deduction of any kind, a monthly “**Continuing Royalty Fee**” of \$550.

4.3.4 Interest on Unpaid Continuing Royalty Fees. If the Franchisee fails to remit any Continuing Royalty Fee due to Franchisor as provided for in Subsection 4.3.3, then the amount of the unpaid and past due Continuing Royalty Fees will bear simple interest at the lesser of the maximum legal rate allowable by applicable law or the rate of twelve percent (12%) per annum. The Franchisee will also reimburse Franchisor for any and all costs incurred by Franchisor in the collection of any unpaid and past due Continuing Royalty Fee payment including, but not limited to, attorneys’ fees, deposition costs, expert witness fees, investigation costs, accounting fees, filing fees and travel expenses.

44 Advertising Fees. Franchisee shall pay Franchisor the annual advertising fees as Franchisor may require pursuant to Article XII hereof (collectively, the “**Advertising Contributions**”).

45 Form of Payment. The Initial Fee shall be paid by Franchisee or the Principal Shareholders to Franchisor by electronic or wire transfer in U.S. Dollars. All other payments required by this Article IV shall be paid by means of an Electronic Depository Transfer Account (“**Electronic Depository Transfer Account**”) pursuant to that certain Authorization Agreement for Pre-Arranged Payments in the form attached hereto as Appendix B, business check, or credit card. Deposits for any other amounts owed to Franchisor shall be in accordance with the procedures set forth in the Manuals.

Any payment not actually received by Franchisor on or before the date due shall be deemed overdue. If any such payment is overdue, Franchisee shall pay Franchisor, in addition to the overdue amount, interest on such amount from the due date until paid at the rate of 12% per annum, provided that the rate shall not in any event exceed the maximum rate permitted by law. Entitlement to such interest shall be in addition to any other remedies Franchisor may have or possess.

46 When Payments Due. Franchisee shall deliver to Franchisor any and all payments, reports, statements, and/or other information required pursuant to this Agreement at the time and in the format reasonably requested by Franchisor. Franchisee expressly acknowledges and agrees that Franchisee's obligations for the full and timely payment of all amounts provided for in this Agreement shall be absolute, unconditional, fully earned, and due according to the timeline established by Franchisor. Franchisee shall not for any reason delay or withhold the payment of all or any part of those or any other payments due hereunder, put the same in escrow, or set-off same against any claims or alleged claims Franchisee may allege against Franchisor, the System Ad Fund, or others. Franchisee shall not, on grounds of any alleged non-performance by Franchisor or others, withhold payment of any fee, including without limitation Advertising Contributions, nor withhold or delay submission of any reports due hereunder.

## ARTICLE V.

### **DUTIES OF FRANCHISOR**

5.1 Assist Franchisee. Franchisor shall assist Franchisee in establishing and maintaining the Franchised Business and in familiarizing Franchisee with the proper operation of the Franchised Business.

5.2 Training.

521 Franchisor shall provide, via video and/or in person at a location designated by Franchisor, training for Franchisee and/or Franchisee's general manager and other representatives and/or employees of Franchisee, provided the maximum number of people being trained does not exceed four (4). The training program will occur prior to the opening of the Franchised Business, and will last for three (3). The training program syllabus shall be as described in the Operations Manual (collectively, the "**Manuals**," or individually each a "**Manual**"). Transportation, room and board, compensation, benefits, and any other expense incurred by Franchisee and its manager in connection with attending the training school will be borne solely by Franchisee. Franchisor will bear the costs relating to its instructors, the training materials, and administrative overhead.

522 Franchisor may, at its discretion, furnish to Franchisee, at Franchisee's expense, up to five (5) days of on-site training. During this training, Franchisor's representative(s) will assist Franchisee in establishing and standardizing procedures and techniques essential to the operation of the business and shall assist in training personnel. Prior to the arrival of Franchisor's representative(s), Franchisee shall have completed all training of Franchisee's initial staff of employees for the Franchised Business, as shall be necessary for Franchisee to comply with its staffing obligations hereunder. Should Franchisee request additional assistance from Franchisor in order to facilitate the opening of the Franchised Business, and should Franchisor deem it necessary and appropriate to comply with the request, Franchisee shall pay Franchisor's per diem training fee and Franchisor's out of pocket expenses in providing such additional assistance as set forth in the Manuals as the same may be from time to time. Such out-of-pocket expenses include, but are not limited to, lodging, food, and travel arrangements for Franchisor's representative(s).

523 Franchisee acknowledges that Franchisor shall not be responsible for training or offering guidance with respect to compliance with any laws, ordinances, or other legal matters. Franchisee further acknowledges that Franchisor shall not be responsible for training or offering guidance with respect to welding, and that all trainees must be able to weld prior to commencing training. Franchisor reserves the right to refuse to train any individual deemed by Franchisor to have insufficient welding abilities, according to Franchisor's sole judgment.

5.3 New or Replacement Designated Principal and Managers. In the event that Franchisee's Designated Principal (as that term is defined in Section 6.1 hereto) or general manager ceases active employment in the Franchised Business, Franchisee shall enroll a qualified

replacement who is reasonably acceptable to Franchisor in Franchisor's training program promptly following cessation of the employment of said individual, provided that Franchisee may train replacement managers in accordance with Section 5.4 below. The replacement Designated Principal and any required managers shall complete the initial training program as soon as is practicable and in no event later than any time periods as Franchisor may specify from time to time in the Manuals and otherwise in writing. Franchisor reserves the right to review any Franchisee-trained personnel and require that such persons attend and complete, to the satisfaction of Franchisor, the initial training program offered by Franchisor at a location designated by Franchisor.

5.4 Training by Franchisee of Additional or Replacement Managers. Franchisee shall have the option of training any manager (following the training of the first manager by Franchisor) at the Franchised Business or other businesses operated by Franchisee or its affiliates, provided that the training is conducted: (a) by the Designated Principal or other personnel who has completed Franchisor's initial training program, to the satisfaction of the Franchisor (and who remains acceptable to Franchisor to provide such training); (b) in accordance with any requirements or standards as Franchisor may from time to time establish in writing for such training; and (c) Franchisee is in compliance with all agreements between Franchisee and Franchisor. In the event Franchisee is not certified to provide training or Franchisee loses its training certification, then Franchisor will train the additional or replacement manager. Franchisor reserves the right to require Franchisee to pay Franchisor's then-current charges for such training, which charges are in addition to any out-of-pocket expenses to be incurred in relation to such training, such as travel, lodging, food, and wages.

5.5 Refresher Training. Franchisor may also require that Franchisee or its Designated Principal and managers attend such refresher courses, seminars, and other training programs as Franchisor may reasonably require from time to time, provided that such training shall not exceed two (2) days per person each year, and attendance for up to two (2) days per person each year at conventions, if any, conducted for Franchisor's franchisees.

5.6 Training Costs. The cost of all training (instruction and required materials) shall be borne by Franchisor, except as provided in Section 5.8 below. All other expenses incurred in connection with training, including without limitation the costs of transportation, lodging, meals, wages, and worker's compensation insurance, shall be borne by Franchisee.

5.7 Location of Training. All training programs shall be at such times as may be designated by Franchisor. Training programs shall be provided at Franchisor's headquarters and/or such other locations as Franchisor may designate.

5.8 Additional On-site Training. If Franchisee requests that Franchisor provide additional on-site training or that any other training programs offered or required by Franchisor be conducted for Franchisee at the Franchised Business, and Franchisor does so, then Franchisee agrees that it shall pay Franchisor's then-current per diem charges and out-of-pocket expenses, which shall be as set forth in the Manuals or otherwise in writing.

5.9 Informational Material. Franchisor may provide Franchisee with such periodic newsletters, bulletins, and additional informational material as Franchisor deems advisable. Franchisor shall furnish one (1) set of all training materials needed for the pre-opening training program of the Franchised Business. Franchisee shall be responsible for the accurate duplication and distribution of the materials to its employees.

5.10 Promotional Material. Franchisor shall make available from time to time promotional materials for in marketing by Franchisee for which Franchisee shall pay the reasonable value thereof, if used. Franchisee will be notified by Franchisor in advance, in writing, as to which promotional materials Franchisee is required to use and which promotional materials are optional. Franchisor must review and approve all advertising and promotional material which Franchisee proposes to use.

5.11 Operations Manuals. Franchisor shall loan Franchisee one (1) copy of Franchisor's Manuals in hardcopy or electronic format for use at the Franchised Business, subject to the conditions set forth in Article V hereof. The use of additional copies shall be controlled by Franchisor at fees set by it.

5.12 Quarterly Inspections. Franchisor seeks to maintain the standards of quality, professionalism, appearance, and service of the System and the Concept, and to that end may, at its discretion, conduct each calendar quarter an inspection of the Franchised Business, including its Premises and/or Vehicle(s), as applicable, and such other periodic inspections as may be desirable, subject to two days prior notice to Franchisee. The cost of such quarterly inspections will be borne by Franchisor; provided, to the extent that Franchisee requests the assistance of Franchisor personnel at times other than the regular quarterly inspections, costs incurred by Franchisor in furnishing such personnel and assistance will be borne by Franchisee.

5.13 No Third-Party Reliance. All of the obligations of Franchisor arising under this Agreement are to Franchisee only, and no other party is entitled to rely upon, enforce, or obtain relief for any breach thereof, either directly or by subrogation.

5.14 List of Suppliers. Franchisor shall, in the Manuals (or otherwise in writing as determined by Franchisor), provide Franchisee with a list of suppliers designated and/or approved by Franchisor to supply Products and Services, equipment, signage, materials, and services to franchisees in the System. Franchisor or one or more affiliates of the Franchisor may be an approved supplier and may be the only supplier of certain Products and Services.

5.15 Delegation. Franchisee acknowledges and agrees that any duty or obligation imposed on Franchisor by this Agreement may be performed by a distributor, designee, employee, or agent of Franchisor, as Franchisor may direct.

5.16 Fulfillment of Obligations. In fulfilling its obligations pursuant to this Agreement, and in conducting any activities or exercising any rights pursuant to this Agreement, Franchisor (and its affiliates) shall have the right: (a) to take into account, as it sees fit, the effect on, and the interests of, other franchised businesses and systems and in which Franchisor has an interest and on Franchisor's (and its affiliates') own activities; (b) to share market and product research, and other proprietary and non-proprietary business information, with other franchised

businesses and systems in which Franchisor (or its affiliates) has an interest, or with Franchisor's affiliates; (c) to introduce proprietary and non-proprietary items or operational equipment used by the System into other franchised systems in which Franchisor has an interest; and/or (d) to allocate resources and new developments between and among systems, and/or Franchisor's affiliates, as Franchisor sees fit. Franchisee understands and agrees that all of Franchisor's obligations under this Agreement are subject to this Section 5.16, and that nothing in this Section shall in any way affect Franchisee's obligations under this Agreement.

5.17 Standard Forms. Franchisor shall provide to Franchisee, upon request, samples of standard electronic reports to be submitted by Franchisee to Franchisor.

## ARTICLE VI.

### **DUTIES OF FRANCHISEE**

6.1 Attendance at Training Programs. Either Franchisee or a Franchisee's Principal Shareholder if Franchisee is an entity (the "**Designated Principal**") or Franchisee's general manager must attend training sessions conducted by Franchisor, until, in the judgment of Franchisor, they are sufficiently trained in Franchisor's operating requirements and procedures, including the Concept. The operation and manner of conducting such training school shall be in the manner determined by Franchisor. Transportation, room and board, compensation, benefits, and any other expense incurred by Franchisee, the Designated Principal, and/or its managers in connection with attending the training school will be borne solely by Franchisee. Franchisor will bear the costs relating to its instructors, the training materials, and administrative overhead. Franchisee acknowledges that Franchisor shall not be responsible for training or offering guidance with respect to welding, and that all trainees must be able to weld prior to commencing training. Franchisor reserves the right to refuse to train any individual deemed by Franchisor to have insufficient welding abilities, according to Franchisor's sole judgment.

6.2 Acquisition of Vehicle(s). If Franchisee plans to offer mobile Products and Services, Franchisee shall, within ninety (90) days from the date this Agreement is executed, be solely responsible for identifying, submitting for Franchisor's approval, and securing one or more Vehicle(s) for its Franchised Business. The following terms and conditions shall apply to the Vehicle(s):

6.2.1 The Vehicle(s) shall meet minimum standards as set forth by Franchisor in the Manuals or otherwise in writing; and

6.2.2 The Vehicle(s) must not be older than ten (10) years old unless approved in writing by Franchisor. If a Vehicle is less than ten (10) years old at purchase, such approval must be obtained once it reaches ten (10) years old. Approval must be re-obtained yearly. In no instance may the Vehicle(s) be older than fifteen (15) years old.

6.2.3 If the Franchised Business is a Stand-Alone Business, a wrap bearing one or more of the UNITED AXLE mark and other Proprietary Marks, as designated by Franchisor in the Manuals or otherwise in writing, shall be applied to the Vehicle(s).

Franchisor may, in its discretion, provide artwork for the wrap. The wrap must be approved in writing by Franchisor.

6.2.4 If the Franchised Business is an Ancillary Business, a wrap or sticker bearing one or more of the UNITED AXLE mark and other Proprietary Marks, as designated by Franchisor in the Manuals or otherwise in writing, shall be applied to each of the Vehicle(s). The UNITED AXLE mark must be at least 12"x28" unless another size requirement is designated by Franchisor in the Manuals or otherwise in writing. Franchisor may, in its discretion, provide artwork for the wrap or sticker. The wrap or sticker must be approved in writing by Franchisor.

6.3 Acquisition of Equipment. Franchisee shall acquire all equipment required by Franchisor, as set forth in the Manuals or otherwise in writing. Franchisor may, in its discretion, offer a package of equipment and tools necessary for commencing the Franchised Business (the "**Equipment Package**"). Franchisor reserves the right to require Franchisee to purchase the Equipment Package from Franchisor prior to commencement of the Franchised Business. The Equipment Package may include proprietary equipment, such as a specialized jig and other tools necessary for performing the Proprietary Services. Such proprietary equipment may be available only from Franchisor. Franchisee must purchase replacement proprietary equipment only from Franchisor or Franchisor's designee. Franchisor may offer two Equipment Packages, one with a vehicle satisfying the minimum standards for the Vehicle(s) and one without; Franchisee may elect which Equipment Package to buy from Franchisor.

6.4 Opening Date. Unless delayed by the occurrence of events constituting "Force Majeure" or approved by Franchisor in writing, Franchisee shall construct, furnish, and open the Franchised Business in accordance with this Agreement and shall open the Franchised Business within six (6) months from the date it signs the lease or purchase contract for the site of its Franchised Business. Franchisee shall provide Franchisor with written notice of its specific intended opening date and Franchisee's request for Franchisor's approval to open on such date, by no later than thirty (30) days prior to such intended opening date. Additionally, Franchisee shall comply with all other of Franchisor's pre-opening requirements, conditions, and procedures (including, without limitation, those regarding pre-opening scheduling and communications) as set forth in this Agreement, the Manuals, and/or elsewhere in writing by Franchisor, and shall obtain Franchisor's written approval prior to opening the Franchised Business.

6.5 Use of Premises. Franchisee shall: (a) use the Premises solely for the operation of the Franchised Business unless otherwise approved in writing by Franchisor; (b) keep the Franchised Business open and in normal operation for such minimum hours and days as Franchisor may from time to time specify in the Manuals or as Franchisor may otherwise approve in writing; and (c) refrain from using or permitting the use of the Premises for any other purpose or activity at any time without first obtaining the written consent of Franchisor.

6.6 Maintenance of Franchised Business. Franchisee shall maintain the Premises and Vehicle(s) in a high degree of sanitation, repair, and condition, and in connection therewith shall make such additions, alterations, repairs, and replacements thereto (but no others without Franchisor's prior written consent) as may be required for that purpose.

6.7 Improvements and Modifications. Franchisee agrees that from time to time Franchisor may change or modify the System and/or the Concept. Franchisee shall accept such changes and modifications, as if they were part of this Agreement at the time of its execution, and shall promptly undertake and complete the changes and modifications; provided that Franchisee need not accept a Material Change (as defined herein) unless such change is or will be made throughout the System. A "**Material Change**" is an improvement or modification that requires out-of-pocket expenditures by Franchisee in excess of \$5,000.

6.8 Operation of Franchised Business. Franchisee shall operate the Franchised Business in strict conformity with such uniform methods, standards, and specifications as Franchisor may from time to time prescribe in the Manuals to ensure that the highest degree of quality, timeliness, and service is uniformly maintained. Franchisee agrees:

6.8.1 To maintain in sufficient supply and use at all times only such parts, tools, and equipment as conform with Franchisor's standards and specifications, and to refrain from deviating therefrom by using nonconforming parts, tools, and equipment without Franchisor's prior written consent; and

6.8.2 (a) To sell, offer for sale, or otherwise provide only such Products and Services as have been expressly approved writing by Franchisor; (b) to sell, offer for sale, or otherwise provide all approved Products and Services; (c) to discontinue selling, offering for sale, and otherwise providing any Products and Services as Franchisor may, in its discretion, disapprove in writing at any time; and (d) not to discontinue selling, offering for sale, or otherwise providing any Products and Services until a written request has been submitted by Franchisee and approved in writing by Franchisor. With respect to the offer and sale by Franchisee of all Products and Services, Franchisee shall have sole discretion as to the prices to be charged to its customers, so long as minimum pricing standards are maintained, as set forth in the Manuals or otherwise in writing by the Franchisor, and as to product brands conforming to Franchisor's standards and specifications, other than those items which must be purchased from Franchisor or from Franchisor's designee, as set forth herein; and

6.8.3 To ensure that the approved Products and Services sold or otherwise provided by Franchisee hereunder shall be of the highest quality. Franchisee shall comply with all instructions provided by Franchisor or contained in the Manuals, and with the further written requirements of Franchisor as Franchisee may be advised from time to time. All written requirements, including but limited to the Manuals, shall remain the property of Franchisor and shall be returned to it by Franchisee upon the expiration, termination, or assignment by Franchisee of this Agreement; provided, Franchisee may, from time to time, request Franchisor to amend its instructions and requirements, which requests, upon a demonstration of good cause and a determination that such amendment would not conflict with, or cause damage or injury to, the Concept or the System, shall be approved by Franchisor; and

6.8.4 To purchase and install, at Franchisee's expense, all fixtures, furnishings, signs, and equipment as Franchisor may reasonably direct from time to time in the Manuals or otherwise in writing; and to refrain from installing or permitting to be installed on or about the Premises and/or the Vehicle(s), without Franchisor's prior written consent, any equipment or other improvements not previously approved as meeting Franchisor's standards and specifications; provided, the purchase and installation of any such fixtures, furnishings, signs, and equipment shall be subject to, and in compliance with, the terms of all local laws and the Lease, if any, for the Premises; and

6.8.5 To maintain all equipment in a condition that meets operational standards specified in the Manuals and, as equipment becomes obsolete or inoperable, to replace such equipment with the types and kinds of equipment as are then approved for use in the System. Franchisee shall also purchase and install new equipment within such reasonable times as are specified by Franchisor in the event Franchisor determines that Franchisee needs additional or substitute equipment to operate under the Concept. Franchisee shall purchase and install all proprietary equipment and equipment and tools specific to the Proprietary Products and Services, including the jig, from Franchisor or Franchisor's designee; and

6.8.6 To ensure that the Franchised Business shall at all times be under the direct, on-Premises supervision of Franchisee, a Designated Principal, or a trained and competent employee acting as full-time manager. Within six months from the Effective Date, Franchisee shall notify Franchisor in writing of the person(s) selected to be manager(s) of the Franchised Business. Thereafter, Franchisee shall keep Franchisor informed at all times of the identity of any employee(s) acting as manager(s) of the Franchised Business. Franchisee and the Principal Shareholders and Designated Principal agree that they will at all times faithfully, honestly, and diligently perform their obligations hereunder and that they will not engage in any business or other activities that will conflict with their obligations hereunder; and

6.8.7 To employ the minimum number of employees, and to implement a training program for such employees, as may be prescribed by Franchisor, and to comply with all applicable federal, state, and local laws, rules, and regulations with respect to such employees.

6.8.8 To ensure that all employees providing Services are able to weld, and to indemnify Franchisor for any damages or claims against Franchisor relating to the welding or welding abilities of any employee of Franchisee.

6.9 Methods and Operations. Franchisee agrees that:

6.9.1 Franchisee agrees to comply with and honor any and all rebate and/or purchasing programs that Franchisor establishes for the System. Should Franchisor elect, at its discretion, to establish a rebate or purchasing program, Franchisor shall use commercially reasonable efforts to negotiate with suppliers for the lowest possible price for supplies and equipment for all franchisees in the System. In conjunction with such efforts, if Franchisor agrees to a rebate program with a supplier, all such rebates will be

payable to Franchisor who shall distribute to Franchisee its share of its rebates, as determined in the sole discretion of the Franchisor, less a 5% handling charge; and,

6.9.2 The parties hereto agree that Franchisor's methods include highly confidential trade secrets and that because of the importance of quality and uniformity of services, it is to the mutual benefit of both parties hereto that Franchisor closely control such methods; and

6.9.3 Franchisee may purchase from Franchisor or its affiliates, upon such terms as Franchisor shall determine, such items and supplies as Franchisor offers for sale to its Franchisees; and

6.9.4 Franchisee shall make all payments to third parties, when due for obligations resulting from or incurred in the operation, or by virtue of the existence of the Franchised Business, whether for services, goods, supplies, rent, or otherwise; and

6.9.5 Franchisor, in its sole discretion, shall have the right to make, on behalf of Franchisee, any payment specified in this Agreement or the Lease of the Premises, or due and owed by Franchisee to any third party and which Franchisee shall have failed to pay when due, whether directly or through Franchisee. Franchisor shall bill Franchisee for any amount so paid by Franchisor, together with a delinquency charge of 12% per annum, provided that the rate of interest shall not in any event exceed the maximum rate permitted by law. Imposition of any such delinquency charge shall not constitute a waiver of the right of Franchisor to treat said failure of payment by Franchisee as a default under this Agreement or any other agreement, or to seek other available legal remedies; and

6.9.6 Franchisee shall participate in all customer surveys and satisfaction audits reasonably required by Franchisor. Additionally, Franchisee shall participate in any complaint resolution and other programs as Franchisor may reasonably establish for the System, which programs may include, without limitation, providing discounts or refunds to customers; and

6.9.7 Franchisee shall be active on a minimum of two social media channels, where active is defined as at least two United Axle and/or spindle posts each month. Additionally, Franchisee shall maintain an active Google business account; and

6.9.8 Franchisor, in its sole discretion, shall have the right to issue a Plan of Improvement to Franchisee if Franchisor determines that Franchisee is underperforming. Franchisee agrees to implement the Plan of Improvement in a time frame set forth by Franchisor and agrees that failure to do so will be considered a default hereunder; and

6.9.9 Should a dispute arise between Franchisee and another franchisee of Franchisor, Franchisee agrees to abide by any decision made by Franchisor to resolve the dispute, including, as appropriate, any disciplinary plan of action or other remedial measures set forth by Franchisor. Failure to do so may be considered a default hereunder.

6.10 Purchases and Approved Suppliers. Franchisee shall purchase all equipment, fixtures, furnishings, signs, décor, supplies, services, and Products required for the establishment and operation of the Franchised Business from suppliers designated or approved in writing by Franchisor (as used in this Section the term "supplier" shall include manufacturers, distributors, and other forms of suppliers). In determining whether it will approve any particular supplier, Franchisor shall consider various factors, including but not limited to whether the supplier can demonstrate, to Franchisor's continuing reasonable satisfaction, the ability to meet Franchisor's then-current standards and specifications for such items; who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; whose approval would enable the System, in Franchisor's sole opinion, to take advantage of marketplace efficiencies; and who have been approved in writing by Franchisor prior to any purchases by Franchisee from any such supplier and have not thereafter been disapproved. Franchisor reserves the right to designate, at any time and for any reason, a single supplier for any equipment, supplies, services, or Products and to require Franchisee to purchase exclusively from such designated supplier, which exclusive designated supplier may be Franchisor or an affiliate of Franchisor.

6.10.1 Notwithstanding anything to the contrary in this Agreement, Franchisee shall purchase all of its requirements for Proprietary Products from Franchisor or Franchisor's designee(s), as set forth in Section 6.13 below (through such distributor or distributors as Franchisor may designate). Franchisor shall have the right to introduce additional, substitute new, or discontinue Proprietary Products from time to time; and

6.10.2 If Franchisee desires to purchase any Products (except for Proprietary Products) or other items, equipment, supplies, or services from suppliers other than those previously designated or approved by Franchisor, Franchisee must first submit to Franchisor a written request for authorization to purchase such items. Franchisee shall not purchase from any supplier until, and unless, such supplier has been approved in writing by Franchisor. Franchisor may deny such approval for any reason, including its determination to limit the number of approved suppliers. Franchisee must submit to Franchisor such information and samples as Franchisor may reasonably require, and Franchisor shall have the right to require periodically that its representatives be permitted to inspect such items and/or supplier's facilities, and that samples from the proposed supplier, or of the proposed items, be delivered for evaluation and testing either to Franchisor or to an independent testing facility designated by Franchisor. Permission for such inspections shall be a condition of the initial and continued approval of such supplier. A charge not to exceed the Franchisor's reasonable cost of the evaluation and testing shall be paid by Franchisee. Franchisor may also require that the supplier comply with such other requirements as Franchisor may deem appropriate, including payment of reasonable continuing inspection fees and administrative costs, or other payments to Franchisor by the supplier on account of their dealings with Franchisee or other franchisees, for use, without restriction (unless otherwise instructed by the supplier) and for services that Franchisor may render to such suppliers; and

6.10.3 Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria. Upon

receipt of written notice of such revocation, Franchisee shall cease to sell or use any disapproved item, products, or services and/or cease to purchase from any disapproved supplier; and

6.10.4 Nothing in the foregoing shall be construed to require Franchisor to approve any particular supplier, nor to require Franchisor to make available to prospective suppliers any standards and specifications that Franchisor deems confidential; and

6.10.5 Notwithstanding anything to the contrary contained in this Agreement, Franchisee acknowledges and agrees that, at Franchisor's sole option, Franchisor may establish one or more strategic alliances or preferred vendor programs with one or more national or regional known suppliers who are willing to supply all or some businesses under the System with some or all of the Products and/or services that Franchisor requires for use and/or sale in the development and/or operation of such businesses. In this event, Franchisor may limit the number of approved suppliers with whom Franchisee may deal, designate sources that Franchisee must use for some or all Products and Services and other products and services, and/or refuse any of Franchisee's requests if Franchisor believes that this action is in the best interests of the System or the franchised network of businesses. Franchisor shall have unlimited discretion to approve or disapprove of the suppliers who may be permitted to sell products and services to Franchisee. The Franchisor may also limit approved suppliers to its affiliates.

6.11 Proprietary Products and Services. Franchisee acknowledges and agrees that the Proprietary Products and Services offered, sold, and otherwise provided at businesses in the System are or use products manufactured in accordance with standards and specifications of Franchisor and/or Franchisor's affiliates, and are Proprietary Products and Services of Franchisor and/or its affiliates. In order to maintain the high standards of quality and uniformity associated with Proprietary Products and Services sold at all businesses in the System, Franchisee agrees to purchase Proprietary Products only from Franchisor or its designee(s), and not to offer or sell or otherwise provide any other products and services not approved by Franchisor at or from the Franchised Business.

6.11.1 In particular, the Proprietary Products that Franchisee must purchase from Franchisor include, but are not limited to, all spindles, jigs and tools.

6.11.2 Franchisee shall purchase a minimum number of spindles from Franchisor each year, as set forth in Exhibit A and as may be amended in writing by Franchisor from time to time.

6.11.3 In connection with the handling, storage, transport, and delivery of any Proprietary Products purchased from Franchisor or its affiliates or designee(s), Franchisee acknowledges that any action or inaction by any third party (e.g., an independent carrier) in connection with the handling, storage, transport, and delivery of the Proprietary Products shall not be attributable to nor constitute negligence of Franchisor.

6.12 Trademark Items. Franchisee shall ensure that all advertising and promotional

materials, signs, decorations, Products, and other items specified by Franchisor bear the Proprietary Marks in the form, color, location, and manner prescribed by Franchisor. Franchisee shall place and illuminate all signs in accordance with Franchisor's specifications.

6.13 Participation in Promotions. Franchisee shall participate in promotional programs developed by Franchisor for the System, in the manner directed by Franchisor in the Manuals or otherwise in writing, to the extent such promotional programs do not directly affect Franchisee's pricing freedom.

6.14 Right to Set-Off. In the event that any of the obligations owing under this Agreement shall be due and payable, yet remain unpaid for thirty (30) days or more, Franchisor is hereby authorized by Franchisee at any time and from time to time, without prior notice, any such notice being expressly waived, to set off and appropriate and apply any funds held or owing by Franchisor (in any capacity) to or for the credit or the account of Franchisee against and on account of obligations and liabilities of Franchisee under this Agreement and claims of every nature and description of Franchisor against Franchisee, whether arising under this Agreement or otherwise, regardless of whether Franchisor has made demand for payment, and although such obligations, liabilities, or claims are contingent or unmatured. Franchisor agrees to notify Franchisee of any such set-off and the application made by Franchisor, provided that the failure to give notice shall not affect the validity of the set-off and application. The right of set-off provided by this section is in addition to other rights and remedies that Franchisor may have.

6.15 Right to Enter. Franchisee shall grant Franchisor and its agents the right to enter upon the Premises and Vehicle(s) at any reasonable time for the purpose of conducting inspections; shall cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents, and without limiting Franchisor's other rights under this Agreement, take such steps as may be necessary immediately to correct the deficiencies detected during any such inspection, including, without limitation, immediately desisting from the further use of any equipment, advertising materials, Products, or supplies that do not conform with Franchisor's then-current specifications, standards, or requirements.

6.16 Accounting and Records.

6.16.1 Maintenance of Records. Franchisee shall maintain and preserve, during the term of this Agreement, full, complete, and accurate books, records, and accounts in accordance with the standard accounting system prescribed by Franchisor in the Manuals or otherwise in writing. Franchisee shall retain during the term of this Agreement and for seven (7) years thereafter all books and records related to the Franchised Business, including without limitation, sales checks, purchase orders, invoices, payroll records, customer lists, check stubs, sales and all other tax records and returns, cash receipts and disbursement journals, and general ledgers.

6.16.2 Spindle Records. Franchisee shall keep records of the serial numbers of every spindle sold, installed, serviced, or otherwise encountered, along with identifying information regarding the truck on which the spindle is/was used. Franchisee shall submit such records to Franchisor periodically in the manner and at the time as specified in the

Manuals or otherwise in writing and will keep such records for the time period specified in the Manuals or otherwise in writing.

6.16.3 Other Reports. Franchisee shall submit to Franchisor such other periodic reports, forms, and records as specified, and in the manner and at the time as specified in the Manuals or otherwise in writing.

6.16.4 Examinations. Franchisor or its designated agents shall have the right at all reasonable times to examine and copy, at its expense, the spindle books, and records of Franchisee. Franchisor shall also have the right, at any time, to have an independent audit made of the spindle books of Franchisee at Franchisor's expense. If an inspection discloses an understatement in any report of 2% or more, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

6.17 Pricing. With respect to the offer and sale of all Products and Services, Franchisor may from time to time offer guidance with respect to the selling price for such Products and Services or may determine the minimum and/or maximum selling prices for such Products and Services. To the extent permitted by applicable law, Franchisee shall be bound to adhere to any such recommended or required pricing. If Franchisee elects to sell any or all Products and Services at any price recommended or required by Franchisor, Franchisee acknowledges that Franchisor has made no guarantee or warranty that offering such Products and Services at the recommended or required price will enhance sales or profits.

6.18 Notice of Legal Actions. Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any suit to foreclose any lien or mortgage, or any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, including health agencies, which (a) relates to the operation of the Franchised Business, (b) may adversely affect the operation or financial condition of the Franchised Business, or (c) may adversely affect Franchisee's financial condition.

6.19 No Relocation. Franchisee shall not relocate the Franchised Business from the Approved Territory without the prior written approval of Franchisor. If Franchisee desires to relocate the Franchised Business, the following terms and conditions shall apply: Franchisee shall submit such materials and information as Franchisor may request for the evaluation of the requested plan of relocation. Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval for relocation:

6.19.1 Franchisee not be in default under any provision of this Agreement, or any other agreement between Franchisee and Franchisor; (b) the proposed substitute location meets Franchisor's then-current standards for businesses in the System and is located within the Territory; (c) the lease (if applicable) for the proposed substitute location complies with Franchisor's then-current lease requirements for businesses in the System (which may include the requirement that the lease contain certain terms and conditions, which may be different than, or in addition to, those terms Franchisor required as of the

Effective Date with respect to the Approved Territory), and Franchisee must obtain Franchisor's approval of the proposed Lease; (d) Franchisee must possess the financial resources to meet the costs associated with relocating; (e) Franchisee agrees to pay a non-refundable relocation fee of \$5,000 for each Franchised Business relocated; and (f) Franchisee enter into Franchisor's then-current form of Franchise Agreement (which shall replace this Agreement), provided that Franchisee shall not be required to pay an Initial Fee.

6.19.2 If, through no fault of Franchisee, the Premises are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within sixty (60) days thereafter, then Franchisee shall have forty-five (45) days after such event in which to apply for Franchisor's approval to relocate and/or reconstruct the Premises, which approval shall not be unreasonably withheld and, in such event, the relocation fee described in Section 6.21.1 above shall not apply.

6.20 Franchisee Advisory Councils. If Franchisor should, during the term of this Agreement, form or require the formation of a franchisee advisory council or association (hereinafter "**Advisory Council**") or such successor council to serve as an advisory council to Franchisor with respect to advertising, marketing, and other matters relating to franchised businesses in the System, Franchisee shall become a member of the Advisory Council. In such event, Franchisee shall pay to the Advisory Council all dues and assessments authorized by the Advisory Council and shall otherwise abide by the rules and regulations of the Advisory Council and shall at all times maintain its membership in the Advisory Council in good standing.

6.21 Changes to the System. Franchisee acknowledges and agrees that from time to time hereafter Franchisor may change or modify the System presently identified by the Proprietary Marks, as Franchisor deems appropriate, including without limitation to reflect the changing market and to meet new and changing consumer demands, and that variations and additions to the System may be required from time to time to preserve and enhance the public image of the System and operations of businesses in the System. Changes to the System may include, without limitation, the adoption and use of new, modified, or substituted Products and Services and equipment and new techniques and methodologies, and (as described in Subsection 7.3.5) additional or substitute trademarks, service marks, and copyrighted materials. Franchisee shall, upon reasonable notice, accept, implement, use, and display in the operation of the Franchised Business any such changes in the System, as if they were part of this Agreement at the time of execution thereof, at Franchisee's sole expense. Additionally, Franchisor reserves the right, in its sole discretion, to vary the standards throughout the System, as well as the services and assistance that Franchisor may provide to some franchisees based upon the peculiarities of a particular site or circumstance, existing business practices, or other factors that Franchisor deems to be important to the operation of any business in the System or the System. Franchisee shall have no recourse against Franchisor on account of any variation to any franchisee and shall not be entitled to require Franchisor to provide Franchisee with a like or similar variation hereunder.

6.2 Modifications Proposed by Franchisee. Franchisee shall not implement any change to the System (including the use of any product or equipment not already approved by Franchisor) without Franchisor's prior written consent. Franchisee acknowledges and agrees that,

with respect to any change, amendment, or improvement in the System or use of additional product or equipment for which Franchisee requests Franchisor's approval: (a) Franchisor shall have the right to incorporate the proposed change into the System and shall thereupon obtain all right, title, and interest therein without compensation to Franchisee, (b) Franchisor shall not be obligated to approve or accept any request to implement change, and (c) Franchisor may from time to time revoke its approval of particular change or amendment to the System, and upon receipt of written notice of such revocation, Franchisee shall modify its activities in the manner described by Franchisor.

6.23 No Waiver. Franchisee and the Principal Shareholders acknowledge that nothing contained herein constitutes Franchisor's agreement to accept any payments after the same are due or a commitment by Franchisor to extend credit to or otherwise finance Franchisee's operation of the Franchised Business. Further, Franchisee and the Principal Shareholders acknowledge that Franchisee's or the Principal Shareholders' failure to pay all amounts when due shall constitute grounds for termination of this Agreement, as herein provided.

## ARTICLE VII.

### **PROPRIETARY RIGHTS**

#### 7.1 Definition of Proprietary Rights.

7.1.1 Franchisor is the owner of the right, title, and interest in the Proprietary Marks, including the following trademarks: UNITED AXLE, and such other trademarks, service marks, trade names, logos, and commercial symbols as are now designated or may hereinafter be designated by Franchisor in the Manual or otherwise in writing as part of the System (collectively, the "**Marks**"). Franchisor continues to develop, use, and control such Marks for the benefit of and the exclusive use by itself and its franchisees in order to identify for the public the source of goods and services marketed thereunder and to represent the System's high standards of quality and service.

7.1.2 Franchisor is the owner of the right, title, and interest in certain inventions, including those described in U.S. Patent Application No. 15/486,611 filed April 13, 2017 and any other applications claiming priority thereto, as well as any patents issued therefrom (collectively, the "**Patents/Patent Applications**"). Franchisor continues to develop, use, and control such Patents/Patent Applications for the benefit of and exclusive use by itself and its franchisees.

7.1.3 Franchisor is the owner of the right, title, and interest in certain copyrights, including those covering the Manuals and promotional and advertising materials, as are now designated or may hereinafter be designated by Franchisor in the Manual or otherwise in writing as part of the System (collectively, the "**Copyrights**"). Franchisor continues to develop, use, and control such Copyrights for the benefit of and exclusive use by itself and its franchisees.

7.1.4 Franchisor is the owner of the right, title, and interest in certain proprietary

information and trade secrets, including the contents of the Manual, as are now designated or may hereinafter be designated by Franchisor in the Manual or otherwise in writing as part of the System (collectively, the “**Trade Secrets**”). Franchisor continues to develop, use, and control such Trade Secrets for the benefit of and exclusive use by itself and its franchisees. Further information about the confidentiality of the Manual and the Trade Secrets is included in Articles IX and X below.

7.15 The Proprietary Rights of the Franchisor include the Franchisor’s rights in the Marks, in the Patents/Patent Applications, in the Copyrights, and in the Trade Secrets.

7.2 Grant of License. Franchisor hereby grants Franchisee a license to use Franchisor’s Marks, Patents/Patent Applications, Copyrights, and Trade Secrets in connection with the operation of the Franchised Business. It is understood and agreed that this license to use Franchisor’s Marks, Patents/Patent Applications, Copyrights, and Trade Secrets applies only to their use in connection with the operation of the Franchised Business and includes only such marks, patents/patent applications, copyrights, and trade secrets as are now or may hereafter be designated by Franchisor in writing for use by Franchisee, and no other marks, patents/patent applications, copyrights, or trade secrets of Franchisor now existing or yet to be developed or acquired by Franchisor. Furthermore, it is understood and agreed that this license to use Franchisor’s Marks, Patents/Patent Applications, Copyrights, and Trade Secrets is subject to the requirements for their use set forth in the Manual or otherwise in writing. Franchisee agrees to operate and advertise the Franchised Business only under the Marks and material subject to the Copyrights designated by Franchisor in writing.

7.3 Specific Limitations on Grant of License. Use of the following Marks is limited as indicated, unless otherwise indicated by Franchisor in the Manual or otherwise in writing:

7.31 UNITED AXLE may be used as a business name by Franchisor and Stand-Alone Businesses only. Ancillary Businesses may use the UNITED AXLE mark only when referring to the Products and Services, operating under the existing business name, unless authorized by Franchisor in writing.

7.4 Representations of Franchisor. Franchisor represents with respect to the Proprietary Rights that:

7.41 Franchisor believes itself to have the full and exclusive right to the use of the Marks within the Territory and will take all reasonable steps to preserve and protect its ownership and validity in and to the Marks in the Territory.

7.42 Franchisor will permit Franchisee and other franchisees of Franchisor to use the Marks, Patents/Patent Applications, Copyrights, and Trade Secrets only in accordance with the Concept in order to protect the goodwill associated with and symbolized by the Marks, Patents/Patent Applications, Copyrights, and Trade Secrets.

7.43 In the event that Franchisee is precluded from operating the Franchised Business within the Territory because Franchisor determines that a third person has

acquired rights under the law of any state in the Marks, which so precludes Franchisee, Franchisor agrees to assist Franchisee, at Franchisee's request, in locating an alternative site for the Franchised Business. In the event that an alternative site cannot be located within ninety (90) days of Franchisee's request, Franchisor shall repay the Initial Fee attributable to that Franchised Business to Franchisee, minus the Application Fee. Franchisee and the Principal Shareholders agree that the remedies set forth in this subsection shall constitute their sole remedies against Franchisor in such event.

7.5 Agreement of Franchisee. With respect to Franchisee's use of the Proprietary Rights pursuant to this Agreement, Franchisee agrees that:

751 Franchisee acknowledges Franchisor's ownership of all right, title, and interest in and to the Marks, Patents/Patent Applications, Copyrights, and Trade Secrets, and all other identification schemes, specifications, operating procedures, and other concepts embodied in the System. Franchisee accordingly agrees that any unauthorized use of the System or the Marks, Patents/Patent Applications, Copyrights, or Trade Secrets is and shall be deemed an infringement of Franchisor's rights; that, except as expressly provided in this Agreement, Franchisee acquires no right, title, or interest therein; that any and all goodwill associated with the System and the Marks, Patents/Patent Applications, Copyrights, and Trade Secrets shall inure exclusively to Franchisor's benefit; and that, upon the expiration and termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Marks, Patents/Patent Applications, Copyrights, and Trade Secrets.

752 Franchisee shall use only the Marks, Patents/Patent Applications, Copyrights, and Trade Secrets designated by Franchisor and only in the manner authorized and permitted by Franchisor. Franchisee shall use the Marks, Patents/Patent Applications, Copyrights, and Trade Secrets only in connection with the operation of the Franchised Business and shall not identify itself as the owner of any Proprietary Rights.

753 During the term of this Agreement, Franchisee shall identify itself as the owner of the Franchised Business in conjunction with any use of the Proprietary Rights, including, but not limited to, on invoices, order forms, receipts, and contracts, as well as at such conspicuous locations on the Premises as Franchisor shall designate in writing. Any identification which specifies Franchisee's name shall be followed by the term "Franchisee" or such other identification as shall be approved by Franchisor, if used in connection with the Franchised Business.

754 Franchisee acknowledges that the use of the Marks, Patents/Patent Applications, Copyrights, and Trade Secrets outside the scope of this Agreement, without Franchisor's prior written consent, is an infringement of Franchisor's exclusive right, title, and interest in and to the Marks, Copyrights, and Trade Secrets, and expressly covenants that during the term of this Agreement, and after the expiration or termination hereof, Franchisee shall not, directly or indirectly, commit an act of infringement or contest or aid in contesting the validity or ownership of Franchisor's Marks, Patents/Patent Applications, Copyrights, or Trade Secrets, or take any other action in derogation thereof.

755 Franchisee shall not use the Proprietary Rights to incur any obligation or indebtedness on behalf of Franchisor. Franchisee shall not use the Marks or Copyrights as part of Franchisee's corporate or other legal name, nor hold out or otherwise employ the Marks or Copyrights to perform any activity, or to incur any obligation or indebtedness, in such a manner as could reasonably result in making Franchisor liable therefore.

756 Franchisee shall promptly notify Franchisor of any use by any person or legal entity other than Franchisor or another of its franchises of any of the Marks, any colorable variation thereof, or any other mark in which Franchisor has or claims a proprietary interest; of any use by any person or legal entity other than Franchisor or another of its franchises of the products and/or processes covered by the Patents/Patent Applications; of any use by any person or legal entity other than Franchisor or another of its franchises of any of the material covered by the Copyrights; and of any use by any person or legal entity other than Franchisor or another of its franchises of any of the Trade Secrets. In the event that litigation involving the Marks, Patents, or Copyrights is instituted or threatened against Franchisee, Franchisee shall promptly notify Franchisor and shall cooperate fully in defending or settling such litigation. Franchisee agrees that Franchisor, upon notification to Franchisee, may elect, in its sole discretion, to assume control over, and responsibility for, any such litigation instituted against Franchisee. In the event of any such litigation, Franchisee agrees to execute and convey to Franchisor any and all documents and to render such assistance as may, in the opinion of Franchisor's counsel, be reasonably necessary to carry out such defense or prosecution.

757 Franchisor makes no warranty, express or implied, as to the use, validity, or enforceability of the Marks. If it becomes advisable at any time, in the sole discretion of the Franchisor, to modify or discontinue use of any Mark and/or to use one or more additional or substitute marks, Franchisee is obligated to do so and the sole obligation of Franchisor in such event will be to reimburse Franchisee for tangible costs of complying with this obligation, such as changing signs. Any new or different requirements imposed will not unreasonably increase the Franchisee's obligations or place an excessive burden on the Franchisee's operations.

758 If the Franchised Business is a Stand-Alone Business, Franchisee shall operate the Franchised Business under the name "United Axle" without prefix or suffix, except as designated by Franchisor.

759 Franchisee expressly acknowledges and agrees that this license to use the Marks, Patents/Patent Applications, Copyrights, and Trade Secrets is non-exclusive, and that Franchisor has and retains the right, among others, to grant other licenses for the Marks, Patents/Patent Applications, Copyrights, and Trade Secrets, in addition to those licenses that may already be granted to other franchises.

7510 Franchisee understands and acknowledges that each and every detail of Franchisor's System is important to Franchisee and Franchisor in order to develop and maintain high standards of quality and service and hence to protect and enhance the

reputation and goodwill of Franchisor. Franchisee accordingly agrees:

(i) To require all advertising and promotional materials, signs, decorations, paper goods (including forms, business cards, labels, boxes, envelopes, and stationery), and other items designated by Franchisor to bear the Marks in the form, color, location, and manner required by Franchisor;

(ii) To refrain from using any of the Marks or Copyrights in conjunction with any other work or symbol without Franchisor's prior written consent;

(iii) To adopt and use the Marks, Patents/Patent Applications, Copyrights, and Trade Secrets licensed hereunder solely in the manner prescribed by Franchisor;

(iv) To observe all such requirements with respect to service mark, trademark, and copyright notices, fictitious name registrations, and the display of the legal name or other identifications of Franchisee as Franchisor may direct in writing from time to time and as required by law, and to observe and affix the appropriate © or ® or <sup>TM</sup> symbols, where applicable, and as Franchisor may direct in writing, and to use the following phrase as appropriate in conjunction with use of the Marks on literature, signs, or advertising: "Locally and Independently Owned and Operated";

(v) To execute and convey all documents requested by Franchisor or its counsel that are necessary to obtain protection for the Marks, Patents/Patent Applications, Copyrights, and Trade Secrets or to maintain their continued validity or enforceability, and to take no action that would jeopardize the validity or enforceability thereof;

(vi) To forward copies of all proposed advertising materials to Franchisor for review;

(vii) That Franchisor shall have the right to disapprove any use, representation, or display of its Marks or Copyrights that in its reasonable judgment may affect its ownership rights in the Marks or Copyrights or any goodwill associated with the Marks or Copyrights. Pursuant to such, Franchisor shall have the right during reasonable hours to enter and inspect Franchisee's Premises to determine the appropriate representation, use, and display of such Marks or Copyrights.

75.11 No item of merchandise, equipment, supplies, or furnishings bearing the Marks or Copyrights shall be used or sold in, upon, or on behalf of the Franchised Business unless the same shall have been first submitted to and approved in writing by Franchisor as meeting Franchisor's existing standards of quality and utility.

75.12 Any Marks, Patents/Patent Applications, Copyrights, or Trade Secrets

subsequently provided to Franchisee for use within the Concept or the System shall enjoy the same protection as the Proprietary Rights herein.

75.13 Franchisee shall not use any of the Marks, Patents/Patent Applications, Copyrights, or Trade Secrets as part of an electronic mail address, or on any sites on the Internet or World Wide Web and shall not use or register any of the Marks, Patents/Patent Applications, Copyrights, or Trade Secrets as a domain name on the Internet.

7.6 Deimaging. The signs, lettering, and logo affixed to the exterior of the location or affixed to any material, and any other sign face bearing the name "United Axle" or other Marks or other symbols of Franchisor shall upon termination of this Agreement become the property of Franchisor. Nothing in this Agreement shall be deemed to grant to Franchisee any permanent ownership interest in these items. Franchisor hereby grants to Franchisee the right to possession and use of the name and logo on these sign faces during the term of this Agreement only. Franchisee agrees, at its own cost and expense, to secure such signs and to maintain and keep the hereinabove mentioned sign faces in good condition and repair for so long as they remain in Franchisee's possession. Franchisee shall assign all ownership rights to the sign faces and the exterior lettering and logo, if any, to Franchisor immediately upon termination of this Agreement and shall at its own expense forward such signs to Franchisor. In the event Franchisee has not removed all sign faces bearing the Marks or symbols of Franchisor within three (3) days (72 hours) of termination or non-renewal, Franchisor may enter upon the Premises and remove all sign faces bearing Franchisor's Marks or symbols. In the event said Marks or symbols are affixed to or printed on the exterior of the location, Franchisor may take whatever steps are deemed necessary to remove, repaint, or resurface or use other methods or means necessary to remove all Marks and symbols of Franchisor from public view. Franchisor may remove said sign faces, logos, lettering, or other materials bearing Franchisor's Marks or symbols. Franchisee recognizes that at such time as Franchisor removes the aforementioned signs, lettering, logos, or other materials, the determination of fair market value may not yet have been made. Franchisor may nevertheless remove the same, subject to a later determination of fair market value. Such determination shall be limited to the actual value of the sign face itself and not including materials, repair, labor, or the like. Franchisee further recognizes that said determination of cost or fair market value shall be offset by all reasonable expenses incurred by Franchisor in removing said materials.

## **ARTICLE VIII.**

### **TECHNOLOGY**

8.1 Computer Systems and Required Software. The following terms and conditions shall apply with respect to the Computer Systems and Required Software.

8.2 Privacy. Franchisee shall abide by all applicable laws pertaining to privacy of information collected or maintained regarding customers or other individuals ("**Privacy**"), and shall comply with Franchisor's standards and policies pertaining to Privacy. If there is a conflict between Franchisor's standards and policies pertaining to Privacy and applicable law, Franchisee shall: (a) comply with the requirements of applicable law; (b) immediately give Franchisor written notice of said conflict; and (c) promptly and fully cooperate with Franchisor and Franchisor's counsel as

Franchisor may request to assist Franchisor in its determination regarding the most effective way, if any, to meet Franchisor's standards and policies pertaining to Privacy within the bounds of applicable law.

821 Franchisor shall have the right, but not the obligation, to establish and maintain a World Wide Web or other Internet website (“**Website**”), which may, without limitation, promote the Proprietary Marks, any or all of the Products and Services, businesses in the System, the franchising of businesses, and/or the System. Franchisor shall have the sole right to control all aspects of the Website, including without limitation, its design, content, functionality, links to the websites of third parties, legal notices, and policies and terms of usage; Franchisor shall also have the right to discontinue operation of the Website.

822 Franchisor shall have the right, but not the obligation, to designate one or more web page(s) to describe Franchisee and/or the Franchised Business, with such web page(s) to be located within Franchisor's Website. Franchisee shall comply with Franchisor's policies with respect to the creation, maintenance, and content of any such web pages; and Franchisor shall have the right to refuse to post and/or discontinue posting any content and/or the operation of any webpage.

83 Online Use of Marks. Franchisee will not use the Proprietary Marks to advertise, promote, or sell any merchandise or services through the Internet, or any other method that makes use of Electronic Commerce, nor will the Franchisee offer or sell any merchandise that bears the Proprietary Marks or any service that is identified with the Proprietary Marks through the Internet or any other method that makes use of Electronic Commerce, except in compliance with this Agreement.

831 The Franchisee shall not use the Proprietary Marks or any abbreviation or other name associated with Franchisor and/or the System as part of any e-mail address, domain name, and/or other identification of Franchisee in any electronic medium.

832 The Franchisee will not have the right to establish a Website or home page on the Internet to advertise or promote its Franchised Business without Franchisor's prior written approval (which Franchisor shall not be obligated to provide). If approved to establish a Website, Franchisee shall comply with Franchisor's policies, standards, and specifications with respect to the creation, maintenance, and content of any such Website. Franchisee specifically acknowledges and agrees that any Website owned or maintained by or for the benefit of Franchisee shall be deemed "advertising" under this Agreement and will be subject to (among other things) Franchisor's approval under Section 12.7 below.

833 The Franchisee will not use any of the Proprietary Marks or any other intellectual property of the Franchisor or its Affiliates on any wiki, blog, social network or related website, or online community including, but not limited to, YouTube, Facebook, Instagram, Twitter, and Wikipedia. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without Franchisor's prior written consent as to Franchisee's plan for transmitting such advertisements.

834 Franchisor shall have the right to modify the provisions of this Section 8.7 relating to Websites as Franchisor shall solely determine is necessary or appropriate.

8.4 No Outsourcing without Prior Written Approval. Franchisee shall not hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, or any other of Franchisee's obligations without Franchisor's prior written approval therefor. Franchisor's consideration of any proposed outsourcing vendor(s) may be conditioned upon, among other things, such third party or outside vendor's entry into a confidentiality agreement with Franchisor and Franchisee in a form that is reasonably provided by Franchisor.

8.5 Changes to Technology. Franchisee and Franchisor acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees that Franchisor shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and Franchisee agrees that it shall abide by those reasonable new standards established by Franchisor as if this Section 8 were periodically revised by Franchisor for that purpose.

## **ARTICLE IX.**

### **CONFIDENTIAL OPERATIONS**

9.1 Compliance with Manual Standards. In order to protect the reputation and goodwill of Franchisor and to maintain uniform standards of operation, Franchisee shall conduct its business in accordance with the Manuals. Franchisee will receive on loan from Franchisor one (1) copy of the Manuals for the Franchised Business. Franchisee shall return to Franchisor the Manuals and any other manuals created or approved for use in the operation of the Franchised Business, as well as any unauthorized copies of the foregoing materials, upon termination of this Agreement.

9.2 Confidentiality of Manuals. Franchisee shall at all times treat the Manuals, any other manuals created or approved for use in the operation of the Franchised Business, and the information contained therein, as confidential, and shall use all reasonable efforts to maintain such information as secret and confidential. Franchisee shall not at any time copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person.

9.3 Property of Franchisor. The Manuals shall at all times remain the sole property of Franchisor. Franchisor may from time to time revise the contents of the Manuals, and Franchisee and the Principal Shareholders expressly agree to comply with each new or changed standard.

9.4 Maintenance of Manuals at Franchised Businesses. Franchisee shall, at all times, maintain the copy of the Manuals at the Franchised Business and insure that the Manuals are kept current and up-to-date, 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 at Franchisor's home office

shall be controlling.

95            Revisions to the Manuals. Franchisor may from time to time revise the contents of the Manuals, and Franchisee expressly agrees to comply with each new or changed standard. Franchisee shall ensure that the manuals are kept current at all times.

## ARTICLE X.

### **CONFIDENTIAL INFORMATION**

10.1            Proprietary Information. Franchisee and the Principal Shareholders acknowledge that, over the term of this Agreement, they are to receive proprietary information which has been developed over time at great expense, including, but not limited to, information regarding the System, the Concept, methods of site selection, marketing and public relations methods, product analysis and selection, and service methods and skills relating to the development and operation of Franchised Businesses. Franchisee and the Principal Shareholders further acknowledge that this information, which includes, but is not necessarily limited to, that contained in the Manuals, is not generally known in the industry and is beyond their own present skills and experience, and that to develop it themselves would be expensive, time consuming, and difficult. Franchisee and the Principal Shareholders further acknowledge that Franchisor's information provides a competitive advantage and will be valuable to them in the development of their business, and that gaining access to it is therefore a primary reason why they are entering into this Agreement. Accordingly, Franchisee and the Principal Shareholders agree that Franchisor's information, as described above, which may or may not be "trade secrets" under prevailing judicial interpretations or statutes, is private and valuable, and constitutes trade secrets belonging to Franchisor; and in consideration of Franchisor's confidential disclosure to them of these trade secrets, Franchisee and the Principal Shareholders agree as follows (subject to the provisions of any other franchise agreement between Franchisor, Franchisee, and the Principal Shareholders):

10.1.1        During the term of this Agreement, neither Franchisee nor any Principal Shareholder, for so long as such Principal Shareholder owns an interest in Franchisee, may, without the prior written consent of Franchisor, directly or indirectly engage in, or acquire any financial or beneficial interest (including any interest in corporations, partnerships, limited liability companies, trusts, unincorporated associations or joint ventures) in, advise, help, guarantee loans, or make loans to, any business whose products, services, or method of operation is similar, in the reasonable opinion of Franchisor, to that employed by business units within the System that are either (a) located in the Territory, (b) located within a five (5) mile radius of any Franchised Business unit (whether owned by Franchisor or operated by a franchisee of Franchisor) within the System, or (c) determined by Franchisor, exercising reasonable good faith judgment, to be a direct competitor of the System.

10.1.2        Neither Franchisee, for two (2) years following the termination of this Agreement, nor any Principal Shareholder, for two (2) years following the termination of

all of his interest in Franchisee or the termination of this Agreement, whichever occurs first, may directly or indirectly engage in, or acquire any financial or beneficial interest (including any interest in corporations, partnerships, limited liability companies, trusts, unincorporated associations, or joint ventures) in, advise, help, guarantee loans, or make loans to, any business whose products, services, or method of operation is similar, in the reasonable opinion of Franchisor, to that employed by business units within the System which are located either (a) in the Territory, (b) within a five (5) mile radius of any business unit (whether owned by Franchisor or operated by a franchisee of Franchisor) within the System, or (c) within any area for which an active, currently binding Area Development Agreement has been granted by Franchisor to another franchisee as of the date of the termination; and

10.13 Neither Franchisee nor any Principal Shareholder shall at any time (a) appropriate or use the Concept, or any portion thereof, in any business which is not within the System, (b) disclose or reveal any portion of the Concept or the System to any person, other than to Franchisee's employees at the Franchised Business as an incident of their training, (c) acquire any right to use the Proprietary Marks, except in connection with the operation of the Franchised Business, or (d) communicate, divulge, or use for the benefit of any other person or entity any confidential information, knowledge, or know-how concerning the methods of development or operation of a business utilizing the Concept and the System, which may be communicated by Franchisor in connection with the Franchised Business.

10.2 Injunctive Relief. Franchisee and Principal Shareholders agree that the provisions of this Article X are and have been a primary inducement to Franchisor to enter into this Agreement, and that, in the event of breach thereof, Franchisor would be irreparably injured and would be without adequate remedy at law. Therefore, in the event of a breach, or a threatened or attempted breach, of any of such provisions, Franchisor shall be entitled, in addition to any other remedies which it may have hereunder or in law or in equity (including without limitation the right to terminate this Agreement), to a preliminary and/or permanent injunction and a decree for specific performance of the terms hereof without the necessity of showing actual or threatened damage, and without being required to furnish a bond or other security.

10.3 Investments in Publicly Traded Companies. The restrictions contained in Subsections 10.1.1 and 10.1.2 above shall not apply to ownership of less than 2% of the shares of a company whose shares are listed and traded on a national securities exchange, if such shares are owned for investment only and are not owned as an officer, director, employee, or consultant of such publicly traded company.

10.4 Reforming Provisions. If any court or other tribunal having jurisdiction to determine the validity or enforceability of this Article X determines that it would be invalid or unenforceable as written, then the provisions hereof shall be deemed to be modified or limited to such extent or in such manner as necessary for such provisions to be valid and enforceable to the greatest extent possible.

10.5 Confidentiality Agreements. Franchisee shall require its general manager and

each of its managers to execute a confidentiality agreement in the form attached hereto as Appendix A. Franchisee shall be responsible for compliance of its employees with the agreements identified in this Article X. Furthermore, at the request of Franchisor, Franchisee shall provide Franchisor with executed confidentiality agreements from all executive officers, directors, and holders of a beneficial interest of 10% or more in Franchisee. With respect to each person who becomes associated with Franchisee in one of the capacities enumerated above subsequent to execution of this Agreement, Franchisee, at the request of Franchisor, shall require and obtain executed confidentiality agreements from such persons and promptly provide Franchisor with copies of such agreements. In no event shall any person enumerated be granted access to any confidential aspect of the Concept, the System, the Manual, or the Franchised Business prior to execution of a confidentiality agreement.

10.6 Grantback. Franchisee agrees to disclose to Franchisor all ideas, concepts, methods, techniques, and Products and Services conceived or developed by Franchisee, its affiliates, owners, or employees during the term of this Agreement relating to the development and/or operation of the Franchised Business. Franchisee hereby grants to Franchisor and agrees to procure from its affiliates, owners, or employees a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques, and Products and Services in all businesses operated by Franchisor or its affiliates, franchisees, and designees. Franchisor shall have no obligation to make any payments to Franchisee with respect to any such ideas, concepts, methods, techniques, or Products and Services. Franchisee agrees that Franchisee will not use or allow any other person or entity to use any such concept, method, technique, product, or service without obtaining Franchisor's prior written approval.

## ARTICLE XI.

### ACCOUNTING AND RECORDS

11.1 Books and Records. With respect to the operation and financial condition of the Franchised Business, Franchisor may require that Franchisee adopt, unless otherwise specified by Franchisor, a fiscal year that coincides with Franchisor's then-current fiscal year, as specified by Franchisor in the Manuals or otherwise in writing. Franchisee shall be required to maintain the books and records described in Section 6.20 hereto, which may include but are not limited to: (a) daily transaction reports; (b) cash receipts journal and general ledger; (c) cash disbursements and weekly payroll journal and schedule; (d) monthly bank statements, deposit slips and cancelled checks; (e) all tax returns; (f) suppliers' invoices (paid and unpaid); (g) dated daily and weekly transaction journal; (h) semi-annual fiscal period balance sheets and fiscal period profit and loss statements; and (i) such other records as Franchisor may from time to time request.

11.2 Inspection and Audit. Franchisor and its agents shall have the right at all reasonable times to examine and copy, at the expense of the Franchisor, the spindle books and records of Franchisee. If an inspection disclosed an understatement in any statement or report of two percent (2%) or more, Franchisee shall reimburse Franchisor for any and all costs and expenses connected with the inspection (including travel, lodging and wages expenses, and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

## ARTICLE XII.

### USE OF NAME; ADVERTISING

121 Advertising Under Trade Name. During the term of this Agreement, Franchisee agrees to advertise under the UNITED AXLE mark, similar variations thereof, or other Mark as designated by Franchisor, and to diligently promote and make every reasonable effort to steadily increase the business of the Franchised Business by proper use of advertising media, subject to approval by Franchisor.

122 Advertising & Brand Awareness Fund. Franchisor has established a Advertising & Brand Awareness Fund (the “**Fund**”). Franchisor currently requires an annual payment of \$1,200 to the fund. This amount is subject to change at Franchisor’s discretion. In lieu of this annual fee, Franchisor reserves the right to require Franchisee to weekly remit 1.0% of the Gross Receipts of the Franchised Business to the Fund, calculated weekly. “**Gross Receipts**” shall be as defined as the total dollar sales from all customer of the Franchised Business, and will include all cash and credit sales made by the Franchisee of every kind and nature made at, from, by, or in connection with the Franchisee’s Franchised Business, including, but not limited to, all dollars and income received from: (1) the sale of any and all Products and Services sold under any of the Proprietary Marks; (2) all sales, use, or gross receipts tax rebates; and (c) all business interruption insurance payments made to the Franchisee. The Fund will be maintained and administered as follows:

1221 Franchisor shall direct all advertising and marketing programs with sole discretion over the materials and media used in such programs and the placement and allocation thereof. Franchisor may delegate such authority in writing to its subsidiaries, its affiliates, one or more of its franchisees, advertising agencies, or consulting firms, and may terminate the delegation at any time in its sole discretion. Franchisee agrees and acknowledges that the Fund is intended to maximize general public recognition and acceptance of the Proprietary Marks for the benefit of those employing the Concept within the advertising coverage area and that Franchisor and its delegate(s) undertake no obligation in administering the Fund to make expenditures for Franchisee which are equivalent or proportionate to its remittance, or to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising;

1222 Franchisee agrees that the funds may be used to meet any and all costs of maintaining, administering, directing, and implementing advertising (including, without limitation, the cost of preparing and conducting television, radio, magazine, newspaper and online advertising campaigns, promotional and merchandising programs, and other public relations and marketing research activities, and/or employing advertising agencies, which may be affiliated with Franchisor, to assist therein). The funds may specifically be used for establishing, maintaining, and improving the Website. All sums paid by Franchisee to the Fund shall be maintained in a separate account from the other funds of Franchisor and shall not be used to defray any of Franchisor's general operating expenses, except for administrative costs and overhead, as Franchisor may incur in activities reasonably related to the administration or direction of the Fund and advertising programs;

1223 It is anticipated that most contributions to the Fund shall be incurred for advertising, market research, and promotional purposes during Franchisor's fiscal year within which contributions are made. If, however, excess amounts remain in the Fund at the end of such fiscal year, such amounts will be spent on future advertising as the Franchisor determines is necessary;

1224 Although Franchisor intends to maintain the Fund continually, Franchisor maintains the right to terminate the Fund. The Fund shall not be terminated, however, until all monies in the Fund have been expended for advertising and promotional purposes or refunded to its franchisees without interest; and

1225 An accounting of the operation of the Fund shall be prepared annually and shall be made available to Franchisee upon request. Franchisor reserves the right, at its option, to require that such annual accounting include an audit of the operation of the Fund prepared by an independent certified public accountant selected by Franchisor and prepared at the expense of the Fund.

123 Opening Promotions. [Deleted]

124 Prior Approval of Franchisor. No coupon, promotional campaign, design, advertisement, sign, or form of publicity, including the form, color, number, location, and size of the same, shall be used by Franchisee unless such is first submitted to, and approved by, Franchisor in writing. Without limiting the generality of the foregoing sentence, such advertising materials shall include without limitation the use of the Internet and Websites established and maintained by the Franchisee. Upon written notice by Franchisor, Franchisee agrees to remove, shut down, or modify, at the discretion of Franchisor, any advertising materials (including without limitation Websites) found to be objectionable by Franchisor. If said materials are not removed, shut down, or modified within five (5) days after such notice, Franchisor, or its authorized agents, may at any time enter the Franchised Business or upon the Premises, on the Vehicle(s), or elsewhere, remove such objectionable signs or advertising media, or take any other action required to remove such advertising, and may keep or destroy such signs or other media without paying therefor, and without incurring liability to Franchisee for trespass or other tort.

125 Directory Listings. Franchisee may, at its expense and in addition to its expenditures for local advertising and promotion, obtain listings in the white and yellow pages of local telephone directories. If it does so, Franchisee shall comply with Franchisor's specifications concerning such listings, including the form and size of such listings, and the number of directories in which such listings shall be placed. Additionally, Franchisee shall be required to obtain listings in and/or advertise with Franchisor and other franchisees in the System, on electronic yellow page directories and other on-line directories as Franchisor may designate. Franchisor reserves the right to place such, and subsequently modify or remove, on-line listings and advertisements on behalf of Franchisee. For any listings or advertisements posted by or on behalf of Franchisee, Franchisee shall promptly pay, upon demand by Franchisor, its pro-rata share of the costs. Additionally, these activities may be carried out through the use of the Fund.

126        Ownership of Advertising Plans and Materials. Franchisee acknowledges and agrees that any and all copyrights in and to advertising and promotional materials developed by or on behalf of Franchisee which bear the Proprietary Marks shall be the sole property of Franchisor, and Franchisee agrees to execute such documents (and, if necessary, require its independent contractors to execute such documents) as may be deemed reasonably necessary by Franchisor to give effect to this provision. Any advertising, marketing, promotional, public relations, or sales concepts, plans, programs, activities, or materials proposed or developed by Franchisee for the Franchised Business or the System and approved by Franchisor may be used by Franchisor and other operations under the System of Franchisor without any compensation to Franchisee.

127        National Accounts Program.

(a)        Franchisor may develop various National Accounts under the National Accounts Program.

(b)        Definition. A "National Account" is a customer, a group of customers or an entity acting on behalf of a customer group or customers that operate (as under common ownership or control) under the same trademarks or service marks through independent franchise or some other association or entity, for which Franchisor has arranged to provide services at multiple United Axle locations ("Location(s)"). National Accounts may include: corporations; organizations; federal state and local government entities and organizations; and other persons and entities that may have a need for purchasing products and services from Locations at multiple locations. The locations of some of the National Accounts and the locations at which some of the National Accounts require services of a Location, may be located within or outside the general geographic area in which Franchisee's particular Location is located.

(c)        No Territorial Rights. Regardless of any other provisions of this Agreement, Franchisor grants to Franchisee no territorial rights of any kind whatsoever in connection with the National Accounts Program. Franchisee agrees that Franchisor, other Locations, and third parties designated by Franchisor participating in the National Accounts Program, may solicit, or permit other franchisees or third parties designated by Franchisor to solicit, customers or others located anywhere in the geographic area in which Franchisee's Location is located, whether or not Franchisee currently provides services to them, in order to develop them as National Accounts. Franchisor, other Locations, and third parties designated by Franchisor participating in the National Accounts Program, may do so without violating any of Franchisee's rights under the Franchise Agreement.

(d)        Best Efforts. Franchisee must use Franchisee's best efforts to perform services to National Accounts located: (i) in the general geographic area in which Franchisee's Location is located; and (ii) outside of the general geographic area in which Franchisee's Location is located, if directed to do so by Franchisor. Franchisee must use Franchisee's best efforts to perform services to National Accounts on the terms and conditions specified in the program for those National Accounts, which Franchisor, in Franchisor's sole discretion, may modify or amend from time to time. The terms of various National Accounts may vary from National Account to National Account

depending on the situations and circumstances. Franchisee is bound by the rules governing each National Account.

(e) Alternative Services. Franchisee must fully perform services for any National Account which Franchisor designates. In addition, Franchisee recognizes that some National Accounts, for whatever reason, may decide that they do not want to do business with Franchisee. If that happens, Franchisor, in Franchisor's sole discretion, will cooperate with Franchisee, at Franchisee's expense, to the extent Franchisor deems reasonably practicable, to resolve the National Account's concern. However, if after Franchisor exercises what Franchisor believes, in Franchisor's sole discretion, to be reasonable efforts to rectify the problem, the National Account continues to refuse to do business with Franchisee, then Franchisee agrees that Franchisor, or any other franchisee or any other third party that Franchisor designates (the "Other Franchisee") may provide services to that/those National Account. Franchisee also agrees, that Franchisor or Other Franchisee may perform services for any National Account located anywhere in the same or different geographical area as Franchisee's Location, for whom Franchisee has declined to provide services or whom refuses to do business with Franchisee. Franchisor or Other Franchisee who provides services for a National Account will not be liable to Franchisee or obligated to pay to Franchisee any compensation for doing so nor will Franchisor or Other Franchisee be considered in breach of any provision of this Agreement or any other agreement between Franchisee and Franchisor. Franchisee releases Franchisor and Other Franchisee providing services to the National Accounts, from any liability or obligation to Franchisee for providing services to such National Accounts. Franchisor will indemnify, defend and hold Franchisee harmless from and against any claims brought by a National Account arising out of Franchisor's or Other Franchisee's performance of services for a National Account in accordance with this Agreement.

(f) Reports and Forms. For purposes of coordinating efforts and results of National Account's programs, Franchisee must provide Franchisor with copies of all reports, forms and notices, relating to performing services for National Accounts that Franchisor may specify from time to time. Franchisee also agrees to coordinate with Franchisor any solicitations Franchisee conducts that may have potential for development as National Accounts.

(g) Billing and Collection. Franchisee recognizes that various National Accounts may require billing and collection procedures that differ from those specified in the Franchise Agreement. Franchisee is required to comply with any of the billing and collection procedures specified by Franchisor for various National Accounts. For example, Franchisor may require Franchisee to participate in a centralized billing and collection procedure through which all billing for a National Account will be accomplished. Accordingly, Franchisor may require that all contracts, invoices, and billings for products and services be submitted to a centralized billing service which Franchisor or the applicable National Account designates. If Franchisee receives any payments from any National Account which requires centralized billing, Franchisee must immediately remit such payments, properly endorsed, directly to the centralized billing service, without any deduction.

(h) Pricing. If Franchisee participates in the National Accounts Program, Franchisee

agrees not to charge greater fees for services and products which Franchisor specifies as the maximum for such National Account.

(i) Eligibility. Due to the need to ensure adherence to quality standards and performing services for National Accounts, Franchisee will not be eligible to perform services for a National Account unless the Franchisee is in full compliance with the Franchise Agreement.

Other Franchise Agreements. The provisions of this Section are incorporated into and made a part of each other franchise agreement currently in effect between Franchisor and Franchisee and each other such franchise agreement is hereby amended to include the provisions of this Section and will survive with respect to such other franchise agreements regardless of the termination, expiration, non-renewal or transfer of this Agreement.

## **ARTICLE XIII.**

### **INSURANCE**

131 Procurement of Policies. Franchisee shall procure, at Franchisee's expense, prior to the commencement of any operations under this Agreement, and maintain in full force and effect during the term of this Agreement, an insurance policy or policies protecting Franchisee and Franchisor, and their respective officers, directors, partners, and employees, against any loss, liability, personal injury, death, property damage, or expense whatsoever arising or occurring upon or in connection with the Franchised Business, the Premises, and/or the Vehicle(s), as well as such other insurance applicable to such other special risks as Franchisor may reasonably require for its own and Franchisee's protection.

132 Coverage and Amounts. Such policy or policies shall be written by an insurance company satisfactory to Franchisor in accordance with standards and specifications set forth in the Manuals or otherwise in writing, and shall include, at a minimum, the following: (1) builder's risk insurance during any periods of construction or renovation; (2) all risks coverage for full repair and replacement value of all of the equipment, fixtures, and supplies used in your Franchised Business; (3) worker's compensation and employer's liability insurance on all of its employees for a minimum of \$500,000, as well as any greater amount other insurance required by law; (4) comprehensive general liability insurance with limits of at least \$1,000,000 per occurrence, and \$2,000,000 general aggregate, and product liability insurance with limits of at least \$2,000,000 general aggregate limit; (5) excess liability coverage over general liability and employer's liability, with at least \$3,000,000 per occurrence; (6) insurance coverage required by Franchisee's lease or sublease, or as we may otherwise require; (7) business interruption insurance for actual losses sustained of no less coverage than reimbursement for losses incurred for a 6 month period; (8) Trade Name Restoration with coverage of at least \$2,000,000; (9) any insurance requirements contained in any lease agreement you enter into related to real property; and (10) accident and medical insurance on any Vehicle(s) of at least \$1,000,000 per occurrence.

The workers' compensation coverage must include a waiver of subrogation endorsement (using an ISO endorsement form acceptable to Licensor) that is signed by the underwriter in favor of Franchisor. Except for workers' compensation, Franchisor shall be named as an additional insured in all such policies. Franchisor may require such additional coverage (in either kinds or amounts) as it determines to be reasonable under the circumstances.

133 Additional Coverage. Franchisee must carry business interruption insurance written by an insurance company satisfactory to Franchisor. In connection with any construction, renovation, refurbishing, or remodeling of the Franchised Business, Franchisee shall require the general contractor to maintain, with a reputable insurer, comprehensive general liability insurance (with builder's risk, product liability, completed operations, and independent contractors' coverage), with Franchisor named as an additional insured, as well as workers' compensation, employer's liability insurance, and such other insurance as may be required by law.

134 Obligation Not Limited. Franchisee's obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in this Agreement.

135 Evidence of Insurance. Upon obtaining the insurance required by this Agreement, and on each policy renewal date thereafter, Franchisee shall promptly submit evidence of satisfactory insurance and proof of payment therefore to Franchisor together with, upon request, copies of all policies, policy amendments, and endorsements from the respective insurance companies showing Franchisor as an additional named insured, in addition to certificates of insurance. The evidence of insurance shall include a statement by the insurer that the policy or policies will not be canceled or materially altered without at least thirty (30) days prior written notice to Franchisor.

136 Authority of Franchisor to Procure Insurance. Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Agreement, as revised from time to time by the Manuals or otherwise in writing by Franchisor for all franchisees, Franchisor shall have the right and authority (without, however, any obligation to do so) immediately to procure such insurance and to charge same to Franchisee, which charges, together with a reasonable fee for Franchisor's expenses in so acting, shall be payable by Franchisee immediately upon notice.

#### ARTICLE XIV.

#### **TRANSFERS OF INTEREST**

14.1 Transfer by Franchisor. Franchisor shall have the right to transfer or assign all or any part of its rights or obligations herein to any person or legal entity.

14.2 Transfer by Franchisee.

14.21 Conditions on Transfer. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee and the Principal Shareholders, and Franchisor has granted this franchise in reliance on Franchisee's and Principal Shareholders' business skills, financial capacity, and personal character. Accordingly, Franchisee

shall neither sell, assign, transfer, pledge, mortgage, or otherwise encumber this franchise, the Franchised Business, the Premises, or this Agreement or any right or interest herein, nor permit any such assignment, transfer, or encumbrance to occur by operation of law without the prior written consent of Franchisor. Franchisee may not, without the prior written consent of Franchisor, fractionalize any of the rights of Franchisee granted pursuant to this Agreement. Franchisee shall not permit any person or persons (if acting as a group) owning an equity interest in excess of 20% in Franchisee to sell, assign, transfer, fractionalize, pledge, mortgage, or otherwise encumber his or their equity interest in Franchisee, nor permit any such assignment, transfer, or encumbrance to occur by operation of law without the prior written consent of Franchisor. For purposes of this Agreement, a merger, consolidation, conveyance of the properties and assets of Franchisee substantially as an entirety to any person, any sale (or series of sales) of Franchisee's equity that reduces the equity ownership of the prior, remaining shareholders by 20% or more during the term of this Agreement, or any reorganization of Franchisee shall be deemed to be a transfer subject to the provisions of this Section. The assignment of any interest, other than as provided in this Agreement, any purported assignment or transfer, by operation of law or otherwise, not having the written consent of Franchisor required by this Section shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may then terminate without opportunity to cure pursuant to Section 15.2 of this Agreement.

1422           Consent. Franchisor shall not unreasonably withhold its consent to a transfer of any interest in this Agreement, the Franchised Business, the Premises, or Franchisee; provided, however, that if a transfer, alone or together with other previous, simultaneous, or proposed transfers, would have the effect of transferring Franchisee's interest in this Agreement, the Franchised Business, the Premises, or a controlling interest in Franchisee, Franchisor may, in its sole discretion, require as a condition of its approval the satisfaction of any or all of the following conditions set forth below. As the term is used in this Section 14.2, "Transferor" shall include Franchisee and all Principal Shareholders in case of a transfer by Franchisee, and in case of a transfer by one or more Principal Shareholders, the term shall include such Principal Shareholders and Franchisee:

14.2.2.1           All of Transferor's accrued monetary obligations to Franchisor and all other outstanding obligations related to the Franchised Business or any other Franchised Business granted to Franchisee from Franchisor shall have been satisfied; and

14.2.2.2           Transferor is not in default of any provisions of this Agreement, any amendment hereof or successor hereto, or an Area Development Agreement, if applicable, or any other agreement between Transferor and Franchisor or its subsidiaries and affiliates; and

14.2.2.3           Transferor shall have executed a general release in a form satisfactory to Franchisor, of any and all claims against Franchisor and its officers, directors, shareholders, and employees, in their corporate and individual capacities, including, without limitation, claims arising under all applicable laws, rules, and ordinances; and

14.2.2.4 The transferee shall enter into a written agreement, in a form satisfactory to Franchisor, assuming and agreeing to discharge all of Transferor's obligations under this Agreement, or if the obligation of Franchisee were guaranteed by the transferor, the transferee shall guarantee the performance of all such obligations in writing in a form satisfactory to Franchisor; and

14.2.2.5 The transferee shall demonstrate to Franchisor's satisfaction that transferee and its owners and employees meet Franchisor's managerial and business standards; possess a good moral character, business reputation, and credit rating; have the aptitude and ability to conduct the Franchised Business (as may be evidenced by prior related business experience or otherwise); and have adequate financial resources and capital to operate the Franchised Business; and

14.2.2.6 At Franchisor's option, Franchisee or the transferee, as the case may be, shall execute (and/or, upon Franchisor's request, shall cause all interested parties to execute), for a term ending on the expiration date of this Agreement, the standard form franchise agreement then being offered to new System franchisees and other ancillary agreements as Franchisor may require for a Franchised Business of Franchisor, which agreements shall supersede this Agreement in all respects and the terms of which agreements may differ from the terms of this Agreement; and

14.2.2.7 At its own expense, the transferee shall upgrade, or cause to be upgraded, the Franchised Business to conform to the then-current standards and specifications of System businesses, and shall complete the upgrading and other requirements within the time specified by Franchisor; and

14.2.2.8 Transferor shall remain liable for all obligations of the Franchised Business prior to the effective date of transfer and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability; and

14.2.2.9 Transferee shall have paid to Franchisor a transfer fee of \$12,500.00 for the training, supervision, administrative costs, overhead, and other Franchisor expenses incurred in connection with the transfer.

14.2.3 No Security Interest. In addition to the requirement to obtain Franchisor's consent as required by Subsection 14.2.2 above, Franchisee shall not grant a mortgage, security interest, or other encumbrance in the Franchised Business, in the Premises, or in any of its assets unless the mortgagee, secured party, or similar party agrees that in the event of any default by Franchisee under any documents related to the encumbrance, Franchisor shall have the right and option to purchase the rights of the mortgagee, secured party, or similar party upon payment of all sums then due to such party.

#### 14.3 Right of First Refusal.

14.3.1 Right. If Franchisee or the Principal Shareholders (collectively the "Seller"),

desires to accept any bona fide offer from a third party to purchase an interest in this Agreement, the Franchised Business, the Premises, or an equity interest in Franchisee, as the case may be, the Seller shall notify Franchisor in writing of each such offer by a full and complete statement of the terms and conditions including the considerations therefore. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of such written notification, to send written notice to the Seller that Franchisor or its assignee intends to purchase the Seller's interest on the same terms and conditions offered by the third party. Seller shall promptly notify Franchisor of any modification of the aforementioned terms and conditions, which modification shall constitute a modification of Franchisor's option subject to the provision of this Subsection 14.3.1 and shall commence a new thirty (30) day period. In the event that Franchisor or its assignee elects to purchase the Seller's interest, the closing on such purchase must occur within sixty (60) days from the date of notice to the Seller of the election to purchase by Franchisor. Failure of Franchisor to exercise the option afforded by this subsection shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Article XIV, with respect to a proposed transfer.

1432 Consideration. In the event the consideration, terms, and/or conditions offered by the Seller are such that Franchisor may not reasonably be required to furnish the same consideration, terms, and/or conditions when exercising its right to purchase pursuant to Section 14.3.1, then Franchisor or its assignee may purchase such interest proposed to be sold for the reasonable equivalent in cash. If the parties hereto cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the Seller, Franchisor and Franchisee shall select an independent appraiser whose determination of a reasonable equivalent in cash shall be binding. If Franchisor and Franchisee cannot agree on an independent appraiser in a reasonable time, an independent appraiser shall be designated by Franchisor and Franchisee, and the two independent appraisers so designated shall select a third independent appraiser. The determination of a reasonable equivalent in cash by a majority of the appraisers so chosen shall be binding. Franchisor and Franchisee shall bear the costs of the appraisals on an equal basis.

14.4 Transfer Upon Death or Mental Incompetency. Upon the death or mental incompetency of Franchisee or a Principal Shareholder, the personal representative of such Principal Shareholder shall transfer his or her interest to a third party approved by Franchisor within six (6) months after such death or mental incompetency. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any inter vivos transfer as set forth in this Article XIV. However, in the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions in this Article XIV, the personal representative of the deceased shall have one hundred and twenty (120) days to dispose of the deceased's interest in this Agreement, the Franchised Business, the Premises, or Franchisee, which disposition shall be subject to all the terms and conditions for transfers contained in this Article XIV. If the interest is not disposed of within such time, Franchisor may terminate this Agreement.

14.5 Permanent Disability of Controlling Principal. Upon the permanent disability

of any Principal with a controlling interest in Franchisee, Franchisor shall have the right to require such interest to be transferred to a third party in accordance with the conditions described in this Section 14 within six (6) months after notice of Franchisor. "Permanent Disability" shall mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least six (6) consecutive months and from which condition recovery within six (6) consecutive months from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by Franchisor upon examination of such person or, if such person refuses to be examined, then such person shall automatically be deemed permanently disabled for the purposes of this Section 14.5 as of the date of refusal. Franchisor shall pay cost of the required examination.

14.6 Notice to Franchisor of Death or Permanent Disability. Upon the death or permanent disability of any Principal of Franchisee, such person or his representative shall promptly notify Franchisor of such death or claim of permanent disability. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as inter vivos transfer.

14.7 Securities Offerings. All materials and filings required for any offering of securities or interests in Franchisee by federal or state law shall be submitted to Franchisor by the offeror for review prior to filing with any governmental agency and any materials to be used in any exempt offering shall be submitted to Franchisor for review prior to their use. No offering shall imply, by use of the Proprietary Marks or otherwise, that Franchisor is participating in an underwriting, issuance, or offering securities of either Franchisee or Franchisor; and review by Franchisor of any offering shall be limited solely to the subject of the relationship between Franchisee and Franchisor. At its option, Franchisor may require the offering materials to contain written statements or disclaimers prescribed by Franchisor including, but not limited to, any limitations stated above in this paragraph. Franchisee and other participants in the offering must fully indemnify Franchisor in connection with the offering. For each proposed offering, Franchisee shall reimburse Franchisor for its actual costs and expenses associated with reviewing the proposed offering materials, including legal and accounting fees. Franchisee shall give Franchisor written notice of at least sixty (60) days prior to the date of commencement of any offering or other transaction covered by this Section 14.7. Any such offering shall be subject to prior written consent of Franchisor and Franchisor's right of first refusal.

14.8 No Waiver. The consent of Franchisor to any transfer pursuant to this Section 14.8 shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be a waiver of the right of Franchisor to demand exact compliance with any terms of this Agreement by the transferor or transferee.

14.9 Bankruptcy. If Franchisee or any person holding any interest (direct or indirect) in Franchisee becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of the ownership of Franchisee, Franchisee's obligations and/or rights hereunder and/or any material assets of Franchisee, shall be subject to all of the terms of this Section.

14.10 No Transfer in Violation of Law. Notwithstanding anything to the contrary in

this Agreement, no transfer shall be made if the transferee, any of its affiliates, or funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

14.11 Non-Waiver of Claims. Franchisor's consent to a transfer of any interest in the franchise granted herein, this Agreement, the Franchised Business, the Premises, or any equity interest in Franchisee shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement or the agreement(s) executed by any transferee.

14.12 Permitted Assignments. Notwithstanding anything to the contrary contained herein, Franchisee or any Principal Shareholders may assign its or their interest in this Agreement the Franchised Business, the Premises, or in Franchisee to other existing shareholders of Franchisee or to such person's spouse, child, or parent; provided, however, that in each case, any such assignments, individually or in the aggregate, will not result in a change in "control" of Franchisee. For purpose of this section, "control" shall mean possession of the power, directly or indirectly, through stock ownership or otherwise, to direct the management and policies of Franchisee. A Principal Shareholder may also transfer any interests in Franchisee to a revocable living trust created by such Principal Shareholder, to a family limited partnership (or similar family entity), so long as the Principal Shareholder or his or her spouse is the general partner of such partnership, and/or to an irrevocable trust solely for the benefit of the Principal Shareholder's lineal descendants. Any such permitted assignments shall be subject to all terms and conditions of this Agreement, including, without limitation, restrictions on subsequent assignment or sale of ownership.

14.13 Restricted Legend. Franchisee agrees to place a restrictive legend on all certificates representing securities in the Franchisee as follows:

"The securities represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated \_\_\_\_\_ between \_\_\_\_\_ and UA Holdings, Inc., and cannot be transferred without the prior written consent of UA Holdings, Inc."

## ARTICLE XV.

### **DEFAULT AND TERMINATION**

15.1 Termination by Franchisor without Notice. Franchisee and the Principal Shareholders shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee or any Principal Shareholder become insolvent or generally fails to pay, or admits in writing its inability to pay, debts as they become due, or Franchisee or any Principal Shareholder applies for, consents to, or acquiesces in the appointment of, a trustee, receiver, or other custodian for Franchisee or any Principal Shareholder or any of its or their property or makes a general assignment for the benefit of creditors; or, in the absence of such application, consent, or acquiescence, a trustee, receiver, or

other custodian is appointed for Franchisee or any Principal Shareholder, or for a substantial part of its or their property and is not discharged within thirty (30) days; or any bankruptcy, reorganization, debt arrangement, or other case or proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is commenced in respect of Franchisee or any Principal Shareholders and, if such case or proceeding is not commenced by Franchisee or any Principal Shareholder, it is consented to or acquiesced in by Franchisee or any Principal Shareholder or remains for thirty (30) days un-dismissed; or Franchisee or any Principal Shareholder take any action to authorize, or in furtherance of, any of the foregoing.

15.2 Termination by Franchisor with Notice. Franchisee and the Principal Shareholders shall be deemed to be in default, and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder without affording Franchisee or the Principal Shareholders any opportunity to cure the default, effective immediately upon receipt of notice by Franchisee, upon the occurrence of any of the following events:

15.2.1 If Franchisee does not open its Franchised Business within the required time limits and procedures or at any time ceases to operate or otherwise abandons the Franchised Business; provided, however, that if Franchisee ceases to operate the Franchised Business due to a casualty loss for a period of less than six (6) consecutive months, Franchisee will not be presumed to have abandoned the Franchised Business;

15.2.2 If Franchisee does not secure a location for its Franchised Business within the required time limits and procedures;

15.2.3 If Franchisee, any Principal Shareholder, or any officer, director, or manager of Franchisee is convicted of or pleads nolo contendere to a felony, a crime involving moral turpitude, or any other crime or offense that is reasonably likely, in the sole opinion of Franchisor, to adversely affect the System, the Concept, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein;

15.2.4 If Franchisee or any Principal Shareholder purports to transfer any rights or obligations under this Agreement, the Franchised Business, the Premises, or any interest in Franchisee to any third party without Franchisor's prior written consent, contrary to the terms of Article XIV of this Agreement;

15.2.5 If Franchisee or a Principal Shareholder fails to comply in any respect with the non-competition agreements in Section 17.2 hereof as to any person or if Franchisee discloses or divulges, contrary to Articles IX or X hereof, the contents of the Manuals or other trade secret or confidential information provided to Franchisee or to the Principal Shareholder by Franchisor;

15.2.6 If an approved transfer is not effected within a reasonable time following a death or mental incompetency as required by Section 14.4 hereof;

15.2.7 If Franchisor discovers that Franchisee or any Principal Shareholder made a material misrepresentation or omitted any material fact in the information that was furnished to Franchisor in connection with this Agreement;

15.2.8 If any part of this Agreement relating to the payment of fees to Franchisor, or the preservation of any of Franchisor's Proprietary Marks or other trade names, service marks, trademarks, or trade secrets licensed or disclosed hereunder is declared invalid or unenforceable for any reason;

15.2.9 If the continued operation of the Franchised Business represents a threat or danger to the public health and safety;

15.2.10 If an audit shows that the Franchisee has understated gross revenues by 10% or more;

15.2.11 If Franchisee does not cure a default which materially impairs the goodwill of the Proprietary Marks after 72 hours' notice;

15.2.12 If Franchisee does not purchase and maintain the required insurance;  
or

15.2.13 If Franchisee or a Principal Shareholder, after curing a default under Section 15.3 hereof, engages in the same default whether or not such default is cured after notice, or Franchisee or Principal Shareholder is repeatedly in default under Section 15.3 hereof for failure substantially to comply with any of the requirements imposed by this Agreement, whether or not cured after notice.

15.3 Termination by Franchisor with Notice and Opportunity to Cure. Except as provided in Sections 15.1 and 15.2 of this Agreement, Franchisee and/or a Principal Shareholder shall be deemed to be in default hereunder for any failure to comply with any of the requirements imposed by this Agreement, as it may from time to time reasonably be supplemented by the Manuals, or to carry out the terms of this Agreement in good faith. After receipt from Franchisor of a written notice of termination, Franchisee and the Principal Shareholders shall have either ten (10) days (for defaults Franchisor considers to relate to the financial obligations of the Franchisee or the operation of the Franchised Business) or sixty (60) days (for all other situations) within which to remedy any default under this Agreement and to provide evidence thereof to Franchisor. Franchisor shall specify in the notice the applicable cure period. If any such default is not cured within the cure period, or such longer period as applicable law may require or as agreed to in writing by the Franchisor, this Agreement shall terminate without further notice to Franchisee or the Principal Shareholder(s) effective immediately upon the expiration of the applicable cure period.

15.3.1 In particular, more than three (3) customer complaints in any thirty (30) day period or more than five (5) customer complaints in any six (6) month period may be considered, in the Franchisor's discretion, a default relating to the operation of the Franchised Business for which Franchisor may terminate the Agreement with a ten (10) day cure period, as set forth above.

15.3.2 In particular, failure to handle any warranty claim in regards to

workmanship and/or failure to participate in the warranty claims review process may be considered, in the Franchisor's discretion, a default relating to the operation of the Franchised Business for which Franchisor may terminate the Agreement with a ten (10) day cure period, as set forth above.

15.3.3 Other actions that may be considered, in the Franchisor's discretion, a default relating to the operation of the Franchised Business for which Franchisor may terminate the Agreement with a ten (10) day cure period, as set forth above, include but are not limited to: failure to meet corporate standards as set forth in the manual; failure to attend new product development workshops; failure to purchase new spindle lines as they become available to meet customers' needs; price gauging; timeliness complaints; quality of work complaints; failure to maintain proper records of work performed, including serial numbers; failure to maintain a working phone; failure to maintain proper tools needed to perform the job(s); and underperformance.

15.4 Termination by Franchisee. In the event of any material breach by Franchisor of this Agreement, Franchisor shall have sixty (60) days after its receipt from Franchisee of a written notice of intent to terminate within which to remedy such default and to provide evidence thereof to Franchisee. If such default is not cured within that time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisor effective immediately upon the expiration of the 60-day period or such longer period as applicable law may require.

Furthermore, this Agreement may be terminated by Franchisee, upon thirty (30) days' notice to Franchisor, in the event any bankruptcy, reorganization, debt arrangement or other case or proceeding under any bankruptcy or insolvency law, or any dissolution or insolvency proceeding, is commenced in respect of Franchisor; provided, should such case or proceeding not be commenced by Franchisor, this Agreement may be terminated only upon thirty (30) days' notice to Franchisor following any consent or acquiescence by Franchisor to the case or proceeding or upon thirty (30) days' notice to Franchisor should Franchisor not consent or acquiesce thereto and the case or proceeding has not been dismissed sixty (60) days from the commencement thereof.

If a longer notice or cure period or a different good cause standard is required under applicable law, then that law will apply to any termination of this Agreement. This Section does not, however, require or endorse the application of a state's law that otherwise would or does not apply as a result of the choice of law provision appearing in this Agreement.

## **ARTICLE XVI.**

### **OBLIGATIONS UPON TERMINATION OR EXPIRATION**

16.1 General Obligations. Upon the termination or expiration of this Agreement all rights granted hereunder to Franchisee and the Principal Shareholders shall immediately terminate, and:

16.1.1 Franchisee and the Principal Shareholders shall immediately cease to operate the Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee or Franchisor; and

16.1.2 Upon demand by Franchisor, Franchisee and the Principal Shareholders shall assign to Franchisor all of their right, title, and interest in any lease then in effect for the Franchised Business or the Premises, and Franchisee and the Principal Shareholders shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement; and

16.1.3 Franchisee and the Principal Shareholders shall immediately and permanently cease to use, by advertising or in any other manner whatsoever, any confidential methods, procedures, and techniques associated with the Concept and the System and the mark UNITED AXLE and all other Proprietary Marks and distinctive slogans, signs, symbols, or devices associated with the Concept and the System. In particular, Franchisee and the Principal Shareholders shall cease to use, without limitation, all signs, equipment, advertising materials, paper goods, stationery, the menu, and any other articles which display the Proprietary Marks associated with the Concept and the System; and

16.1.4 Franchisee and the Principal Shareholders shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains the mark UNITED AXLE, the Proprietary Marks, or any other service mark or trademark of Franchisor, and, if applicable, Franchisee and the Principal Shareholders will change its corporate name so as to delete therefrom the words "United Axle," the Proprietary Marks, or any other similar combination, and Franchisee and the Principal Shareholders shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within ten days after termination or expiration of this Agreement; and

16.1.5 In addition, Franchisee shall cease use of all telephone numbers and any domain names, websites, e-mail addresses, and any other identifiers, whether or not authorized by Franchisor, used by Franchisee while operating the Franchised Business, and shall promptly execute such documents or take steps necessary to remove reference to the Franchised Business from all trade or business telephone directories, including "yellow" and "white" pages, or at Franchisor's request transfer same to Franchisor. Franchisee hereby authorizes Franchisor to instruct issuers of any telephone and internet domain name services, and other providers to transfer any such telephone numbers, domain names, websites, addresses, and any other identifiers to Franchisor upon termination of this Agreement, without need for any further approval of Franchisee. Without limiting the foregoing, if requested by Franchisor, Franchisee shall provide, during the term or upon termination of this Agreement, written confirmation of Franchisor's rights under this Section 16.1. Franchisee agrees that it shall sign such documents, including the Power of Attorney attached hereto as Exhibit F, and do such things (without cost to Franchisee) that may be reasonably requested by Franchisor in order to implement this Section 16.1; and

16.1.6 Franchisee agrees, in the event it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy, or colorable

imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which, in the sole discretion of Franchisor, is likely to cause confusion, mistake, or deception, or which, in the sole discretion of Franchisor, is likely to dilute the rights of the Franchisor in and to the Proprietary Marks. Franchisee further agrees not to utilize any designation of origin, description, or representation (including, but not limited to, reference to Franchisor, the System, or the Proprietary Marks) which, in the sole discretion of Franchisor, suggests or represents a present or former association or connection with Franchisor, the System, or the Proprietary Marks; and, Franchisee agrees, in the event it continues to operate or subsequently begins to operate any other business, not to use the process(es) described in the Patents/Patent Applications or to make, sell, or use the product(s) described in the Patents/Patent Applications to the extent such process(es) and/or or product(s) are covered by the claims of the Patents/Patent Applications for the term of the Patents/Patent Applications, unless such product(s) are purchased from Franchisor or such use is otherwise authorized by Franchisor.

16.1.7 If Franchisor does not demand an assignment of the Lease as provided by Subsection 6.3.1, Franchisee and the Principal Shareholders shall make such modifications or alterations to the Premises and/or Vehicle(s) operated hereunder (including, without limitation, the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business subsequently operated by Franchisee, the Principal Shareholders, or others, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose including, without limitation, the removal of all distinctive physical and structural features identifying the Concept. In the event Franchisee or the Principal Shareholders fail or refuse to comply with the requirements of this section, Franchisor shall have the right to enter upon the Premises and/or Vehicle(s) where the Franchised Business was operated, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required at the expense of Franchisee and the Principal Shareholders, which expense Franchisee and the Principal Shareholders agree to pay upon demand; and

16.1.8 Franchisee and the Principal Shareholders agree, in the event it or they continue to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy, or colorable imitation of the Proprietary Marks either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute Franchisor's rights in and to the Proprietary Marks, and further agree not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with Franchisor so as to constitute unfair competition;

16.1.9 Franchisee and the Principal Shareholders shall promptly pay all sums owing to Franchisor and its subsidiaries and affiliates. In the event of termination for any default of Franchisee or the Principal Shareholders, such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, equipment, inventory, fixtures, and Vehicle(s) owned by Franchisee and the Principal Shareholders

and on the Premises or within the Vehicle(s) operated hereunder at the time of default; and

16.1.10 Franchisee and the Principal Shareholders shall pay Franchisor all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration or other relief for the enforcement of any provisions of this Section 16.1; and

16.1.11 Franchisee and the Principal Shareholders shall immediately turn over to Franchisor all material, including, without limitation, all manuals (including the Manual) and all records, instructions, correspondence, brochures, agreements, and any and all other materials and all copies thereof in Franchisee's possession relating to the operation of the Franchised Business (all of which are acknowledged to be Franchisor's property), and shall retain no copy or record of any of the foregoing, excepting only Franchisee's copy of this Agreement and of any correspondence between the parties hereto, and any other documents which Franchisee or the Principal Shareholders reasonably need for proper business purposes or compliance with any provision of law; and

16.1.12 Franchisee shall not remove any property from the Franchised Business Premises or Vehicle(s) for a period of thirty (30) days after the termination of this Agreement. At the option of Franchisor, within ten (10) days after the date of termination or expiration of this Agreement, Franchisee and Franchisor shall arrange for an inventory to be made, at Franchisee's cost of all the personal property, fixtures, equipment, and inventory of Franchisee related to the operation of the Franchised Business. As to items that could be considered exclusively for use in a business in the System, Franchisor shall have the option, but not the obligation, to purchase from Franchisee any or all of such items at fair market value. The determination of items deemed to be exclusively used in a business in the System shall be reasonably made by Franchisor. If the parties hereto cannot agree on fair market value within a reasonable time, the parties hereto shall select an appraiser whose determination of fair market value shall be binding. If the parties cannot agree on an appraiser within a reasonable time, one independent appraiser shall be designated by Franchisor and another by Franchisee, and the two independent appraisers so designated shall select a third independent appraiser. The determination of fair market value of a majority of appraisers so chosen shall be binding. Franchisee and Franchisor shall bear the costs of the appraisal on an equal basis. If Franchisor elects to exercise the option to purchase herein provided, it shall have ten (10) days after determination of fair market value to notify Franchisee of its exercise of the option to purchase and shall have the right to set off all amounts due from Franchisee and the Principal Shareholders under this Agreement against any payment therefor.

As to the remaining items of personal property, fixtures, equipment, inventory, and Vehicle(s), Franchisee and the Principal Shareholders hereby grant Franchisor a right of first refusal to purchase such items on the same terms and conditions that a bona fide third party has made an offer to Franchisee or the Principal Shareholders for the purchase of any or all of such items. Franchisee shall promptly notify Franchisor of the receipt of an offer to purchase any or all of such items, and if Franchisor elects to exercise its right of first refusal provided herein, it shall have ten days to notify Franchisee of its election to exercise the right. Furthermore, Franchisor shall have the right to set off all amounts due from

Franchisee and the Principal Shareholders under this Agreement against any payment therefor; and

16.1.13 Franchisee and the Principal Shareholders shall comply with the agreements contained in Section 17.2 of this Agreement.

162 Obligations Upon Termination by Franchisee. Upon termination of this Agreement pursuant to Sections 15.1, 15.2, or 15.3, all rights granted hereunder to Franchisee and the Designated Principal shall immediately terminate, and Franchisee and the Principal Shareholders shall be subject to all the terms of Section 17.2.

163 Initial Fee Non-Refundable. In the event of termination for any reason, Franchisor shall have no obligation to refund any amount previously paid by Franchisee or the Principal Shareholders, and Franchisee and the Principal Shareholders shall be obligated to promptly pay all sums which are then due Franchisor.

## **ARTICLE XVII.**

### **AGREEMENTS**

17.1 Best Efforts. Franchisee agrees that, during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee, the Principal Shareholders, or Franchisee's general manager shall devote full time, energy, and best efforts to the management and operation of the Franchised Business.

17.2 Franchisee and Principal Shareholders Agreement Not to Compete. Franchisee and the Principal Shareholders agree that, during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee and the Principal Shareholder shall not, either directly or indirectly, for itself or themselves, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, divert or attempt to divert any business or customer of any business in the System or any other franchise or company-owned business of Franchisor 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 Franchisor's Proprietary Marks, the Concept, and the System.

17.3 Franchisor Agreement Not to Compete. Franchisor agrees that during the term of this Agreement, except as otherwise approved in writing by Franchisee, Franchisor shall not intentionally or maliciously:

17.3.1 Divert or attempt to divert any material business from the Franchised Business to any competitor, provided this Subsection 17.3.1 shall not apply to any present or future businesses in the System, or any other franchise or company-owned business of Franchisor; or

17.3.2 Employ or seek to employ any person who is at that time employed by Franchisee or otherwise induce such person to leave his or her employment;

17.3.3 Provided, however, nothing in this Agreement shall prohibit Franchisor's ownership or operation of any business.

17.4 Interference with Employment Relations. During the term of this Agreement, neither Franchisor, Franchisee, nor the Principal Shareholders shall employ or seek to employ in a managerial position (i.e., in a position at a pay grade at or above that of an assistant manager), directly or indirectly, any person who is at the time or was at any time during the prior six (6) months employed by the other party or any of its subsidiaries or affiliates, or by any franchisee in the System. This section shall not be violated if, at the time Franchisor or Franchisee/Principal Shareholders employs or seeks to employ such person, such former employer has given its written consent. Notwithstanding any other provision of this Agreement, the parties hereto acknowledge that if this section is violated, such former employer shall be entitled to liquidated damages equal to three times the annual salary of the employee involved, plus reimbursement of all costs and attorneys' fees incurred. In addition to the rights granted to the parties hereto, the parties hereto acknowledge and agree that any franchisee from which an employee was hired by a party to this Agreement in violation of the terms of this section shall be deemed to be a third-party beneficiary of this provision and may sue and recover against the offending party the liquidated damages herein set forth; provided, however, the failure by Franchisee to enforce this section shall not be deemed to be a violation of this section.

17.5 Reforming Provisions. If any court or other tribunal having jurisdiction to determine the validity or enforceability of this Article XVII determines that it would be invalid or unenforceable as written, then the provisions hereof shall be deemed to be modified or limited to such extent or in such manner as necessary for such provisions to be valid and enforceable to the greatest extent possible.

## ARTICLE XVIII.

### **TAXES, PERMITS, AND INDEBTEDNESS**

18.1 Prompt Payment of Taxes. Franchisee or the Principal Shareholders shall promptly pay when due all taxes levied or assessed, including, without limitation, VAT (value added taxes), unemployment, and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the Franchised Business. Franchisee or the Principal Shareholders shall pay to Franchisor an amount equal to any sales tax, withholding of tax, gross receipts tax, or similar tax imposed on Franchisor with respect to any payments to Franchisor required under this Agreement.

18.2 Bona Fide Dispute. In the event of any bona fide dispute as to liability for taxes assessed or other indebtedness, Franchisee or the Principal Shareholders may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event shall Franchisee or the Principal Shareholders permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the Premises, the Franchised Business or any improvements thereon. If required by Franchisor, Franchisee agrees to complete and execute the Power of Attorney attached hereto as Exhibit G, giving the Franchisor the power to file any taxes on behalf of the Franchisee.

183 Compliance with Laws. Franchisee and the Principal Shareholders shall comply with all federal, state and local laws, rules, and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Business under this Agreement, including, without limitation, licenses to do business, fictitious name registration, sales tax permits, and fire clearances.

184 Notification of Legal Proceedings. Franchisee or the Principal Shareholders shall notify Franchisor in writing within ten (10) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of the Franchised Business.

## ARTICLE XIX.

### **FRANCHISEE ORGANIZATION, AUTHORITY, AND FINANCIAL CONDITION**

191 Entity Representations & Warranties. Franchisee and each Principal Shareholder represent and warrant that: (a) Franchisee is an entity duly incorporated, organized or created, validly existing, and in good standing under the laws of the state of its incorporation, creation or organization; (b) Franchisee is duly qualified and is authorized to do business and is in good standing as a foreign entity in each jurisdiction in which its business activities or the nature of the properties owned by it requires such qualification; (c) the execution and delivery of this Agreement and the transactions contemplated hereby are within Franchisee's entity power; (d) the execution and delivery of this Agreement has been duly authorized by Franchisee; (e) the formation and governing documents of Franchisee delivered to Franchisor are true, complete, and correct, and there have been no changes therein since the date thereof; (f) the certified copies of the minutes electing the officers, managing members or managing partners of Franchisee and authorizing the execution and delivery of this Agreement are true, correct and complete, and there have been no changes therein since the date(s) thereof; (g) the specimen stock, membership, or interest certificate delivered to Franchisor is a true specimen of Franchisee's stock, membership, or interest certificate; (h) the balance sheet of Franchisee as of \_\_\_\_\_, \_\_\_\_\_ and the balance sheets of the Principal Shareholders as of \_\_\_\_\_, \_\_\_\_\_ ("**Balance Sheets**") heretofore delivered to Franchisor, are true, complete, and correct, and fairly present the financial positions of Franchisee and each Principal Shareholder, respectively, as of the dates thereof; (i) the Balance Sheets have been prepared in accordance with generally accepted accounting principles; and (j) there have been no materially adverse changes in the condition, assets or liabilities of Franchisee or the Principal Shareholders since the date or dates thereof.

192 Covenants. Franchisee and each Principal Shareholder covenant and agree that during the term of this Agreement: (a) Franchisee shall do or cause to be done all things necessary to preserve and keep in full force its corporate existence and shall be in good standing as a foreign entity in each jurisdiction in which its business activities or the nature of the properties owned by it requires such qualification; (b) Franchisee shall have the authority to carry out the terms of this Agreement; and (c) Franchisee shall print, in a conspicuous fashion on all certificates representing shares of its equity when issued, a legend referring to this Agreement and the restrictions on and

obligations of Franchisee and the Principal Shareholders hereunder, including the restrictions in this Agreement on transfer of Franchisee's shares.

193        Financial Statements. In addition to the financial information which Franchisee is required to provide to Franchisor under Subsection 6.20.2 and Section 19.1 hereof, Franchisee and the Principal Shareholders shall provide Franchisor with such other financial information as Franchisor may reasonably request from time to time, including, on an annual basis, copies of the then-most current financial statements of Franchisee and each Principal Shareholder, dated as of the end of the last preceding fiscal year of Franchisee or Principal Shareholder, said statements to be delivered to Franchisor no later than April 15 of each year, which financial statements shall be prepared in accordance with generally accepted accounting principles.

194        Ownership. Franchisee shall maintain a current list of all owners of record and all beneficial owners of any class of equity security of Franchisee and shall furnish the list to Franchisor upon request. Exhibit C attached to this Agreement and made a part hereof is a complete and correct listing of the directors, officers, managers, and equity holders of Franchisee. Franchisee and each Principal Shareholder represent, warrant, and covenant that all equity interests in Franchisee are owned as set forth on Exhibit C, that no such interest has been pledged or hypothecated (except in accordance with Article XIV), and that no change will be made in the ownership of any such interest other than as permitted by this Agreement, or otherwise consented to in writing by Franchisor. Franchisee and Principal Shareholders agree to furnish Franchisor with such evidence as Franchisor may request, from time to time, for the purpose of assuring Franchisor that the interests of Franchisee and Principal Shareholders remain as represented herein.

195        Guarantees. Each Principal Shareholder, jointly and severally, hereby personally and unconditionally guarantees each of Franchisee's financial obligations to Franchisor (including, but not limited to, all obligations relating to the payment of fees by Franchisee to Franchisor). Each Principal Shareholder agrees that Franchisor may resort to such Principal Shareholder (or any of them) for payment of any such financial obligation, whether or not Franchisor shall have preceded against Franchisee, any other Principal Shareholder or any other obligor primarily or secondarily obligated to Franchisor with respect to such financial obligation. Each Principal Shareholder hereby expressly waives presentment, demand, notice of dishonor, protest, and all other notices whatsoever with respect to Franchisor's enforcement of this guaranty. In addition, each Principal Shareholder agrees that, if the performance or observance by Franchisee of any term or provision hereof is waived or the time of performance thereof extended by Franchisor, or payment of any such financial obligation is accelerated in accordance with any agreement between Franchisor and any party hereto liable in respect thereof or extended or renewed, in whole or in part, all as Franchisor may determine, whether or not notice to or consent by any Principal Shareholder or any other party liable in respect to such financial obligations is given or obtained, such actions shall not affect or alter the guaranty of each Principal Shareholder described in this section.

## ARTICLE XX.

### **RELATIONSHIP AND INDEMNIFICATION**

20.1 Relationship. It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, and that nothing in this Agreement is intended to constitute that any party is an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of the other for any purpose whatsoever. Franchisee and the Principal Shareholders are independent contractors and are not authorized to make any contract, agreement, warranty, or representation on behalf of Franchisor, or to incur any debt or obligation, express or implied, on behalf of Franchisor. Furthermore, Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action, or by reason of any act or omission of Franchisee or the Principal Shareholders in the conduct of the Franchised Business or any claim or judgment arising therefrom against Franchisor. During the term of this Agreement, Franchisee shall hold itself out to the public as operating the Franchised Business pursuant to a franchise from Franchisor. Franchisee agrees to take such affirmative action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place in the Franchised Business, the content of which Franchisor reserves the right to specify.

20.2 Indemnification. Franchisee and the Principal Shareholders shall indemnify and hold harmless Franchisor and its officers, directors, employees, agents, affiliates, successors, and assigns from and against (a) any and all claims based upon, arising out of, or in any way related to the operation or condition of any part of the Franchised Business, the Vehicle(s), or the Premises, the conduct of business thereat, the ownership or possession of real or personal property, and any negligent act, misfeasance, or nonfeasance by Franchisee, the Principal Shareholders of any of their agents, contractors, servants, employees, or licensees (including, without limitation, the performance by Franchisee or the Principal Shareholders of any act required by, or performed pursuant to, any provision of this Agreement), and (b) any and all fees (including reasonable attorneys' fees), costs, and other expenses incurred by or on behalf of Franchisor in the investigation of or defense against any and all such claims.

## ARTICLE XXI.

### **APPROVALS AND WAIVERS**

21.1 Approval Requests. Whenever this Agreement requires the prior authorization approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefor, and such approval or consent must be obtained in writing.

21.2 Non-waiver. No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof shall constitute a waiver of Franchisor's right to demand exact compliance with the terms hereof. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by the party sought to be charged and shall not affect or impair Franchisor's right with respect to any subsequent default of the same or a different nature; nor shall any delay, waiver, forbearance, or omission of Franchisor to exercise any power or rights arising out of any breach or

default by Franchisee of any of the terms, provisions, or covenants hereof affect or impair Franchisor's rights nor shall such constitute a waiver by Franchisor of any right hereunder or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants, or conditions of this Agreement.

## ARTICLE XXII.

### **WARRANTIES OF FRANCHISEE**

22.1 Reliance by Franchisor. Franchisor entered into this Agreement in reliance upon the statements and information submitted to Franchisor by Franchisee in connection with this Agreement. Franchisee represents and warrants that all such statements and information submitted by Franchisee in connection with this Agreement are true, correct, and complete in all material respects. Franchisee agrees to promptly advise Franchisor of any material changes in the information or statements submitted.

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

## ARTICLE XXIII.

### **GENERAL PROVISIONS**

23.1 Request for Approval. Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee or the Principal Shareholder shall make a timely written request to Franchisor therefor, and such approval or consent shall be obtained in writing.

23.2 No Liability Assumed. Franchisor makes no warranties or guarantees upon which Franchisee or any Principal Shareholder may rely, and assumes no liability or obligation to Franchisee or any Principal Shareholder, by providing any waiver, approval, consent, or suggestion to Franchisee or any Principal Shareholder in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

23.3 No Waiver. No delay, waiver, omission, or forbearance on the part of Franchisor to exercise any right, option, duty, or power arising out of any breach or default by Franchisee or any Principal Shareholder, or by any other franchisee or developer of Franchisor, of any of the terms, provisions, or conditions hereof, shall constitute a waiver by Franchisor to enforce any such right, option, duty, or power as against Franchisee or any Principal Shareholder, or as to any subsequent breach or default by Franchisee or any Principal Shareholder. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee or the Principal Shareholders of any terms, provisions, or conditions of this Agreement.

234 Notices. Any and all notices required or permitted under this Agreement shall be in writing and shall be deemed given when delivered in person or mailed by certified or registered mail, return receipt requested, to the respective parties hereto at the addresses set forth below, unless and until a different address has been designated by written notice to the others.

Franchisor: UA Holdings, Inc.  
24850 Amah Parkway  
Claremore, OK 74019

Attention.: Franchise Administrator

Telephone: \_\_\_\_\_  
Email address: \_\_\_\_\_

Franchisee: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Telephone: \_\_\_\_\_  
Email address: \_\_\_\_\_

Principal Shareholder: See Exhibit C

For the purposes of this Agreement, personal service will include service by a recognized overnight delivery service (such as Federal Express, DHL Express, or UPS) which requires a written receipt of delivery from the addressee. A refusal to accept delivery of notice sent by overnight courier or certified mail, return receipt requested, as provided in this Section 23.4 shall constitute receipt of notice.

235 Entire Agreement. This Agreement, the documents referred to herein, and the schedules, appendices, and/or exhibits or other attachments hereto, constitute the entire, full, and complete agreement between Franchisor, Franchisee, and the Principal Shareholders concerning the subject matter hereof, and supersede all prior agreements, no other representations having induced Franchisee to execute this Agreement, provided however, that nothing in this Section 23.5 shall be read to disclaim or require the Franchisee to waive reliance on any representation made in Franchisor's Franchise Disclosure Document, or its exhibits or amendments, except that nothing in this subsection 23.5 should be read to prevent the Franchisee from voluntarily waiving specific contract terms and conditions set forth in his or her Franchise Disclosure Document during the course of franchise sale negotiations. Except for changes or modifications of the System made from time to time by Franchisor, which shall be set forth in the Manuals or in writing, no amendment, change, or variance from this Agreement shall be binding on the parties hereto unless amended by a written agreement between the parties hereto which specifically states that it is intended to amend this Agreement and is executed by their authorized officers or agents.

23.6        Severability and Construction. The parties hereto agree that:

23.6.1    Except as expressly provided to the contrary herein, each section, subsection, part, term, and/or provision of this Agreement shall be considered severable; and if, for any reason, any section, subsection, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid sections, subsections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement; and

23.6.2    Unless otherwise specified in this Agreement, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee and such of their respective successors and assigns as may be contemplated by Article XIV hereof any rights or remedies under or by reason of this Agreement; and

23.6.3    Franchisee and Principal Shareholders expressly agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order; and

23.6.4    All captions in this Agreement are intended solely for the convenience of the parties hereto, and none shall be deemed to affect the meaning or construction of any provision hereof; and

23.6.5    All references herein to the masculine, neuter, or singular shall be construed to include the masculine, feminine, neuter, or plural, where applicable, and all acknowledgments, covenants, agreements, and obligations herein made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all the Principal Shareholders on behalf of Franchisee; and

23.6.6    This Agreement may be executed in several counterparts, and each copy so executed shall be deemed an original.

23.7        Remedies. All rights and remedies of Franchisor shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure, or default or threatened breach, failure, or default of any term, provision, or condition of this Agreement. Franchisor's rights and remedies shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any

time and from time to time. The expiration or earlier termination of this Agreement shall not discharge or release Franchisee or any Principal Shareholder from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration or earlier termination of this Agreement.

23.8 Applicable Law. This Agreement takes effect upon its acceptance and execution by Franchisor in Oklahoma and shall be interpreted and construed under the laws thereof, which laws shall prevail in the event of any conflict of laws, except to the extent governed by U.S. federal law.

23.9 Final and Binding Arbitration. Except as provided in Section 18.2 and 23.10, any dispute, controversy, or claim arising out of or relating to this Agreement, or the breach, termination, or invalidity of it, shall be settled by arbitration to be held in Tulsa, Oklahoma, in accordance with and through the AAA Commercial Arbitration Rules in effect as of the Effective Date, or such other rules to which the parties hereto may agree or the law may require. The arbitration shall be conducted by a single arbitrator selected by the American Arbitration Association. All proceedings of the arbitration, including arguments and briefs, shall be conducted in English. The arbitrator shall take evidence directly from witnesses and documents as presented by the parties; all witnesses shall be made available for cross examination. The arbitrator shall render a written award within three (3) months of the request for arbitration, and such award shall be final and binding upon the parties hereto, non-appealable, and without recourse. Judgment upon the award may be entered in any court of record of competent jurisdiction, or application may be made to such court for judicial confirmation of the award and an order of enforcement, as the law of such jurisdiction may require or allow. The prevailing party or parties (as determined by the arbitrator) shall be entitled to reimbursement from the other party(ies) of the costs of the prevailing party's own experts, evidence, and legal counsel in any arbitration held under this provision and in any action filed for judicial confirmation of the award. The non-prevailing party(ies) shall also bear the expenses of arbitration.

23.10 Injunctive Relief; Venue. Notwithstanding the provisions of Section 23.9, nothing herein contained shall bar Franchisor's right to obtain injunctive 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 injunctions. In that event, such action may be brought by Franchisor in the federal or state judicial district in which Franchisor's principal place of business is located or in any other court of competent jurisdiction located in the county where the Franchised Business is located.

Franchisor, Franchisee, and the Principal Shareholders irrevocably consent to the arbitration and venue provisions of Sections 23.9 and this 23.10 and each submits to the jurisdiction and venue in such arbitration and court(s) and waives any defenses thereto. Each party hereto agrees to service of process in any such proceeding by either personal delivery or registered mail (with postage prepaid and return receipt requested) to the addresses set forth Section 23.4 and the attached Exhibit D, or any substitute addresses indicated by notice. A consent, notice, or waiver will be deemed to have been delivered seven days after mailing.

23.11 Legal Fees. In the event that any party to this Agreement initiates any legal proceeding to construe or enforce any of the terms, conditions, and/or provisions of this

Agreement, including, but not limited to, its termination provisions, or to obtain damages or other relief to which any party may be entitled by virtue of this Agreement, the prevailing party or parties shall be paid its reasonable attorneys' fees and expenses by other party or parties.

23.12 Waiver of Jury Trial. Franchisor and Franchisee irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of them against the other. Any and all claims and actions arising out of or relating to this Agreement, the relationship of Franchisee and Franchisor, or Franchisee's operation of the Franchised Business, brought by either party hereto against the other, whether in mediation, or legal action, shall be commenced within two (2) years from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred.

23.13 Waiver of Punitive Damages. Franchisor and Franchisee hereby waive to the fullest extent permitted by law any right to or claim of any punitive or exemplary damages against the other.

23.14 Acknowledgments. Franchisee and the Principal Shareholders acknowledge, and represent and warrant to Franchisor, that:

23.14.1 Franchisee and the Principal Shareholders have conducted an independent investigation into the ownership and operation of the Franchised Business, and recognize that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of Franchisee and the Principal Shareholders as independent business operators and their active participation in the daily affairs of the Franchised Business. Franchisor expressly disclaims the making of, and Franchisee and the Principal Shareholders acknowledge that they have not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement;

23.14.2 Franchisee has received a copy of this complete Agreement, the schedules, appendices, and/or exhibits or other attachments hereto, and all agreements relating hereto, if any, and the Area Development Agreement and all agreements relating thereto, if applicable, at least seven (7) calendar days prior to the date on which this Agreement was executed. Franchisor and the Principal Shareholders further acknowledge that they have received the disclosure document required by the Federal Trade Commission at least fourteen (14) calendar days prior to the date on which this Agreement was executed or the payment of any consideration in connection with the sale of a franchise and development rights contemplated hereunder;

23.14.3 Franchisee and the Principal Shareholders have read and understood this Agreement, the attachments, schedules, and/or exhibits hereto, and any other agreements related to this Agreement, including, without limitation, the Area Development Agreement and all agreements relating thereto, if any, and that Franchisor has accorded Franchisee and the Principal Shareholders ample time and opportunity to consult with advisors of their own choosing about the potential benefits and risks of entering into this Agreement; and

23.144 Franchisee and the Principal Shareholders understand that every detail of the business franchised hereunder is important to Franchisee, Franchisor, the Principal Shareholders and other franchisees in order to develop and maintain high and uniform operating standards for the System and the Concept, to increase the demand for the services and Products and Services sold by Franchisor and all franchisees of Franchisor, and to protect Franchisor's reputation and goodwill.

23.15 Different Franchise Offering to Others. Franchisee acknowledges and agrees that Franchisor may modify the offer of its franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

23.16 Success Depends on Franchisee. Franchisee acknowledges that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon Franchisee's ability as an independent businessperson, his/her active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided, as well as other factors. Franchisor does not make any representations or warranty express or implied as to the potential success of the business venture contemplated hereby.

23.17 No Guarantees. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received nor relied upon, any warranty or guaranty, express or implied, as to the revenues, profits, or success of the business venture contemplated by this Agreement.

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

**FRANCHISOR:**

**UA HOLDINGS, INC.**

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

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

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

**FRANCHISEE:**

\_\_\_\_\_

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

**PRINCIPAL SHAREHOLDER(S):**

\_\_\_\_\_

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

---

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

**EXHIBIT A**  
**FRANCHISE AGREEMENT**

Approved Territory:

Initial Fee:

Type of Franchised Business (Stand-Alone or Ancillary):

Minimum Number of Spindles Required to be Purchased Per Year:

**EXHIBIT B**

**FRANCHISE AGREEMENT**

**ADA CERTIFICATION**

UA Holdings, Inc., ("**Franchisor**") and \_\_\_\_\_ ("**Franchisee**") are parties to that certain Franchise Agreement dated \_\_\_\_\_ for the operation of a franchised business at \_\_\_\_\_ (the "**Franchised Business**"). In accordance with the Franchise Agreement, Franchisee certifies to Franchisor that, to the best of Franchisee's knowledge, the Franchised Business and its adjacent areas comply with all applicable federal, state, and local accessibility laws, statutes, codes, rules, regulations, and standards, including but not limited to the Americans with Disabilities Act. Franchisee acknowledges that it is an independent contractor and the requirement of this certification by Franchisee does not constitute ownership, control, leasing, or operation of the Franchised Business. Franchisee acknowledges that Franchisor has relied on the information contained in this certification. Furthermore, Franchisee acknowledges its obligation under this Franchise Agreement to indemnify Franchisor and the officers, directors, and employees of Franchisor in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party(ies) as a result of any matters associated with Franchisee's compliance with the American with Disabilities Act, as well as the costs, including attorneys' fees, related to the same.

Franchisee: \_\_\_\_\_

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

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

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

**EXHIBIT C**  
**FRANCHISE AGREEMENT**  
**DIRECTORS, OFFICERS AND MANAGERS**

<u>Name of Director/Officer/Manager</u>	<u>Title</u>

<u>Name of Equity-holders</u>	Class and Number of Shares or Other <u>Units of Ownership</u>



**EXHIBIT E**  
**FRANCHISE AGREEMENT**  
**TRANSFER CERTIFICATE**

The undersigned, an Officer, Director, or Owner of a majority of the issued and outstanding securities of the Franchisee under a Franchise Agreement executed on the date set forth below, between himself or herself and UA Holdings, Inc., as Franchisor, granting him/her a franchise to operate in the territory set forth below, and the other undersigned Directors, Officers, and Shareholders of the corporation, or the Members of the limited liability company, who together with Franchisee constitute all of the Shareholders of the corporation, or the Members of the limited liability company, in order to induce Franchisor to consent to the assignment of the Franchise Agreement to the corporation, or limited liability company in accordance with provisions of Section 14.2 of the Franchise Agreement, agree as follows:

1. The undersigned Franchisee shall remain personally liable in all respects under the Franchise Agreement and all other undersigned Officers, Directors, and Shareholders of the corporation, or the Members of the limited liability company, intending to be legally bound hereby, agree jointly and severally to be personally bound by the provisions of the Franchise Agreement including the restrictive covenants contained in Article XIX thereof, to the same extent as if each of them were the Franchisee set forth below in the Franchise Agreement and jointly and severally personally guarantee all of the Franchisee's obligations set forth in said Agreement.

2. The undersigned agree not to transfer any stock in the corporation or any interest in the limited liability company without the prior written approval of the Franchisee and agree that all stock certificates representing shares in the corporation or all certificates representing interests in the limited liability company shall bear the following legend:

"The shares of the stock represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated \_\_\_\_\_ between \_\_\_\_\_ and UA Holdings, Inc."

3. \_\_\_\_\_ or his designee shall devote his best efforts to the day-to-day operation and development of the Franchised Business.

4. \_\_\_\_\_ hereby agrees to become a party to and be bound by all of the provisions of the Franchise Agreement executed on the date set forth below between Franchisee and UA Holdings, Inc., to the extent as if it were named as the Franchisee herein.

Date of Franchise Agreement: \_\_\_\_\_

Territory of Franchised Business: \_\_\_\_\_

WITNESS: \_\_\_\_\_

As to Paragraph 3: \_\_\_\_\_

[Name]

As to Paragraph 4:

\_\_\_\_\_

\_\_\_\_\_

[Name]

ATTEST:

\_\_\_\_\_  
Name of Corporation or Limited Liability Company

(SEAL)

\_\_\_\_\_

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

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

In consideration of the execution of the above Agreement, UA Holdings, Inc. hereby consents to the above referred to assignment on this \_day of \_\_\_\_\_, \_\_\_\_\_.

UA HOLDINGS, INC.

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

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



This Power of Attorney shall terminate two (2) years following the expiration or termination of that Certain Franchise Agreement dated as of \_\_\_\_\_, by and between Franchisor and Franchisee. Such termination, however, shall not affect the validity of any act or deed that Franchisor may have effected prior to such date pursuant to the powers herein granted.

This instrument is to be construed and interpreted as an irrevocable power of attorney coupled with an interest. It is executed and delivered in the State of \_\_\_\_\_ and the laws of the State of \_\_\_\_\_ shall govern all questions as to the validity of this Power of Attorney and the construction of its provisions.

IN WITNESSES WHEREOF, the undersigned has executed this Power of Attorney as of the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

FRANCHISEE:

\_\_\_\_\_

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

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

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

STATE OF \_\_\_\_\_ )

\_\_\_\_\_ )

COUNTY OF \_\_\_\_\_ )

BEFORE me, the undersigned authority, on this day personally appeared \_\_\_\_\_ of \_\_\_\_\_, known to me to be the person whose name is subscribed to the foregoing instrument, who acknowledged to me that s/he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

(SEAL)

\_\_\_\_\_  
Notary Public in and for the  
State of \_\_\_\_\_

My Commission and Expiration Date:

\_\_\_\_\_



This Power of Attorney shall terminate two (2) years following the expiration or termination of that certain Franchise Agreement dated as of \_\_\_\_\_, by and between Franchisor and Franchisee. Such termination, however, shall not affect the validity of any act or deed that Franchisor may have effected prior to such date pursuant to the powers herein granted.

This instrument is to be construed and interpreted as an irrevocable power of attorney coupled with an interest. It is executed and delivered in the State of \_\_\_\_\_ and the laws of the State of \_\_\_\_\_ shall govern all questions as to the validity of this Power of Attorney and the construction of its provisions.

IN WITNESSES WHEREOF, the undersigned has executed this Power of Attorney as of the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

FRANCHISEE:

\_\_\_\_\_

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

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

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

STATE OF \_\_\_\_\_ )

COUNTY OF \_\_\_\_\_ )

BEFORE me, the undersigned authority, on this day personally appeared \_\_\_\_\_ of \_\_\_\_\_, known to me to be the person whose name is subscribed to the foregoing instrument, who acknowledged to me that s/he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

(SEAL)

\_\_\_\_\_  
Notary Public in and for the  
State of \_\_\_\_\_

My Commission and Expiration Date:

\_\_\_\_\_

**EXHIBIT H**  
**FRANCHISE AGREEMENT**

**MULTI-STATE ADDENDUM**

CALIFORNIA APPENDIX

1. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or non-renewal of a franchise. If the Franchise Agreement contains provisions that are inconsistent with the law, the law will control.
2. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).
3. The Franchise Agreement contains covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.
4. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.
5. Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 79a et seq., suspending or expelling such persons from membership in such association or exchange.
6. The Franchise Agreement requires binding arbitration. The arbitration will occur in California with the costs being borne by the franchisee and franchisor. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5 Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
7. You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).
8. **THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.**

9. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
10. OUR WEBSITE, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at [www.dbo.ca.gov](http://www.dbo.ca.gov).
11. The appropriate sections of the Franchise Agreement are amended to state that the highest interest rate allowed under California law is 10%.

**ADDENDUM REQUIRED BY THE STATE OF ILLINOIS**

Despite anything to the contrary in the Franchise Disclosure Document or Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all franchises offered and sold in the State of Illinois:

1. Illinois law governs the Franchise Agreement(s).
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Act.
4. In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

**STATE ADDENDUM FOR THE STATE OF INDIANA**

1. To be added to Item 3 of the Disclosure Document, is the following statement:  
There are presently no arbitration proceedings to which the Franchisor is a party.
2. Item 17 of the Disclosure Document is amended to reflect the requirement under Indiana Code 23-2-2.7-1 (9), which states that any post term non-compete covenant must not extend beyond the franchisee's exclusive territory.
3. Item 17 is amended to state that this is subject to Indiana Code 23-2-2.7-1 (10).
4. Under Indiana Code 23-2-2.7-1 (10), jurisdiction and venue must be in Indiana if the franchisee so requests. This amends Article 23 of the Franchise Agreement.
5. Under Indiana Code 23-2-2.7-1 (10), franchisee may not agree to waive any claims or rights.

## ADDENDUM REQUIRED BY THE STATE OF MARYLAND

This will serve as the State Addendum for the State of Maryland for UA Holdings, Inc's Franchise Disclosure Document and for its Franchise Agreements. The amendments to the Franchise Agreements included in this addendum have been agreed to by the parties.

1. Item 17 of the Disclosure Document is amended to state that the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
2. Item 17 of the Disclosure Document is amended to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
3. Item 17 of the Disclosure Document is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.
4. Item 17 of the Disclosure Document is amended to state that the provisions in the Franchise Agreement which provide for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 etseq.).
5. The appropriate sections of the Franchise Agreement are amended to permit a franchisee to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
6. The appropriate sections of the Franchise Agreement are amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.
7. The appropriate sections of the Franchise Agreement are amended to state that the general release required as a condition of renewal, sale and/or assignment/ transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
8. The Franchise Agreement and Franchisee Disclosure Acknowledgment Statement are amended to include the following statement: "All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

## DISCLOSURE REQUIRED BY THE STATE OF MICHIGAN

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty (30) days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five (5) years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months' advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) Failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

- (ii) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.
- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision(c).

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, franchisee has the right to request an escrow arrangement.

Any questions regarding this notice should be directed to:

Consumer Protection  
Division 525 W. Ottawa  
Street Lansing, Michigan  
48933  
(517) 373-7117

#### ADDENDUM FOR THE STATE OF MINNESOTA

This addendum to the Disclosure Document effectively amends and revises said Disclosure Document and the Franchise Agreement as follows:

1. Item 13 of the Disclosure Document and Article 7 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“In accordance with applicable requirements of Minnesota law, Franchisor shall protect Franchisee’s right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or shall indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding such use.”

2. Item 17 of the Disclosure Document, Articles 2 and 15 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“Minnesota law provides franchisees with certain termination and non-

renewal rights. Minnesota Stat. Sec. 80c.14, Subd.3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Disclosure Document.”

3. Item 17 of the Disclosure Document and the appropriate sections of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“Minn. Stat. Sec. 80C.21 and Rule 2860.4400J 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 agreements can abrogate or reduce any of the 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 jurisdiction.”

4. Item 17 of the Disclosure Document and the appropriate sections of the Franchise are amended by the addition of the following language to the original language that appears therein:

“Minn. Rule 2860.4400D prohibits us from requiring you to assent to a general release.”

5. Any reference to liquidated damages in the Franchise Agreement is hereby deleted in accordance with Minn. Rule 2860.4400J which prohibits requiring you to consent to liquidated damages.

6. The appropriate sections of the Franchise Agreement are hereby deleted in accordance with Minn. Rule 2860.4400J which prohibits waiver of a jury trial.

7. The appropriate sections of the Franchise Agreement regarding Limitations of Claims are hereby amended to comply with Minn. Stat. §80C.17, Subd.5.

8. Item 6, Insufficient Fund Fees: NSF fees are governed by Minnesota Statute 604.113; which puts a cap of \$30 on a NSF check. This applies to everyone in Minnesota who accepts checks except banks.

9. Under Minn. Rule 2860.440J, the franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required. The appropriate sections of the Franchise Agreement are hereby amended accordingly.

ADDENDUM REQUIRED BY THE DEPARTMENT OF LAW OF  
THE STATE OF NEWYORK

The following Items are required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself:

3. LITIGATION

Neither the Franchisor, its Predecessor nor any person listed under Item 2 or an affiliate offering franchises under Franchisor's principal trademark: has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise, antitrust or securities law; fraud; embezzlement; fraudulent conversion; misappropriation of property; unfair or deceptive practices; or comparable civil or misdemeanor allegations.

- (A) has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise; anti-fraud or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; unfair or deceptive practices; or comparable allegations.
- (B) is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

4. BANKRUPTCY

Neither the Franchisor, its affiliate, its predecessor, officers, or general partner during the ten year period immediately before the date of the disclosure document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code (or any comparable foreign law); (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or

within one year after the officer or general partner of the Franchisor held this position in the company or partnership.

17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

Provision (j) of the Franchise Disclosure Document is amended by adding the following language in the Summary column: “However, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the franchise agreement.”

ADDENDUM REQUIRED BY THE STATE OF NORTH DAKOTA

This addendum to the Disclosure Document and Franchise Agreement effectively amends and revises said documents as follows:

1. Item 17(c) of the Disclosure Document and Articles 2 and 14 of the Franchise Agreement are hereby amended to indicate that a franchisee shall not be required to sign a general release.
2. Covenants not to compete are generally considered unenforceable in the State of North Dakota, in accordance with Section 51-19-09 of the North Dakota Franchise Investment Law. Item 17(r) of the Disclosure Document and Article 17 of the Franchise are amended accordingly.
3. Item 6 and Item 17(i) of the Disclosure Document and Article 16 of the Franchise Agreement requires the franchisee to consent to termination or liquidated damages. Since the Commissioner has determined this to be unfair, unjust and inequitable within the intent of Section 51-19- 09 of the North Dakota Franchise Investment Law, these provisions are hereby deleted in each place they appear in the Disclosure Document and Franchise Agreement used in North Dakota.
4. Item 17(u) of the Disclosure Document and Article 23 of the Franchise Agreement are amended to provide that arbitration shall be held at a site that is agreeable to all parties.
5. Item 17(v) of the Disclosure Document and the provisions of Article 23 of the Franchise Agreement which require jurisdiction of courts in Oklahoma are deleted.
6. Item 17(w) of the Disclosure Document and Article 23 of the Franchise Agreement are amended to indicate that the agreements are to be construed according to the laws of the State of North Dakota.
7. Apart from civil liability as set forth in Section 51-19-12 N.D.C.C., which is limited to violations of the North Dakota Franchise Investment Law (registration and fraud), the liability of the franchisor to a franchisee is based largely on contract law. Despite the fact that those provisions are not contained in the franchise investment law, those provisions

contain substantive rights intended to be afforded to North Dakota residents. Therefore, North Dakota franchisees will not be required to waive their rights under North Dakota law.

8. The provisions of Article 23 of the Franchise Agreement which require a franchisee to consent to (1) a waiver of trial by jury and (2) a waiver of exemplary and punitive damages is contrary to Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby deleted.
9. The provisions of Article 23 of the Franchise Agreement which require a franchisee to consent to a limitation of claims are hereby amended to state that the statute of limitations under North Dakota law applies.

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

The following amends Item 17 and is required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that:

“A provision in a franchise agreement restricting jurisdiction or venue to a forum outside of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

#### ADDENDUM REQUIRED BY THE COMMONWEALTH OF VIRGINIA

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

1. Additional Disclosure: The following statements are added to Item 17.h:

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

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

ADDENDUM REQUIRED BY THE STATE OF WASHINGTON

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

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

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

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

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum on the day and year first above written.

FRANCHISEE:

UA HOLDINGS, INC.

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

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

PRINCIPAL SHAREHOLDER(S):

Its: \_\_\_\_\_

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

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

**EXHIBIT I**  
**FRANCHISE AGREEMENT**  
**FRANCHISEE DISCLOSURE QUESTIONNAIRE**

As you know, UA Holdings, Inc. and you are preparing to enter into a Franchise Agreement for the operation of a United Axle franchise. In this Franchisee Disclosure Questionnaire, UA Holdings, Inc. will be referred to as “we” or “us” or “United Axle” or “United Holdings, Inc.”. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we did not authorize and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed the UA Holdings, Inc.’s Franchise Agreement and each attachment, exhibit, addendum, schedule and/or Summary attached to it?

Yes \_\_\_\_\_ No \_\_\_\_\_

2. Do you understand all of the information contained in the Franchise Agreement and each attachment, exhibit, addendum, schedule and/or Summary attached to it?

Yes \_\_\_\_\_ No \_\_\_\_\_

If “No”, what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary.)

---

3. Have you received and personally reviewed our disclosure document we provided to you?

Yes \_\_\_\_\_ No \_\_\_\_\_

4. Do you understand all of the information contained in the disclosure document?

Yes \_\_\_\_\_ No \_\_\_\_\_

If “No”, what parts of the disclosure document do you not understand? (Attach additional pages, if necessary.)

---

---

---

5. Have you discussed the benefits and risks of operating a United Axle franchise with an attorney, accountant or other professional advisor and do you understand those risks?

Yes \_\_\_\_\_ No \_\_\_\_\_

If No, do you wish to have more time to do so? Check one: (  ) Yes (  ) No

6. Do you understand that the success or failure of your business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, the economy, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes \_\_\_\_\_ No \_\_\_\_\_

7. Do you understand that the economic and business factors that exist at the time you open your business may change? Check one: (  ) Yes (  ) No.

8. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of the United Axle franchise that we or our franchisees operate?

Yes \_\_\_\_\_ No \_\_\_\_\_

9. Has any employee or other person speaking on our behalf made any statement or promise concerning a United Axle franchise that is contrary to, or different from, the information contained in the disclosure document?

Yes \_\_\_\_\_ No \_\_\_\_\_

10. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a United Axle franchise?

Yes \_\_\_\_\_ No \_\_\_\_\_

11. Has any employee or other person speaking on our behalf made any statement or promise concerning the total amount of revenue a United Axle franchise will generate?

Yes \_\_\_\_\_ No \_\_\_\_\_

12. Has any employee or other person speaking on our behalf made any statement or promise regarding the costs you may incur in operating a United Axle franchise that is contrary to, or different from, the information contained in the disclosure document?

Yes \_\_\_\_\_ No \_\_\_\_\_

13. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a United Axle franchise?

Yes \_\_\_\_\_ No \_\_\_\_\_

14. Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the disclosure document?

Yes \_\_\_\_\_ No \_\_\_\_\_

15. Have we or any of our employees or any other persons speaking on our behalf made any oral, written, visual or other promises, agreements, commitments, representation, understandings, "side agreements" or otherwise that expand upon or are inconsistent with disclosure document or the Franchise Agreement, or any attached written addendum signed by you and an officer of ours?

Yes \_\_\_\_\_ No \_\_\_\_\_

16. Have we or any of our employees or any other persons speaking on our behalf made any statements to you regarding our financial condition or any of our affiliated companies?

Yes \_\_\_\_\_ No \_\_\_\_\_

If your answer is "Yes," have you relied on the statement(s) regarding the financial condition of any of our affiliated companies in deciding whether to purchase a franchise from us? Check one:  
 Yes  No.

17. Do you understand that any training, support, guidance or tools we provide to you as part of the franchise are for the purpose of protecting the United Axle brand and trademarks and to assist you in the operation of your business and not for the purpose of controlling or in any way intended to exercise or exert control over your decisions or day-to-day operations of your business, including your sole responsibility for the hiring, wages and other compensation (including benefits), training, supervision and termination of your employees and all other employment and employee related matters?

Yes \_\_\_\_\_ No \_\_\_\_\_

18. If you have answered "Yes" to any of questions seven (7) through seventeen (17), please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered "No" to each of such questions, please leave the following lines blank.

---

---

---

---

---

---

---

---

19. Do you understand that in all dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity and such dealings are solely between you and us?

Yes \_\_\_\_\_ No \_\_\_\_\_

20. Do you understand that there may be national, regional, state, or local laws or regulations applying to the operation of a United Axle franchise business (either specifically or generally), and that, as a franchisee, you are fully responsible as an independent business owner for learning about and complying with these laws?

Yes \_\_\_\_\_ No \_\_\_\_\_

21. You understand that your answers are important to us and that we will rely on them. By signing this Franchisee Disclosure Questionnaire, you are representing that you have responded truthfully to the above questions.

\_\_\_\_\_  
Name of Franchisee/Applicant

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name and Title of Person Signing

**APPENDIX A**  
**FRANCHISE AGREEMENT**

**CONFIDENTIALITY AGREEMENT**

THIS AGREEMENT is made this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between \_\_\_\_\_, a \_\_\_\_\_ corporation ("**Franchisee**") and \_\_\_\_\_, an individual employed by Franchisee ("**Employee**").

**WITNESSETH:**

WHEREAS, UA HOLDINGS, INC. ("**Franchisor**") is the owner of all rights in and to a unique system for the development and operation of businesses (the "**System**"), which includes proprietary rights in valuable trade names, service marks, and trademarks, including the mark UNITED AXLE and variations of such marks, signs, equipment, Products and Services, inventory methods, operating methods, financial control concepts, a training facility, and teaching techniques; and

WHEREAS, Franchisee has entered into a Franchise Agreement with Franchisor covering the Franchised Business (the "**Franchised Business**") at which Employee is employed; and

WHEREAS, Franchisee and Employee acknowledge that Franchisor's information as described above was developed over time at great expense, is not generally known in the industry, is beyond Franchisee's own present skills and experience, and that to develop it itself would be expensive, time-consuming and difficult, that it provides a competitive advantage and will be valuable to Franchisee in the development of its business, and that gaining access to it was therefore a primary reason why Franchisee entered into the Franchise Agreement; and

WHEREAS, in consideration of Franchisor's confidential disclosure to Franchisee of these trade secrets, Franchisee has agreed to be obligated by the terms of Franchise Agreement to execute, with each employee of Franchisee who will have supervisory authority over the operation of the Franchised Business, a written agreement protecting Franchisor's trade secrets and confidential information entrusted to Employee;

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, covenant and agree as follows:

(1) The parties hereto acknowledge and agree that Employee is or will be employed in a supervisory or managerial capacity and in such capacity will have access to information and materials which constitute trade secrets and confidential and proprietary information. The parties further acknowledge and agree that any actual or potential direct or indirect competitor of Franchisor, or of any of its Franchisees, shall not have access to such trade secrets and confidential information.

(2) The parties hereto acknowledge and agree that the System includes trade secrets

and confidential information which Franchisor has revealed to Franchisee in confidence, and that protection of said trade secrets and confidential information and protection of Franchisor against unfair competition from others who enjoy or who have had access to said trade secrets and confidential information are essential for the maintenance of goodwill and special value of the System.

(3) Employee agrees that he or she shall not at any time (a) appropriate or use the trade secrets incorporated in the System, or any portion thereof, for use in any business which is not within the System; (b) disclose or reveal any portion of the System to any person, other than to Franchisee's employees as an incident of their training; (c) acquire any right to use, or to license or franchise the use of, any name, mark, or other intellectual property right which is or may be granted by any franchise agreement between Franchisor and Franchisee; or (d) communicate, divulge, or use for the benefit of any other person or entity any confidential information, knowledge, or know-how concerning the methods of development or operation of the Franchised Business or other Franchised Businesses which may be communicated to Employee or of which Employee may be apprised by virtue of Employee's employment by Franchisee. Employee shall divulge such confidential information only to such of Franchisee's other employees as must have access to that information in order to operate the Franchised Business or other Franchised Businesses or to develop a prospective site for the Franchised Business or other Franchised Businesses. Any and information, knowledge, and know-how, including, without limitation, drawings, materials, equipment, specifications, techniques, and other data, which Franchisor designates as confidential, shall be deemed confidential for purposes of this Agreement.

(4) Employee further acknowledges and agrees that the Operations Manual and any other materials or manuals provided or made available to Franchisee by Franchisor (collectively, the "Manuals") are loaned by Franchisor to Franchisee for limited purposes only, remain the property of Franchisor, and may not be reproduced, in whole or in part, without the written consent of Franchisor.

(5) Employee agrees to surrender to Franchisee or to Franchisor each and every copy of the Manuals and any other information or material in his/her possession or control upon request, upon termination of employment or upon completion of the use for which said Manuals or other information or material may have been furnished to Employee.

(6) The parties hereto agree that in the event of a breach of this Agreement, Franchisor would be irreparably injured and would be without an adequate remedy at law. Therefore, in the event of a breach or a threatened or attempted breach of any of the provisions hereof, Franchisor shall be entitled to enforce the provisions of this Agreement as a third-party beneficiary hereof and shall be entitled, in addition to any other remedies which it may have hereunder at law or in equity (including the right to terminate the Franchise Agreement), to a temporary and/or permanent injunction and a decree for specific performance of the terms hereof without the necessity of showing actual or threatened damage, and without being required to furnish a bond or other security.

(7) If any court or other tribunal having jurisdiction to determine the validity or enforceability of this Agreement determines that it would be invalid or unenforceable as written, the provisions hereof shall be deemed to be modified or limited to such extent or in such manner

necessary for such provisions to be valid and enforceable to the greatest extent possible.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as of the date first above written.

**FRANCHISEE:**

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

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

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

**EMPLOYEE:**

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

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

**APPENDIX B**

**FRANCHISE AGREEMENT**

**AUTHORIZATION AGREEMENT FOR PRE-ARRANGED PAYMENTS**

COMPANY NAME \_\_\_\_\_

COMPANY I.D. NO. \_\_\_\_\_

I (WE) HEREBY AUTHORIZE UA HOLDINGS, INC., HEREINAFTER CALLED COMPANY, TO INITIATE DEBIT ENTRIES TO OUR CHECKING ACCOUNT INDICATED BELOW AND THE DEPOSITORY NAMED BELOW, HEREINAFTER CALLED DEPOSITORY, TO DEBIT THE SAME TO SUCH ACCOUNT.

DEPOSITORY NAME \_\_\_\_\_

BRANCH \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

TRANSIT/ABA NO. \_\_\_\_\_ ACCT. NO. \_\_\_\_\_

THIS AUTHORITY IS TO REMAIN IN FULL FORCE AND EFFECT UNTIL COMPANY AND DEPOSITORY HAS RECEIVED WRITTEN NOTIFICATION FROM ME (OR EITHER OF US) OF ITS TERMINATION IN SUCH TIME AND IN SUCH MANNER AS TO AFFORD COMPANY AND DEPOSITORY A REASONABLE OPPORTUNITY TO ACT ON IT.

NAME \_\_\_\_\_ ID# \_\_\_\_\_

DATE \_\_\_\_\_ SIGNED \_\_\_\_\_

SIGNED \_\_\_\_\_

**EXHIBIT C**

**TABLE OF CONTENTS OF OPERATING MANUAL**

CHAPTER 1: TABLE OF CONTENTS...	3
CHAPTER 2: INTRODUCTION...	7
CHAPTER 3: WELCOME TO UNITED AXLE...	9
CHAPTER 4: SUPPORT RESOURCES...	13
CHAPTER 5: PRE-OPENING TIMETABLE & OBLIGATIONS...	15
CHAPTER 6: FRANCHISEE TRAINING REQUIREMENTS...	37
CHAPTER 7: OFFICE POLICIES...	40
CHAPTER 8: OFFICE OPERATION AND MAINTENANCE...	55
CHAPTER 9: OFFICE EQUIPMENT, COMPUTER SYSTEM, INVENTORY, AND SUPPLIES...	63
CHAPTER 10: ADMINISTRATION...	70
CHAPTER 11: VEHICLE ADMINISTRATION...	79
CHAPTER 12: MARKETING...	81
CHAPTER 13: SALES & PRICING...	98
CHAPTER 14: INSURANCE REQUIREMENTS & RISK MANAGEMENT...	103
CHAPTER 15: CORPORATE STRUCTURE AND FINANCING...	108
CHAPTER 16: TRADEMARKS AND TRADE SECRETS - PROTECTION POLICIES...	115
CHAPTER 17: RENEWAL...	121
CHAPTER 18: EXPANSION AND RELOCATION REQUIREMENTS...	122
Appendix:	
Price List...	A
Master Certification Spindle Training Manual...	B

**EXHIBIT D**

**LIST OF FRANCHISEES AND FORMER FRANCHISEES**

Current Franchisees

<p>Brent Slaten and Krista Floyd Amarillo Thermo King 2100 S Eastern St. Amarillo, TX 79118 (806) 376-5837</p>	<p>Mike Norris Red River Trailer Services 312 Eastland Texarkana, AR 71854 (870) 774-1866</p>
<p>United Axle of Atlanta (Axle Solutions) Eddie West 725 Meadow Street Comer, GA 30629 (470) 501-6206</p>	<p>United Axle of S.E. Wisconsin Robert Stone 6009 US HWY 41 Calendonia, WI 53108 (262) 812-9397</p>
<p>Jon Durham United Axle of Central Florida, LLC 2029 Tally Road Leesburg, FL 34748 (352) 805-5855</p>	<p>Darren Barnes Crump Truck and Trailer Works, Inc. 1905 E. Commercial St. Springfield, MO 65803 (417) 929-2953</p>
<p>Robert Stone United Axle of S.E. Wisconsin 6009 US HWY 41 Calendonia, WI 53108 (262) 812-9397</p>	<p>Jared Reorda Sapp Bros. Inc. 9915 South 148<sup>th</sup> St. Omaha, NE 68145 402-895-7038</p>
<p>United Axle of North Texas Brian Williams 333 County Road Powderly, TX 75473 469-756-4107</p>	<p>Jason Russell United Axle of NW Florida 2510 Taylor Rd. Crestview, FL 334-504-2361</p>
<p>Deke Snyder Fleet Pride 2275 North Reading Road Denver, PA 17517 717-738-2461</p>	<p>Cruze Giannelli Tonka Services 7129 Alliance Rd NW Malvern, OH 44644 330-705-6948</p>

<p>Richard Lefebvre  L5R-Kingpin  4405 S Xanthia St.  Denver, CO 80237  303-589-2265</p>	<p>Eddie Schmeid  All American Roadside  PO Box 614  Cheney, KS 67025  316-932-3332</p>
<p>Marisela Sanchez  Lone Star  2669 Dowdy Ferry Road  Dallas, TX 75217  214-477-8075</p>	<p>Bryan Tikkala  T4 Axle  42221 Hillcrest Loop  Astoria, OR 97103  503-440-6703</p>
<p>United Axle of the Carolinas  William Crenshaw  353 True Road  McConnells, SC 29726  (704) 813-8011</p>	<p>United Axle of North Alabama  Andy Aguirre  1845 County Rd 1043  Cullman, AL 35057  (256) 590-4128</p>
<p>TJ's Fab &amp; Mobile Repair  Tim Jackson  803 E. Barton  West Memphis, AR 72031  (901) 607-6688</p>	<p>Old Skuhl Diesel  Walter Hoelsing  1175 County Road 429  Pleasanton, TX 780674  (830) 366-1167</p>
<p>United Mobile Machining  Sondra Scott  539 Huckleberry Rd.  Strafford, MO 65757  (573) 800-2953</p>	<p>United Axle of Kentuckiana  Joe Loudenslager  1133 Lawrenceburg,  Bloomfield, KY 40008  (573) 800-2953</p>
<p>Best Axle Repair  Chuck Burgess  36 Duffy PO Box 65  Wright, WY 82732  (307) 689-2267</p>	<p>H.E.M. Truck Repair  Josh Sutliff  1944 S Peppercorn Pl  Boise, ID 83709  (208) 696-6554</p>

Munn Diesel Repair  
Justice Munn  
398 Munn Rd  
Sumrall, MS 39482  
(601) 606-3686

On-Site Fleet Services  
Bryan Duran  
616 Coso Ave. SE  
Albuquerque, NM 87102  
(505)-738-4151

Former Franchisees:

<p>Barry Simpson Garden Spot Frame &amp; Alignment Service, Inc. 205 Greenfield Rd. Lancaster, PA 17601 (717) 823-8569</p>	<p>Charlie Roach Mo Kan Axle &amp; Spindle Repair LLC 12239 State Hwy 96 Carthage, MO 64836 (844) 434-9295</p>
<p>Kingsley Nji United Axle of Greater Houston 20746 Barrington Meadow Trace Richmond, TX 77407 346-302-5763</p>	<p>Jeremy Almendarez United Axle of Eastern Oklahoma 19731 E Pine St. Catoosa, OK 74015 (918) 345-0048</p>
<p>Jason Martin J.T. Martin Enterprises Inc. 2520 Jake Dr. Cumming, GA 30028 (678) 947-9088</p>	<p>United Axle of DFW Tom Wilson 5640 Lamar Rd. Reno, TX 75462 469-756-4107</p>

**EXHIBIT E**  
**FRANCHISE ORGANIZATIONS WE HAVE CREATED, SPONSORED**  
**OR ENDORSED**

None at this time.

**EXHIBIT E**

**INDEPENDENT FRANCHISEE ORGANIZATIONS**

None at this time.

## **EXHIBIT G**

### **LIST OF STATE REGULATORY AGENCIES AND ADMINISTRATORS**

We may, in the future, register this Franchise Disclosure Document in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the applicable franchise laws) in these states, the following are the state administrators responsible for the review, registration and oversight of franchises in that state.

<p style="text-align: center;"><b>CALIFORNIA</b> Commissioner of Business Oversight 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll Free: (866) 275-2677</p>	<p style="text-align: center;"><b>NEW YORK</b> Attention: New York Secretary of State One Commerce Plaza, 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 (518) 473-2492</p>
<p style="text-align: center;"><b>HAWAII</b> Commissioner of Securities Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p>	<p style="text-align: center;"><b>NORTH DAKOTA</b> North Dakota Securities Commissioner 600 East Boulevard Avenue, State Capitol Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712</p>
<p style="text-align: center;"><b>ILLINOIS</b> Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p>	<p style="text-align: center;"><b>RHODE ISLAND</b> Department of Business Regulation Bldg. 69, First Floor 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527</p>
<p style="text-align: center;"><b>INDIANA</b> Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681</p>	<p style="text-align: center;"><b>SOUTH DAKOTA</b> Department of Labor and Regulation Director of the Division of Securities 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-4823</p>
<p style="text-align: center;"><b>MARYLAND</b> Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360</p>	<p style="text-align: center;"><b>VIRGINIA</b> State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9<sup>th</sup> Floor Richmond, VA 23219 (804) 371-9051</p>
<p style="text-align: center;"><b>MICHIGAN</b> Michigan Attorney General's Office Consumer Protection Div., Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48913 (517) 373-7117</p>	<p style="text-align: center;"><b>WASHINGTON</b> Director of Department of Financial Institutions Securities Division – 3rd Floor 150 Israel Road, S.W. Tumwater, Washington 98501 (360) 902-8760</p>
<p style="text-align: center;"><b>MINNESOTA</b> Commissioner of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101 (651) 539-1500</p>	<p style="text-align: center;"><b>WISCONSIN</b> Commissioner of Securities 201 W. Washington Ave., Suite 300 Madison, WI 53703 (608) 261-9555</p>

**EXHIBIT H**

**LIST OF AGENTS FOR SERVICE OF PROCESS**

We may not be registered yet in the following states, but if we are this is the contact information for the agents:

<p style="text-align: center;"><b>CALIFORNIA</b> Commissioner of Business Oversight 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll Free: (866) 275-2677</p>	<p style="text-align: center;"><b>NEW YORK</b> Attention: New York Secretary of State One Commerce Plaza, 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 (518) 473-2492</p>
<p style="text-align: center;"><b>HAWAII</b> Commissioner of Securities Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p>	<p style="text-align: center;"><b>NORTH DAKOTA</b> North Dakota Securities Commissioner 600 East Boulevard Avenue, State Capitol Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712</p>
<p style="text-align: center;"><b>ILLINOIS</b> Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p>	<p style="text-align: center;"><b>RHODE ISLAND</b> Department of Business Regulation Bldg. 69, First Floor 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527</p>
<p style="text-align: center;"><b>INDIANA</b> Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681</p>	<p style="text-align: center;"><b>SOUTH DAKOTA</b> Department of Labor and Regulation Director of the Division of Securities 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-4823</p>
<p style="text-align: center;"><b>MARYLAND</b> Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360</p>	<p style="text-align: center;"><b>VIRGINIA</b> Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219 (804) 371-9733</p>
<p style="text-align: center;"><b>MICHIGAN</b> Michigan Attorney General's Office Consumer Protection Div., Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48913 (517) 373-7117</p>	<p style="text-align: center;"><b>WASHINGTON</b> Director of Department of Financial Institutions Securities Division – 3rd Floor 150 Israel Road, S.W. Tumwater, Washington 98501 (360) 902-8760</p>
<p style="text-align: center;"><b>MINNESOTA</b> Commissioner of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101 (651) 539-1500</p>	<p style="text-align: center;"><b>WISCONSIN</b> Commissioner of Securities 201 W. Washington Ave., Suite 300 Madison, WI 53703 (608) 261-9555</p>

## **EXHIBIT I**

### **MULTI-STATE ADDENDUM**

#### CALIFORNIA APPENDIX

1. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or non-renewal of a franchise. If the Franchise Agreement contains provisions that are inconsistent with the law, the law will control.
2. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 etseq.).
3. The Franchise Agreement contains covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.
4. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.
5. Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 79a et seq., suspending or expelling such persons from membership in such association or exchange.
6. The Franchise Agreement requires binding arbitration. The arbitration will occur in California with the costs being borne by the franchisee and franchisor. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5 Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
7. You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).
8. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.
9. The Franchise Agreement contains a liquidated damages clause. Under California Civil

Code Section 1671, certain liquidated damages clauses are unenforceable.

10. OUR WEBSITE, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at [www.dbo.ca.gov](http://www.dbo.ca.gov).
11. The appropriate sections of the Franchise Agreement are amended to state that the highest interest rate allowed under California law is 10%.

#### ADDENDUM REQUIRED BY THE STATE OF ILLINOIS

Despite anything to the contrary in the Franchise Disclosure Document or Franchise Agreement, the following provisions shall supersede any inconsistent provisions and apply to all franchises offered and sold in the State of Illinois:

1. Illinois law governs the Franchise Agreement(s).
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Act.
4. In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

#### STATE ADDENDUM FOR THE STATE OF INDIANA

1. To be added to Item 3 of the Disclosure Document, is the following statement: There are presently no arbitration proceedings to which the Franchisor is a party.
2. Item 17 of the Disclosure Document is amended to reflect the requirement under Indiana Code 23-2-2.7-1 (9), which states that any post term non-compete covenant must not extend beyond the franchisee's exclusive territory.
3. Item 17 is amended to state that this is subject to Indiana Code 23-2-2.7-1(10).
4. Under Indiana Code 23-2-2.7-1 (10), jurisdiction and venue must be in Indiana if the franchisee so requests. This amends Article 23 of the Franchise Agreement.
5. Under Indiana Code 23-2-2.7-1 (10), franchisee may not agree to waive any claims or rights.

## ADDENDUM REQUIRED BY THE STATE OF MARYLAND

This will serve as the State Addendum for the State of Maryland for UA Holdings, Inc's Franchise Disclosure Document and for its Franchise Agreements. The amendments to the Franchise Agreements included in this addendum have been agreed to by the parties.

1. Item 17 of the Disclosure Document is amended to state that the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
2. Item 17 of the Disclosure Document is amended to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
3. Item 17 of the Disclosure Document is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.
4. Item 17 of the Disclosure Document is amended to state that the provisions in the Franchise Agreement which provide for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).
5. The appropriate sections of the Franchise Agreement are amended to permit a franchisee to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
6. The appropriate sections of the Franchise Agreement are amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.
7. The appropriate sections of the Franchise Agreement are amended to state that the general release required as a condition of renewal, sale and/or assignment/ transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
8. The Franchise Agreement and Franchisee Disclosure Acknowledgment Statement are amended to include the following statement: "All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

## ADDENDUM FOR THE STATE OF MINNESOTA

This addendum to the Disclosure Document effectively amends and revises said Disclosure Document and the Franchise Agreement as follows:

1. Item 13 of the Disclosure Document and Article 7 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“In accordance with applicable requirements of Minnesota law, Franchisor shall protect Franchisee’s right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or shall indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding such use.”

2. Item 17 of the Disclosure Document, Articles 2 and 15 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“Minnesota law provides franchisees with certain termination and non-renewal rights. Minnesota Stat. Sec. 80c.14, Subd.3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the Disclosure Document.”

3. Item 17 of the Disclosure Document and the appropriate sections of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“Minn. Stat. Sec. 80C.21 and Rule 2860.4400J 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 agreements can abrogate or reduce any of the 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 jurisdiction.”

4. Item 17 of the Disclosure Document and the appropriate sections of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“Minn. Rule 2860.4400D prohibits us from requiring you to assent to a general release.”

5. Any reference to liquidated damages in the Franchise Agreement is hereby deleted in

accordance with Minn. Rule 2860.4400J which prohibits requiring you to consent to liquidated damages.

6. The appropriate sections of the Franchise Agreement are hereby deleted in accordance with Minn. Rule 2860.4400J which prohibits waiver of a jury trial.
7. The appropriate sections of the Franchise Agreement regarding Limitations of Claims are hereby amended to comply with Minn. Stat. §80C.17, Subd.5.
8. Item 6, Insufficient Fund Fees: NSF fees are governed by Minnesota Statute 604.113; which puts a cap of \$30 on a NSF check. This applies to everyone in Minnesota who accepts checks except banks.
9. Under Minn. Rule 2860.440J, the franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required. The appropriate sections of the Franchise Agreement are hereby amended accordingly.

ADDENDUM REQUIRED BY THE DEPARTMENT OF LAW OF THE STATE OF  
NEW YORK

The following Items are required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself:

3. LITIGATION

Neither the Franchisor, its Predecessor nor any person listed under Item 2 or an affiliate offering franchises under Franchisor's principal trademark:

- (A) has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise, antitrust or securities law; fraud; embezzlement; fraudulent conversion; misappropriation of property; unfair or deceptive practices; or comparable civil or misdemeanor allegations.
- (B) has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise; anti-fraud or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; unfair or deceptive practices; or comparable allegations.

- (C) is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

4. BANKRUPTCY

Neither the Franchisor, its affiliate, its predecessor, officers, or general partner during the ten year period immediately before the date of the disclosure document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code (or any comparable foreign law); (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the Franchisor held this position in the company or partnership.

17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

Provision (j) of the Franchise Disclosure Document is amended by adding the following language in the Summary column:

“However, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the franchise agreement.”

ADDENDUM REQUIRED BY THE STATE OF NORTH DAKOTA

This addendum to the Disclosure Document and Franchise Agreement effectively amends and revises said documents as follows:

1. Item 17(c) of the Disclosure Document and Articles 2 and 14 of the Franchise Agreement are hereby amended to indicate that a franchisee shall not be required to sign a general release.
2. Covenants not to compete are generally considered unenforceable in the State of North Dakota, in accordance with Section 51-19-09 of the North Dakota Franchise Investment

Law. Item 17(r) of the Disclosure Document and Article 17 of the Franchise are amended accordingly.

3. Item 6 and Item 17(i) of the Disclosure Document and Article 16 of the Franchise Agreement requires the franchisee to consent to termination or liquidated damages. Since the Commissioner has determined this to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law, these provisions are hereby deleted in each place they appear in the Disclosure Document and Franchise Agreement used in North Dakota.
4. Item 17(u) of the Disclosure Document and Article 23 of the Franchise Agreement are amended to provide that arbitration shall be held at a site that is agreeable to all parties.
5. Item 17(v) of the Disclosure Document and the provisions of Article 23 of the Franchise Agreement which require jurisdiction of courts in Oklahoma are deleted.
6. Item 17(w) of the Disclosure Document and Article 23 of the Franchise Agreement are amended to indicate that the agreements are to be construed according to the laws of the State of North Dakota.
7. Apart from civil liability as set forth in Section 51-19-12 N.D.C.C., which is limited to violations of the North Dakota Franchise Investment Law (registration and fraud), the liability of the franchisor to a franchisee is based largely on contract law. Despite the fact that those provisions are not contained in the franchise investment law, those provisions contain substantive rights intended to be afforded to North Dakota residents. Therefore, North Dakota franchisees will not be required to waive their rights under North Dakota law.
8. The provisions of Article 23 of the Franchise Agreement which require a franchisee to consent to (1) a waiver of trial by jury and (2) a waiver of exemplary and punitive damages is contrary to Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby deleted.
9. The provisions of Article 23 of the Franchise Agreement which require a franchisee to consent to a limitation of claims are hereby amended to state that the statute of limitations under North Dakota law applies.

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

The following amends Item 17 and is required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that:

“A provision in a franchise agreement restricting jurisdiction or venue to a forum outside of this state or requiring the application of the laws of another

state is void with respect to a claim otherwise enforceable under this Act.”

#### ADDENDUM REQUIRED BY THE COMMONWEALTH OF VIRGINIA

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

1. Additional Disclosure: The following statements are added to Item 17.h:

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

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

#### ADDENDUM REQUIRED BY THE STATE OF WASHINGTON

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

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

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

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

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum on the day and year first above written.

FRANCHISOR:

UA HOLDINGS, INC.

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

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

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

FRANCHISEE:

\_\_\_\_\_

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

PRINCIPAL SHAREHOLDER(S):

\_\_\_\_\_

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

\_\_\_\_\_

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

**EXHIBIT J**

**RECEIPTS**

Execute and notarize two originals of this Receipt: one for retention by you and one by us.

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

Several states, including Maryland, New York, and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan, Oregon, Washington, and Wisconsin require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If UA Holdings, Inc. 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 state agency listed on Exhibit G.

Todd and Cara Carroll have primary responsibility for the offer and sale of franchises. Their contact information is at the bottom of this receipt.

Date of Issuance: April 30, 2025

The following is the name, principal business address and telephone number of each franchise seller offering the franchise.

_____	_____
_____	_____
_____	_____

See Exhibit H for our registered agents authorized to receive service of process.



