FRANCHISE DISCLOSURE DOCUMENT

USDS Franchisor, LLC

5329 Mount Pleasant N Street
Greenwood, IN 47362
(317) 300-8192
usdsguns.com

As a franchisee of USDS Franchisor, LLC, a Delaware limited liability company ("USDS"), you will own and operate a retail store that specializes in the sale of long guns, handguns, ammunition, firearms-related equipment and accessories, protective equipment, recreational supplies, and other branded merchandise. Your primary responsibilities as a franchisee will be to manage the day-to-day operations of the retail store—including the supervision of employees—and to provide exceptional customer service to all customers and prospective customers. The total initial investment necessary to begin operation of a USDS franchise ranges from $177,350 to $449,000, excluding the cost to buy or lease commercial space. This amount includes $15,000 that must be paid to USDS as an "Initial Franchise Fee." Additionally, if your store will include a firing range, the average cost to construct and equip a firing range is approximately $20,000 per lane.

This Franchise Disclosure Document ("Disclosure Document") summarizes certain provisions of the "Franchise Agreement" to which you and USDS will be parties, and other related information, all in plain English. Read this Disclosure Document and all accompanying agreements *carefully*. You must receive this Disclosure Document at least fourteen (14) calendar days before you can sign a binding agreement with us, or make any payment to us as franchisor (or to any affiliate of ours) in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this Disclosure 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, please contact Mike Acton at (317) 300-8192.

The terms of your Franchise Agreement will govern your franchise relationship with us. You should not rely on this Disclosure Document alone to understand your contractual relationship with us. Read your entire Franchise Agreement carefully. Show the Franchise Agreement and this Disclosure Document to an advisor, such as 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 "Buying a Franchise, A Consumer Guide," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission ("FTC"). You may contact the FTC at (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 or additional information. You may also want to call your state agency or visit your public library for other sources of information on franchising.

There may also be applicable laws on franchising in your particular state – ask your state agency about them.

ISSUANCE DATE: **April 28, 2022**

STATE COVER PAGE

Your state may have franchise laws that require a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in **Exhibit D** for information about USDS or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW FRANCHISE AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW THE FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US ONLY IN INDIANA. THE FRANCHISE AGREEMENT REQUIRES ANY CLAIMS, CONTROVERSIES, OR DISPUTES TO BE LITIGATED ONLY IN INDIANA. OUT-OF-STATE LITIGATION MAY COST YOU MORE THAN LITIGATING IN YOUR OWN STATE.

2. THE FRANCHISE AGREEMENT PROVIDES THAT INDIANA LAW GOVERNS THE AGREEMENT AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS YOUR LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. USDS, IN OUR SOLE DISCRETION, MAY REQUIRE YOUR SPOUSE TO GUARANTEE ALL OF YOUR OBLIGATIONS UNDER THE FRANCHISE AGREEMENT, EVEN IF THEY ARE NOT INVOLVED IN THE FRANCHISE OPERATIONS. IF REQUIRED, THEIR PERSONAL ASSETS WOULD BE AT RISK.

4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

EFFECTIVE DATE: See the next page for state effective date(s).

STATE EFFECTIVE DATES

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

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

State	Effective Date
Indiana	April 28, 2022

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

TABLE OF CONTENTS

<u>EXHIBITS</u>

Exhibit A – List of Current and Former Franchisees

Exhibit B – Financial Statements

Exhibit C – State Law Addendum

Exhibit D – List of State Administrators and Agents for Service of Process

Exhibit E – Evidence of Receipt of the Franchise Disclosure Document

Exhibit F – Franchise Agreement

Exhibit G – Operations Manual Table of Contents

Exhibit H – Franchise Owner Disclosure Questionnaire

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

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

To simplify the language in this Disclosure Document, the terms "we," "our," or "us" refer to USDS Franchisor, LLC ("**USDS**"), the franchisor of this business. "You" or "your" refers to the individual or entity that buys the franchise. If you are a corporation, partnership, limited liability company or other legal entity, "you" includes each general partner in a partnership, the shareholders, officers or directors of a corporation, or members, officers or managing agents of a limited liability company. "Franchised Business" or "Store" refer to the USDS franchised business you will be owning, operating, and managing in connection with this Disclosure Document and the accompanying Franchise Agreement.

Franchisor and Predecessors

The current franchisor, USDS, is a Delaware limited liability company formed on November 20, 2020, with its principal place of business at 5329 Mount Pleasant N St., Greenwood, Indiana 46142. The members of USDS are Mike Acton and Chad Laughner. We grant franchises to businesses under a franchise agreement ("**Franchise Agreement**") the form of which is attached as Exhibit F.

The predecessor to USDS is **U.S. Defense Solutions, LLP**, an Indiana limited liability partnership registered on August 30, 2012 with a principal place of business is at 5329 Mount Pleasant N St., Greenwood, Indiana 46142. The partners of U.S. Defense Solutions, LLP are Mike Acton, Chad Laughner, and Kosta Fotiadis. U.S. Defense Solutions, LLP operates as a franchisee of USDS.

Our Affiliates

We currently have four (4) affiliates.

U.S. Defense Solutions, LLP is an Indiana limited liability partnership with a principal place of business at 5329 Mount Pleasant N. Street, Greenwood, Indiana 46217 ("**USDS Greenwood**"). USDS Greenwood was registered on August 30, 2012, and has three partners—Mike Acton, Chad Laughner, and Kosta Fotiadis.

USDS Lending LLC is an Indiana limited liability company with a principal place of business at 5329 Mount Pleasant N. Street, Greenwood, Indiana 46217 ("**USDS Lending**"). USDS Lending was formed on November 20, 2020, and has two members—Mike Acton and Chad Laughner. USDS Lending offers financing to franchised businesses.

HellasBAE LLC is a Pennsylvania limited liability company with a principal place of business at 333 Hermitage Street, Philadelphia, Pennsylvania 19128 ("**HellasBAE**"). HellasBAE was organized on May 31, 2018 and currently has one member—Kosta Fotiadis.

USDS Columbus, LLC is an Indiana limited liability company with a principal place of business at 1629 N. National Road, Suite A, Columbus, Indiana 47201 ("**USDS Columbus**"). USDS Columbus was formed on March 1, 2021, and has two members—Mike Acton and Chad Laughner.

Our affiliates have not offered franchises in any line of business.

Agent for Service of Process

Our agents for service of process are disclosed in **Exhibit D** of this Disclosure Document.

The Business We Offer

As a USDS franchisee, you will own and operate a retail store that specializes in the sale of long guns, handguns, ammunition, firearms-related equipment and accessories, protective equipment, recreational supplies, and other branded merchandise. As part of the USDS franchise system ("**System**"), you will receive the benefit of our "buying power" that has resulted from our long-standing relationships with multiple manufacturers and suppliers.

Your primary responsibilities as a franchisee will be to manage the day-to-day operations of your retail store located at the principal business address listed in Section 1 and Exhibit A of your Franchise Agreement — including the supervision of employees—and to provide exceptional customer service to all customers and prospective customers.

The Market for USDS and Competition

As a USDS franchisee, your target market will be individuals aged 18 years or older in the general public in your Territory (defined in Exhibit A of your Franchise Agreement). You will compete with other independent firearms shops, gun ranges, sporting goods stores, and other retailers that sell firearms, ammunition, equipment and accessories, and other firearms-related products. Your ability to compete and succeed in this market will be largely dependent upon your management and involvement with the Franchised Business, your financial resources and strength, general economic conditions, and the geographic area and specific location of your franchise.

Applicable Regulations

You must comply with all regulations (whether now existing or later enacted) concerning firearms, ammunition, and other federal or state regulations that apply specifically to the firearms industry. For example, Bureau of Alcohol, Tobacco, Firearms, and Explosives ("**BATFE**"), Federal Bureau of Investigation, as well as state and local law enforcement and other agencies, have laws and regulations concerning the handling, ownership and sale of firearms, ammunition and other firearms-related accessories. Federal, state and local agencies may periodically conduct inspections of your retail location for compliance with these requirements.

You must also comply with Federal, state and local laws, regulations, and ordinances (where now existing or later enacted) that apply generally to all businesses, such as the Americans with Disabilities Act (ADA), federal wage and hour laws and state law equivalents, the Affordable Care Act, the Occupational Safety and Health Act, anti-terrorism and anti-corruption laws (such as the Patriot Act and the Foreign Corrupt Practices Act), and data protection and privacy laws (such as credit card protection under the U.S. Fair and Accurate Credit Transactions Act). You should investigate these laws, regulations, and ordinances that may apply to the firearms industry and to all businesses in general. The local and state laws and regulations may differ by location and it is your responsibility to thoroughly investigate the applicable business and licensing rules and regulations before opening your Franchised Business. You should consult with your attorney concerning these and other laws that may affect your business.

ITEM 2
BUSINESS EXPERIENCE

Member and Co-CEO – Mike Acton

Mike Acton is a founding member and the co-chief executive officer of USDS and is also a founding partner of USDS Greenwood and a member of USDS Lending and USDS Columbus. Prior to these roles, Mr. Acton served for four years in the United States Army as an enlisted soldier. After returning home, Mr. Acton entered Lincoln Technical school to study mechanics. He earned an associate's degree in business in 2011. He then earned his master ASE Certifications in Diesel and Auto, and worked initially as a mechanic then worked his way into the management side of business. Mike has had a passion for firearms since he was introduced to them as a young man, and he has continued to be an avid outdoorsman and firearms enthusiast throughout his life. Presently, Mr. Acton's role in USDS Greenwood as co-chief executive officer is to oversee finances, business records, business, legal, and franchise operations.

Member and Co-CEO – Chad Laughner

Chad Laughner is a founding member and the co-chief executive officer of USDS and is also a founding partner of USDS Greenwood and a member of USDS Lending and USDS Columbus. Prior to these positions, Mr. Laughner worked in the restaurant industry for 18 years, with roles in management, sales, customer service, and purchasing. Mr. Laughner has over 36 years of experience as an avid shooter, with a background in hunting, training, and competitive shooting. Presently, Mr. Laughner oversees USDS's purchasing, online sales, and brand marketing.

ITEM 3
LITIGATION

USDS is not a party to any pending or ongoing litigation and has no knowledge of any potential litigation.

ITEM 4
BANKRUPTCY

No bankruptcy information is required to be disclosed in this item.

ITEM 5
INITIAL FEES

Initial Fee

The initial franchise fee for the right to operate a single Store is $15,000 (the "**Initial Franchise Fee**"), payable when you sign the Franchise Agreement. The Initial Franchise Fee is fully earned by us when you sign the Franchise Agreement and is non-refundable; *however*, if we do not agree to accept you as a franchisee, we will refund to you an amount equal to 50% of the Initial Franchise Fee and your Franchise Agreement will be terminated without further effect.

Related Fees

In addition to the Initial Franchise Fee, you are responsible for the cost of a criminal background check, the results of which must be provided to USDS prior to the commencement of the Apprenticeship Program more particularly addressed in Item 11.

ITEM 6
OTHER FEES

Type of Fee	**Amount** (See Note 1)	**Due Date**	**Remarks**
Royalty Fee	5% of monthly Gross Sales (for any month in which Gross Sales are less than $84,000). 4% of monthly Gross Sales (for any month in which Gross Sales are between $84,000 to $167,000). 3% of monthly Gross Sales (for any month in which Gross Sales are more than $167,000).	Payable on the tenth (10th) day of each month for the prior month.	Gross Sales includes all revenue generated by your Store. (Note 2)
Background Checks	$250 per employee	As incurred.	You must pay this fee prior to hiring any employee for your Store.
Transfer Fee	$5,000	Before you transfer the franchise.	You only pay this fee if you sell your franchise or an interest in it and we decline to exercise our right of first refusal. (Note 3)
Audit	Cost of audit.	Upon demand.	Payable only if audit shows an understatement of at least 2% of Gross Sales for any month.
Indemnification	Amount will vary under the circumstances.	As incurred.	You must reimburse us if we are sued or held liable for claims arising from your Franchised Business.
Cost of Enforcement or Defense	All costs including accounting and attorneys' fees. Amount will vary under the circumstances.	Immediately upon notice from us.	You only pay this amount if we are successful in any legal action we bring against you, or in defending any claim you bring against us, or if you fail to enforce a noncompetition and confidentiality agreement against one of your employees and we incur costs and fees to enforce that agreement.
Late Fee	$100 per day after expiration of grace period.	As incurred.	Payable if any fee or any other amount due under the Franchise Agreement is not received within five (5) days after such payment is due.
Branded Merchandise	Varied based upon products purchased.	Within 10 days after the invoice date.	You will purchase from our affiliate branded merchandise and other products (other than firearms).
De-identification	$20,000	As incurred.	Payable if we de-identify your Franchised Business. (Note 4)
Insurance	Amount of unpaid premiums and related costs, noncompliance fees and late charges, and a $500 per-event administrative charge.	Upon demand.	You only pay this amount if you fail to obtain or maintain the insurance policies required under the Franchise Agreement. (Note 5)
Termination Fee	$5,000	As incurred.	You only pay this amount if we terminate the Franchise Agreement before it expires due to your default. (Note 6)

Except for Initial Franchise Fee (a portion of which is refundable in the event that we do not accept you as a franchisee, as addressed in this Item 6), all fees are paid to us or to any affiliate and are non-refundable. All fees are uniform for all new franchisees. You must pay fees and other amounts due to us via electronic funds transfer ("**EFT**") or other similar means. You must comply with our procedures and perform all acts and delivery and sign all documents, including authorization for direct debits from your business bank operating account. Under this procedure you authorize us to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of fees and other amounts payable to us and any interest that may be owing. You will make the funds payable to us for withdrawal by EFT no later than the payment due date. If you have not timely reported the Gross Sales to us for any reporting period, we can, at our option, debit your account for what we reasonably believe to be the amount due.

Notes:

(1) If your state, or any governmental body in your state, charges a tax on any fee you owe to us or to our affiliates, then you are required to pay an additional amount equal to the amount of this tax. This does not apply to any federal or state income taxes that we or our affiliates have to pay.

(2) You must pay us a Royalty Fee on the monthly Gross Sales of your Store. "**Gross Sales**" means the total amount of all revenue, income, receipts and other fees or proceeds received from all business activities taking place by or through the Store, and all other services and products, if any, sold under the Marks, or otherwise related to the Store, including the full retail price of any products or services sold, bartered, or given away at a free or discounted rate to parties purchasing other products or services from another business or other enterprise of the Franchisee, any affiliate or another party, and revenue attributable to the redemption of points or rewards under loyalty programs, excluding any sales taxes or other taxes collected by Franchisee from its customers and thereafter paid directly to the appropriate taxing authority. Royalty Fees are initially due and payable in the month after the month in which your Grand Opening occurs, and each successive month. During the term of the Franchise Agreement, you must provide us with a monthly report of the Gross Sales for your Franchised Business (the "**Monthly Sales Report**"). The Monthly Sales Report shall be in a form specified by us and shall fully disclose all information requested. You also must supply documentation supporting the information disclosed in each Monthly Sales Report upon our written request.

(3) As described in Item 17 and as set forth in your Franchise Agreement, in the event you determine to sell your Franchised Business or any interest in your Franchised Business, you must first provide to us written notice of the potential transfer, and we will have a period of 30 days to approve, disapprove, or match any offer for your Franchised Business or any interest in your Franchised Business (the "**Right of First Refusal**"). If we decline to exercise our Right of First Refusal, and we approve the potential transfer, you must pay us a $5,000 transfer fee.

(4) You must pay us a $20,000 de-identification fee if you decide not to operate as a USDS Franchisee. In such event, you will not be eligible to purchase firearms through our "master accounts", but will remain bound by the Franchise Agreement (including the requirement to pay us Royalty Fees), and will be obligated to remove our Proprietary Marks (as defined in Item 13) and any other USDS names or logos from your website and any social media accounts.

(5) If you fail to pay the premiums for insurance required to operate your franchise, including but not limited to, general or professional liability insurance, we may obtain insurance for you and you will be required to reimburse us within ten (10) days after receipt of a demand for reimbursement from us, together with a $500 administrative charge per event, and all other listed charges and fees. We

will have the right to debit your account the amounts owed to us for such premiums and fees if you fail to pay us within ten (10) days after our request for reimbursement.

(6) You must pay the termination fee, plus any costs and damages incurred, if you improperly attempt to close your Franchised Business or terminate your franchise before your term expires, or we terminate your Franchise Agreement for any reason set forth in the Franchise Agreement. Such costs and damages include, but are not limited to, all expenses, attorneys' and experts' fees, lost Royalties, lost profits, loss of goodwill and damage to our Proprietary Marks and reputation, lost opportunities, personnel costs, and other expenses that we may incur in developing or finding another franchisee to develop a new retail location in the Territory, and any other lost payments or benefits we would have received for the balance of the Term after the effective date of termination. We may also recover from you any damages suffered by us (*e.g.*, lost future revenues) resulting from your improper or wrongful termination of your franchise. Termination fees may be unenforceable in certain states.

For more information as to your initial investment, see Item 7.

ITEM 7
ESTIMATED INITIAL INVESTMENT

Type of Expenditure (Note 1)	**Low Amount**	**High Amount**	**Method of Payment**	**When Due**	**To Whom Payment is to be Made**
Initial Franchise Fee (Note 2)	$15,000	$15,000	Lump sum	Upon signing the Franchise Agreement	USDS
Background Checks (Note 3)	$1,000	$2,000	As incurred	Upon signing the Franchise Agreement; prior to hiring staff	USDS
Real Estate / Rent (Note 4)	Not provided	Not provided	As incurred	Arranged with lender or landlord	Lender or landlord
Improvements (Note 5)	Not provided	Not provided	Arranged with suppliers	Arranged with suppliers	Suppliers
Furniture, Fixtures and Equipment (Note 6)	$10,000	$30,000	Lump sum	Before opening	Vendors
Initial Inventory (firearms) (Note 7)	$70,000	$200,000	Lump sum	Before opening	Suppliers
Merchandise (non-firearms) (Note 8)	$10,000	$100,000	Lump sum	Before opening	Suppliers
Branded Merchandise (Note 9)	$500	$2,500	As incurred.	Within 10 days after invoice date.	USDS
Travel and Living Expenses During Apprenticeship (Note 10)	$2,000	$7,000	As incurred	As incurred during training	Vendors
Grand Opening Advertising (Note 11)	$2,000	$10,000	As incurred	Before opening	Vendors
Ongoing Advertising (Note 12)	Varies	Varies	As incurred	As incurred	Vendors
Technology (Note 13)	$10,000	$12,500	As incurred	Before opening, as incurred	Vendors
Glock Armorer Certification Fees (Note 14)	Varies	Varies	As incurred	As incurred	Vendor
Insurance (Note 15)	$600	$6,000	Lump sum	Before opening	Vendor
Permits and Licenses (Note 16)	$500	$1,000	Lump sum	Before opening	Governmental Agencies
Professional Fees (Note 17)	$1,250	$3,000	As incurred	As incurred	Vendors
Additional Funds for Working Capital, First 3 Months (Note 18)	$50,000	$60,000	As incurred	As incurred	Vendors
Lender Expenses (Note 19)	Varies	Varies	As incurred	As incurred	USDS Lending
TOTAL	$177,350	$449,000			

Notes:

(1) Except for Initial Franchise Fee (a portion of which is refundable in the event that we do not accept you as a franchisee, as addressed in Item 6), all amounts listed in reference to us are **non-refundable**. All fees and expenditures represented in the above table to third parties, including suppliers, advertisers, various professionals, and governmental licensing agencies, may be non-refundable subject to their guidelines. These estimated ranges are based on our founders' experience in owning and operating a location in Greenwood, Indiana. The factors underlying our estimates may vary depending on a number of variables, and the actual investment you make in developing and opening the Store may be greater or less than the estimates given, depending upon the location of the Franchised Business, specific cost structure and current relevant market conditions, especially those for occupancy costs, marketing expenses, and labor costs. Your costs will also depend on factors such as how well you follow our methods and procedures, your management skills, your business experience and capabilities, local economic conditions, the local market for our products and services, the prevailing wage rates, competition, and sales levels and the rate of sales growth that you are able to achieve during your initial phase of business operations and thereafter. You should review these figures carefully with a business advisor as part of your due diligence before deciding to purchase a USDS franchise.

(2) The Initial Franchise Fee is described in Item 5 and represents the consideration for a territory as referenced in Item 12. The Initial Franchise Fee is fully earned by us when you sign the Franchise Agreement and is non-refundable, except in the event that we do not accept you as a franchisee, as addressed in Item 6.

(3) We will perform criminal background checks on you and each employee you intend to hire.

(4) You may either own or lease the commercial space for your Store. The commercial space for your Store must meet applicable zoning requirements and the Franchised Business must be legally permitted to operate on the premises. The ideal size for a USDS franchise is approximately 2,000 square feet, and we recommend no less than 900 square feet of commercial space. The Store must have access to bathrooms and provisions for telecommunication equipment and potential additional storage space in support of your operation. Any storage requirement will vary and be dependent upon your location, its size, sales volume, and other inventory needs that may vary. The Store can be located in free-standing units, strip shopping centers, and other suitable venues in downtown commercial areas, and in residential areas with high street visibility and consumer traffic. If you lease the premises for your Store, the monthly rent will vary depending upon the geographic location, size of the building, and other economic factors and may include common area maintenance fees and real estate taxes.

(5) The cost for improvements will range widely based upon various factors, including whether you purchase or lease the real estate upon which your Store will be located, whether you are remodeling an existing facility or constructing a new facility, and construction costs in your market, and if you are leasing, the amount, if any, of a tenant improvement allowance. In a "build-to-suit" lease, the landlord may include some or all the improvements, fixtures, equipment, and signs, which may be factored into your lease payments. If you purchase the land and build, your estimated cost for the construction will vary depending upon the geographic location, size of the building, visibility, accessibility, and other economic factors. It is possible that you will not have to factor monthly rent into your estimated initial investment, however, you will have to factor in additional costs for financing and construction of the building, as well as any other associated costs.

Additionally, if your Store will include a firing range, the average cost to construct and equip a firing range is approximately $20,000 per lane.

Regardless of whether you own or lease the building for your Store, you must construct or renovate, as the case may be, the premises in accordance with our standards and specifications outlined in our confidential Operations Manual ("**Operations Manual**") or otherwise designated in writing by us. Prior to commencing such construction, renovation, or refurbishment, you must obtain all the necessary permits and certifications as may be required by law, ordinance, or regulation.

(6) The costs for furniture, fixtures and equipment vary depending on the size, configuration and condition of the Store, and the particular type of, and location within the, commercial space in which the Store is located. These estimates include signage, furniture and displays for the retail space including cash register counters, glass showcase counter cabinets, shelving for your inventory room, shelving and a safe for your storage room, and office desks and chairs, file cabinets, and book cases for your office area.

(7) The initial inventory will include handguns, rifles, shotguns, defense ammunition, range ammunition, hunting ammunition, shooting accessories, optics, holsters, knives, eye and ear protection, safes, bags and cases, clothing, vests and gloves, reloading equipment, supplies and tools, silencers, and maintenance supplies and tools.

We or our affiliate will use our reasonable best efforts to assist you in acquiring certain items in anticipation of the opening of your Store. You will be required to pay us or our affiliate for the full amount of those items prior to acquisition, and we will transfer them to you upon your receipt of all required licenses and permits. As addressed in Item 11, certain firearms and related equipment will be purchased directly from suppliers through our account and will be subject to allocation based on demand and other factors.

(8) You are responsible for purchasing an initial supply of products necessary for operating the Franchised Business.

(9) As described in Item 8 and as set forth in your Franchise Agreement, you are required to purchase certain branded merchandise for your Store from USDS, but there is no requirement that you purchase any branded merchandise during the first three (3) months after you open.

(10) Four (4) weeks prior to your grand opening, you and your designated operations person ("**Manager**"), if you choose to hire one, are required to attend and successfully complete our initial apprenticeship program (the "**Apprenticeship Program**"). The Apprenticeship Program will be for four (4) weeks, and will take place at the USDS Greenwood location or at another location designated by us, and will precede the grand opening of your Store.

While we do not charge for our Apprenticeship Program, you are responsible for transportation costs, meals, and incidental expenses for all attendees. The low estimate assumes you will act as the manager of the Store and will attend the training alone. The high estimate assumes both you and one manager attend our Apprenticeship Program. Your actual costs will vary depending on the distance to be traveled, your method of travel, and your personal circumstances. You and your Manager, if you choose to hire one, must start the training program before you open your Franchised Business. During the term of your Franchise Agreement, any new manager must also complete those portions of our Apprenticeship Program as we determine in our sole discretion before they commence working for you. See Item 11 below for more information.

(11) You must spend at least $2,000 for advertising that runs no later than 30 days before the opening of your Store. Although we only require that you spend $2,000 on grand opening advertising, we recommend that you spend more. We recommend advertising online and as well as in print.

(12) Other than the grand opening advertising, you are not required to spend any amount on advertising after your Store opens, although we strongly recommend that you do so.

(13) You must purchase a computer system and related software that meets our specifications (the "**Computer System**"). The Computer System currently includes: (i) the required point-of-sale system (the "**POS System**") and related hardware and software and set-up fees; (ii) FFL Boss for the electronic FFL log book; (iii) three computers, including at least one laptop computer capable of performing the all of the necessary functions for operating the Franchised Business, a router, and a printer, and a scanner and a printer; (iv) two phone lines with voicemail and a fax machine and fax line; (v) Microsoft Office and QuickBooks or other approved payroll service (the "**Payroll System**"); and (vi) CCTV cameras with a 30-day cloud storage capacity. See Item 11 for more information on our required technology specifications for the Computer System. The required computer hardware and software may be modified from time to time in our sole discretion upon written notice to you.

(14) Each Store must have one (1) Glock-certified armorer on staff within 12 months after opening, and if such employee leaves your employ, you must ensure that an employee with such certification is on staff within 12 months after such employee's departure. Upon becoming a Glock-certified dealer you will receive one (1) free certificate for a Glock armorer's course per year.

(15) You must obtain and maintain certain types and amounts of insurance. The specific types of insurance required for the Franchised Business are described in Item 8. Insurance costs depend on policy limits, types of policies, nature and value of physical assets, gross revenue, number of employees, square footage, location, business contents, manufacturing activities, and other factors bearing on risk exposure. The estimate set forth in Item 8 contemplates insurance costs for 3 months. Your insurance costs will vary.

(16) You may be required to obtain business licenses from a local government agency in your area to operate the Franchised Business. Any associated legal and/or accounting or set-up fees are variable depending upon state regulation and the negotiated arrangement. You may also incur legal fees, accounting fees and other professional fees to incorporate or organize your entity, to review agreements relating to the operation of your Franchised Business, to perform background checks of potential employees, and to perform all necessary tax filings and set up a small business, including a general ledger, tax reports, payroll deposits, etc. We require that you submit to the applicable secretary of state a "doing-business-as" ("**DBA**") application to that you operate your Store under the following naming convention: "USDS-[city where your Store is located]."

(17) The professional fees will vary based upon whether you purchase or lease the Store. The low estimate assumes you will lease the space for your Store. The high estimate assumes you purchase an existing facility or construct the facility. If you purchase an existing facility or the raw land to build a Store, your professional and legal fees could be significantly more than we have estimated.

(18) This amount includes estimated operating expenses you should expect to incur during the first 3 months of operation, which includes utility costs, garbage removal costs, purchase of supplies to operate your Store, including cleaning, sales and training supplies, insurance premiums, maintenance and repair costs, and wages for your employees. It excludes real estate lease and purchase costs and does not take into account any taxes or any revenue generated by your Store.

(19) You are responsible for the repayment of principal and accrued interest on any financing that you obtain from USDS Lending or from a third-party lender. The specific expenses of financing through USDS Lending are addressed in Item 10.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases

You must operate the Franchised Business according to the Operations Manual. The Operations Manual may regulate, among other things, the types, models, and brands of equipment, furnishings, and signs, proprietary products, and other products, materials, and supplies. We may modify our Operations Manual from time to time, within our sole discretion, and you must comply with all modifications and additions made to the Operations Manual.

We do not have any purchasing or distribution cooperatives as of the date of this Disclosure Document. We may negotiate purchase arrangements with suppliers and distributors of approved products for the benefit of our franchisees. We do not provide material benefits, such as renewing or granting additional franchises to franchisees, based upon their use of designated or approved suppliers and distributors.

Required Suppliers

You may purchase firearms from any vendors, except for those vendors for which we have existing "master accounts", so that you will receive the benefit of our buying power. Those particular vendors ("**Key Vendors**") are identified in the Operations Manual and we may update the list of vendors from time to time. You will purchase firearms from Key Vendors through the USDS "master account", which is maintained by us through USDS Greenwood. As described in further detail in Item 11 below, you will have access to a "sub-account" of our master accounts with Key Vendors to request firearms for your Store, but will be subject at all times to the "Allocations Program" for allocations of certain firearms.

The specific products you are required to purchase are set forth in the Operations Manual. We restrict your sources of firearms to ensure compliance with applicable state and federal laws.

We restrict the sources of software and certain merchandise to protect and control the use of our proprietary Marks and trade secrets and to achieve better terms of purchase.

We may condition your right to buy or lease goods and services (besides those described above that you may obtain only from us, our affiliates, or other specified exclusive sources) on their meeting our minimum standards and specifications. We will issue and modify standards and specifications based on our and our franchise owners' experience in operating USDS stores.

Prohibited Suppliers

As set forth in your Franchise Agreement, as a USDS franchisee, you may not enter into any agreement (whether written or oral) with, nor accept any transfer from, or do any business with, Cheaper Than Dirt or any of its affiliates (including any other name by which such company or its affiliates may be known).

Ownership Interest in a Supplier

We do not have any ownership interests in any suppliers.

Insurance

You are solely responsible for obtaining and maintaining in full force and effect all insurance necessary to operate your Franchised Business, and in such coverages, limits, and amounts as may be required from time to time by us, the Operations Manual, or otherwise directed in writing, including, but not limited to:

Policy Type	Minimum Amount-Each Occurrence	Minimum Amount-Aggregate
Commercial General Liability	$1,000,000	$1,000,000
Personal Injury & Advertising Injury	$1,000,000	$1,000,000
Worker's Compensation	State minimum	State minimum
Employment Practices Liability	$100,000	$100,000

Such required policies and minimum amounts of coverage may be modified from time to time in our discretion upon written notice to you. Prior to opening the Franchised Business to the public, you must deliver proof of insurance coverage to us by way of a signed original certificate or certificates of all required insurance policies, which shall contain the authorized agent's business name, address and phone number, together with a statement by the insurer that the policy will not be cancelled or materially changed without at least thirty (30) days' prior written notice to us that the alteration or cancellation is being made. All insurance coverages will be underwritten by a company approved by us and must name us as an additional insured party.

If you do not procure or maintain the required insurance, we will have the right, but not the obligation, to procure such insurance on your behalf, in which case you will be required to pay us the cost of obtaining such insurance, plus $500 administrative surcharge. Such costs, premiums, and fees will be payable immediately upon our demand and will accrue interest thereon until paid in full.

Advertising Materials

You must agree to use all of the advertising materials we decide to use. If you use your own advertising materials, you must send us samples of all advertising, promotional, and marketing materials that we (or a supplier we may designate, at our option) have not prepared or previously approved for our review and approval. If you decide to host an event, you must submit a plan of the event for our review and approval. If you do not receive written notice of approval within ten (10) business days after you submit such materials to us, they are deemed disapproved. You must not engage in any advertising of your Franchised Business unless we have previously approved the medium, content and method.

Computer and Software Requirements

You must purchase, or lease, and install such computer hardware, modems, printers, and other computer-related equipment that meet our standards and specifications outlined in the Operations Manual or otherwise designated by us in writing. Such computer hardware and software are described in detail in Note 12 to Item 7 above. We reserve the right, without limitation, to modify or supplement the hardware or software required in the operation of the Franchised Business and you may be required to make and install substantial modifications to the computer system, software, or hardware during the initial term of the Franchise Agreement or any renewal terms to efficiently operate the Franchised Business.

Franchised Business

We have the right to approve your lease or sublease and to require that you sign a required form of lease addendum to any third-party lease you sign (attached as an exhibit to the Franchise Agreement). We may also enter into a master lease for the site of your Franchised Business and, in turn, lease the premises to you. You must submit, for our approval, all information and materials we request regarding any site at which you propose to operate the Franchised Business.

Negotiated Prices

On occasion, we may negotiate purchase arrangements for the benefit of our franchisees. You may receive benefits from these purchase arrangements. Neither we nor our affiliates have received any payments directly from franchise owners, or from suppliers based on franchise owner purchases, with respect to products or services purchased by us or any franchisee during the prior fiscal year.

ITEM 9
FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement and other agreements. It will also 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	Disclosure Document Item
a. Site Selection and Acquisition/Lease	**Section 2**	Items 7, 8, 11, and 12
b. Pre-opening Purchases/Leases	**Sections 6.3, 6.4**	Items 5, 6, 7 and 8
c. Pre-Opening Requirements	**Section 7**	Items 7, 8, and 11
d. Initial and Ongoing Training	**Section 7**	Items 5, 6, 7 and 11
f. Fees	**Section 4**	Items 5, 6 and 7
g. Compliance with Standards and Policies	**Section 6.4**	Items 8, 11 and 14
h. Trademarks and Proprietary Information	**Section 5**	Items 13 and 14
i. Restrictions on Products/Services Offered	**Section 6.4**	Items 8, 11, 12 and 16
l. Ongoing Product/Service Purchases	**Section 6.4**	Items 6 and 8
m. Maintenance, Appearance, Remodeling Requirements	**Section 6.1**	Items 8, 11, 16 and 17
n. Insurance	**Section 6.6**	Items 7 and 8
o. Advertising/Marketing	**Section 6.7**	Items 6, 7, 8 and 11
p. Indemnification	**Section 13**	Item 6
q. Owner's Participation/ Management/Staffing	**Section 6.2**	Items 11 and 15
r. Records and Reports	**Section 4.2, 6.6**	Item 6
s. Inspections and Audits	**Sections 4.3, 7.7**	Items 6 and 11
t. Transfer	**Section 9**	Item 17
u. Renewal	**Section 3**	Item 17
v. Post-Termination Obligations	**Section 11**	Item 17
w. Non-Competition Covenants	**Section 8**	Items 15 and 17
x. Dispute Resolution	**Section 12**	Item 17
y. Other - Guaranty	**Section 13**	Item 15

ITEM 10
FINANCING

We offering financing through our affiliate USDS Lending. USDS Lending will offer up to $100,000 in financing that can be used to finance costs related to the opening of the Franchised Business such as inventory, build-out expenses, and other costs. Financing is available through USDS Lending under the terms listed below and will be contingent upon a review of your credit history.

Down Payment	No minimum down payment
Term	Maximum term of 10 years
Interest Rate	Then-current prime rate
Financing Charge	We currently do not have a financing charge.
Monthly Payments	Graduated repayment based upon Gross Sales (but including taxes) in a given month. If Gross Sales in a given month are $40,000 or less, the corresponding monthly payment will be $500. For each $5,000 increase in Gross Sales in a given month, the corresponding monthly payment will be increased by $250. By way of example, if your Gross Sales in a given month are $60,000, your corresponding payment for that month will be $1,500. The entire amount of accrued but unpaid principal and interest will become due on the final (120th) monthly payment.
Prepayment Penalty	None
Required Security	USDS Lending will have a priority security interest in your inventory, and you will be obligated to maintain a minimum amount of inventory equal to 60% of your loan amount.
Required Guarantors	None at this time
Liabilities in the Event of Default	Franchisee is liable for payment of entire borrowed amount outstanding at the time of default, al interest accruing on the borrowed amount, and all fees, charges, and costs of collecting the borrowed amount, including reasonable attorneys' fees if Franchisee is in default of financing agreement.
USDS Lending does not make it part of USDS Lending's practice, nor is it USDS Lending's intent to sell, assign, or discount to a third party all or any part of this financing arrangement.	

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 Assistance

Before you open and begin operating your Franchised Business, we will perform the following services for you or on your behalf:

1. **Territory**. (Franchise Agreement § 1.2).

We will designate and approve your territory as described below in Item 12.

2. **Site Selection**. (Franchise Agreement §§ 2.1, 7.1).

We will approve or disapprove each site that you propose in accordance with our policies and procedures pursuant to our general criteria for selection of an approved business location ("**Approved Location**"). The site must meet our criteria for competition from, proximity to, and nature of other businesses; size; appearance; and other physical and commercial characteristics. We will use reasonable efforts to help analyze your market area and to help determine site feasibility.

You are permitted to lease the Approved Location, but you are not permitted to execute a lease for the Approved Location without our express prior written approval. We shall have the right to accept or reject the terms of any lease for the Approved Location in our sole discretion.

Our approval of any location site or lease does not warrant, represent, guarantee, or assure that your Franchised Business will be successful, profitable, or meet your expectations, and is limited solely to reviewing and confirming the business site's compliance with our specifications and standards. Other than as specifically noted here and as stated in the Franchise Agreement, we will not assist you in construction, remodeling or decorating the site, nor will we provide you with or deliver or install any equipment, signs, fixtures, or supplies.

In our experience with our current franchises, the typical time between signing the Franchise Agreement and opening the Franchised Business is approximately three (3) to five (5) months. The factors that affect opening time include, but are not limited to, obtaining financing, training, selecting an Approved Location, lease negotiations, buildout, obtaining required licenses and permits, obtaining required equipment, and hiring personnel.

3. **Apprenticeship Program and Training**. (Franchise Agreement § 7.2).

Prior to your grand opening, you and your Manager, if you choose to hire one, are required to attend and successfully complete our Apprenticeship Program. The training period will be four (4) weeks will take place at the USDS Greenwood location or at another location designated by us.

We will be available (in person or by telephone in our discretion) during the one (1) week period immediately prior to, and the one (1) week period commencing on the date of the opening of your store, for consultation on questions related to the operations of the Store.

The Initial Franchise Fee set forth in Item 7 covers the initial training, but you must pay the salaries, fringe benefits, payroll taxes, unemployment compensation, workers' compensation insurance, travel expenses, lodging, food, automobile rental costs and all other expenses for yourself and your Manager, if you choose to hire one.

You and your Manager, if you choose to hire one, must complete the training program before you open your Franchised Business. (*See* the table under "Training" near the end of this Item 11 for more information.)

4. **Operations Manual**. (Franchise Agreement § 7.3).

Upon your execution of the Franchise Agreement, we will provide you a complete copy of our Operations Manual that contains mandatory and suggested specifications, standards, and procedures. The Operations Manual is confidential and remains our property at all times. We may modify the Operations Manual from time to time, but the modification will not alter your status and rights under the Franchise Agreement. You shall not copy, duplicate, record, or otherwise reproduce the Operations Manual, in whole or in part, or otherwise make the same available to any unauthorized person, with our express prior written authorization, which we may withhold within our sole discretion.

The table of contents of the Operations Manual is attached as **Exhibit G**.

5. **Pre-Opening Inspection**. (Franchise Agreement § 7.4).

We will conduct a pre-opening inspection of the Store to ensure you are in compliance with our standards and specifications, including ensuring that all equipment, software, and inventory are correctly set up and ready for use. You may not open your Store to the public without prior authorization from us after the pre-opening inspection.

If you do not pass the pre-opening inspection, you will have forty-eight (48) hours to remedy the issue and another inspection will be conducted the day following the 48-hour remedy period. In such case, you must first obtain our *written* authorization to open the Store.

However, our authorization for opening of the Store is limited solely to reviewing and confirming compliance with our USDS standards, and does not warrant, represent, guarantee, or assure that your Franchised Business will be successful, profitable, meet your expectations, or comply with all applicable local, state or federal laws.

6. **Grand Opening Assistance**. (Franchise Agreement §7.5).

We will be available (in person or by telephone in our discretion) during the one (1) week period immediately prior to, and the one (1) week period commencing on the date of the opening of your store, for consultation on questions related to the operations of the Store.

Continuing Assistance

During the operation of your Franchised Business, we will perform the following services for you or on your behalf:

1. **Additional Training**. (Franchise Agreement §7.6).

We reserve the right to require you or employees to participate in additional training as we deem necessary. You will be responsible for all travel, lodging, meals, and other expenses you and any employee(s) incur in attending any such additional training.

We require annual training with Mike Acton or another similarly suitable employee to review the latest updates to regulations set forth by the BATFE with you.

2. **Post-Opening Inspection**. (Franchise Agreement § 7.6).

We shall have the right to periodically inspect the Franchised Business and the facility, equipment, and operations therein. We shall have the right to periodically inspect interactions between the you, your employees, and customers to ensure that our customer service standards are being met. We will only conduct these inspections during normal business hours.

In the event you fail any such inspection, you must remedy any defects, deficiencies, or unsatisfactory conditions discovered at the Store within 72 hours after receiving written notice from us, unless the item is related to public safety, in which case the item will be required to be remedied as soon as practicable.

3. **Ongoing Monitoring and Audits**. (Franchise Agreement § 7.7).

We shall advise you periodically regarding the operation of your Store based on your reports and our inspections, audits, and evaluations of your franchise's methods, techniques, staff, and customer service. We will also guide you on standards, specifications, and operating procedures and methods that the Store must use.

On an annual basis, we will meet with you in-person at your Store to review the operations of your Franchised Business, and to audit the BATFE acquisition and disposition book (including but not limited to all BATFE Forms 4473 (Firearms Transaction Records)) and inventory records for your Store. We may conduct such meetings on a quarterly basis if we are not satisfied, in our sole discretion, with the results of any annual meeting.

We will continue to provide to you and guide you in our Operations Manual, bulletins, or other written materials; by electronic media, by telephone consultation, at our office, or at your Store.

4. **Pricing Requirements**. (Franchise Agreement § 6.4).

We may establish, from time to time, and in accordance with our obligations under supplier terms and conditions, minimum, maximum, or other pricing requirements, with respect to the prices you may charge for certain products. You will be required to follow the pricing requirements we set forth.

5. **Allocation Program**. (Franchise Agreement § 6.3).

We will establish, and all franchisees will be required to participate in, an "Allocation Program" for the allocation of certain firearms from Key Vendors to franchisees. We will determine, in our sole discretion, the allocation of certain firearms, but will take into account certain objective measures, including, but not limited to, current inventory, sales volumes, and sales trends of our franchisees. You will be required to execute a waiver and release for our benefit and for the benefit of the other franchisees, waiving any claims you have against us or the other franchisees in connection with the Allocation Program. A form of that waiver and release is attached as an exhibit to your Franchise Agreement.

Advertising Assistance. (Franchise Agreement §6.7).

We are not currently under any obligations to conduct advertising, local or national, for the System or your particular franchise. You must conduct your own marketing of your Store.

Other than the requirement that you spend at least $2,000 in connection with the grand opening of your Store, you are not required to spend any minimum amount on local advertising, although USDS strongly encourages you to do so. You are permitted to create and use your own marketing and advertising materials to advertise your particular Store; provided, however, that all such marketing and advertising materials are submitted to and pre-approved in writing by us before such materials are used. We will notify you of our approval or disapproval of the proposed advertising material within thirty (30) days after we receive the necessary material and information for review. We may approve, disapprove, or revoke approval of any advertising material, for any reason and at any time, and you must not use any marketing material that has been so disapproved.

Computer Requirements. (Franchise Agreement § 6.8).

You must purchase, or lease, and install such computer hardware, modems, printers, and other computer-related equipment that meet our standards and specifications outlined in the Operations Manual or otherwise designated by us in writing. The requirements of the Computer System are described in Item 7 above.

As stated in Item 7 above, the estimated expense in purchasing or leasing the Computer System will be $10,000 to $12,500, payable in accordance with the terms of your acquisition or license of such hardware and software.

We reserve the right, without limitation, to require you to use a different POS system as we, in our sole discretion, determine that updates, upgrades, or better meets the needs and standards of our franchise operations. You understand and acknowledge that such variations may lead to different costs or obligations among franchisees.

We will have the free and unfettered right to retrieve such data and information from your POS System and your Payroll System as we deem necessary, desirable, or appropriate, and there are no contractual limits on our right to do so. The business information or data that will be collected or generated includes, but is not limited to, sales data and financial reports, including income statements and balance sheets.

Training. (Franchise Agreement § 7.2).

Prior to your grand opening, you and your Manager, if you choose to hire one, are required to attend and successfully complete our Apprenticeship Program. The training period will be four (4) weeks and will take place at the USDS Greenwood location or at another location designated by us, and will precede the grand opening of your Store.

The following table provides an overview of the current Apprenticeship Program as of the date of this Disclosure Document:

TRAINING PROGRAM

Subject	Classroom Hours	On the Job Training Hours	Location
Introduction to USDS Operations	4.0	5.0	USDS Greenwood
Daily Operations	6.0	15.0	USDS Greenwood
Safety Awareness/Standards	6.0	10.0	USDS Greenwood
Opening and Closing	4.0	10.0	USDS Greenwood
Point of Sale Operation	6.0	10.0	USDS Greenwood
FFL Logbook training	8.0	10.0	USDS Greenwood
Hiring the Right Employee	4.0	10.0	USDS Greenwood
Setting Up Payroll	4.0	10.0	USDS Greenwood
Employee Scheduling	4.0	10.0	USDS Greenwood
QuickBooks Basics	5.0	10.0	USDS Greenwood
Inventory/Ordering	4.0	10.0	USDS Greenwood
Policies and Procedures	5.0	10.0	USDS Greenwood
TOTAL HOURS	**40.0**	**120.0**	**Total Training Hours – 160.0**

We conduct our Apprenticeship Program as frequently as we deem necessary at USDS Greenwood or at your Store. You are responsible for paying any travel and living expenses to attend the Apprenticeship Program for you and any of your employees. If we determine that you (or your Manager) cannot complete, or have not completed, the Apprenticeship Program to our satisfaction, then we may terminate the Franchise Agreement.

In conducting the Apprenticeship Program, we will utilize our Operations Manual, practical experiences, and other instructional materials as we may determine from time to time. We reserve the right to modify the Apprenticeship Program in our sole discretion at any time. The Apprenticeship Program will be taught by Mike Acton, and/or other corporate employees or designees.

ITEM 12
TERRITORY

During the initial term of the Franchise Agreement (and any subsequent renewal term), you will operate the Franchised Business at the Approved Location identified in your Franchise Agreement, or if not identified in the Franchise Agreement, at the location we approve in writing after you sign your Franchise Agreement. You will be designated an exclusive territory around the Approved Location (the "**Territory**").

We will determine the size and boundaries of the Territory in our sole judgment, based upon factors including population density, character of neighborhood, location, number of competing businesses, general traffic and pedestrian traffic flow, and other demographic and population factors. A typical franchise territory for a USDS location is approximately ten (10) miles surrounding the Approved Location, as measured as a radius from the front door of the Approved Location.

If USDS is interested in opening a store within 10 miles of your Approved Location, you will have the right of first refusal to open a new store within such 10-mile radius. If you decline to exercise this right, USDS may, in its sole discretion, either open the store on their own or offer the store to another franchisee. Accordingly, you may face competition within a portion of your Territory from other USDS franchise owners, from stores that we own. Notwithstanding the forgoing, in no event will the proposed store be located within two (2) miles of your Approved Location.

You may not change the Approved Location without our express prior written authorization. We reserve the right to approve or deny your relocation request in our sole discretion based upon, without limitation, our own business judgment, your compliance with the Franchise Agreement, and the proposed new location. In the event your relocation request is approved, you shall pay any costs incurred by us in connection with your relocation.

Except as otherwise provided, we expressly retain the right to:

- Operate and grant others the right to operate a USDS franchise anywhere outside of your Territory;
- Develop, operate and grant others the right to operate any future concepts that are not included within the USDS system at any location anywhere;
- Use and license the use of other proprietary marks or methods that are not a part of the USDS system at any location anywhere;
- Operate any business regardless of whether such business offers similar or the same goods and services as USDS whether under development or already in operation, included in any business acquisition at any location; and
- Distribute or license the manufacture or distribution of products, either inside or outside of your Territory regardless of whether such products are authorized for USDS franchises or are distributed or licensed under the Proprietary Marks, through other channels of distribution, including, but not limited to the Internet, without providing compensation to you.

We may exercise any of the above retained rights without compensating you or notifying you.

Continuation of your franchise and your territorial exclusivity (as described above) does not depend on your achieving a certain minimum sales volume, market penetration, or other contingency.

ITEM 13
TRADEMARKS

Our affiliate, USDS Greenwood, owns the following marks:

USDS™

TM

Pursuant to a Trademark License Agreement between USDS Greenwood and Franchisor, USDS Greenwood has granted to us a royalty-free, non-exclusive, transferrable, and sublicensable right and license to use each of the above-referenced marks.

We hereby grant you the right to use the above-referenced marks and any other proprietary marks, trade names, logos, and the like (collectively, "**Proprietary Marks**") that we require you to use in the operation of the Franchised Business. You shall not represent in any manner that you have acquired any ownership rights in the Proprietary Marks, and you shall not use the Proprietary Marks or any marks, names, or indicia that are or may be confusingly similar, in your own entity or business name. All goodwill associated with the USDS™ franchise system and identified by the Proprietary Marks shall inure directly and exclusively to our benefit and not to your benefit.

You are prohibited from committing any act of infringement or contesting the validity of our ownership of the Proprietary Marks, or aiding others in infringing or contesting, either directly or indirectly, our right, title, and interest in and to the Proprietary Marks. You must notify us promptly of any apparent infringement or challenge to your use of the Proprietary Marks, or of any person's claim of any rights in the Proprietary Mark, and you may not communicate with any person other than us, our attorneys, and your attorneys, regarding any infringement, challenge, or claim. We may take, within our sole discretion, the action we deem appropriate (including no action), and control exclusively any litigation, United States Patent and Trademark Office ("**USPTO**") filings or proceedings, or other administrative proceeding arising from any infringement, challenge, or claim. You must reasonably assist us, as we direct, in protecting and maintaining our interests in any litigation or USPTO or other proceeding. At our option, we may defend and control the defense of any proceeding arising from your use of any Proprietary Marks. We need not participate in your defense or indemnify you for damages or expenses in a proceeding involving the Proprietary Marks; however, if you timely notify us and comply with our directions in response to a trademark infringement proceeding that disputes your authorized use of the Proprietary Marks, then we will reimburse you for your damages and any reasonable expenses you incur (provided your use has been in compliance with all guidelines and instructions we have provided to you with respect to use of the Proprietary Marks).

We do not currently have a federal registration for our principal trademark – USDS™ and the associated logo shown above. However, USDS Greenwood has filed federal trademark applications with the USPTO as follows:

Mark	**Serial No.**
USDS	90/365,594
	90/239,597

There is no guarantee that either of these marks will be approved for registration by the USPTO. Therefore, our trademarks do not currently, and may never, have as many legal benefits and rights as federally registered trademarks typically have, but you may enjoy many similar benefits under the unfair competition and/or unfair trade practices provisions of federal and/or state law. If our right to use the trademarks is challenged, you may have to change to an alternative trademark or trademarks, which may increase your expenses.

There are currently no effective determinations of the USPTO, the trademark administrator of any state, or any court, nor is there any pending interference, opposition, or cancellation proceeding, or any pending material litigation, involving the Proprietary Marks that may be relevant to its use in any state. We are not aware of any superior prior rights or infringing uses that could materially affect your use of the Proprietary Marks in any state.

You must strictly follow our rules and guidelines when using the Proprietary Marks. You must use the Proprietary Marks only in such a manner authorized by us, which we may modify from time to time in our sole discretion. Your right to use the Proprietary Marks is derived solely from the Franchise Agreement, and is limited to the operation of the Franchised Business pursuant to, and in strict compliance with, the Franchise Agreement. You are prohibited from using the Proprietary Marks in connection with offering, selling, or advertising any unauthorized products or services. Any unauthorized use of the Proprietary Marks by you shall be considered a material breach of the Franchise Agreement and shall constitute an infringement of our rights therein. Your right to use the Proprietary Marks does not extend beyond the termination or expiration of your Franchise Agreement.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We have not registered any patents, nor do we have any rights in, or licenses to, any patents that are material to the Franchised Business.

We own no patents, pending patent applications, or registered copyrights that are material to the purchase of a USDS franchise. However, we claim copyright in our written materials and other materials that are critical to the USDS system, including, but not limited to, our Operations Manual, training material, advertising material, website, and other publications. We have not registered these copyrights with the United States Registrar of Copyrights, but we need not do so at this time to protect them. You may use these items only as we specify while operating the Franchised Business (and must stop using them if we so direct you). No agreement limits our right to use or allow others to use the copyrighted materials.

There is no current material determination of the USPTO, the United States Copyright Office, or a court regarding any patent or copyright that would adversely impact the operation of your Franchised Business. There is no forum, case number, claims asserted, issues involved, and effective determinations for any material proceeding pending in the USPTO or any court. USDS does not know of any patent or copyright infringement that could materially affect the Franchisee.

We need not protect or defend copyrights, although we intend to do so if it becomes in the best interests of the USDS franchise system or all or some USDS locations, as we solely determine. We may control any action we choose to bring, even if you voluntarily bring the matter to our attention. We need not participate in your defense and/or indemnify you for damages or expenses in a proceeding involving a copyright.

Our Operations Manual and other materials contain information that is CONFIDENTIAL (some of which constitutes trade secrets under applicable state and federal law). This information includes, or may in the future include: site selection criteria and layouts, designs and other plans and specifications for USDS locations; training and operations materials and manuals; methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating USDS locations; marketing, promotional and advertising research and programs for USDS locations; knowledge of specifications for and suppliers of operating assets, proprietary products, and other products and supplies, including supplier pricing and related terms; any computer software or similar technology which is proprietary to us or the USDS system; knowledge of the operating results and financial performance of USDS other than the Franchised Business; graphic designs and related intellectual property; customer solicitation, communication and retention programs, along with data and information used or generated in connection with those programs; all data and other information generated by, or used in, the operation of the Franchised Business, including customer names, addresses, phone numbers, pricing and other information supplied by any customer (*e.g.*, credit card information or personal information), and any other information contained at any time and from time to time in the USDS computer system or that visitors to the Franchised Business provide to the website for the network of USDS; future business plans relating to USDS and the USDS franchise opportunity, including expansion and development plans; and any other information that we reasonably designate as confidential or proprietary.

All ideas, concepts, inventions, techniques, or materials concerning a USDS location, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the USDS system, and works made-for-hire for us. To the extent any item does not qualify as a “work made-for-hire” for us, you agree to assign, and by executing the Franchise Agreement do hereby assign, ownership of that item, and all related rights to that item, to us, and to take whatever action (including executing an assignment or other legal documents) we reasonably request to show our or establish ownership or to help us obtain and establish intellectual property rights in any such item.

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

You are required at all times to faithfully, honestly, and diligently perform your contractual obligations, fully exploit your Franchise Agreement rights, and devote your time and best efforts to the operation, promotion and enhancement of your Franchised Business; provided, however, that you may hire a Manager. **USDS** reserves the right to approve any Manager you decide to hire. Either you or the Manager, if you choose to hire one, are responsible for overseeing and supervising the Franchised Business's operation and for performing the day-to-day operations of the Franchised Business. Even if you hire a Manager, you are required to participate in the direct operation of the Franchised Business. The Franchised Business must at all times be under the full-time direct, on-premises supervision of you or the Manager.

You and your Manager, if you choose to hire one, must successfully complete the Apprenticeship Program to our satisfaction prior to operating the Franchised Business. You must notify us in writing of the Manager's identity at the time of hire and shall subsequently notify us of any changes in their respective employment status. If at any time a new Manager is employed, such Manager must complete those portions of the Apprenticeship Program that we determine to our satisfaction within sixty (60) days after hiring. The Manager is not required to have an ownership interest in the franchise. There are no limits on who you may hire as your Manager, except that your Manager must be approved by us.

To operate the Franchised Business, we require that you form a legal entity (*i.e.*, a corporation, limited liability company or other business entity). You must own at least 25% of the outstanding equity of such entity, and any other owner that is not a Manager may not have management authority or otherwise control the operations of the entity.

Each owner of the Franchised Business must execute also execute the Franchise Agreement for the purposes of providing a personal guaranty of the obligations under the Franchise Agreement and agreeing to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement, including the confidentiality provisions and restrictions on owning interests in, or performing services for, competitive businesses.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all goods and perform the services that we specify, and you may not sell other products or services in your Store without our prior written approval. This means that we can limit the type of items your Store may sell. We can also change the services and products that your Store may offer at any time. You must follow our policies, procedures, methods, and techniques and comply with all of our mandatory standards and specifications when providing services through your Store. You may only operate from your Store the businesses we specify.

We do not restrict or limit the customers to whom your Store may sell products or services and we expect you to market your business through a broad trade area. However, all products and services you sell must be sold in compliance with applicable law. For example, there may be certain individuals to whom you may not be able to sell your products or services. Additionally, you must establish, at a minimum, an informational-based website within six (6) months after the grand opening of your Store, although we strongly recommend that you do so sooner.

We can also implement pricing policies, such as maximum and minimum resale price policies, minimum advertised price policies, and unilateral minimum price policies, and you must abide by these policies. We may also require your Store to meet minimum inventory requirements.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

The table below lists important provisions of the Franchise Agreement and related agreements. You should read carefully these provisions in the agreements attached to this Disclosure Document.

Provision	Section in Franchise or Other Agreements	Summary
1. Length of the franchise term	Franchise Agreement §3.1	Three (3) years.
2. Renewal or extension of the franchise term	Franchise Agreement §3.2	If you are in good standing and you meet our conditions, you can renew your franchise for an additional three (3)-year period.
3. Requirements for you to renew or extend	Franchise Agreement §§ 3.3 and 3.4	Give written notice, sign new franchise agreement (which may contain materially different terms and conditions that your original Franchise Agreement); upgrade your Store; provide us with evidence of property control; sign general release; provide new guaranty; pay renewal fee.
4. Termination by us without notice	Franchise Agreement §10.1	You or an Owner becomes insolvent or makes a general assignment for the benefit of creditors, or files a petition in bankruptcy or has such a petition filed against it and consents to it; an Owner attempts to transfer an equity interest in Franchisee without our approval; you are liquidated or dissolved; you cease to operate or otherwise abandon the Franchised Business; you or an owner pledges its interest in the Franchised Business without our consent, and other non-curable breaches.
5. Termination by us with notice	Franchise Agreement §10.2	Failure to successfully complete the Apprenticeship Program; breach of confidentiality provisions; breach of related agreements between the parties; failure to substantially comply with obligations and remedy; falsification of any required reports; violation of laws or regulations and failure to remedy within 10 days after notice; theft or fraud affecting Franchisor, an affiliate, or customers; egregious conduct affecting Franchisor or another franchisee; conviction of felony or crime involving moral turpitude. Most defaults are curable and you will have 30 days to cure (10 days for monetary defaults).
6. Termination by you	Franchise Agreement §10.3	If we breach and fail to cure within 30 days after your notice of breach, you can terminate on 10 days' notice to us.
7. Your obligations on termination or non-renewal	Franchise Agreement §11	Stop operating the business, stop using our names and the Proprietary Mark, return information to us, assign to us or cancel certain registrations, listings, telephone numbers, websites and domain names, and pay all amounts you owe to us.
8. Assignment of contract by us	Franchise Agreement §9.6	No restriction on our right to assign.

Provision	Section in Franchise or Other Agreements	Summary
9. "Transfer" by you – defined	Franchise Agreement §9.1	Includes transfer of contract or business, or transfer of the Franchise Business (including any transfer of any direct or indict parent entity).
10. Our approval of transfer by franchisee	Franchise Agreement §§ 9.1 through 9.5	We must approve all transfers.
11. Conditions for our approval of transfer	Franchise Agreement § 9.1 through 9.5	Transferee must meet our requirements, including satisfying any licensure requirements imposed by applicable law and sign a new franchise agreement on our then-current form for the remaining term of your Franchise Agreement. (The new agreement may provide for different fees or territory than in your Agreement, but we will not require the transferee to pay us a new initial franchise fee). You must also pay a transfer fee and sign a release (subject to state law).
12. Our right of first refusal to acquire your business	Franchise Agreement § 9.5	We can match any offer for your business or an interest in the business, including a sale between owners or between and owner and you, or for the property upon which your Store is located.
13. Our option to purchase your business	Not applicable.	Not applicable.
14. Your right of first refusal to open a new store within your Territory	Franchise Agreement § 1.2	If we determine to open a new store within 10 miles of your Approved Location, you will have the right of first refusal to open that new store. If you decline, we may either open the store or offer the location to another franchisee.
15. Your death or disability	Franchise Agreement § 9.2	Your heirs can assume your rights, but if they do, they must meet the transfer requirements.
16. Non-competition covenants during the term of the franchise	Franchise Agreement § 8.3	No involvement in a business that sells at retail primarily firearms or firearms-related accessories, no diversion of a customer to a competitor, may not hire or solicit any employee of ours or any affiliate or any other franchisee to leave the employ of their employer or otherwise interfere with the business activities of us, any of our affiliates, or any of our franchisees.
17. Non-competition covenants after the franchise is terminated or expires	Franchise Agreement § 8.4	For a period of five (5) years, no involvement in any business that sells at retail primarily firearms or firearms-related accessories that is located or doing business within 100 miles of (i) your Territory, (ii) the territory of any other USDS franchisee, (iii) any corporate-owned retail location, and (iv) any planned retail location. During this period, you may not solicit or attempt to persuade any customer of your business with a party other than us nor hire or otherwise solicit any employee of any affiliate or any franchisee of ours to terminate its relationship with us, our affiliate, or another franchisee.
18. Modification of the agreement	Franchise Agreement § 14.4	No modifications without consent by all parties, but we may modify the Operations Manual in our discretion.
19. Integration/merger clause	Franchise Agreement § 14.7	Only the terms of the Franchise Agreement and other written agreements are binding (subject to applicable state law). Any representations or promises outside

Provision	Section in Franchise or Other Agreements	Summary
		of this Disclosure Document and the Franchise Agreement may not be enforceable.
20. Dispute resolution by arbitration or mediation	Franchise Agreement §§ 12.1 through 12.5	Except for certain disputes, all disputes must be mediated, and if not settled by mediation, are then subject to litigation.
21. Choice of forum	Franchise Agreement § 12.10	Mediation to be held in Indianapolis, Indiana. In most cases, litigation must be brought in either the Federal District Court for the Southern District of Indiana or in the state courts located in Johnson County Indiana.
22. Choice of law	Franchise Agreement § 14.11	Subject to state law, Indiana law generally applies.

ITEM 18
PUBLIC FIGURES

We currently do not use any public figure to promote our franchise, control or manage USDS, or invest in USDS.

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 franchise disclosure document. Financial performance information that differs from that included in this Item 19 may be given only if: (1) the franchisor provides the actual records of an existing outlet the franchisee (you) are considering buying; or (2) the franchisor (us) 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 past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations, either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that particular outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Mike Acton, 5329 Mount Pleasant N Street, Greenwood, IN 46217 (317) 300-8192, the FTC, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. l

Systemwide Retail Store Summary
For Years 2019 – 2021 (Notes 1, 2 and 3)

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
Company-Owned (Note 2)	2019	1	1	0
	2020	1	1	0
	2021	1	2	+ 1
Total Stores	2019	1	1	0
	2020	1	1	0
	2021	1	2	+1

1. The numbers for each year are as of December 31.
2. One Store is owned by our affiliate, USDS Greenwood, and the other Store is owned by our affiliate USDS Columbus.
3. USDS Bloomington, LLC commenced operations on or about April 15, 2022.

Table No. 2

Transfers of Retail Stores from Franchisees to New Owners
For Years 2019 – 2021 (Note 1)

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS		
State	**Year**	**Number of Transfers**
All States	2019	0
	2020	0
	2021	0
Total	2019	0
	2020	0
	2021	0

1. The numbers for each year are as of December 31.

Table No. 3

Status of Franchised Retail Stores
For Years 2019 – 2021 (Notes 1 and 2)

State	Year	Stores at Start of Year	Stores Added	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Stores at End of Year
All States	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Total	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0

1. The numbers for each year are as of December 31.
2. USDS Bloomington, LLC commenced operations on or about April 15, 2022.

Table No. 4

Status of Company-Owned Retail Stores
For Years 2019 – 2021 (Notes 1, 2)

State	Year	Stores at Start of Year	Stores Added	Stores Reacquired from Franchisee	Stores Closed	Stores Sold to Franchisee	Stores at End of Year
Indiana	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	1	0	0	0	2
Total	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	1	0	0	0	2

1. The numbers for each year are as of December 31.
2. One Store is owned by our affiliate, USDS Greenwood, and one Store is owned by our affiliate, USDS Columbus.

Table No. 5

Projected Openings in the Next Fiscal Year

State	Franchise Agreements Signed but Store Not Opened	Projected New Franchised Stores in the Next Fiscal Year	Projected New Company-Owned Stores in the Next Fiscal Year
Indiana	1	2	0
Total	**1**	**2**	**0**

We are looking for prospective franchisees in Indiana, Colorado, and Pennsylvania, and cannot know in advance where we might find prospects. Therefore, any projection of this nature is very speculative. We will add franchises wherever we find qualified prospects. We anticipate two (2) Stores to open during the fiscal year ending December 31, 2022.

The Stores owned by our affiliates are listed in **Exhibit A**. We have sold one (1) franchise before the date of this Disclosure Document. At your request, we will provide you a list of the names, addresses, and telephone numbers of all of our franchisees before you sign the Franchise Agreement. We did not have any franchisees who have had a franchise agreement terminated, canceled, not renewed, or who otherwise voluntarily or involuntarily, ceased to do business under the franchise agreement during the fiscal year ended December 31, 2021, or who has not communicated with us within 10 weeks after the date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. We did not have any franchisees who signed confidentiality clauses with us during the last three (3) fiscal years that would prevent them from speaking openly about their experiences with us.

We have not created, sponsored, or endorsed any franchise organization and no independent franchisee organization has asked to be included in this Disclosure Document.

ITEM 21
FINANCIAL STATEMENTS

USDS has not been in business for three years or more and cannot include all of the financial statements required by the FTC Amended Franchise Rule, 16 C.F.R. Part 436. However, in accordance with the Amended Rule, presented with this Disclosure Document in **Exhibit B** is our unaudited balance sheet as of April 27, 2022.

ITEM 22
CONTRACTS

The following agreements and other required exhibits are attached to this Disclosure Document in the pages immediately following:

Exhibit A – List of Current and Former Franchisees

Exhibit B – Financial Statements

Exhibit C – State Law Addendum

Exhibit D – List of State Administrators and Agents for Service of Process

Exhibit E – Evidence of Receipt of the Franchise Disclosure Document

Exhibit F – Franchise Agreement

Exhibit G – Operations Manual Table of Contents

Exhibit H – Franchise Owner Disclosure Questionnaire

ITEM 23
RECEIPT

Exhibit E to this Disclosure Document contains two (2) receipt pages by which you acknowledge your receipt of this Disclosure Document. One of the copies is for your records. The other copy must be signed, dated and returned to us, to the attention of Mike Acton, 5329 Mount Pleasant N Street, Greenwood, IN 46217, with a copy sent to Raja J. Patil, Dentons Bingham Greenebaum LLP, 101 South Fifth Street, Suite 3500, Louisville, KY 40202.

EXHIBIT A
LIST OF CURRENT AND FORMER FRANCHISEES AND COMPANY-OWNED STORES

Current Franchisees:

USDS Bloomington, LLC
4625 W. Richland Plaza Dr.
Bloomington, Indiana 47404

Former Franchisees:

There are not any former franchisees.

Current Company-Owned Stores:

U.S. Defense Solutions, LLP
5329 Mount Pleasant N Street
Greenwood, Indiana 46142
(317) 300-8192
usds.mike@gmail.com

USDS Columbus, LLC
1629 N. National Rd., Suite A
Columbus, Indiana 47201
(317) 300-8192
usds.mike@gmail.com

EXHIBIT B
FINANCIAL STATEMENTS

USDS Franchisor LLC

Balance Sheet

As of April 27, 2022

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
Checking (9519)	3,455.57
Savings	300.06
Total Bank Accounts	**$3,755.63**
Accounts Receivable	
Payment from USDS Columbus	-18,168.87
Total Accounts Receivable	**$ -18,168.87**
Other Current Assets	
Inventory Asset	65,178.00
Total Other Current Assets	**$65,178.00**
Total Current Assets	**$50,764.76**
TOTAL ASSETS	**$50,764.76**
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Loan to USDS Columbus	-107,200.00
Total Accounts Payable	**$ -107,200.00**
Credit Cards	
Account fees	-134.00
Credit card (2599)	80,000.00
LOC	90,798.50
Total Credit Cards	**$170,664.50**
Total Current Liabilities	**$63,464.50**
Total Liabilities	**$63,464.50**
Equity	
Opening Balance Equity	-1,700.37
Owner's Investment	1,300.07
Retained Earnings	-15,537.44
Net Income	3,238.00
Total Equity	**$ -12,699.74**
TOTAL LIABILITIES AND EQUITY	**$50,764.76**

EXHIBIT C
STATE LAW ADDENDUM

The following are additional disclosures for this Disclosure Document required by various state franchise laws. Each provision of these additional disclosures will not apply unless, with respect to that provision, the jurisdictional requirements of the applicable state franchise registration and disclosure law are met independently without reference to these additional disclosures.

Indiana Addendum
(Applies to Indiana franchisees ONLY)

Indiana law prohibits requiring you to prospectively agree to a release or waiver that purports to relieve any person from liability imposed by the Indiana Franchise Practices Act (IC 23-2-2.7(5)). The Franchise Agreement shall be deemed amended to the extent necessary to comply with IC 23-2-2.7(5).

Indiana law limits the party's agreement to resolve disputes in any jurisdiction outside of Indiana (IC 23-2-2.7(10)). Subject to the Federal Arbitration Act, the Franchise Agreement shall be deemed amended and the forum for any court proceedings shall be in Indiana.

EXHIBIT D
LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
INDIANA	Indiana Secretary of State Securities Division Franchise Section 302 West Washington St., Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	Administrative Office of the Indiana Secretary of State 201 State House Indianapolis, Indiana 46204 (317) 232-6681

EXHIBIT E
EVIDENCE OF RECEIPT OF FRANCHISE DISCLOSURE DOCUMENT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully. USDS Franchisor, LLC offers you a franchise, it must provide this *Disclosure* Document to you fourteen (14) calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. If USDS Franchisor, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and/or state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and to your appropriate state agency.

I have received a Disclosure Document dated April 28, 2022. State registration effective dates are listed on the State Registrations Page. This Disclosure Document includes the following Exhibits:

Exhibit A – List of Current and Former Franchisees

Exhibit B – Financial Statements

Exhibit C – State Law Addendum

Exhibit D – List of State Administrators and Agents for Service of Process

Exhibit E – Evidence of Receipt of Franchise Disclosure Document

Exhibit F – Franchise Agreement

Exhibit G – Operations Manual Table of Contents

Exhibit H – Franchise Owner Disclosure Questionnaire

Date:____

Franchisee (Name of Company):_____________________________________

By:____

Title:____

Address:____

Telephone Number:____

EXHIBIT F
FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this "Agreement") is entered into and effective as of this ____ day of [_____________, [____], by and between: (i) **USDS FRANCHISOR, LLC** a Delaware limited liability company ("Franchisor"); (ii) [*entity name*] ("Franchisee"); and (iii) [*owner name(s)*], an individual residing in [*city and state*] (collectively, "Owners").

RECITALS:

A. Franchisor has developed and owns a unique system (the "System") for the establishment and operation of U.S. Defense Solutions retail locations (each location operating under the System is referred to herein as a "USDS Store") that offer for sale various long guns, handguns, ammunition, firearms-related equipment and accessories, protective equipment, recreational supplies, and other merchandise under the Marks (as hereinafter defined). The System incorporates uniform standards, specifications and procedures for operations and quality control, all of which may be changed, improved and further developed by Franchisor from time to time.

B. Franchisor identifies the System and the goods and services provided thereby by means of certain trademarks, logos, emblems and other indicia of origin, including [**insert™**], and such other trade names, service marks and trademarks as may be designated from time to time by Franchisor (the "Marks").

C. Franchisee recognizes the value of the System and desires to enter into the business of operating a USDS Store utilizing the System by obtaining a franchise from Franchisor for that purpose, as well as receiving access to certain trade secrets, confidential operating procedures, training, and such other assistance as Franchisor may provide in connection with the operation of the System.

D. Owner(s) collectively own all of the outstanding equity of Franchisee. [*Owner name*] owns more than 25% of the outstanding equity of Franchisee, has management authority of Franchisee, and will have operational control of the Franchise in accordance with the terms of this Agreement.

AGREEMENT:

NOW, THEREFORE, the parties hereby agree as follows:

1. GRANT OF FRANCHISE.

1.1 USDS Store. Upon the terms and conditions set forth in this Agreement, Franchisor hereby grants to Franchisee and Franchisee hereby accepts the nonexclusive right, license and franchise to use the System to operate a USDS Store under the Marks at, and only at, the "Approved Location" described in Section 2 below (the "Franchise").

1.2 Exclusive Territory. Except as provided in Section 1.4, Franchisor shall not, during the "Term" (as defined in Section 3), establish, license or permit another to establish (other than Franchisee), a USDS Store under the System and using Marks within a ten-mile radius of the Approved Location (the "Territory").

1.3 Other Activities. Franchisee expressly acknowledges and agrees that the Franchise is non-exclusive and that Franchisor shall retain the right, among others, for itself or through any affiliate, and in any manner and on any terms and conditions Franchisor deems advisable, and without granting Franchisee any rights therein, to:

(a) Own, acquire, establish or operate, and license others to establish or operate, USDS Stores utilizing the System and using Marks regardless of their impact on the Franchisee or the Franchise; provided, such USDS Stores shall not be physically located within a ten-mile radius of the Approved Location;

(b) Develop, operate and grant others the right to operate any future concepts that are not included within the USDS system at any location anywhere

(c) Use and license the use of other proprietary marks or methods that are not a part of the USDS system at any location anywhere

(d) Operate any business regardless of whether such business offers similar or the same goods and services as USDS whether under development or already in operation, included in any business acquisition at any location; and

(e) Distribute or license the manufacture or distribution of products, either inside or outside of the Territory regardless of whether such products are authorized for USDS franchises or are distributed or licensed under the Marks, through other channels of distribution, including the Internet, without providing compensation to Franchisee.

1.4 New USDS Stores; Franchisee's Right of First Refusal. Notwithstanding anything in this Section 1 to the contrary, if Franchisor determines to open a new USDS Store within a ten-mile radius of your Approved Location, Franchisee shall have the right of first refusal to open a new store within such ten-mile radius; provided, however, that in no event will the proposed USDS Store be located within two (2) miles of Franchisee's Approved Location. If Franchisee decline to exercise this right, Franchisor may, in its sole discretion, either open the store on its own or offer the store to another franchisee.

2. FRANCHISED LOCATION.

2.1 Approved Location. The Franchise shall be located at the following address: [___________________________________] (such address, the "Approved Location", and the Franchise operating from the Approved Location, the "Store").

2.2 Lease. If the Store is leased by Franchisee:

(a) The lease shall be subject to Franchisor's prior approval, a true and correct copy of which shall be delivered to Franchisor prior to Franchisee's execution thereof and Franchisor reserves the right to require that Franchisee and the lessor of such real property execute an addendum to the lease agreement in the form attached to this Agreement as Exhibit A. Following Franchisee's execution of such lease agreement (including the lease addendum, if required by Franchisor), Franchisee shall promptly deliver to Franchisor a fully executed copy.

(b) Franchisee shall duly and timely perform all of the terms, conditions, covenants and obligations imposed by and under the lease.

(c) The lease shall contain such terms as may be required by the "Operations Manual" (as defined in Section 7.1) and shall provide that it may not be modified or amended without Franchisor's prior written consent which shall not be unreasonably withheld, and that Franchisor shall be provided with copies of all such modifications or amendments.

(d) The lease shall provide that the Franchisor shall have the right, but not the obligation, to succeed to the Franchisee's rights thereunder as tenant upon Franchisee's default under the terms of the lease or the termination of this Agreement. Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact to execute in Franchisee's name and on Franchisee's behalf an assignment of the lease and all other instruments which Franchisor deems necessary or appropriate in connection therewith, including all documents conveying Franchisee's interest in a lease for real or personal property used in connection with the operation of the franchise.

2.3 Construction and Renovation.

(a) If at the time of execution of this Agreement the Store has not been constructed, or if the building at the Approved Location has been constructed but does not comply with Franchisor's standards in effect for new USDS Stores, Franchisee shall at its sole cost and expense promptly cause the Store to be constructed, equipped and improved in accordance with such standards. Promptly following the execution hereof, but in any event prior to the renovation or construction of the Store, Franchisor shall provide Franchisee with copies of Franchisor's specifications for required fixtures, furniture, equipment, and signs. Franchisee shall, in all respects, comply with all such specifications and criteria unless Franchisor shall, in writing, agree to modifications thereof. Such modifications will customarily be made only if required by zoning or similar laws, landlord requirements, unique plot problems or similar matters. Franchisee shall employ architects and general contractors of its own selection, and at its sole cost and expense, to prepare such architectural, engineering and construction drawings and site plans, and to obtain all permits and approvals, required to construct, remodel, renovate, and/or equip the Store. When completed, the Store shall in all respect comply with the Franchisor's specifications therefor.

(b) Franchisee shall commence construction or renovation, as the case may be, as soon as possible but in no event later than five (5) months after the execution of this Agreement.

(c) Franchisee shall complete construction or renovation, as the case may be, of the Store and all improvements therein, including installation of all fixtures, signs, equipment and furnishings as soon as possible but in no event later than seven (7) months after commencement thereof. At all times prior to Franchisee commencing the operation of the Store, Franchisor shall have the right to inspect and examine the premises and any fixtures, signs, furnishings and equipment for the purpose of insuring compliance with Franchisor's standards and specifications.

(d) Franchisee agrees that the operation of the Store by Franchisee shall commence not later than twelve (12) months following the date of the execution hereof.

(e) The time periods for the commencement and completion of construction and the installation of fixtures, signs, machinery and equipment are of the essence of this Agreement.

3. TERM AND RENEWAL OF FRANCHISE.

3.1 Initial Term of Franchise.

(a) The term of the Franchise shall commence on the date of the execution of this Agreement by Franchisor and expire on the third (3^{rd}) anniversary of such date, unless terminated sooner as provided in Section 10 of this Agreement (the "Term").

(b) Notwithstanding the foregoing, if this Agreement is executed by Franchisee in connection with Franchisee's purchase of an existing USDS Store, the Term hereof shall

be equal to the then remaining term of the franchise agreement which relates to the USDS Store so purchased.

3.2 Renewal of Franchise. Subject to Section 3.4, Franchisee shall have the right, but not the obligation, following the expiration of the Term hereof, to enter into a new franchise agreement in the form then generally being offered to prospective USDS Store franchisees in the state in which the Approved Location is located (the "Renewal Agreement") for a term of three (3) years, or the duration of Franchisee's right to occupy the Store, whichever is less. The term of such new franchise agreement shall commence upon the date of expiration of the Term hereof.

3.3 Form and Manner of Renewal. If Franchisee desires to exercise its right to enter into the Renewal Agreement, it shall do so in the following manner:

(a) Franchisee shall provide Franchisor notice (the "Renewal Notice") of Franchisee's election to renew the Franchise not fewer than three (3) months nor more than nine (9) months prior to the end of the Term;

(b) Within thirty (30) days after receipt of the Renewal Notice, Franchisor shall deliver to Franchisee a copy of its Franchise Disclosure Document (as hereinafter defined) and two (2) copies of its Renewal Agreement and promptly upon receipt of same Franchisee shall, in writing, acknowledge receipt thereof by executing and returning to Franchisor the form prescribed in said Franchise Disclosure Document.

(c) No sooner than ten (10) days but no more than twenty (20) days after Franchisee receives Franchisor's then-current Franchise Disclosure Document and two copies of the Renewal Agreement, Franchisee shall execute two (2) copies of said Renewal Agreement and return the same to Franchisor.

(d) If Franchisee fails to perform any of the acts, or deliver any of the notices required pursuant to the provisions of Sections 3.3(a), 3.3(b), or 3.3(c), in a timely fashion, such failure shall be deemed an election by Franchisee not to exercise its right and option to enter into the Renewal Agreement, and such failure shall cause Franchisee's said right and option to automatically lapse and expire.

(e) Provided that Franchisee shall have exercised its renewal right, in the form and manner herein described, and shall have complied with all of the conditions contained in Section 3.4, Franchisor shall execute the Renewal Agreement and shall promptly at the expiration of the Term hereof, deliver one (1) executed copy to Franchisee.

3.4 Conditions Precedent to Renewal. Franchisee's right to enter into the Renewal Agreement, in accordance with the provisions of this Section 3, is conditioned upon Franchisee's fulfillment of each and all of the following conditions precedent:

(a) Franchisee shall have obtained the right to continue to occupy the Franchise at the Store following the expiration of the Term hereof;

(b) Franchisee shall execute a general release, in a form prescribed by Franchisor, releasing Franchisor of any and all claims which it may have against Franchisor and its affiliates, and their respective shareholders, directors, employees and agents in their corporate and individual capacities;

(c) Franchisee is not at the time of the Renewal Notice or at end of the Term in default of any provisions of this Agreement or any other agreement between Franchisee and Franchisor or its subsidiaries or affiliates, or any standards set forth in the Operations Manual, and Franchisee has substantially complied with all of the terms and conditions of all such agreements and manuals during their respective terms; and

(d) Franchisee is current with respect to its obligations to its lessor, suppliers and any others with whom it does business.

3.5 Notice Required by Law. If applicable law required that Franchisor give notice to Franchisee prior to the expiration of the Term, this Agreement shall remain in effect on a month-to-month basis until Franchisor has given the requisite notice required by such applicable law. Notwithstanding anything herein to the contrary, if Franchisor is not offering new franchises, is in the process of revising, amending or renewing its form of franchise agreement or Franchise Disclosure Document, or is not lawfully able to offer Franchisee its then-current form of franchise agreement, at the time Franchisee advised Franchisor pursuant to Section 3.3 of its desire to renew, Franchisor may, in its sole discretion, (a) offer to renew this Agreement upon the same terms set forth herein for a term of ten (10) years, or (b) offer to extend the Term hereof on a month-to-month basis following the expiration of the Term hereof for as long as it deems necessary or appropriate so that it may lawfully offer its then-current form of franchise agreement

4. FEES.

4.1 Initial Franchise Fee.

(a) Upon execution of this Agreement, Franchisee shall pay to Franchisor an initial franchise fee of $15,000 ("Initial Franchise Fee"). The initial franchise fee shall be fully earned and non-refundable when paid, in consideration of the administrative and other expenses incurred by Franchisor in entering into this Agreement, and for Franchisor's lost or deferred opportunity to enter into this Agreement with others; *provided*, *however*, that if, following Franchisee's completion of all or a portion of the Apprenticeship Program (as hereinafter defined) Franchisor determines in its sole discretion to terminate this Agreement, Franchisor will refund to Franchisee an amount equal to fifty percent (50%) of the Initial Franchise Fee.

(b) If Franchisee has executed this Agreement in connection with a transfer of an existing franchisee's USDS Store or the execution of a Renewal Agreement, as provided above, no Initial Franchise Fee shall be payable, however, Franchisee shall pay Franchisor a transfer fee or renewal fee, as applicable, in the amount of Five Thousand Dollars ($5,000) which is intended to cover the Franchisor's administrative costs and expenses associated with the transfer or renewal. This fee is not refundable in whole or in part, and shall be deemed fully earned upon the execution hereof.

(c) Prior to opening the Franchise, Franchisee is required: (i) to successfully complete the Apprenticeship Program in accordance with the provisions of Section 7.2; and (ii) to purchase certain opening inventory and other goods and services from Franchisor, or its affiliates or designees, in accordance with the Operations Manual.

4.2 Royalty.

(a) During the Term, Franchisee shall pay to Franchisor a continuing monthly royalty fee ("Royalty Fee") in an amount equal to the "Applicable Percentage" (as hereinafter defined) of the "Gross Sales" (as hereinafter defined) in accordance with Section 4.3.

"Applicable Percentage" means: (a) an amount equal to five percent (5%) of Gross Sales for any month in which Gross Sales are less than $84,000; (b) an amount equal to four percent (4%) of Gross Sales for any month in which Gross Sales are between $84,000 and $167,000; and (c) an amount equal to three percent (3%) for any month in which Gross Sales are more than $167,000.

"Gross Sales" means the total amount of all revenue, income, receipts and other fees or proceeds received from all business activities taking place by or through the Store, and all other services and products, if any, sold under the Marks, or otherwise related to the Store, including the full retail price of any products or services sold, bartered, or given away at a free or discounted rate to parties purchasing other products or services from another business or other enterprise of Franchisee, any affiliate or another party, and revenue attributable to the redemption of points or rewards under loyalty programs, excluding any sales taxes or other taxes collected by Franchisee from its customers and thereafter paid directly to the appropriate taxing authority.

(b) During the term of this Agreement, Franchisee shall provide to Franchisor, no later than the tenth (10^{th}) day of each month, a monthly report of the Gross Sales for the Franchise (the "Monthly Sales Report"). The Monthly Sales Report shall be in the form specified in the Operations Manual and shall fully disclose all information requested. Franchisee shall also supply documentation supporting the information disclosed in each Monthly Sales Report upon Franchisor's written request.

(c) The royalty payment is not refundable. If Franchisee fails to maintain sales records or report Gross Sales to Franchisor, Franchisor has the right to estimate Gross Sales and invoice Franchisee for such amounts.

4.3 Payments of Royalty Fees.

(a) On or before the tenth (10th) day of each month during the Term (commencing in the month after the month in which the grand opening of the Store occurs), and the month following expiration or termination of the Term, Franchisee shall pay Franchisor the full amount of the continuing royalty due to Franchisor for the preceding month. Franchisee shall pay the Royalty Fee by direct debit, and shall execute a standard pre-authorized bank form necessary to permit Franchisor to withdraw funds from Franchisee's designated bank account by electronic funds transfer ("EFT") for payments of all amounts owed to Franchisor. Should any EFT not be honored by Franchisee's bank for any reason, Franchisee will be responsible for that payment and any service charge. Upon written notice to Franchisee, Franchisor may designate another method of payment, and Franchisee must furnish Franchisor and Franchisee's bank with all authorizations necessary to make payment by the methods Franchisor specifies.

(b) If Franchisee shall be delinquent in the payment of any obligation to Franchisor hereunder, or under any other agreement with Franchisor, Franchisor shall have the absolute right to apply any payments received from Franchisee to any obligation owned, whether under this Agreement or otherwise, notwithstanding any contrary designation by Franchisee as to application.

(c) If Franchisee fails to pay to Franchisor the entire amount of the Royalty Fee or any other sums owed to Franchisor under this Agreement or any other agreement, promptly when due, Franchisee shall pay to Franchisor, in addition to all other amounts which are due but unpaid, an amount equal to $100 per day commencing on the tenth (10^{th}) day after the due date thereof.

(d) If, pursuant to Section 6.6(c), Franchisor should cause an audit to be made and the Gross Sales as shown by Franchisee's records for any reporting period should be found to be understated by more than two percent (2%), Franchisee shall be responsible for and shall immediately pay to Franchisor the cost of such audit (in addition to all amounts which are due but unpaid); otherwise, the cost of such audit shall be paid by Franchisor.

4.4 De-Identification Fee. If Franchisee determines not to operate as a USDS franchisee, Franchisee must immediately pay to Franchisor a $20,000 "de-identification fee." In such event, Franchisee will not be eligible to purchase firearms through Franchisor's "master accounts", but will remain bound by the Franchise Agreement (including the requirement to pay all Royalty Fees), and will be obligated to remove the Marks and any other USDS names or logos from Franchisee's website and any social media accounts, and cease selling any USDS branded merchandise.

4.5 Termination Fee. If Franchisor terminates this Agreement pursuant to Section 10.1 or Section 10.2, Franchisor, in its sole discretion, may require that Franchisee pay to Franchisor a $5,000 fee in connection with such termination.

5. PROPRIETARY MARKS.

5.1 Non-ownership of Marks. Nothing herein shall give Franchisee any right, title or interest in or to any of the Marks, except a mere privilege and license, during the Term, to display and use the same according to the terms and conditions contained herein. Franchisor reserves the right, in its sole discretion, to discontinue or modify any of the Marks. Franchisee understands that Franchisee's use of the Marks pursuant to the license granted hereby does not give Franchisee any ownership interest or other interest in or to the Marks, except for the non-exclusive license granted herein. Franchisee expressly understands and agrees that all goodwill arising from Franchisee's use of the Marks in any fashion shall inure solely and exclusively to Franchisor.

5.2 Use of Marks.

(a) Franchisee agrees that the Franchise herein licensed and franchised shall be named "USDS—[city where your Store is located]" without any suffix or prefix attached thereto and that Franchisee shall use and display Marks and such signs as Franchisor may from time to time direct or approve. Franchisee shall not use any of the Marks as part of its corporate name without the prior written consent of Franchisor, which consent shall be in Franchisor's sole discretion.

(b) Upon expiration or termination of this Agreement, for any reason whatsoever, Franchisor may, if Franchisee does not do so, execute in Franchisee's name and on Franchisee's behalf, any and all documents necessary in Franchisor's judgement to end and cause the discontinuance of Franchisee's use of the Marks and Franchisor is hereby irrevocably appointed and designed as Franchisee's attorney-in-fact to do so.

(c) Franchisee agrees that the Marks are the exclusive property of Franchisor and Franchisee now asserts no claim and will hereafter assert no claim to any goodwill, reputation or ownership thereof by virtue of Franchisee's licensed or franchised use thereof, or otherwise. Franchisee shall not do or permit any act or thing to be done in derogation of any of the rights of Franchisor in connection with the same, either during the Term or thereafter, and that it will use the Marks only for the uses and in the manner licensed hereunder and as herein provided.

(d) Franchisee shall not, during or after the Term, in any way dispute or impugn the validity of the Marks licensed hereunder, or the rights of Franchisor thereto, or the rights of Franchisor or other franchisees of Franchisor to use the same, both during the Term and thereafter.

(e) Franchisee shall promptly upon the execution of this Agreement file with applicable government agencies or offices, a notice of its intent to conduct its business under the name "USDS—[city where your Store is located]". Promptly upon the expiration or termination of this Agreement for any reason whatsoever, Franchisee shall execute and file such documents as may be necessary to revoke or terminate such assumed name or equivalent registration, and if Franchisee fails to promptly execute and file such documents as may be necessary to effectively revoke and terminate such assumed name registration, Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact to do so for and on behalf of Franchisee.

5.3 Use of Other Marks. Franchisee shall not display the trademark, service mark, trade name, insignia or logotype of any other person, firm or corporation at the Store or in connection with the operation of the Franchise without the express prior written consent of Franchisor, which consent may be withheld in its sole discretion.

5.4 Defense of Trademarks. Franchisor makes no representations or warranties of the validity or enforceability of the Marks or its ownership thereof. Franchisor will neither defend nor indemnify Franchisee against third party claims arising from use of the Marks. However, in the event Franchisee become aware of third party uses of the Marks, it is Franchisee's duty to notify Franchisor of such uses so that Franchisor may determine whether such third party uses infringe Franchisor's rights in the Marks. In the event that Franchisor chooses to enforce its rights in the Marks, Franchisee shall assist Franchisor as Franchisor may reasonably require. Franchisee will have no other recourse in the event Franchisor chooses not to seek to enforce its rights in the Marks.

5.5 Modification of Marks. From time to time, in the Operations Manual or otherwise, Franchisor may add to, delete or modify any or all of the Marks. Franchisee shall use, or cease using, as the case may be, the Marks, including any such modified or additional trade names, trademarks, service marks, logotypes and commercial symbols, in strict accordance with the procedures, policies, rules and regulations contained in the Operations Manual.

6. FRANCHISE OPERATIONS.

6.1 Compliance with Operations Manual.

(a) Franchisee shall operate the Franchise in strict and complete conformity with such specifications, standards, and operating procedures as Franchisor may prescribe from time to time in the Operations Manual or otherwise in writing, and shall refrain from deviating therefrom without Franchisor's prior written consent.

(b) The Operations Manual may include matters such as: forms, information relating to product specifications, cash control, purchase orders, general operations, labor schedules, personnel, Monthly Sales Reports, payroll procedures, training and accounting, safety, display of signs and notices, authorized and required equipment and fixtures (including specifications therefor), usage of the Marks, insurance requirements, lease requirements, decor, standards for management and personnel, hours of operation, and standards of maintenance and appearance of the Store.

(c) Franchisor shall have the right to modify the Operations Manual at any time and from time to time by the addition, deletion or other modification to the provisions thereof. Modifications shall become effective upon delivery of written notice thereof to Franchisee unless a longer period of time is specified in such written notice. The Operations Manual, as modified from time to time as herein above provided, shall be an integral part of this Agreement and reference made

in this Agreement, or in any ancillary document, to the Operations Manual shall be deemed to mean the Operations Manual kept current by amendments from time to time.

(d) Upon execution of this Agreement, Franchisor shall furnish to Franchisee one (1) copy of the Operations Manual, unless Franchisee purchased the USDS Store from an existing franchisee or entered into this Agreement as a Renewal Agreement. Upon the expiration or termination of this Agreement for any reason whatsoever, Franchisee shall immediately return the Operations Manual to Franchisor. Franchisee shall not make, or cause or allow to be made, any copies or reproductions of all or any portion of the Operations Manual without Franchisor's express prior written consent.

6.2 Principal Operator; Manager. Owner(s) covenant that [Owner name] has and shall continue to have management authority of Franchisee and shall be the principal operator of the Franchise (in such capacity, "Principal Operator"). In the event that Franchisee desires to designate a "Manager" to supervise, under direction of the Principal Operator, the day-to-day operations of the Franchise, Franchisee must first obtain prior written approval of Franchisor. Such proposed individual must meet the minimum qualifications specified in the Operations Manual, including minimum educational, managerial and business experience, and possessing a good moral character, business reputation, aptitude and ability to operate the Franchise under the System. The Manager must: (i) successfully complete the initial training as provided in Section 7.2; (ii) agree to devote full time and best efforts to the supervision of the Store; and (iii) agree to be bound by the terms of the confidentiality and non-competition provision of this Agreement, in a form acceptable to Franchisor. Franchisee shall submit copies of the executed agreement to Franchisor on its request.

6.3 Software. Franchisee must purchase the computer system and related software prescribed by Franchisor from time to time in the Operations Manual or otherwise in writing.

6.4 Products. Franchisee must offer and sell all goods and perform all services prescribed by Franchisor from time to time in the Operations Manual or otherwise in writing, and shall not sell other products or services without obtaining Franchisor's prior written approval. Franchisee shall follow all of Franchisor's policies, procedures, methods, and techniques, and comply with all standards and specifications and applicable laws, when selling goods or providing services through the Store. In addition to the foregoing, Franchisee shall have the following obligations:

(a) Firearms. Franchisee may purchase firearms from any vendors, except for those vendors for which Franchisor has existing "master accounts". Those particular vendors ("Key Vendors") are identified in the Operations Manual and Franchisor may update the list of vendors from time to time. Franchisor must purchase any firearms sold by Key Vendors through the USDS "master account", which is maintained by us through our affiliate, U.S. Defense Solutions, LLP ("USDS Greenwood"). Franchisee shall have access to a "sub-account" of the master accounts with Key Vendors to request firearms for the Store, but will be subject at all times to the "Allocations Program" for allocations of certain firearms as set forth in the Operations Manual. In connection with the Allocations Program, Franchisee shall be required to execute an Allocations Program Waiver and Release in the form attached to this Agreement as Exhibit B.

(b) Non-Firearms. Franchisee shall purchase and maintain a minimum inventory of non-firearms products supply of products necessary for operating the Franchise, as specified in the Operations Manual.

(c) Branded Merchandise. Franchisee must purchase from Franchisor certain branded merchandise for the Store as Franchisor may specify in the Operations Manual or otherwise in writing; *provided, however*, that Franchisee shall not be obligated to purchase any such branded merchandise during the first ninety (90) days after the

(d) Prohibited Suppliers. Franchisee shall not enter into any agreement (whether written or oral) with, nor accept any transfer from, or do any business with, Cheaper Than Dirt or any of its affiliates (including any other name by which such company or its affiliates may be known).

6.5 ***Pricing***. Franchisor may establish, in accordance with Franchisor's obligations under supplier terms and conditions, minimum, maximum, or other pricing requirements, with respect to the prices Franchisee may charge for certain products. Franchisee must following any and all pricing requirements prescribed by Franchisor from time to time in the Operations Manual or otherwise in writing

6.6 ***Accounting and Records***.

(a) During the Term, Franchisee shall maintain and preserve full, complete and accurate books, records and accounts in accordance with generally accepted accounting principles applied on a consistent basis and in the form and manner prescribed by Franchisor from time to time in the Operations Manual or otherwise in writing.

(b) Franchisee shall submit to Franchisor, within 60 days following the close of each of Franchisee's fiscal years during the Term, financial statements of the operations of the Franchise during the fiscal year then ended, including a balance sheet, related income statement, retained earnings statement and statement of source and application of funds, all of which are prepared, at Franchisee's expense, by an independent certified public accountant approved by Franchisor. If Franchisee fails to submit to Franchisor any of the financial statements required by this Section 6.6(b) for Franchisee's preceding fiscal year, Franchisor may cause an audit of Franchisee's operations for the preceding fiscal year to be performed at Franchisee's expense.

(c) Franchisee shall submit to Franchisor, for review or auditing, such other forms, reports, software information and data as Franchisor may reasonably designate, in the form and at the times and places reasonably required or requested by Franchisor, as specified from time to time in the Operations Manual or otherwise in writing. Franchisor or its designated agents shall have the right at all reasonable times to examine, at Franchisor's expense, the books, records and tax returns of Franchisee. Franchisor shall also have the right, at any time, to have an audit made of the books of Franchisee in addition to any other audits required or allowed by this Section 6.6.

6.7 ***Insurance***.

(a) Franchisee shall procure, prior to the commencement of business, and maintain in full force and effect during the Term, at Franchisee's expense, an insurance policy or policies ("General Liability Insurance") protecting Franchisee and Franchisor, and Franchisor's officers, directors, agents and employees, against any loss, liability, personal injury, death, property damage, or expense whatsoever arising from or occurring in connection with the operation of the Franchise, with minimum coverage amounts as provided in the Operations Manual, but in no event less than $1,000,000 per occurrence. Such policy or policies shall name Franchisor and its Owners, agents, and employees as additional as an additional insureds.

(b) The General Liability Insurance policy or policies shall be written by a responsible insurance company satisfactory to Franchisor in accordance with standards and specifications set forth by Franchisor in the Operations Manual or otherwise in writing and shall include comprehensive general liability insurance, fire, vandalism, and extended coverage insurance, worker's compensation and employer's liability insurance, as well as such other insurance as may be required by statute or rule of the state in which the Approved Location is located.

(c) 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 therefor to Franchisor, together with, on its request, copies of all policies and policy amendments, if requested by Franchisor. The evidence of insurance shall include a statement by the insurer that the policy or policies will not be cancelled or materially altered without at least 30 days' prior written notice to Franchisor.

(d) If Franchisee fails to maintain insurance as required herein, Franchisor shall have the right to purchase such insurance on behalf of Franchisee, and bill Franchisee for the cost thereof. Franchisor shall have the sole right to procure insurance from an agency of its choice. In such event, Franchisee shall pay Franchisor the cost of obtaining such insurance, plus a $500 administrative charge. Such costs, premiums, and fees will be payable immediately upon Franchisor's demand and will accrue interest thereon until paid in full.

6.8 Advertising.

(a) In connection with the Grand Opening, Franchisee shall spend at least $2,000 for advertising that runs no later than thirty (30) days before the opening of the Store.

(b) Franchisee is not required to spend any minimum amount on advertising other than the requirements described in Section 6.7(a) in connection with the Grand Opening. However, all advertising and promotion by Franchisee shall be conducted in a dignified manner, conform to such standards as Franchisor shall establish in the Operations Manual or otherwise in writing, and not be used without Franchisor's prior approval. Franchisee shall submit to Franchisor samples of all advertising and promotional plans and materials prior to their use for approval by Franchisor. Franchisor also shall have the right at any time after Franchisee commences use of such materials to prohibit further use, effective immediately upon receipt of written notice by Franchisee.

7. DUTIES AND COVENANTS OF FRANCHISOR.

7.1 Territory; Site Selection. Prior to the execution hereof, Franchisor may have offered and provided certain assistance to Franchisee in selecting the Approved Location, and in advising Franchisee in negotiating an acceptable lease agreement. Franchisee acknowledges and agrees that Franchisor's approval of a site for the Store is not, and shall not be construed as, a guarantee or assurance that the Franchise will be profitable or successful or that the terms of the lease are beneficial or appropriate.

7.2 Apprenticeship Program.

(a) Unless the Franchise is an existing franchisee of the System at the time this Agreement is executed, Franchisor shall provide initial training in the System and methods of operation to the Principal Operator of the Franchise.

(b) The initial training will take the form of an apprenticeship program (the "Apprenticeship Program"), and shall consist of twenty (20) days of training, all of which will take place at Franchisor's headquarters in Greenwood, Indiana, prior to the opening of your Store.

(c) In the event that Principal Operator does not successfully complete the Apprenticeship Program (based on Franchisor's sole and absolute discretion), Franchisor shall be permitted to terminate this Agreement.

(d) During the Term, within sixty (60) days after hiring any new Manager, such individual must also complete those portions of the Apprenticeship Program as Franchisor determines in its sole discretion before such individual may commence working for Franchisee.

7.3 Operations Manual. Franchisor shall provide on loan to Franchisee for the Term one copy of Franchisor's confidential Operations Manual which shall contain: (a) the mandatory and suggested specifications, standards, and operating procedures prescribed from time to time by Franchisor for the System; and (b) information relative to other obligations of Franchisee hereunder and the operation of the Franchise (the "Operations Manual"). The Operations Manual shall at all times remain the sole property of Franchisor. Franchisor may revise the contents of the Operations Manual from time to time and shall provide such revisions to Franchisee at no additional cost.

7.4 Pre-Opening Inspection.

(a) Franchisor shall conduct a pre-opening inspection of the Store to ensure Franchisee is in compliance with Franchisor's standards and specifications, including ensuring that all equipment, software, and inventory are correctly set up and ready for use. Franchisee acknowledges and agrees that it may not open the Store to the public without prior authorization from Franchisor after this pre-opening inspection.

(b) If Franchisee does not pass the pre-opening inspection, Franchisee shall have forty-eight (48) hours to remedy the issue and another inspection will be conducted the day following the 48-hour remedy period. In such case, Franchisee acknowledges and agrees that it may not open the Store to the public without prior written authorization from Franchisor after such corrective measures have been completed.

(c) Franchisor's authorization for opening of the Store is limited solely to reviewing and confirming compliance with our standards, and does not warrant, represent, guarantee, or assure that your Franchise will be successful, profitable, meet your expectations, or comply with all applicable local, state or federal laws.

7.5 Grand Opening Assistance.

(a) During the one (1) week period immediately prior to, and the one (1) week period commencing on the date of the opening of your store ("Grand Opening"), Franchisor will be available (in person or by telephone at Franchisor's discretion) for consultation on questions related to the Grand Opening and operations of the Store.

(b) Franchisor or an affiliate of Franchisor will use its reasonable best efforts, upon request from Franchisee, to assist Franchisee in acquiring inventory in anticipation of the Grand Opening; *provided, however*, that Franchisee shall reimburse Franchisor or its affiliate for the full amount of such inventory immediately after the Grand Opening.

7.6 Continuing Training and Supervision.

(a) During the Term, Franchisor may, in its sole discretion, provide training courses to Franchisee, its Principal Operator and its employees. Franchisor shall have the right to make attendance by Franchisee or the Principal Operator mandatory with respect to certain of such courses and optional with respect to other such training courses. Franchisor shall make no charge for mandatory training courses but may, in its discretion, establish charges applicable to all franchisees similarly situated, for optional training courses. With respect to either mandatory or optional training courses, Franchisee shall pay all transportation costs, food, lodging and similar costs incurred in connection with attendance at such courses. The time and place of both mandatory and option training courses shall be at Franchisor's sole discretion.

(b) Franchisor may, from time to time, at its discretion, visit the Store during normal business hours for the purpose of rendering advice and consultation or training, with respect to the Franchise, its operation and performance, and compliance by Franchisee with the Operations Manual. In the event Franchisee fails any such inspection, Franchisee must remedy any defects, deficiencies, or unsatisfactory conditions discovered at the Store within 72 hours after receiving written notice from Franchisor, unless the item is related to public safety, in which case the item will be required to be remedied as soon as practicable.

(c) Franchisee shall have the right to inquire of Franchisor, respect to problems relating to the operation of the Franchise, by telephone or correspondence, and Franchisor shall use its best efforts to diligently respond to such inquires.

7.7 ***Ongoing Monitoring and Audits***.

(a) Franchisor will advise Franchisee periodically regarding the operation of the Store based on Franchisee's reports and our inspections, audits, and evaluations of the Franchise's methods, techniques, staff, and customer service. Franchisor will also guide Franchisee on standards, specifications, and operating procedures and methods that the Store must use.

(b) On an annual basis, Franchisor will meet with Franchisee in-person at the Store to review the operations of the Franchise, and to audit the Bureau of Alcohol, Tobacco, Firearms, and Explosives ("BATFE") acquisition and disposition book (include all BATFE Forms 4473 (Firearms Transaction Records)) and inventory records for the Store. Franchisor may conduct such meetings on a quarterly basis if Franchisor is not satisfied, in Franchisor's sole discretion, with the results of any annual meeting.

(c) ***Co-op Advertising***. Franchisee shall not establish or participate in any Co-op Advertising program without the prior written consent of Franchisor, which consent shall be in Franchisor's sole discretion.

7.8 ***Delegation***. Franchisee acknowledges that any duty or obligation of Franchisor hereunder may be performed by any affiliate or other designee of Franchisor, in Franchisor's sole discretion.

7.9 ***Criminal Background Checks***. Franchisor will obtain criminal background checks for each employee that Franchisee proposes to hire. In connection with Franchisor's performance of background checks, Franchisee acknowledges and agrees that Franchisee must provide to Franchisor all such necessary information about any proposed employee, and that Franchisee may not hire any employee until Franchisor has completed such background check and provided authorization for Franchisee to proceed with such hiring. Franchisee shall pay to Franchisor a fee for this service of $250 per proposed employee.

8. DUTIES AND COVENANTS OF FRANCHISEE.

8.1 Attention to Franchise Operation.

(a) Franchisee shall use the Approved Location solely for the operation of the Store under the System and using the Marks and, unless approved by Franchisor in writing, shall refrain from using or permitting any other person or entity from using the Store for any other purpose or activity.

(b) During the Term, Franchisee shall devote the necessary time, energy, and best efforts to its development, management and operation of the Franchise.

(c) Franchisee shall refrain from any business practice which, in the opinion of Franchisor, may be injurious to the business of Franchisor and the goodwill associated with the Marks and other franchises operating under the System.

(d) Franchisee shall permit Franchisor and its agents, at any time, with or without notice, to observe and inspect all aspects of the Franchisee's operations for the purpose of ensuring compliance with the Operations Manual and all terms and conditions of this Agreement. Franchisee shall cooperate fully with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request, and, on notice from Franchisor or its agents, take such steps as may be necessary to correct any deficiencies detected during such inspections.

(e) Franchisee hereby grants Franchisor a non-exclusive, royalty-free right and license to use and incorporate into the System for the benefit of Franchisor, the System, other franchisees of Franchisor and Franchisor-owned USDS Stores, any modifications, changes and improvements developed or discovered by Franchisee or Franchisee's employees or agents in connection with the operation of the Franchise, without requiring any payments from Franchisor or any franchisees who may use such modification, change or improvement.

(f) Franchisee shall keep the Store open and operational for at least such minimum hours and days as Franchisor may specify in the Operations Manual or otherwise in writing.

8.2 Confidentiality of System.

(a) The Operations Manual, any other manuals created for or approved for use in the operation of the Franchise, the information contained therein, and any know-how concerning the methods of operation of the Franchise which may be communicated to Franchisee, or of which Franchisee may be appraised, by virtue of Franchisee's operation under the terms of this Agreement and any other information which Franchisor designates as confidential shall be deemed confidential (collectively, the "Confidential Information"). Franchisee shall use all efforts necessary to maintain the Confidential Information as secret and confidential. During the Term or thereafter, Franchisee, except as may be reasonably required in the performance of its duties under this Agreement, shall not communicate, divulge, publish or use for its benefit other than in the operation of the Franchise hereunder or for the benefit of any other person or entity any of the Confidential Information.

(b) Franchisee shall require each Owner, Manager, and any employees performing managerial functions (and all other individuals who have access to Confidential Information) to execute agreements, in a form satisfactory to Franchisor, that will obligate such individuals to maintain the confidentiality of all Confidential Information and limit their use of the Confidential Information to those uses required solely to perform their duties for Franchisee. Franchisees shall submit copies of the executed agreements to Franchisor on its request.

8.3 Franchisee's Covenant Not to Compete During Term. Franchisee covenants that during the Term, neither Franchisee, nor any Owner or Manager shall, either directly or indirectly, for itself, or though on behalf of, or in conjunction with, any other person or entity:

(a) divert or attempt to divert any business or customers of the Franchise or of any other franchisee under the System, to any competitor of the System, by direct or indirect inducement or otherwise, or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or

(b) own, maintain, engage in or have any interest in any business (including any business operated by Franchisee prior to the entry into this Agreement) primarily specializing, in whole or in part, in the retail sale of firearms or firearms-related accessories, other than a business under this Agreement or other agreement with Franchisor (a "Competing Business").

8.4 Covenant Not-to-Compete following Term. During the five (5) year period after the expiration or termination hereof, for any reason, neither Franchisee, nor any Owner or Manager, shall, either directly or indirectly:

(a) own, operate advise, be employed by, or have any interest in a Competing Business, within 100 miles of (i) the Territory, (ii) the territory of any other franchisee under the System, (iii) any corporate-owned retail location, or (iv) any planned retail location of Franchisor; or

(b) solicit or attempt to persuade any customer of your business with a party other than Franchisor nor hire or otherwise solicit any employee of any affiliate or any franchisee under the System to terminate its relationship with Franchisor, Franchisor's affiliates, or another franchisee under the System.

8.5 Compliance with Laws. Franchisee shall secure and maintain in force in its name all required licenses, permits and certificates relating to the operation of the Franchise and shall transmit copies of all such licenses, certificates, and permits to Franchisor on its request. Within seven (7) days after the receipt by Franchisee of any report from any governmental agency, Franchisee shall mail a complete copy of such report to Franchisor. Franchisee shall operate the Franchise in full compliance with all applicable laws, ordinances and regulations, including all government regulations relating to occupational hazards and health, worker's compensation insurance, unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales taxes. Franchisee shall notify Franchisor within five (5) days after the commencement of any action, suit or proceeding, decree of any court, agency or other governmental instrumentality or receipt of any notice or violation of any law, ordinance or regulation.

8.6 Taxes. Franchisee shall pay, when due, all taxes levied or assessed in connection with the operation and ownership and possession of the franchised business.

9. Transferability of Interest.

9.1 Transfer by Franchisee.

(a) Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted the Franchise to Franchisee in reliance on Operators' business skill, financial capacity, and personal character. Subject to Section 9.5, neither Franchisee nor any Owner may "Transfer" (as defined herein), assign, share, or divide, voluntarily or involuntary by operation of law or otherwise, in any manner without the prior written consent of Franchisor, any interest in this Agreement nor any of its rights or privileges hereunder. For the purposes of this Agreement, the term "Transfer" means any sale, assignment, gift, pledge, mortgage or any other encumbrance, transfer by bankruptcy, transfer by judicial order, merger, consolidation or other transfer by operation of law and all other kinds of transfers, whether direct or indirect, voluntary or involuntary. Any purported Transfer by any Owner or Franchisee without the prior written consent of Franchisor shall be null and void. Franchisor's consent to any Transfer shall not relieve Owners, Franchisee, or the transferor of any of their obligations hereunder.

(b) Should Franchisor not elect to exercise its right of first refusal as provided in Section 9.5, Franchisor's consent to such assignment shall not be unreasonably withheld; provided, that Franchisor may impose any reasonable conditions to the granting of its consent. Without limiting the generality of the foregoing, the imposition of any or all of the following conditions to its consent to any such assignment shall be deemed to be reasonable:

(1) all of Franchisee's accrued monetary obligations to Franchisor and all other outstanding obligations related to the Franchise shall have been satisfied, and, in the event that Franchisee or any Owner has obtained financing through any affiliate of Franchisor, the entire amount of any accrued unpaid principal and interest has been satisfied;

(2) the transferor's right to receive compensation, pursuant to any agreement or agreements for the purchase of any interest in Franchisee or the Franchise, shall be subordinated and secondary to Franchisor's rights to receive any outstanding monetary obligations or other outstanding obligations due from the transferor or Franchisee pursuant to this Agreement, and whether arising before or after the consummation of the proposed Transfer;

(3) the transferor shall have executed a general release, in a form satisfactory to Franchisor, of all claims against Franchisor, its members, managers, officers, employees and agents, in their corporate and individual capacities, including claims arising under federal, state and local laws, rules and ordinances;

(4) the transferee shall enter into a written agreement, in a form satisfactory to Franchisor, assuming and agreeing to discharge all of Franchisee's obligations under this Agreement;

(5) the transferee shall demonstrate to Franchisor's satisfaction that transferee meets Franchisor's managerial and business standards, possesses a good moral character, business reputation, and credit rating, has the aptitude and ability to operate the Franchise under the System (as may be evidenced by prior related business experience or otherwise) and has adequate financial resources and capital to operate the Franchise and to perform all agreements of Franchisee assumed by transferee;

(6) the transferee shall execute (and on Franchisor's request, cause all interested parties to execute) the then-current standard form of franchise agreement and other ancillary agreements as Franchisor may require for the Franchise for a term ending on the date of expiration of this Agreement;

(7) that the lessor, if any, of the Store shall have consented to the assignment of the lease; and

(8) payment by Franchisee of a transfer fee in the amount of Five Thousand Dollars ($5,000), which fee is shall be fully earned and non-refundable when paid, in consideration of the administrative and other expenses incurred by Franchisor.

9.2 Change in Control. Any actual or attempted assignments or transfers (whether voluntary, involuntary, by death or otherwise) which, alone or with other assignments or transfers, result in greater than a 49% in the aggregate change in ownership of Franchisee (as compared to such ownership as of the date hereof) shall be considered a "Transfer" and subject to the provisions of Sections 9.1 and 9.5.

9.3 Security Interest. Franchisee shall not in any event have the right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever without the express prior written permission of Franchisor, which permission may be withheld for any reason whatsoever in Franchisor's sole judgment.

9.4 Franchisee Information. Franchisor shall have the right, but not the obligation to furnish any prospective assignee with copies of all financial statements which have been furnished by Franchisee to Franchisor in accordance with this Agreement during the three (3) years prior to the date of the proposed assignment, transfer, or sale. Franchisor shall also have the right to advise any prospective assignee of any uncured breaches or defaults by assignor under this Agreement, or any other agreement relating to the Franchise proposed to be assigned, transferred or sold. Franchisor's approval of such proposed transaction shall not, however, be deemed a representation or guarantee by Franchisee that the terms and condition of the proposed transaction are economically sound or that, if the transaction is consummated, the assignee will be capable of successfully conducting the Franchise and no inference to such effect shall be made from such approval.

9.5 Right of First Refusal. Any Transfer or assignment of this Agreement, or any interest herein, shall be subject to Franchisor's right of first refusal with respect thereto. Franchisor's right of first refusal shall be exercised in the following manner:

(a) Franchisee shall deliver to Franchisor a complete copy of the proposed agreement setting forth all of the terms and condition of the proposed Transfer or assignment. Additionally, Franchisee shall deliver to Franchisor all available information concerning the proposed assignee, including information concerning the employment history, financial condition, credit history, skill and qualifications of the proposed assignee, and, in the case of a partnership or corporate assignee, of its partners and shareholder as applicable.

(b) Within twenty (20) days after Franchisor's receipt of such notice (or if Franchisor shall request additional information, within twenty (20) days after receipt of such additional information), Franchisor may either consent or withhold its consent to such Transfer or assignment, in accordance with Section 9.1, or, at its option, accept the Transfer or assignment to itself or to its nominee upon the terms and conditions specified in the notice. Franchisor may substitute an equivalent sum of cash for any consideration other than cash specified in said notice.

(c) If Franchisor shall elect not to exercise its said right of first refusal and shall consent to such Transfer or assignment, Franchisee shall, subject to the provisions of Section 9.1, be free to assign this Agreement to such proposed assignee on the terms and condition specified in said notice. If however, Franchisor elects not to exercise its right of first refusal and the terms shall be materially changed, or if more than sixty (60) days shall pass without such Transfer or assignment occurring, such changed terms or lapse of time shall be deemed a new proposal and Franchisor shall again have such right of first refusal with respect thereto.

9.6 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 entity.

10. DEFAULT AND TERMINATION.

10.1 Termination without Notice. Franchisee shall be in default under this Agreement, and this Agreement and all rights granted Franchisee herein shall automatically terminate without notice to Franchisee, if:

(a) Franchisee or an Owner becomes insolvent or makes a general assignment for the benefit of creditors, or files a petition in bankruptcy or has such a petition filed against it and consents to it;

(b) Franchisee or an Owner is adjudicated a bankrupt, or has a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets filed against it and consents to it, or has a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, appointed by any court of competent jurisdiction, or institutes or has instituted against it a proceeding for a composition with creditors under any state or federal law;

(c) Franchisee or an Owner permits a final judgment to remain unsatisfied or of record for 30 days or longer (unless an appropriate bond is filed), or has any of its property levied against, or is sued to foreclose any lien or mortgage against it or its properties and not dismissed within 30 days;

(d) Franchisee or an Owner Transfers or attempts to Transfer this Agreement or transfer an equity interest in violation of Section 9;

(e) Franchisee is liquidated or dissolved;

(f) Franchisee ceases to operate or otherwise abandons the Franchise;

(g) Franchisee or an Owner breaches or fails to comply with the provisions of Section 9.3.

10.2 Termination with Notice. Franchisee shall be in default and Franchisor may terminate, at its option, this Agreement and all rights granted Franchisee hereunder, effective immediately on delivery of notice by Franchisor upon any of the following:

(a) Principal Operator fails to successfully complete the Apprenticeship Program to Franchisor's satisfaction, or fails to timely complete the Apprenticeship Program;

(b) Franchisee discloses or divulges the contents of the Operations Manual, or any other trade secret or Confidential Information provided Franchisee by Franchisor;

(c) Franchisee or Owners breaches any provision of any other agreement between Franchisee and Franchisor and fails to cure such breach in accordance with the provisions of such agreement;

(d) Franchisee fails to comply substantially with any other requirement imposed by this Agreement, as it may from time to time be supplemented by the Operations Manual, or to carry out the terms of this Agreement in good faith and fails to remedy such deficiency within 10 days with respect to the failure to pay any amount due Franchisor, or within 30 days for any other deficiency, or such longer period as applicable law may require, after its receipt from Franchisor of a notice which specifies the deficiencies and lists the steps that must be taken by Franchisee to correct such deficiency;

(e) Franchisee falsifies any report required to be furnished Franchisor hereunder;

(f) Franchisee violates any health or safety code, or other laws or ordinances which affect the operation of the Franchise and does not correct such failure within 10 days after receipt of notice of such violation;

(g) Theft or fraud by Franchisee or Principal Operator affecting the Franchisor or an affiliate or affecting clients or potential clients of the Franchise;

(h) Egregious conduct by Franchisee or Principal Operator which has brought the Franchisor or an affiliate into public disgrace or disrepute; or

(i) Conviction of Franchisee or Principal Operator of any criminal offense involving a felony or a crime involving moral turpitude.

Provided, in the event Franchisee, within any continuous 12-month period, repeats any of the breaches or defaults identified in this Section 10.2 which would otherwise entitle Franchisee a grace period to cure such breach or default, then Franchisor may, at its option, immediately terminate this Agreement upon notice to Franchisee, without providing Franchisee any opportunity to cure such repeated breach or default.

10.3 Termination by Franchisee upon Notice. Franchisee may terminate this Agreement upon Franchisor's breach of a material obligation under this Agreement; *provided, however*, that: (a) Franchisee must first provide written notice to Franchisor of such alleged breach; (b) Franchisor shall have failed to cure such alleged breach within thirty (30) days after receipt of such notice; and (c) such termination shall not take effect until ten (10) days after the expiration of such 30-day period.

11. OBLIGATIONS ON TERMINATION OR EXPIRATION.

11.1 Obligation to Cease Operation of Franchise. Upon termination or expiration of the Term, Franchisee shall take the following steps:

(a) Franchisee immediately shall cease to operate the Franchise and shall not represent thereafter, directly or indirectly, to the public or hold itself out as a present or former Franchisee of Franchisor;

(b) Franchisee shall immediately and permanently cease to use, by advertising or in any manner whatsoever (including on any website or social media accounts), the Marks and any confidential methods, procedures, and techniques associated with the System;

(c) Franchisee shall take such action as may be necessary to assign to Franchisor or Franchisor's designee any assumed name or equivalent registration which contains any of the Marks;

(d) Franchisee shall pay promptly all sums owing to Franchisor, including, if termination occurs because of a default by Franchisee, all damages, costs, expenses and reasonable attorneys' fees, incurred by Franchisor as a result of the default or in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement; and

(e) Franchisee shall immediately return to Franchisor the Confidential Information, the Operations Manual, and all other information and materials provided by Franchisor to Franchisee relating to the System and the operation of the Franchise (all of which are acknowledged and agreed to be Franchisor's property).

11.2 Obligations Not to Infringe the System.

(a) On termination of this Agreement or expiration of the Term, Franchisee and each Owner agrees not to use any reproduction of the Marks either in connection with any business or the promotion thereof that is likely to cause confusion, mistake or deception, or which is likely to dilute Franchisor's rights in and to the Marks. Further, Franchisee and each Owner agrees not to use any designation of origin or description or representation which falsely suggests or represents an association or connection with Franchisor.

(b) Franchisee shall make such modifications or alterations to its equipment (including changing its telephone number) immediately on 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 or others, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose.

12. DISPUTE RESOLUTION. Except as provided below, if any dispute shall arise between the parties hereto relating to this Agreement, or any breach thereof, including any claim that said Agreement, or any part thereof, is invalid, illegal or otherwise voidable or void, or the enforcement of any right or obligation which by its nature survives the expiration or terminate hereof (a "Dispute"), shall be exclusively determined, and the Dispute shall be settled in accordance with this Section 12.

12.1 Mediation. In the event of a Dispute, the "Claimant" shall give a detailed notification to "Recipient" ("Claims Notice") of the alleged breach or failure to perform. Within 10 days after receipt of the Claims Notice, Recipient shall submit to Claimant a response. The response shall describe the specific facts and circumstances in reasonable detail as to why Recipient disputes the Claim. At that time either party shall institute mediation of the Claim in accordance with the Commercial Mediation Rules of the American Arbitration Association then in effect in accordance with the following procedures and provisions:

(a) Unless the parties agree otherwise, the mediator shall be a lawyer with excellent academic and professional credentials who (1) is or has been a partner in or counsel to a highly respected law firm for at least 10 years as a practicing attorney specializing in contract and commercial law (2) has had both training and experience as a mediator and (3) is impartial.

(b) The Claimant shall give the Recipient a notice setting forth the list of the names and resumes of three persons who the Claimant believes would be qualified as a mediator. Within 15 days after delivery of this notice, the Recipient shall give a counter-notice to the Claimant in which the Recipient may designate a person to serve as the mediator from among the three persons listed by the Claimant, or if no such selection is made, the Recipient may set forth a list of names and resumes of three persons who the Recipient believes to be qualified as a mediator. Within 10 days after delivery of the counter-notice the Claimant may designate a person to serve as mediator from among the three persons listed by the Recipient. If the parties cannot agree on a mediator from the three nominees submitted by each party, the mediator shall be selected by the Regional Vice President of the American Arbitration Association where the mediation is to be held.

(c) The mediation shall be held in Indianapolis, Indiana and governed by the laws of the State of Indiana.

(d) Within 30 days after the mediator has been selected, both parties and their respective attorneys shall meet with the mediator for one mediation session of at least four hours. Efforts to reach a settlement will continue until the conclusion of the proceeding, which is deemed to occur when: (1) a written settlement is reached, or (2) the mediator concludes and informs the parties in writing that further efforts would not be useful, or (3) the parties agree in writing that an impasse has been reached. Neither party may withdraw before the conclusion of the proceeding, provided, that if a party breaches this duty, such party shall pay all of the costs and expenses of the mediator. Except as otherwise provided in this Agreement, each party shall pay its costs and expenses of the mediation, including attorneys' fees, and the costs and expenses of the mediator shall be shared equally by the parties.

(e) All conferences and discussions which occur in connection with the mediation conducted pursuant to this Agreement shall be deemed settlement discussions and nothing said or disclosed nor any document produced which is not otherwise independently discoverable shall be offered or received as evidence or used for impeachment or for any other purpose in any current or future arbitration or litigation.

(f) The parties regard the obligation to mediate an essential provision of this Agreement and one that is legally binding on them. In case of a violation of such obligation by either party, the other may bring an action to seek enforcement of such obligation in any court of law having jurisdiction thereof.

(g) If the Dispute cannot be settled as a result of the mediation sessions, the mediation process shall end and the Dispute shall be subject to arbitration as provided in Section 12.2.

12.2 Arbitration. Subject to Section 12.1 and 12.3, any Dispute shall be exclusively and finally settled by arbitration in Indianapolis, Indiana, in accordance with the Commercial Arbitration Rules of American Arbitration Association ("AAA") in effect on the date of this Agreement and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Such arbitration shall be conducted by a single arbitrator selected by the AAA from a panel of least 10 qualified arbitrators selected by the AAA. Each party shall have the right to strike 3 names from such panel. The arbitrator is not empowered to award any damages, including punitive damages, in excess of compensatory damages and each party hereby irrevocably waives the right to receive any damages in excess of compensatory damages, provided, the arbitrator shall award to the prevailing party (as determined by the arbitrator) the costs and expenses of arbitration, including cost of investigation, and reasonable attorneys' fees. Any decision or award of the arbitrator shall be final and binding upon the parties. Judgment on the award rendered may be entered in any court having jurisdiction, or application may be made to such court for a judicial acceptance of the award or any order of enforcement, as the case may be. The arbitrator may grant injunctive relief, including temporary, preliminary, permanent and mandatory injunctive relief. This arbitration provision shall be deemed to be self-executing, and if either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party notwithstanding said failure to appear.

12.3 Exclusion. The provisions of Sections 12.1 and 12.2 shall not be applicable with respect to the following:

(a) Franchisor bringing any action in any court of competent jurisdiction for injunctive or other relief as Franchisor deems to be necessary or appropriate to compel Franchisee to comply with its obligations hereunder or to protect the Marks or Confidential Information, including the Operations Manual. Franchisee shall pay to Franchisor all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor in obtaining injunctive or other relief; and

(b) Any dispute, controversy or claim by Franchisor against Franchisee arising from or related to any dispute, controversy, or claim made against Franchisor by a third party, including a customer of a USDS Store.

12.4 Reasonableness of Scope and Duration. Each Owner acknowledges that it will gain unique skills and experience and will gain access to the Operations Manual and other proprietary information. Each Owner understands and agrees that the covenants and agreements contained in this Agreement are, taken as a whole, reasonable in their scope and duration, and that they will not raise any issue of the reasonableness of the scope or duration of any such covenants in any proceeding to enforce any such covenants. Each Owner understands that the provisions herein have been carefully designed to restrict their activities to the minimum extent which is consistent with Franchisor's requirements, and has carefully considered these restrictions, and confirms that they will not unduly restrict its ability to obtain a livelihood. The covenants and agreements contained in this Agreement will be construed as independent of each other, and the existence of any claim or cause of action by Franchisee against Franchisor, whether predicated on this Agreement or otherwise, will not constitute a defense to Franchisor's enforcement of such covenants, and they shall be construed as separate covenants and agreements, and if any court shall finally determine that the restraints provided for in any such covenants and agreements unenforceable due to the activity, area or time, said activity or time shall be deemed to become and thereafter shall be the activity, area or time which such court deems reasonable and enforceable, and such covenants and agreements shall be enforced as to such reduced activity or time.

12.5 Time Periods. All time periods set forth in this Agreement shall be computed by excluding from such computation (a) any time during which Franchisee is in violation of any provision of this Agreement and (b) any time during which there is pending in any court of competent jurisdiction any action (including any appeal from any final judgment) brought by any person or entity, whether or not a party to this Agreement, in which action Franchisor seeks to enforce the covenants in this Agreement or in which any person or entity contests the validity of such covenants or their enforceability or seeks to avoid their performance or enforcement.

12.6 Cumulative Remedies; Enforceability.

(a) In the event Franchisor brings any action for injunctive or other provisional relief to compel Franchisee to comply with its obligations hereunder or to protect the Marks or Confidential Information, the parties acknowledge that Franchisor will suffer irreparable harm and Franchisor will be entitled to an injunction restraining such party from committing such breach. Franchisee affirmatively waive any requirement that Franchisor post any bond, demonstrate the likelihood of irreparable harm to Franchisor, or demonstrate that any actual damages will be suffered by Franchisor or any other entity seeking enforcement hereof as a result of a breach of any of the covenants set forth in this Agreement.

(b) The covenants and agreements contained in this Agreement will be construed as independent of each other, and the existence of any claim or cause of action by Franchisee, whether predicated on this Agreement or otherwise, will not constitute a defense to Franchisor's enforcement of such covenants, and they shall be construed as separate covenants and agreements, and if any court shall finally determine that the restraints provided for in any such covenants and agreements unenforceable due to the activity or time, said activity or time shall be deemed to become and thereafter shall be the activity or time which such court deems reasonable and enforceable, and such covenants and agreements shall be enforced as to such reduced activity or time.

(c) Nothing herein contained will be construed as prohibiting Franchisor from pursuing any other remedies available to it for such breach or threatened breach, including the recovery of money damages, and Franchisee shall pay any and all reasonable fees, disbursements, and other charges of the attorneys and collection agents, court costs, and all other costs of enforcement.

12.7 Limitation on Liability. Except for a breach of Sections 5.2, 8.2, 8.3, and 8.4, in no event shall any party be liable to the other for indirect, special or consequential damages, punitive damages, or for loss of anticipated profits, on any claim for inadequate performance, non-performance or breach of this Agreement. Furthermore, as of the date hereof as well as upon termination of this Agreement, Franchisee agrees to waive any claim for compensation or damages permitted under the laws of the state in which the Approved Location is located or of any other jurisdiction, whether based on "goodwill," "lost profit," "value of franchise," or any other legal or equitable theory of recovery.

12.8 Waiver of Jury Trial. THE PARTIES HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY ANY PARTY AGAINST ANOTHER PARTY ON ANY MATTER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT OR ANY RELATED AGREEMENTS.

12.9 Consent to Jurisdiction. Except as otherwise provided in Section 12.1 and 12.2, each of the parties consents and voluntarily submits to personal jurisdiction in the State of Indiana and in the courts in such state located in Marion County and the United States District Court for the Southern District of Indiana in any proceeding arising out of or relating to this Agreement, and agrees that all claims raised in such proceeding may be heard and determined in such court. Each of the parties further consents and agrees that such party may be served with process in the same manner as a notice may be given under this Agreement.

12.10 Exclusive Forum. Any action to enforce any provision of this Agreement which is not subject to mediation or arbitration, as provided in Sections 12.1 and 12.2, shall be instituted exclusively in the United States District Court for the Southern District of Indiana or, if such Court does not have jurisdiction to adjudicate such action, in the courts of the State of Indiana located in Marion County. The parties irrevocably and unconditionally waive and shall not plead, to the fullest extent permitted by law, any objection that they may now or hereafter have to the jurisdiction of such courts over the parties, the laying of venue or the convenience of the forum of any action related to this Agreement that is brought in the United States District Court for the Southern District of Indiana or in the courts of the State of Indiana located in Marion County.

13. JOINT AND SEVERAL LIABILITY. Owners unconditionally guarantee full performance and discharge by Franchisee of all the obligations of Franchisee under this Agreement on the date and in the manner required. The liability of Owners and Franchisee shall be joint and several. Where provision in this Agreement is made for any action to be taken or not taken by Franchisee, Owners shall jointly and severally undertake to take or not take such action. Owners hereby specifically agree to be bound by the restrictive covenants contained herein, including Sections 8.2, 8.3 and 8.4. Any right to terminate this agreement based on the action of Franchisee shall apply jointly and severally to the actions of Owners. Without limiting the generality of the foregoing, Owners shall be jointly and severally liable for the indemnities set forth in Section 14.2(b).

14. MISCELLANEOUS.

14.1 Reformation of Covenants. Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant of Franchisee set forth in this Agreement without Franchisee's consent by notice thereof to Franchisee. Franchisee agrees that it shall comply forthwith with any covenant as so modified.

14.2 Independent Contractor Relationship and Indemnification.

(a) Franchisor and Franchisee understand and agree that this Agreement does not create a fiduciary relationship between them, that Franchisee shall be an independent contractor of Franchisor and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever. During the Term, Franchisee shall hold itself out to the public as an independent contractor operating the Franchise pursuant to this Agreement. Franchisee shall take such affirmative action as may be necessary to do so, including exhibiting a notice of that fact in a conspicuous place in its principal place of business, the content of which Franchisor reserves the right to specify. Franchisee understands and agrees that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty or representation for or on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name.

(b) Franchisee shall indemnify Franchisor, its officers, directors, employees, agents, successors and assigns against, and hold all of them harmless from, (1) all liabilities, obligations, losses, actual and consequential damages, judgments, claims, deficiencies, penalties, taxes and other charges incurred by Franchisor arising out of or resulting from Franchisee's operation of the Franchise or from any default in the performance by Franchisee of its obligations hereunder, and (2) all costs and expenses reasonably related to the foregoing, including attorneys', accountants' and expert witnesses' fees, costs of investigations, court costs and other litigation expenses. Franchisee expressly agrees that this obligation to indemnify Franchisor shall survive the expiration or termination of this Agreement.

14.3 Acknowledgments of Franchisee. To induce Franchisor to enter into this Agreement and grant to Franchisee a license to operate the Franchise under the System, Franchisee hereby acknowledges and represents to Franchisor the following:

(a) Franchisee has reviewed and has read this Agreement and the disclosure document (the "Franchise Disclosure Document") required by the Trade Regulation Rule of the Federal Trade Commission at least fourteen (14) days prior to the time when this Agreement was signed by Franchisee. Franchisee understands that Franchisor makes no representation or warranty regarding the profitability of business operations under the System and that no representations have been made by Franchisor, or by its officers, directors, shareholders, employees or agents, that are contrary to or inconsistent with the terms of this Agreement or with the statements made in the Franchise Disclosure Document that accompanied this Agreement;

(b) Franchisee hereby acknowledges that Franchisor has made no representation or statement of actual, average, projected, or forecasted sales, profits, or earnings;

(c) Franchisee accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's standards of quality, service and uniformity of those standards in all USDS Stores operated under the System, in order to protect and preserve the goodwill of the Marks. Franchisee acknowledges that other franchisees of Franchisor have or will be granted licenses at different times and in different situations. Franchisee further acknowledges that the provisions of such franchises may vary materially from those contained in this Agreement and that Franchisee's obligations arising hereunder may differ substantially from other Franchisees; and

(d) Franchisee acknowledges that the System may evolve and change over time; involves an investment of substantial risk; and its success may well depend substantially on the business acumen and efforts of Franchisee. Franchisee has conducted an independent investigation of the Franchise and has not received or relied on any express or implied guarantee as to potential volumes, revenues, profits or the success of the business venture contemplated by the Franchise.

14.4 Amendment; Waiver. This Agreement may be amended, modified, or superseded only by a written instrument signed by all of the Parties. No Party shall be deemed to have waived compliance by another Party of any provision of this Agreement unless such waiver is contained in a written instrument signed by the waiving Party and no waiver that may be given by a Party will be applicable except in the specific instance for which it is given. Notwithstanding the foregoing, Franchisor may, at any time, and from time to time, in its sole discretion, amend, modify, change, add to, or otherwise revise the Operations Manual.

14.5 Submission of Agreement. The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Franchisor and Franchisee. THIS AGREEMENT SHALL NOT BE BINDING ON FRANCHISOR UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY THE AN AUTHORIZED REPRESENTATIVE OF FRANCHISOR. THIS AGREEMENT SHALL NOT BECOME EFFECTIVE UNTIL AND UNLESS FRANCHISEE SHALL HAVE BEEN FURNISHED BY COMPANY WITH ALL DISCLOSURE DOCUMENTS, IN WRITTEN FORM, AS MAY BE REQUIRED UNDER OR PURSUANT TO APPLICABLE LAW, FOR REQUISITE TIME PERIODS.

14.6 Construction and Interpretation of Agreement.

(a) Headings. Section headings in this Agreement are for the convenience of the Parties and in no way alter, modify, amend, limit, or restrict the contractual obligations of the Parties. All references in this Agreement to Sections shall refer to Sections of this Agreement unless the context clearly otherwise requires

(b) Use of "Including." When used in this Agreement, the word "including" shall have its normal common meaning and any list of items that may follow such word shall not be deemed to represent a complete list.

(c) Drafting of Agreement. If any ambiguity or question of intent or interpretation arises, no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

(d) ***No Third-Party Beneficiaries***. The Parties do not intend that this Agreement shall confer on any third party any right, remedy or benefit or that any third party shall have any right to enforce any provision of this Agreement.

14.7 Exhibits; Entire Agreement. All Exhibits to this Agreement shall constitute part of this Agreement and shall be deemed to be incorporated herein by reference, in their entirety and made a part of this Agreement, as if set out in full at the point where they are first mentioned. This Agreement and the Related Agreements embody the entire agreement and understanding of the Parties hereto with respect to the subject matter herein contained, and supersede all prior agreements, correspondence, arrangements, and understandings relating to the subject matter hereof.

14.8 Expenses. Except as otherwise expressly provided for in this Agreement, each party shall bear its own expenses incurred in connection with the preparation, execution and performance of its obligations under this Agreement, including all fees and expenses of agents, representatives, counsel and accountants.

14.9 Further Assurances. Each party shall execute and deliver such additional documents or take such additional actions as may be requested by another party to this Agreement if such requested document or action is reasonably necessary to effect the transactions described in this Agreement.

14.10 Governing Law. This Agreement shall be governed by, and shall be construed and enforced in accordance with, the laws of the State of Indiana, without giving effect to any conflict of law rule or principle of such state.

14.11 Notices. To be effective, any notice or other communication required or permitted to be given or made hereunder must be in writing and shall be deemed delivered to the Parties (a) on the date of personal delivery or transmission by e-mail with confirmation from the recipient of successful delivery, (b) on the first business day after the date of delivery to a nationally recognized overnight courier service, or (c) the third business day after the date of deposit in the United States Mail, postage prepaid, or by certified mail, in each case, addressed as follows, or to such other address or person as any Party may designate by notice to the others in accordance herewith

If to Franchisor:	USDS Franchisor, LLC 5329 Mount Pleasant N Street Greenwood, Indiana 47362 Attention: Mike Acton E-mail: usds.mike@gmail.com	If to Franchisee / Owner:	[Franchisee Entity Name] [Owner Name(s) [address] [address] Attention: ______________ E-mail: ____________________
With a copy to: (which shall not constitute notice)	Raja J. Patil, Esq. Dentons Bingham Greenebaum LLP 3500 National City Tower Louisville, Kentucky 40202 raja.patil@dentons.com	With a copy to: (which shall not constitute notice)	

14.12 Severability. If any provision of this Agreement, or the application thereof to any person, entity, or circumstance, shall be invalid or unenforceable to any extent, the remainder of this Agreement, and the application of such provision to other persons, entities, or circumstances, shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

14.13 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same document, notwithstanding that the Parties are not signatory to the same counterpart.

[*Remainder of Page Intentionally Left Blank; Signatures Follow*]

IN WITNESS WHEREOF, the Parties have duly executed and delivered this Agreement as of the date first above written.

FRANCHISOR:

USDS FRANCHISOR, LLC

By: ________________________________

Title: ______________________________

FRANCHISEE:

[ENTITY NAME]

By: ________________________________

Title: ______________________________

OWNERS:

____
[INDIVIDUAL NAME]

____
[INDIVIDUAL NAME]

<u>EXHIBIT A</u>

FORM OF LEASE ADDENDUM

LEASE ADDENDUM

THIS LEASE ADDENDUM (this "<u>Agreement</u>") is made and entered into this ____ day of ____________, 20[__], by and between [________________] ("<u>Landlord</u>"), and [________________] ("<u>Tenant</u>"), and modifies that certain lease (the "<u>Lease</u>") of even date herewith.

RECITALS:

A. Landlord and Tenant are parties to the Lease concerning real estate commonly described as ________________________________, as more fully described in the Lease.

B. USDS Franchisor, LLC, a Delaware limited liability company ("<u>Franchisor</u>") has required that Landlord and Tenant execute and deliver this Addendum in connection with a Franchise Agreement to be entered into between Franchisor and Tenant.

NOW, THEREFORE, in consideration of the mutual promises hereinafter contained, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Landlord agrees that Franchisor, its affiliates, or a designee of Franchisor (each a "<u>Franchisee</u>"), shall have the right to receive an assignment of the Lease without the consent of Landlord. Upon request, Landlord shall promptly execute an acknowledgment of such assignment of Lease.

2. Franchisor or Franchisee (as applicable) shall not be subject to any provision of the Lease requiring continuous operation of a business in the Premises during any period the Premises is closed for remodeling, provided such period of closure shall not exceed 120 days.

3. Landlord shall provide Franchisor, Franchisee, or their respective agents, full access to the Premises upon expiration or earlier termination of the Lease, or Tenant's loss of possession of the Premises (collectively, an "<u>Access Event</u>"), or expiration or earlier termination of the applicable franchise agreement, for a period of not less than 30 days (which period, in the case of an Access Event, shall not begin until the receipt of written notice by Franchisor from Landlord), to de-identify and remove from the Premises and its exterior any trademarked or trade property, proprietary software, equipment, design elements, signage, and any and all furniture and fixtures (collectively, "<u>Property</u>") installed by Tenant or installed in connection with the Lease. Landlord acknowledges and agrees that Franchisor has a prior right, title and interest in and to the Property, notwithstanding any agreement between Landlord and any lender of Landlord with respect thereto.

4. Landlord shall provide all notices of default to Tenant to Franchisor simultaneously with the delivery thereof to Tenant. Additionally, Landlord shall provide prompt notice to Franchisor of an Access Event. Any such notice shall be delivered to Franchisor in writing by a nationally recognized overnight courier. Landlord and Tenant hereby acknowledge and agree that Franchisor has the right, but is under no obligation, to cure any Tenant default under the Lease, if Tenant should fail to do so, within 15 days after the expiration of the period given under the lease, or otherwise, to cure such default. All such notices shall be sent to USDS Franchisor, LLC, Attn. Mike Acton, 5329 Mount Pleasant N Street, Greenwood, Indiana 47362.

5. Landlord approves of Tenant's installation of, and grants Tenant the right to display, all signage, security cameras, and security devices or equipment, as required by Franchisor, subject only to the provisions of local ordinances.

6. Landlord hereby agrees that it shall not enter into any amendment, supplement, or modification of the Lease (each an "Amendment"), which impacts Franchisor's rights under this Addendum in any respect, without the prior written consent of Franchisor. Additionally, Landlord agrees to provide prompt written notice to Franchisor of any Amendment (in accordance with provision 4 above).

7. Each of the parties hereto acknowledge and agree that Franchisor is intended to be a third-party beneficiary to this Addendum and shall be entitled to rely upon and directly enforce the provisions of this Addendum.

This Addendum amends the Lease between the parties described hereinabove; and except as provided herein, all other terms of the Lease shall remain unchanged. Landlord acknowledges and agrees that in the event of any conflict between the terms of this Addendum and the terms of the Lease, the terms of this Addendum shall govern and control.

LANDLORD:		**TENANT**:	
By:	____________________________	By:	____________________________
Name:	____________________________	Name:	____________________________
Title:	____________________________	Title:	____________________________

EXHIBIT B

ALLOCATIONS PROGRAM WAIVER AND RELEASE

THIS ALLOCATIONS PROGRAM WAIVER AND RELEASE (this "Release") is made and entered into this ____ day of ____________, 20[__], by [_______________] ("Franchisee"), in favor of USDS Franchisor, LLC ("Franchisor") and each of the other franchisees identified on Schedule 1 to this Release (collectively, "Other Franchisees").

RECITALS:

A. Franchisee and Franchisor are parties to that certain Franchise Agreement dated of even date herewith ("Franchise Agreement"), pursuant to which Franchisor will grant to Franchisee a franchise. As part of the Franchise Agreement, Franchisee will purchase certain products through an affiliate of Franchisor, and Franchisor and such affiliate will allocate certain products to Franchisee and to Other Franchisees in accordance with the "Allocations Program" set forth in the "Operations Manual" applicable to Franchisee and the Other Franchisees.

B. In connection with the Franchise Agreement, Franchisor has required that Franchisee execute and deliver, and Franchisee has agreed to execute and deliver, this Release.

NOW, THEREFORE, in consideration of the mutual promises hereinafter contained, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. UNCONDITIONAL WAIVER AND RELEASE. Franchisee, by signing below, does hereby fully and forever unconditionally release, hold harmless and waive, and agrees not to bring or cause to be brought any claim or cause of action which Franchisee or its owners or officers, and any other person or entity through any of them, might be permitted to assert against Franchisor or its members, officers, and employees, or any of the Other Franchisees and their members or shareholders, officers, directors, and employees, related to the administration of, or any action taken pursuant to, the Allocations Program, except in the case of fraud or intentional misconduct.

2. ACKNOWLEDGEMENT. The undersigned acknowledges and agrees that it has fully read this Release and has not relieved in signing this Release on any statement or representation of Franchisor, and that it is Franchisee's intention and understanding that the execution of this Release shall constitute a complete, general, and unconditional release of any and all claims whatsoever against Franchisor and its members, officers, and employees, and the Other Franchisees and their members or shareholders, officers, directors, and employees, as set forth above.

3. AUTHORITY. Franchisee represents that it has the right, power, and authority to enter into this Release, to comply with and perform its obligations hereunder, and that the representative of Franchisee signing this Release has the authority to sign this Release on behalf of Franchisee.

4. GOVERNING LAW. This Release shall be governed by and construed in accordance with the laws of the State of Indiana, without regard to its conflicts of laws rules or principles.

IN WITNESS WHEREOF, the undersigned hereby executes this Release on the date first above written.

By: ___________________________________

Title: _________________________________

EXHIBIT G
OPERATIONS MANUAL TABLE OF CONTENTS

EXHIBIT H
FRANCHISE OWNER DISCLOSURE QUESTIONNAIRE

The purpose of this Certification is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate, or misleading. **Do NOT sign or date this Certification the same day as the Receipt for the Franchise Disclosure Document; you should sign and date this Certification the same day you sign the Franchise Agreement.** Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. You had your first face-to-face meeting with our **USDS** representative on: _____________, 20__.

2. Have you received and personally reviewed our Franchise Agreement and each related agreement attached to them?

   ☐ Yes ☐ No

3. Did you receive the Franchise Agreement and any related agreement, containing all material terms, at least 14 days before signing any binding agreement with us or an affiliate? This does not include changes to any agreement arising out of negotiations you initiated with us.

   ☐ Yes ☐ No

4. Do you understand all the information contained in the Franchise Agreement and each related agreement provided to you?

   ☐ Yes ☐ No

   If No, what parts of the Franchise Agreement or related agreements do you not understand? (Attach additional pages, if necessary.)

   ____

   ____

5. Have you received and personally reviewed our Franchise Disclosure Document ("FDD") that was provided to you?

   ☐ Yes ☐ No

6. Did you receive the FDD at least 14 days before signing the Franchise Agreement, this document or any related agreement, and before paying any funds to us or an affiliate?

   ☐ Yes ☐ No

7. Did you sign a receipt for the FDD indicating the date you received it?

   ☐ Yes ☐ No

8. Do you understand all the information contained in the FDD and any state-specific addendum to the FDD?

☐ Yes ☐ No

If No, what parts of the FDD and/or addendum do you not understand? (Attach additional pages, if necessary.)

____
____
____

9. Do you acknowledge and understand that no parent or affiliate of ours promises to back us financially or otherwise guarantees our performance or commits to perform post-sale obligations for us?

☐ Yes ☐ No

10. Have you discussed the benefits and risks of purchasing a franchise with an attorney, accountant, or other professional advisor?

☐ Yes ☐ No

If No, do you wish to have more time to do so?

☐ Yes ☐ No

11. Do you understand that the success or failure of your franchise will largely depend upon your skills and abilities, competition from other businesses, and other economic and business factors?

☐ Yes ☐ No

12. Has any employee or other person speaking on our behalf made any statement or promise concerning the actual or possible revenues or profits of a franchise that is not contained in the FDD, or that is contrary to or different from, the information contained in the FDD?

☐ Yes ☐ No

13. 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 franchise that is not contained in the FDD, or that is contrary to or different from, the information contained in the FDD?

☐ Yes ☐ No

14. 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

franchise that is not contained in the FDD, or that is contrary to or different from, the information contained in the FDD?

☐ Yes ☐ No

15. 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 FDD?

☐ Yes ☐ No

16. If you have answered "Yes" to any one of questions 12-15, please provide a full explanation of each "Yes" answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.)

____
____
____

17. Do you understand that the Franchise Agreement and related agreements contain the entire agreement between you and us concerning your USDS franchise, meaning that any prior oral or written statements not set out in the Franchise Agreement or related agreements will not be binding? Nothing in this document or any related agreement is intended to disclaim the representations we made in the FDD that we furnished to you.

☐ Yes ☐ No

18. Do you understand that, except as provided in the FDD, nothing stated or promised by us that is not specifically set forth in the Franchise Agreement and related agreements can be relied upon?

☐ Yes ☐ No

19. You signed the Franchise Agreement and related agreements on ____________, 20 __, and acknowledge that no agreement or related agreement is effective until and if signed and dated by us.

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

The individuals signing below for the Franchisee constitute all the executive officers, partners, shareholders, investors and/or principals of the Franchisee entity, or constitute the duly authorized representatives or agents of the foregoing.

FRANCHISEE:

____
Signature

____
Printed Name Title

____
Signature

____
Printed Name Title

____
Signature

____
Printed Name Title