**FRANCHISE DISCLOSURE DOCUMENT**

**SD TECH International, Inc.**
523 Med Ct., Suite 105
San Antonio, TX 78258
210-558-7385
info@sd-tech.net
www.sd-tech.net

We offer you the right to own and operate one franchise offering complete business IT services. This includes everything from remote support to in-person services.

The total investment necessary to begin operation of a single franchise is $91,650 to $168,000 for our standard territory which contains a maximum population of 125,000 people or a radius of 10 miles from the site, whichever is the lesser area. This includes the $68,500 to $93,500 that must be paid to us at the time you sign the Franchise Agreement. We may, in our sole discretion, allow you to extend the territory at the time you enter into a Franchise Agreement by purchasing an additional contiguous territory of a maximum additional population of 100,000 people or an additional 5-mile radius from the Protected Territory, whichever is the lesser area, for a territory extension fee of $25,000.

We also offer an Area Development Agreement that allows you to open a minimum of two franchises within a designated development territory for an initial investment of $107,500 to $115,000 which includes the development fee of $85,000 that must be paid to us.

This Disclosure Document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read the Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar days before you sign a binding agreement with, or make any payments to the Franchisor, or an affiliate, in connection with the proposed franchise sale**. Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss availability of disclosures in different formats, contact our Chief Executive Officer, Wes Ulmer at SD TECH International, Inc., 523 Med Ct., Suite 105, San Antonio, TX 78258, 210-558-7385.

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

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

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

THE ISSUANCE DATE OF THIS DISCLOSURE DOCUMENT IS: June 2, 2025.

## How to Use This Franchise Disclosure Document

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

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

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

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

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

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

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

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

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

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

## Some States Require Registration

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

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

## Special Risks to Consider About This Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Texas. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Texas than in your own state.

2. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

3. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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

**SD TECH INTERNATIONAL, INC.**

**FRANCHISE DISCLOSURE DOCUMENT**

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# FRANCHISE DISCLOSURE DOCUMENT

## ITEM 1

## THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language, this disclosure document uses "we," "us" or "our" to mean SD TECH International, Inc. the franchisor, and "you," "your" or "franchisee" means the individual, corporation or other entity that buys our franchise. "You" also includes the franchise owners, partners or members.

The Franchisor, Any Parents, Predecessors and Affiliates

We conduct business under the name "SD TECH" and "System Design Technologies." Our principal business address is 523 Med Ct. Suite 105, San Antonio, TX 78258. We are a Texas Corporation which was formed October 6, 2021 to initiate our franchising program. We began offering franchises June 13, 2022. We have not conducted a business of a type described in this Disclosure Document or conducted business in any other line of business. but, our affiliate, Ulmer Enterprises, Inc. has owned and operated a business of the type being franchised herein since December 1, 2010 in San Antonio, TX.

Any affiliate will not participate in the franchising operations nor will it provide any management or operational services or financial guarantees for our franchisees, except that use may be made of our then current affiliate's franchise facilities and personnel for training purposes. Neither we nor any affiliate has previously offered franchises of any type.

Agents for Service of Process

Our Agents for Service of Process are set forth in Exhibit "F" of the disclosure document.

The Franchises Being Offered

Our franchise is for the operation of a business providing Managed IT Services, IT Support, VoIP System support, Microsoft Office 365 integration, Hosted Exchange Email, On-Site and Off-Site Backup support, New Construction turn key IT Build-Outs, Cloud Solutions and Migration, Home Automation and Smart Cameras. You will operate your SD TECH franchise at a single location within a specific territory using our Marks, logos, commercial symbols, printed materials and methods of operation under a Franchise Agreement and an Operation's Manual setting forth our system standards.

We also offer qualified applicants an opportunity to develop and open a specified number of franchises within a defined geographical area over a required period of time (see Exhibit "H"). You will pay a development fee, which will depend upon the number of territories to be opened within a defined geographical area over a required period of time. You will also sign the then current form of franchise agreement (a copy of our current Franchise Agreement is included as Exhibit "G") for each location, which may be different than the form of franchise agreement included in this franchise disclosure document and other factors specified in the Area Development Agreement (see Item 5 also).

The Franchise System and Proprietary Marks

Our franchises are characterized by, among other things, distinct standards and specifications for serving commercial and residential customers on and off premises using products, supplies and services, uniform standards, specifications and procedures for operations, training and assistance (the "System"). The System is identified by means of certain trade names, trademarks, service marks, logos, emblems and other indicia of origin, including the Mark "SD TECH" (the "Marks").

Market and Competition

The market for our services is well-established and competitive. There is active price competition among franchise, as well as competition for personnel and for attractive commercial real estate sites suitable for franchise. You must expect to compete with many franchise businesses offering comparable services. Competitors may be locally-owned or large regional or national chains. The franchise business is also affected by changes in consumer needs, demographics and economic conditions.

Industry Specific Regulations

The franchise industry is heavily regulated. You must comply with local, state and federal laws and obtain required permits, registration and licenses. Many of the laws, rules and regulations that apply to business generally, such as the Americans with Disabilities Act, federal and state wage and hour laws and the Occupational Safety and Health Act, Affordable Care Act and data protection and privacy laws (such as credit card protection under the U.S. Fair and Accurate Credit Transactions Act) also apply to your franchise.

Specific laws and regulations in your state or local area may also require licensure, certification, or training of individuals providing the services of your business. Licensure requirements may also apply to your franchise business. It is your responsibility to understand any licensure, certification and training requirements in your territory and ensure your franchise business adheres to those requirements.

We have not investigated the laws or regulations applicable to the franchised business. You are solely responsible for investigating all applicable federal, state and local laws and regulations, and your cost to comply with such laws and regulations, and you should do so before purchasing a franchise from us. We strongly suggest that you consult with an attorney, consultant and/or financial advisor regarding such regulations prior to purchasing a franchise from us. Applicable laws and regulations are subject to change.

You and your attorney should consider these and other applicable laws and regulations when evaluating your purchase of a franchise.

## ITEM 2

## BUSINESS EXPERIENCE

Wes Ulmer – President & Chief Executive Officer

Wes has served as our President and Chief Executive Officer since the company was formed, October 6, 2021. From 2012 he also served as the President of Ulmer Enterprises, Inc. doing business as SD Tech. Wes was the founder of SD Tech in 2000 which conducted business as a sole proprietorship until Ulmer Enterprises, Inc. was formed in 2010. The principal location of the businesses has at all times been in San Antonio, Texas.

Shane Mishler: Chief Operating Officer

From 2019 to present time, Shane Mishler has served as the Vice President of SD Tech based in San Antonio, Texas. From 2014 to 2019, Mr. Mishler held the position of Risk Management Coordinator for Kohl's Department Stores located in San Antonio, Texas. He also served as Senior Operations Manager for Pace America's between 2010 and 2014 located in San Antonio, Texas.

## ITEM 3

## LITIGATION

No litigation is required to be disclosed in this Disclosure Document.

## ITEM 4

## BANKRUPTCY

No bankruptcy information is required to be disclosed in this Disclosure Document.

## ITEM 5

## INITIAL FEES

Franchise Agreement

The Initial Franchise Fee for one SD TECH franchise is $60,000 for a defined protected territory containing a maximum population of 125,000 people as determined by the most recent published U.S. Census, or a radius of ten (10) miles of the site, whichever is the lesser area. This fee is fully earned and non-refundable at the time you sign your Franchise Agreement.

Territory Extension Fee

If we, in our sole discretion, agree to grant you a territory larger than our standard maximum population of 125,000 people or a radius of 10 miles, whichever is the lesser area, you will pay us a Territory Extension Fee at the same time you pay your Initial Franchise Fee. This fee is fully earned and non-refundable at the time you sign your Franchise Agreement. The Territory Extension Fee to extend your territory up to an additional 100,000 people or an additional five (5) mile radius from the Protected Territory, whichever is the lesser area, beyond the standard territory of a maximum of 125,000 population or a radius of 10 miles, whichever is the lesser area, is $25,000.

Area Development Agreement

If we consider you to have sufficient business experience and financial qualifications to qualify as an Area Developer, you may be granted the right to enter into an Area Development Agreement with us that will allow you to open additional franchises within a specific geographic area. If you sign an Area Development Agreement you will not pay us an Initial Franchise Fee with the opening of each individual franchise but will instead pay us a Development Fee for the entire package granted to you. The amount of the Development Fee depends upon the number of SD Tech locations you are authorized to open. The Development Fee for our minimum requirement of two locations to be developed is $85,000. The second franchise location must be open within 14 months from the Opening Date of the first location. The Development Fee for three locations is $105,000. In special circumstances, we may consider the sale of further additional locations for an additional fee of $20,000 for each franchise location to be developed. All franchise locations after the second franchise location must be opened within 14 months of the Opening Date for each preceding franchise location. You will sign a separate then current Franchise Agreement for each location to be opened.

All Franchise and Area Development Fees are payable in a lump sum, are uniform, non-refundable, fully earned upon receipt and will be used for our general operating expenses, including costs of fulfilling our obligations to you.

Veteran Discount

If you are in the active duty military service of the United States Armed Forces or an honorably discharged Veteran who meets our qualifications for purchasing a franchise, we will discount the initial franchise fee

or Development Fee for an Area Development Agreement, by $10,000 of the then current initial franchise fee or Development Fee. The Veteran discount is available only to United States Veterans and the term "Veteran" shall be defined by us in our sole discretion. However, in determining who is included in the term "Veteran", we may be guided in whole or in part by any definition we think appropriate, including definitions used by the federal government of the United States, in determining who is eligible for federal benefits intended for Veterans.

Franchise Store Start-Up Kit

Your Franchise Start-Up kit must be purchased from us at the time you enter into your Franchise Agreement. The non-refundable cost of this Franchise Store Start-Up kit is $1,500 per physical location and consists of a Network Stack (UDM PRO/24 Port PoE Switch/Access Point). The Franchise Store Start-Up kit does not include licenses, which you must purchase directly from the licensor.

Franchise Employee Start-Up Kit

Your Franchise Employee Start-Up Kit must be purchased from us at the time you enter into your Franchise Agreement. The non-refundable cost of this Franchise Employee Start-Up kit is $2,525 per employee (owner included) and consists of five (5) Polos, five (5) T-Shirts, 2,500 business cards, one (1) Laptop one (1) YubiKey and onboarding.

Advertising Start-Up Kit

Before you open, we will provide you with 2,500 Sales Rack cards, 250 Mousepads, 25 Network Rack Stickers, 250 Marketing Pends, 1 Landing Page, 30 SEO Domains and Backlinks and Social Media Accounts. The non-refundable cost to you for our Advertising Start-Up kit is $4,475 per location and is paid to us at the time you sign your Franchise Agreement.

There are no other fees you pay to us or any affiliate before you begin operating your business.

Financial Assurance

Based upon the Franchisor's financial condition, the Maryland Securities Commissioner has required a Financial Assurance. Therefore, Franchisor has agreed to post a Surety Bond which is on file with the Maryland Securities Division.

## ITEM 6

## OTHER FEES

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Weekly Continuing License Fee | 6% of Gross Revenue received by you from the previous week's operations. | A Weekly Report is due each Monday at 3 pm detailing all Gross Revenue received during the previous 7-day week (Monday through Sunday). Your weekly continuing License Fee | See Note (1) definition of "Gross Revenue" below. In the absence of a timely weekly report, we will debit a minimum fee of $500 from your bank |

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| | | will be debited by Electronic Funds Transfer ("EFT") from your bank account on Wednesday of each week. | account and resolve any difference or discrepancy when the report is made. A fee of $100 per occurrence of insufficient EFT will be charged. |
| Marketing and Technology Fund Fee | Initially, 1% of Gross Revenue per month. It may be increased up to 1.5% upon a thirty-day written notice. | The Marketing and Technology Fund fee will be electronically debited by EFT from your bank account on the 5th day of each month. | See Note (2) below. |
| Insurance | Amount paid by us for insurance you fail to obtain, and an administrative fee of 15%. | As Incurred if purchased by us on your behalf. Due immediately upon billing. | If you fail to obtain the required insurance coverage, we may, in our sole discretion, obtain the coverage at your expense plus administrative fees of 15% (Franchise Agreement Paragraph 11.13) |
| Online Accounting Software and Bookkeeping | $10 per employee and $500 per location | Monthly | Payment to SD TECH or Supplier varies based on negotiation and then current systems being used. |
| Transfer Fee | If we approve a transfer, $12,500 to transfer a single franchise territory | Prior to consummation of transfer. | You pay this fee to us if you transfer your business. Transfer fee is for supervision, marketing, selling and administrative, legal, accounting costs and other expenses for the transfer of the franchise. |

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Training Fee Upon Transfer of Business | $2,500 per person trained & travel and living expenses | Prior to training. | You or the transferee may request us to train additional employees upon the transfer of your business. |
| Audit Fee | Cost of Audit and 1½% interest per month on understated amount. | Due when billed following any such audit. | You pay this fee only if the audit reflects an understatement of 2% or more for any audited month. |
| Seminars and Training Conferences | Currently a maximum of $275 per person, plus travel and living expenses of approximately $1,000 to $2,000. | Periodic Seminars and Conferences will be held at our headquarters in Texas or at a different location of our choosing. These events will not exceed 8 days in length. | Fee is payable prior to attendance at the event and expenses are paid as incurred. You will not be required to attend more than two such conferences per year. |
| Additional Training Requested by You | Currently $350 per day, per trainer, plus travel and expenses. | Immediately after notice from us. | If, at your request, or if we train a replacement trainee and we send one of our staff members to the franchised business to provide further training or assistance, we will charge you a daily rate for that assistance, plus the travel expenses of our employee. |
| Local Advertising Expense | You must allocate a minimum of $750 per month on localized digital marketing. | Monthly | Various service providers. See Note (3) for required reporting. |

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Intranet Fee | If implemented, our cost | Invoice or EFT debit from your bank account. | Payable only if it is implemented |
| Successor Fee | $5,000 | Before you renew your franchise. | You only pay this fee to us if you want to renew the franchise. |
| Costs and Attorneys' Fees | Will vary under the circumstances. | Immediately upon notice from us. | You only pay if we succeed in any arbitration or litigation we bring against you, or in defending any claim you bring against us. |
| Indemnification | Will vary under the circumstances. | As incurred. | You have to reimburse us if we are sued or held liable for claims arising out of your business. |
| Late Payment Charges | Maximum allowed by law, but not to exceed 1.5% per month. | Immediately upon notice from us. | You only pay this fee if you are late in paying fees you owe us. |
| Review and Approval of Supplier | $1,000 | On submission by you of supplier for review. | Payable only if you submit a proposed supplier. |
| 1Team Help Desk – | Monthly Fee of 36% of the gross fee charged by the franchisee for the monthly service to the client or 36% of your client billed revenue<br>First 12 months required; after first 12 months optional | 15th day of each month or other day of the month we periodically designate by EFT | Required for 12 months and after that at your option.<br>Cost may be increased each year. See Note (4.) |

All fees that are imposed by and payable to us are uniform, subject to change, and nonrefundable.

Notes to Above Chart:

(1) "Gross Revenue" means the aggregate of all revenue from the sale of all services and products from all sources in connection with the franchised business, whether for check, cash, credit, barter or otherwise including, without limitation, all proceeds from any business interruption insurance, but excluding (a) any sales and equivalent taxes that are collected by franchisee for or on behalf of and paid to any governmental taxing authority, and (b) any rebate received by franchisee from a manufacturer or supplier.

(2) Marketing and Technology Fund Fee. The Marketing and Technology Fund is the core of our marketing system and supports the National Website and the Franchisee's Micro-Site, which are explained in greater detail in Item 11 of this document. We reserve the right to decide the amount and nature of these expenditures and how, when and where all expenditures are made.

(3) Local Advertising. You are required to provide us with quarterly reports and annual budget for Local Advertising.

(4) 1Team Help Desk. The 1Team Help Desk Services are required for all franchisees for their first 12 months after opening and are optional after that. This service includes all in bound communication for client issues such as computer/network related issues, email or password related issues (any computer related issue that a customer of franchisee might need support).

## ITEM 7

## ESTIMATED INITIAL INVESTMENT

## YOUR ESTIMATED INITIAL INVESTMENT

**(For Single Location)**

| Type of Expenditure | Estimated Amount Low | Estimated Amount High | Method of Payment | When Due | To Whom Payment is to Be Made |
|---|---|---|---|---|---|
| Initial Franchise Fee (1) | $60,000 | $60,000 | Lump Sum | Upon Execution of Agreement | Us |
| Territory Extension Fee (2) | $0 | $25,000 | Lump Sum | Signing Franchise Agreement | Us |
| Franchise Store Start-Up Kit (3) | $1,500 | $1,500 | Lump Sum | Signing Franchise Agreement | Us |
| Franchise Employee Start Up Kit (4) | $2,525 per Employee | $2,525 per Employee | Lump Sum | Signing Franchise Agreement | Us |
| Advertising Start-Up Kit (5) | $4,475 | $4,475 | Lump Sum | Signing Franchise Agreement | Us |

| Type of Expenditure | Estimated Amount Low | High | Method of Payment | When Due | To Whom Payment is to Be Made |
|---|---|---|---|---|---|
| Franchise Location – Rent/Security Deposit (6) | $0 | $3,000 | As Arranged | As Incurred | Landlord |
| Leasehold Improvements (7) | $500 | $3,000 | Lump Sum | As Incurred | Service Providers |
| Tools, Fixtures, Furniture & Furnishings (8) | $500 | $3,000 | Lump Sum or On Arranged Terms | As Incurred | Suppliers |
| Signage (Window, Door, Vehicle Wrap) (9) | $5,000 | $15,000 | Lump Sum or On Arranged Terms | As Incurred | Approved Supplier |
| Utility Deposits, Licenses, Permits and Alarm System Set-up Fees (10) | $150 | $1,000 | Lump Sum or On Arranged Terms | As Incurred | Suppliers |
| Legal, Accounting, and Insurance (11) | $2,500 | $7,500 | As Arranged | As Arranged | Approved Suppliers |
| Franchisee / Management Certification Training (12) | $500 | $5,000 | As Arranged | As Incurred | Travel, Lodging |
| Opening Advertising (13) | $4,000 | $7,000 | As Arranged | As Incurred | Suppliers |
| Additional Funds – Initial 3 Months (14) | $10,000 | $30,000 | Lump Sum or On Arranged Terms | As Incurred | Suppliers |
| **Total Estimated Initial Investment (15)** | **$91,650** | **$168,000** | | | |

All fees paid to us are nonrefundable and fully earned when paid. The above estimates are based on information from our affiliate and information in the industry and do not include real estate purchases or lease payments.

**NOTES:**

1. Initial Franchise Fee. The nonrefundable Initial Franchise Fee for a single location is $60,000 for a territory with a maximum population of 125,000 persons (most recent U.S. Census), or radius of 10 miles from the site, whichever is the lesser area. The franchise fee is payable in full when the franchise

agreement is signed. However, if you sign an Area Development Agreement you will not pay an Initial Franchise Fee to us with the opening of each individual territory, but will instead pay us an Area Development Fee, as discussed in Item 5.

2. Territory Extension Fee. Our standard territory is a maximum of 125,000 people or a radius of 10 miles from the site, whichever is the lesser area. If you request a larger contiguous territory with a maximum of 100,000 additional people or an additional 5-mile radius from the Protected Territory, whichever is the lesser additional area and we in our sole and absolute discretion agree to a larger territory you will pay in addition to the Initial Franchise Fee, a Territory Extension Fee of $25,000.

3. Franchise Store Start-Up Kit. Your store start-up kit is for each store and consists of a Network Stack (UDM PRO/24 PoE Switch/ Access Point). It does not include any software licensing fees. We may in the future increase this fee to include enhancements and upgrades.

4. Franchise Employee Start-Up Kit. Your employee start-up kit must be purchased for each employee (including the owner) and consists of 5 Polos, 5 T-Shirts, 1 YubiKey and onboarding.

5. Advertising Start-Up Kit. Your advertising start-up kit is for each store and consists of 2,500 sales rack cards, 250 mousepads, 25 network rack stickers, 250 marketing pens, 1 landing page, 30 SEO domains and backlinks and Social Media Accounts provided to you by us to start your business.

6. Franchise Location – Rent/Security Deposit. Franchise Location/Rent-Security Deposit. Subject to state and county laws and local ordinances and zoning rules and regulations, we may permit you to locate your office within your principal residence and transition into a dedicated office space if necessary, depending on the number of service techs required for the territory. Estimated cost will vary depending upon such items as area of territory, whether located in a shopping center or mall, square footage of the location negotiations with the landlord and other variable factors. We recommend 300 – 700 sq feet of office space. To commence operation of SD TECH franchise, you must secure premises located within the designated Territory. Most landlords require a Security Deposit based upon a number of months of rent.

7. Leasehold Improvements. Office space with rent and carpet that does not require a dedicated bathroom. Bathrooms must be in common areas and accessible to franchisee and clients.

8. Tools, Fixtures, Furniture & Furnishings. The estimated price is based on a one-time purchase. You may also choose a lease to purchase alternative for acquiring equipment in which case your initial out of pocket investment should be less.

9. Signage (Window, Door, Vehicle Wrap). Estimated cost for window, door and vehicle wraps, depending on length and letter size, local and state regulations, permit fees, and accessibility for installation. This also includes the cost of all interior signage, specialty wall signs, etc.

10. Utility Deposits, Licenses, Permits, and Alarm System Set-up Fees. These costs will vary greatly based on utility company rates, jurisdiction, credit rating, history with utility company, and square footage. All permits (including building, health, signage, electrical, plumbing, HVAC, etc.) vary in cost based on jurisdiction, county by county. Costs vary depending on which Alarm company you choose, and how extensive of a security system you choose to install.

11. Legal, Accounting and Insurance. This range includes an estimate for annual insurance premiums and initial casualty insurance policies that you are required to carry and will vary depending upon such factors as size and region of franchise. You should consult with a local professional to get a more accurate representation of what your actual cost may be. Legal and Accounting services will also vary from region to region.

12. Franchisee/Management Certification Training. There is no cost for the franchisee certification training and it is included in your Initial Franchise Fee, but only for the first franchise opened.

This is a cost the franchisee incurs in salaries & benefits, lodging, meals, travel, training materials and uniforms, etc. These fees vary based on salaries, training time, and chosen hotel & travel accommodations.

13. Opening Advertising. You agree to spend an amount we designate to you of $4,000 to $7,000 for an opening advertising campaign to promote the opening of your SD TECH business. The amount must be spent within thirty (30) days before opening and thirty (30) days after opening.

14. Additional Funds - 3 Months. You will need additional funds to cover expenses during your startup phase (approximately three months). However, the actual amount you will need will depend on a number of factors, including the number of employees, how well you control your initial expenses and your level of sales and marketing during the initial period.

The estimate of additional funds for the initial phase of your business is based on recurring expenses and operating expenses for the first three (3) months of operation. The estimate of additional Funds does not include an owner's salary or draw or staff salaries. The additional funds required will vary by your management skill, experience, and business acumen; the relative effectiveness of staff you may employ; local economic conditions; the local market for your services; the prevailing wage rate; competition; and the sales level that you reach in your Territory. You may incur other or higher costs or fees; you may also need operating capital when running the business that is in addition to what is estimated here. These figures are estimates based upon information provided to us from our affiliate franchise.

15. Total Estimated Initial Investment. Your Initial Investment will fall within the above estimated range. See the chart below, and Item 5, for an explanation of the increased initial investment for opening additional locations under an Area Development Agreement.

**YOUR ESTIMATED INITIAL INVESTMENT FOR AREA DEVELOPERS**

| Type of Expenditure | Amount | Method of Payment | When Due | To Whom Payment Is to be Made |
|---|---|---|---|---|
| Area Development Fee (Note 1) | $85,000 | One Installment | Signing Area Development Agreement | Us |
| Legal and Accounting | $2,500 - $5,000 | As Third Party Specifies | As Incurred | Attorney, Accountant |
| Additional Funds | $20,000 - $25,000 | As Arranged | As Incurred | Start-up capital, employees |
| **Total** (Note 2, 3) | $107,500 - $115,000 (excluding real property) | | | |

Note 1: The Area Development Fee listed above is for two (2) territories, the minimum number of territories required for an Area Development Agreement. The Area Development Fee for three territories is $105,000 and the Area Development Fee for each territory after your third is $20,000 per territory. The Area Development Fee is non-refundable and payable at the time of signing the Area Development Agreement.

The second location must be open within fourteen (14) months from your Opening Date of the first location. The third and each subsequent location must be open within fourteen (14) months of the Opening Date for each preceding location. The Area Development Fee is payable at the time of signing the Area Development Agreement.

Note 2: All fees payable to us are fully earned when paid and non-refundable. Area Development Fees are payable to us upon signing the Area Development Agreement.

Note 3: These payments are only estimates and your costs may be higher. We do not offer financing for your initial investment. The availability and terms of financing with third party lenders will depend upon factors such as the availability of financing generally, your credit-worthiness and policies of lending institutions concerning the type of business to be operated.

## ITEM 8

## RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

General

One of our prime objectives is to ensure quality control and to protect the image of SD TECH franchise system. The success of our system depends upon the high standards we demand for our business which includes uniformity of service and repair standards for all of our clients. In order to achieve these high standards, you are required to sell or offer for sale all products, items and services approved by us and you are not permitted to deviate from our standards and specifications by offering or selling unapproved products, items or services.

Site Selection and Lease of Premises

Pursuant to the Franchise Agreement, you must obtain our approval for the site of your SD TECH franchise. We have the right to approve the terms of any lease. Any lease that you sign must be exclusively for the operation of a SD TECH franchise, and must provide that upon termination or expiration of the franchise, for any reason, we or an affiliate will have the right, but not the obligation, to assume the lease, and replace you as tenant. If we exercise that right, we will fully indemnify you from liability for future rent and other future obligations under the lease (though not from liability for unpaid rent or any then-existing liabilities or obligations under the lease). You must agree to sign any document required to assign the lease to us or our designee (Exhibit "J" to the FDD).

Approved Partners & Vendors

Franchisor will require franchisees to utilize approved providers and manufacturers as referenced in the Franchise Operations Manual. Our President and Chief Executive Officer is the 100% owner of our affiliate, Ulmer Enterprises, Inc. which is the supplier of the 1Team Help Desk services for the first 12 months after opening. Ulmer Enterprises, Inc. is the only supplier affiliated with Franchisor, which is an approved supplier. Ulmer Enterprises, Inc. is the sole supplier of the 1Team Help Desk services for the first 12 months after the opening of the franchise. After the first 12 months the services of Ulmer Enterprises, Inc. are optional. The Franchisor is not an approved supplier and does not derive revenue, rebates or other material consideration based on required purchases or leases. During the year 2024 Ulmer Enterprises, Inc. revenue from required purchases was zero (0).

Purchase or Lease of Equipment, Furniture, Fixtures

You must use signs, furnishings, supplies, fixtures and equipment which comply with our standards and specifications. Specifications may include minimum standards for delivery, performance, design, and appearance, and local zoning, sign and other restrictions.

Specifications, Standards and Procedures

You agree to operate the SD TECH franchise business in strict conformity with our standards, specifications and procedures as described in the Franchise Agreement, the Operation's Manual and other written documents. You must equip, maintain, staff and operate SD TECH franchise business strictly in accordance with the methods, procedures and techniques we, from time to time, establish and publish in the Operation's

Manual and other written documents, which may be modified from time to time. The Operation's Manual may be printed or in electronic format, at our discretion. We have the right under the Franchise Agreement, to change standards, specifications and procedures applicable to the operation of the Franchise, including those for equipment, furniture, fixtures, signs, products, new techniques, use of new or modified logos, trade names, service marks, or copyrighted materials. You recognize our right to make any such modifications or changes and agree to accept, implement, use and display such changes and modifications at your expense. You agree that you will make all changes or modifications that we may require, within a reasonable time after notice from us.

Supplies

We reserve the right, under the Franchise Agreement, to require you to purchase certain items from us, our affiliate or an unaffiliated designated supplier. Our criteria for supplier approval is not available to you and we do not issue our standards and specifications to suppliers. We currently approve suppliers upon request submitted upon our "Supplier Approval Form" and payment of a supplier approval fee of $1,000. Based upon information and samples you supply us, we will test the items supplied and review the proposed supplier's financial records, business reputation, delivery performance, credit, and other information we request from you on the supplier. We will complete our review promptly, generally within 90 days. We have the right to revoke our approval of particular products or suppliers when we determine, in our sole discretion, that such products or suppliers no longer meet our standards. Upon receipt of written notice of such revocation, you must cease purchasing products from such supplier. You must use products purchased from approved suppliers solely in connection with the operation of your SD TECH franchise business and not for any competitive business purpose. Once we approve a supplier, we have the exclusive right to negotiate price terms directly with the supplier on your behalf and on behalf of all System franchisees. We may receive rebates from approved suppliers from time to time.

We attempt to negotiate purchase arrangements with suppliers (including price terms) for the benefit of all SD TECH franchises, however, we (or our affiliate) have the right to retain 100% of all discounts, rebates, commissions or other consideration paid by approved suppliers and to use them for whatever purposes we or our affiliate elect, and you may not claim any rights to such consideration. Franchisor will provide administrative and management services to source, interview, negotiate pricing, to achieve the highest health, safety and insurance protection for the benefits of its franchisees. For these management services, Franchisor will derive commissions, rebates and volume discounts for providing these management services to the franchise system.

As a SD TECH franchisee, you will be required to use our then current approved vendors, suppliers, and equipment manufacturers. We estimate that your required purchases will account for 80% to 90% of all purchases and leases necessary to establish the franchised business, and approximately 80% to 90% of all purchases and leases necessary to operate the franchised business after opening.

There are no purchasing or distribution cooperatives in existence at this time.

We may in the future negotiate rebates with any supplier. Any rebates negotiated will be used by us to offset the cost of administrative support to our franchisees.

**1Team Help Desk**

This service will include the inbound communication for client issues to include but not limited to: computer/network related issues, email or password related issues, *(anything computer related issue that a customer of franchisee might need support on)*. If you are a current Managed Service Provider (MSP) owner with existing technicians, you will have the ability to include the 1Team Help Desk to assist your clients.

The 1Team Help Desk Services are required for all franchisees for their first 12 months after opening. After the initial 12 months, the 1Team Help Desk Services are optional. The cost of the 1Team Help Desk is 36% of the gross monthly fee charged by the Franchisee for the service to the client for monthly service. If a

client does not have a monthly service agreement, then 36% of the fee charged for the service.

1Team VOIP Services – You are required to use our 1Team VOIP service. Franchisor will provide each franchisee and its clients with VOIP service, hardware and a service plan at the then current pricing.

SD TECH maintains the ownership rights to any National Franchisor, National Corporate accounts and/or any National Brands as well as any of their franchisees or affiliate stores/locations. SD TECH reserves the right to market, sell, manage, service or delegate any registered franchisor or/and corporate accounts at their sole discretion.

Advertising by Franchisee

You may not engage in any advertising program or use any other advertising, including local advertising placed on television, print or any other media (including but not limited to websites, online advertising, social media marketing or presence, digital marketing and sponsorships), or prepare or use any marketing materials, unless we have approved it in writing. All references to advertising, shall include, but shall not be limited to, electronic advertising, whether by internet, social media platforms or otherwise.

Insurance

You are required to obtain and work with an approved insurance company and will be required to obtain: worker's compensation insurance with limits in compliance with your state law and employer's liability insurance, with One Million Dollars ($1,000,000) limit, as well as such other insurance as may be required by statute or rule of the state in which the franchised business is located or operated.

Additionally, you must obtain comprehensive general liability insurance, employer's liability insurance, personal and advertising injury, Professional Liability (consulting) and product liability insurance with limits of One Million Dollars ($1,000,000) including the following coverages: broad form contractual liability, personal injury (employee and contractual exclusion); insuring us and you against all claims suits, obligations, liabilities and damages, including attorneys' fees, for actual or alleged personal injuries or property damage relating to the franchised business, provided that the required amounts herein may be modified from time to time by us to reflect inflation or future experience with claims; automobile liability insurance on company vehicles, including owned, hired and non-owned vehicle coverage, with a limit of at least One Million Dollars ($1,000,000); Employer Practices Liability insurance with a limit of at least One Million Dollars ($1,000,000);and loss of income insurance (in an amount sufficient to cover the royalty Marketing and Development Fund fees due under the Franchise Agreement, for a period of at least six months); rental value insurance (in an amount sufficient to cover the rents and other fees due the landlord and/or Merchants' Association under the lease, if any, during any period of business interruption or inability to operate the franchise) or such greater amounts of insurance as required by the lease for the franchise; additional insurance and types of coverage as may be required by the terms of any lease for the franchised business, or as may be required by us, including an umbrella policy with limits of One Million Dollars ($1,000,000).

All insurance policies must be issued by carriers rated A- or better by Alfred M. Best and Company, Inc. who are authorized to do business in the state where the franchise is located, must contain the types and minimum amounts of coverage, exclusions and maximum deductibles as we prescribe from time to time, must name us as additional insured, must provide for 30 days' prior written notice to us of any material modification, cancellation or expiration of such policy and must include all other provisions we may require from time to time.

Insurance policies shall indemnify both the Franchisee (as named insured), the Franchisor and any other parties having an insurable interest in either your operations or our operations as an Additional Insured from an actual or alleged claim by a third party caused by or occurring in conjunction with the operation of your SD TECH franchise or otherwise in conjunction with the conduct of business by you pursuant to the

Franchise Agreement. We reserve the right to adjust the limits of indemnification (up or down) or to require you to procure and maintain other additional coverage prescribed from time to time by us and issued by insurance carriers rated A- or better by Alfred M. Best and Company, Inc. We may increase the minimum liability protection requirements annually and require different or additional kinds of insurance to reflect inflation, changes in standards of liability or higher damage awards in public, product or motor vehicle liability litigation, or other relevant change in circumstances. You shall submit to us annually a copy of the certificate of, or other evidence of, the renewal or extension of such insurance policy or policies. We reserve the right to reject any policy with exclusions or sub limits that are not satisfactory to us.

You shall procure and maintain at your sole cost and expense a policy of Commercial Fire Insurance on a Special Form Basis providing for One Hundred Percent (100%) replacement cost of franchisee's Business Personal Property, Leasehold Improvements and Betterments and Real Property (including signs and plate glass). You shall also provide Business Interruption and Extra Expense on a One Hundred Percent (100%) co-insurance basis. We shall be named as loss Payee on the Business Interruption coverage on a primary basis so as to enable you to provide us with an uninterrupted stream of payments (as if you were still in operation) for a period of a minimum of six months.

You shall further carry any additional insurance covering such additional risks or providing higher limits as we may reasonably request.

If you at any time fail or refuse to maintain in effect any insurance coverage required by us, or to furnish satisfactory evidence thereof, we at our option and in addition to its other rights and remedies hereunder, may, but shall not be required to, obtain such insurance coverage on behalf of you, and you shall promptly execute any applications or other forms or instruments required to obtain any such insurance and pay to us, on demand, any costs and premiums incurred by us plus an administrative fee of 15% of that cost (See Items 8 and 11).

Sponsorships

Our franchise system will depend on a growing list of handpicked and highly qualified preferred vendors. These vendors will be important to you and to our corporate staff and any training and support programs we put in place. Each year, we will survey the customer service and pricing programs offered to our franchisees. Each preferred vendor may in the future be required to contribute to our annual corporate training budget. In exchange, each member may receive:

1. A listing on our company newsletter
2. Priority access to our franchisee directory
3. A tabletop banner at franchise training events
4. A 30-minute presentation at all local or regional training events

Except as described above, neither we nor any affiliate currently derive any revenue or other material consideration as a result of required purchases or leases, but we reserve the right to do so. There are currently no purchasing or distribution cooperatives. We do not currently negotiate purchase agreements with suppliers for the benefit of our franchisees nor provide you with material benefits based on your use of designated or approved sources.

## ITEM 9

## FRANCHISEE'S OBLIGATIONS

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

| | OBLIGATION | SECTION IN FRANCHISE AGREEMENT | SECTION IN AREA DEVELOPMENT AGREEMENT | DISCLOSURE DOCUMENT ITEM |
|---|---|---|---|---|
| a | Site selection and acquisition/lease | § 2 and 4 | § 5 | Items 6 and 11 |
| b | Pre-Opening purchases/leases | § 4, 5 and 6 | § 3, 4, 5 and 6 | Items 7, 8 and 11 |
| c | Site development and other pre-opening requirements | § 2, 4, 5 and 6 | § 3 and 5 | Items 6, 7 and 11 |
| d | Initial and ongoing training | § 3, 4 and 7 | None | Items 6, 7 and 11 |
| e | Opening | § 3.4, 5, 7, 11 and 15 | § 2, 3 and 4 | Item 11 |
| f | Fees | § 3, 6, 7 and 12 | § 4 | Items 5, 6 and 7 |
| g | Compliance with standards and policies/Operation Manual(s) | § 3, 4, 5, 6, 7, 9, 11, 12, 13 and 19 | § 3, 5, 7 and 8 | Items 11 and 17 |
| h | Trademarks and proprietary information | § 5, 8, 9, 11 and 12 | § 7 and 8 | Items 13, 14 and 17 |
| i | Restrictions on products/services offered | § 5, 8 and 11 | § 3, 5, 7 and 8 | Items 16 and 17 |
| j | Warranty and customer service requirements | None | None | None |
| k | Territorial development and sales quotas | None | § 2, 3 and 5 | Item 12 |
| l | Ongoing product/service purchases | § 5 and 11 | § 3, 5 and 8 | Item 8 |
| m | Maintenance, appearance and remodeling requirements | § 5 and 11 | § 3, 4, 5, 6 and 8 | Items 11 and 17 |
| n | Insurance | § 11 | § 3 and 12 | Items 6 and 8 |

| OBLIGATION | | SECTION IN FRANCHISE AGREEMENT | SECTION IN AREA DEVELOPMENT AGREEMENT | DISCLOSURE DOCUMENT ITEM |
|---|---|---|---|---|
| o | Advertising | § 5, 8, 11 and 12 | § 3, 7 and 8 | Items 6 and 11 |
| p | Indemnification | § 18 | § 12 | Item 6 |
| q | Owner's participation/ management/staffing | § 1, 5 and 7 | § 6 | Items 11 and 15 |
| r | Records/reports | § 3, 4, 6, 10, 11 and 13 | § 3, 4, 5 and 10 | Items 6, 11 and 17 |
| s | Inspections/Audits | § 6 and 14 | § 3, 5 and 10 | Items 6, 11 and 17 |
| t | Transfer | § 15 | § 11 | Item 17 |
| u | Renewal | § 3 | § 2 and 3 | Item 17 |
| v | Post termination obligations | § 16 and 17 | § 9 and 10 | Item 17 |
| w | Non-competition covenants | § 9, 10, 17 and 19 | § 7, 10 and 13 | Item 17 |
| x | Dispute Resolution | § 19 | § 13 | Item 17 |

## ITEM 10

## FINANCING

We do not offer, direct or indirect financing. We do not guarantee your note, lease or obligation.

## ITEM 11

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

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

Preopening Assistance

Before you begin operating your business:

(i) We will approve the location of your business and provide a territory containing a maximum population of 125,000 people or a 10 mile radius from the site, whichever is less, where we will not place another franchisee (Franchise Agreement, Section 4).

You must select a site for your business and submit the location for our approval within 45 days of signing your agreement, enter into a lease or purchase agreement within 120 days of signing your franchise agreement and be conducting business at the approved location within 180 days or your franchise may be terminated without any refund of fees or expenses. We will accept or reject a site you propose within 30 days. If we notify you that we will not accept a site, you must within the site selection period (45 days after execution of the Franchise Agreement), submit an alternative site. We are not obligated to accept any site outside the site selection period. Failure to obtain our approval of a site is a violation of your Franchise Agreement. We do not own any real estate locations that we would lease to you and will not be responsible for locating your business site (Franchise Agreement, Section 4).

In determining whether or not to approve any site you may propose for the franchised business, we will consider such factors as population and income level in the area, the number of comparable contiguous businesses, competition, zoning, general location and neighborhood, traffic patterns, parking, size, layout and other physical characteristics, and available square footage.

(ii) We will provide to you lists of approved and suggested suppliers for the goods and materials you will need to operate the Franchised Business (Franchise Agreement Section 5).

(iii) We will loan you copies of the Operating Manual and other documents containing reasonable, mandatory and suggested specifications, standards, operation rules established from time to time by us and information relative to your obligations and the operation of your franchise business (Franchise Agreement, Section 11).

(iv) We will provide preopening telephone support and assistance prior to opening your SD TECH franchise business, such as offering advice to you in the necessary tasks, steps and actions to open your franchise.

(v) We will provide you initial operational training pursuant to our Franchisee Certification Program which includes 36 hours of classroom training at our affiliate location in San Antonio, Texas. It is mandatory that the majority owner and/or operating partner, technician(s), complete the management training program. Our training program occurs after the signing of the Franchise Agreement and the Opening Date of your franchise. We do not have regularly scheduled dates for our training program. In the event Initial Training cannot be held at our training site due to any prevention, delay or stoppage resulting from governmental regulations, governmental controls, judicial orders, pandemic or other challenges preventing conduct of our training at the training site, we will conduct required training by electronic means.

(vi) We will suggest pricing to you for your franchise services and products.

(vii) We will also provide you a minimum of twenty-eight (28) hours of on-site Opening Training.

Franchisee Management Certification Training

**SD TECH New Franchisee Management Certification Training**

| Subject | Classroom Hours | On-Site Hours | Location |
|---|---|---|---|
| Welcome/Culture & Values | 4 | | San Antonio, TX |
| Brand Story & Image | 1 | | San Antonio, TX |
| Hardware Products and Related Services | 6 | | San Antonio, TX |

| Subject | Classroom Hours | On-Site Hours | Location |
|---|---|---|---|
| Hardware Q&A | 2 | | San Antonio, TX |
| Software Products and Platforms | 6 | | San Antonio, TX |
| Software Q&A | 2 | | San Antonio, TX |
| Leadership/Management/Culture (sales perspective) | 4 | | San Antonio, TX |
| Inventory (Purchasing/Receiving) | .5 | | San Antonio, TX |
| Marketing/Sales/Revenue Generation | 8 | | San Antonio, TX |
| Administrative (Payroll, Finance, Taxes) | .5 | | San Antonio, TX |
| Human Resources | .5 | | San Antonio, TX |
| 1Team Help Desk | 1.5 | | San Antonio, TX |
| **TOTALS** | **36** | **0** | |

Notes:

(1) We will provide initial franchisee management certification training at no additional charge to you. You must pay all travel and living expenses for you and your trainees. We may increase, decrease and/or adjust the above training program to the extent that we deem appropriate.

(2) Wes Ulmer and Shane Mishler are our primary trainers with over 40 years of combined relevant experience. Wes Ulmer and Shane Mishler's business experience is set out in Item 2. We may bring in additional trainers and speakers depending on availability. All trainers have at least six months of experience working in our franchise operations. Manuals will be used as our primary instructional material.

(3) Your designated trainees must also complete any then current training necessary required to service/repair IT equipment (or any of the other services offered by SD TECH) or show evidence of current certification. You will be responsible for all fees and other costs associated with the certification program.

(4) All of the above specifications and descriptions are subject to modifications as we may determine the need to do so.

**SD TECH New Franchisee Opening Training**

| Subject | Classroom Hours | On-Site Hours | Location |
|---|---|---|---|
| Welcome/Culture & Values | | 2 | Franchise Location |
| Marketing/Sales/Revenue Generation | | 14 | Franchise Location |

| Subject | Classroom Hours | On-Site Hours | Location |
|---|---|---|---|
| Hardware Products and Related Services | | 2 | Franchise Location |
| Software Products and Platforms | | 6 | Franchise Location |
| Training Recap and Q&A | | 4 | Franchise Location |
| **TOTALS** | **0** | **28** | |

Marketing and Technology Fund

We will maintain a Marketing and Technology Fund into which all franchisees will contribute 1% of Gross Revenue per month. The Fund may be increased up to 1.5% upon a thirty-day written notice. Monthly payments to the Marketing and Technology Fund will be made through our electronic funds transfer system described in Item 6. Our affiliate's current business as well as any future affiliate or company owned business will not contribute to the fund. Any business owned jointly or separately by any of our officers or directors will not contribute to the fund. The fund will be administered by us and there will be a yearly annual unaudited financial statement accounting for the placement of all Marketing and Technology Fund fees. We will not receive any payment or fee for providing services to the fund. Surplus funds at the end of any year will be carried over into the following year. Some advertising media will be generated by us and other items may be produced by selected agencies. We will determine in our sole discretion how and where the Marketing and Technology Fund will be spent, whether local, regional or national marketing. The fund will not be designated for the benefit of any specific franchisee, but for the benefit of the system as a whole as we may determine from time to time.

The Marketing and Technology Fund supports our National Consumer Website which also contains each franchisee's individual Location Website.

The National Consumer Website is the primary marketing "tool chest" for the entire franchise system. Its major purpose is to establish and promote our SD TECH brand that will attract retail business for our franchisees and provide an internet presence for each franchisee. We will benefit from contacts by new franchisee candidates through this website, and our franchise opportunity information and application pages will be present within the site. As with all other advertising materials, stationery and business cards, the site will also contain references to the fact that "Franchises Are Available" and that each franchise "Is Independently Owned and Operated." During the calendar year ending December 31, 2024 there were no Marketing and Technology Funds collected or expended.

National Consumer Website

The National Website contains basic information about the franchise system as well as our quality services offered by our franchise. Each franchisee receives the following direct benefits from the website:

1. Full Hosting and management services for your individual Location Website (location finder or microsite) which will provide your franchise with an internet presence, including your business address and telephone information, customer testimonials, photographs showing your personnel and franchise and other information about your local franchise. You do not have any responsibility or expense for designing, hosting, modifying, managing or operating this website presence;

2. Password Access for each franchisee to conduct all of its business-related E-mail Operations through the Location Website. However, the franchisee has no other control or management

authority except by sending requests to the website administrator to add or subtract information to or from the site, as approved by us. You may utilize only the website and Internet presence provided to you by us. You may not use any other form of website or other Internet advertising;

3. A listing of the franchisees in the Location Finder or Microsite portions of the National Website;

4. If an electronic funds withdrawal is denied and remains unpaid for a period of seven (7) days, your website account may be deactivated. We reserve the right to increase the Marketing and Technology Fund fee up to 1.5% of Gross Revenue each month upon a thirty (30) day written notice.

We may develop proprietary software or alternate sources to provide your Location Website hosting and/or other services. If so, we or our designee shall license the software to you and we may need to make a reasonable increase to the Marketing and Technology Fund fee as a result. You agree to pay the increased fee required by us and you will comply with all specifications and standards prescribed by us from time to time in our Operation's Manual.

Media Manager

You will have Subscription and Password access (included in your Marketing & Technology Fund Fee) to Downloadable Print and Digital Marketing materials and programs administered and managed by us for all downloadable newspaper, magazine and direct mail advertising materials and the ability to order television and radio advertisements and bulk advertising materials, as may be made available by us from time to time. There is no cost for downloadable materials, but you must pay the cost of video duplication and for the tagging, printing and shipping of all ordered products.

Graphic Designer

We will also provide you information on our approved Advertising and Graphic Design provider. In addition to the materials approved by us pursuant to the Marketing and Technology Fund, you may request the provider to create advertising materials on your behalf. If you do, you must pay the provider directly for the total cost of any such materials and the materials must be approved by us prior to being ordered by you.

We will decide the amount and nature of all expenditures of the Marketing and Technology Fund and how and where all expenditures are made. In accordance with Section 16 of the Franchise Agreement, services provided pursuant to this fund may be deactivated upon a franchisee's failure to pay the monthly fee in a timely manner and will be reinstated only when payments and penalties are brought current.

We do not maintain any other Advertising or Marketing Fund or any Advertising Council or Cooperative of any kind.

Online Accounting Software and Bookkeeping

The currently required online accounting software and bookkeeping system, which may change from time to time, is based on the QuickBooks Online system as described in our Operations manual and has been programmed to SD TECH Franchise Operations. The QuickBooks Online system will come to you preprogrammed and adapted to your specific location address and phone number. You may talk to the vendor and discuss upgrades (at your cost) if you desire a faster processing speed or other hardware. Technology is rapidly changing so the hardware specified by us may become out of date. The vendor is expected to be very cooperative in satisfying your specific needs.

There is a monthly service fee of $10 per month per employee (per unit) and $500 per month per location, which you will pay to the supplier of our approved software. Depending upon technology development and upgrade requirements, there may be an initial cost required. We require you to pay the monthly fee in order to help avoid any future problems with updating costs or services. All of the costs involved in the installation of your POS system and future updates are included in the estimates of your initial investment

as described in Item 7. Although we are very satisfied with the current POS system, we do reserve the right to alter or eliminate this system and/or to substitute another system if we determine to do so and you must at that time change to whatever program or system we prescribe at your sole cost and expense.

Business Facility Computer System, Programs and Printer

In order to be properly serviced by our Franchise Operations System (FOS) and for word processing, spreadsheets, internet access and general accounting and business operations purposes you must obtain the following:

1.) Network Equipment such as Ubiquiti
2.) Computer Workstations and Servers
3.) Business Grade Print Solutions
4.) Tablets such as Apple and Samsung
5.) SaaS Products such as M365, SentinelOne, Ironscales, Acronis, etc
6.) HaaS Equipment Financing (Alliance Funding Group or Great America)
7.) VoIP Hardware and Software such as Yealink and Bicom PBXware
8.) A/V Equipment such as TVs, Receivers and Projectors
9.) Low Voltage Cabling such as CAT5e and Fiberoptics
10.) Smart Cameras such as Ubiquiti
11.) Access Control Hardware and Software (SecuCast or Security)
12.) Accounting Software (Quickbooks Online)

Optional Goods and Services to be Purchased from Approved Vendors

1.) Monthly Accounting Services (Yoketax)
2.) Monthly Outsourced Sales (Arsenal Business Growth)

The equipment will cost approximately $2,000 to $4,000, unless you elect certain upgrades. We do not have any obligation to provide ongoing maintenance, repairs, upgrades or updates of your equipment.

You also must use general computer software that we designate to assist you in conducting your business. The general software you will need includes readily available programs such as WORD and Excel. None of these items are proprietary to us. We do not provide assistance in obtaining, installing or upgrading these items.

SD TECH Franchise Operations System

There may be in the future a required monthly fee to activate SD TECH franchise Operations System (FOS). It will be the company-wide communication system provided by us through the Website to enable timely and efficient transfer of information, instruction, training, conferences and overall management and communication purposes with our franchisees. The FOS will be provided to you with user and password access. We reserve the right to alter or eliminate this system and/or to substitute another system or method of communication, if we determine to do so.

QuickBooks Accounting Application

We require you to use the ONLINE version of QuickBooks as the accounting application for your franchise. The software is owned and developed by Intuit and is an online service.

You must comply with the requirements and standard processes to maintain accurate and up to date accounting records. You will provide monthly and other reports as determined by us, including updating master file records to comply with changes in accounting practices. As with all computer and internet information we have complete access to all of the information at all times.

The accounting support we provide includes responses to questions related to the accounting standards and general use of the software. The technical support for the software is provided by the QuickBooks hosting vendor.

Our Access to Your Location Systems

In order to maintain high quality standards, we reserve the right to audit and monitor each of our franchisee's locations at any time through physical or electronic access to all information of your computer systems, POS, FOS, surveillance and website systems and information referenced in this Item 11 and we reserve the right to use this information and data at our discretion, for our benefit and for the benefit of the franchise system as a whole. We have no plans to do so, but may in the future require you to purchase different or other software or hardware. In that event you will receive written notification and be given a reasonable time (not to exceed 60 days) in which to purchase the required software or hardware.(Franchise Agreement, Section 11).

Franchisee Operating Manual

We will loan you one copy of our Franchisee Operation's Manual ("Manual") which contains mandatory and suggested specifications, standards and operation procedures as we prescribe and may also include information relative to your Franchise Agreement. The Manual may be amended or modified from time to time to reflect changes in our System. You must keep the Manual confidential and current, and may not copy any part of the Manual. The table of contents for the Manual is listed in Exhibit "D". There are 154 pages in the Manual.

Franchisor has no obligation to assist franchisee in establishing prices, such as setting minimum and/or maximum prices at which the franchisee must sell products and services.

Time to Open

You must be open to the public within 180 days from the signing of the Franchise Agreement, subject to unavoidable delay or failure to perform [Force Majeure] (Franchise Agreement – Section 5).

You may not open your SD TECH franchise for business until: (1) we provide our approval that the franchise is being developed according to our specifications and standards; (2) pre-opening training of you and your personnel has been completed to our satisfaction; (3) you have completed all pre-opening marketing requirements; (4) the Initial Franchise Fee or Area Development Fee and all other amounts then due to us have been paid; (5) we have been furnished with copies of all required insurance policies, or such other evidence of insurance coverage and payment of premiums as we request; and (6) we have received signed counterparts of all required documents pertaining to your Site.

You must have signed a purchase or lease agreement within 120 days after the date of the Franchise Agreement (Franchise Agreement-Section 5). If you have signed an Area Development Agreement, you must open the second Territory within fourteen (14) months of the Opening Date of the first location.

Factors which may affect your time to open may include among other items, such matters as failure to sign a purchase or lease agreement as required in the Franchise Agreement. Failure to comply with required marketing or failure to provide us with all required site documents.

Other Conference/Training/Educational Events

Each person who signs the franchise agreement must attend our twenty-eight (28) hour on-site Franchisee New Opening training session and any Conferences scheduled from time to time as we may determine to be necessary, at our company headquarters in Texas or at a different location of our choosing. Conferences

will not exceed 3 days in length. If you purchase more than one franchise territory, then the manager from each location must attend the above sessions.

During the operation of your business, we will, upon your request and at your expense, and to the extent we have personnel available, send one or more members of our staff to the franchised business to provide additional follow-up assistance and training (Franchise Agreement - Paragraph 7.3).

## ITEM 12

## TERRITORY

Your Territory.

You will receive a geographic territory (the "Protected Territory") in which you will operate your SD TECH franchise business. During the Site Selection Period, you must obtain our acceptance of the Site, which must be located in the Site Selection Area. If we have not accepted the site and designated the Protected Territory before execution of the Franchise Agreement, you must, during the first 45 days of the Site Selection Period, submit to us for acceptance, and obtain our acceptance of your SD TECH franchise location. Your Protected Territory will be an area surrounding the franchise location with a maximum population of 125,000 people or a radius of 10 miles from the site, whichever is the lesser area. We reserve the absolute right to adjust the territorial boundaries as we determine to be necessary in our sole discretion. You must submit a proposed Site located in the Site Selection Area to us for acceptance during the first 45 days of the Site Selection Period. We use population data from the U.S. Census Bureau or another source we deem reliable to determine population. We will notify you of our acceptance or rejection of any proposed Site within 30 days of our receipt of all information we request. However, if you have submitted a proposed Site to us before the expiration of the Site Selection Period (45 days), and we have not notified you of our acceptance or rejection before expiration of the Site Selection period, we will have 30 additional days to notify you of our decision. You may not relocate your SD TECH franchise business without our prior written approval.

The Protected Territory will be designated by us once the franchise location is accepted by us and indicated as Exhibit G-Two to the Franchise Agreement. Once a site has been selected and lease negotiations entered into, a copy of the lease must be provided to us for our review and approval prior to execution. Our approval of the lease indicates only that we believe that its terms fall within the acceptable criteria we have established as of the time of our approval. (Franchise Agreement - Section 4, and Exhibits G-One and G-Two). Except for the rights we reserve below, we will not sell another franchise or open a company-owned SD TECH business in your Protected Area during the term of the Franchise Agreement. We may develop, use, and license within or outside your Protected Territory other products or services involving Marks other than those used in connection with the System. You may not solicit or market outside your Protected Territory by means of: (a) direct marketing by telephone, mail, flyers or other means; or (b) any marketing method which targets anywhere outside your Protected Territory, except for our written approval of television, radio and print advertising media that may incidentally have coverage outside your Protected Territory.

If a city is located within your Protected Territory, then you may utilize the name of the city in your marketing methods.

Your Franchise Agreement does not provide any rights of first refusal for additional locations. Except by written agreement with us, you do not receive the right to acquire additional franchises within your territory.

You may not perform any business, or actively market for clients geographically located outside your Protected Territory described in Exhibit "One A" of the Franchise Agreement. If you request and we approve your request in writing, to service clients in a territory outside your Protected Territory described

in Exhibit "One A", and subsequently withdraw our approval or award a franchise to another franchisee whose Protected Territory includes clients that you have been servicing, all information regarding those clients is to be immediately transferred to us. In addition you will immediately discontinue any and all solicitation of clients in said geographical area and will refer any request for service outside your Protected Territory to the franchisee who has acquired the franchise for the geographical area. You will receive no compensation for the cessation of services or delivery of information we require from you and your failure to comply with our written notice requiring cessation and client transfer is a default under your Franchise Agreement and you are required to remit 100% of the revenue to the franchisee whose Protected Territory including the clients you serviced after our written notice requiring cessation of services.

Rights We Reserve: Franchise Agreement

You will not receive an exclusive territory. You may face competition from other franchisees, from franchise we own, or from other channels of distribution or competitive brands that we control. You will not receive any compensation from franchisor for sales or products or services provided in your protected territory. We retain the rights to:

1. establish and grant to other franchisees the right to establish SD TECH franchises anywhere outside the Protected Territory, on such terms and conditions as we deem appropriate (even immediately outside the border of the Protected Territory), but not within the Protected Territory of your SD TECH franchise business you open under the Franchise Agreement and continue to operate under it;

2. operate, and grant franchises to others to operate businesses, whether inside or outside the Protected Territory, specializing in the sale of products or services, other than a Competitive Business or SD TECH franchise business, using some of the Marks and/or all of the Marks pursuant to such terms and conditions as we deem appropriate;

3. operate, and grant franchises to others to operate businesses or provide other services, whether inside or outside the Protected Territory, that do not use any of the Marks;

4. market and sell, inside and outside of the Protected Territory, through channels of distribution other than full service SD TECH franchises (like mail order, Internet or Intranet, Website or other forms of e-commerce or retail, all of which are designated ("Special Sites"). Special sites designated above are not granted a Protected Territory; and

5. purchase, merge, acquire, be acquired by or affiliate with an existing competitive or non-competitive franchise or non-franchise network, chain or any other business regardless of the location of that other business' facilities, and that following such activity we may operate, franchise or license those other businesses and/or facilities under any names or marks other than, while this agreement is in effect, the Marks, regardless of the location of these businesses and/or facilities, which may be within the Protected Territory or immediately outside its border.

There is no minimum sales quota for maintaining the Protected Territory granted for your franchise, or other circumstance that gives us the right to modify your territory, if you are otherwise in compliance with all of your agreements with us.

Area Development Agreement

We may, but are not required to, enter into an Area Development Agreement with you which provides for the development of a specified number of SD TECH locations within a defined geographic area over a specified term. An Area Development Fee for the geographic area is required, based upon the number of franchised territories developed. You must enter into the then-current Franchise Agreement for each SD TECH franchise business established under the Area Development Agreement. You are not entitled to additional development rights beyond those specified in the Area Development Agreement. You are responsible for submitting a complete site report for each franchise. Each site is subject to our acceptance,

which will not be unreasonably withheld. We also have the right to refuse to grant a franchise for a proposed SD TECH franchise business if you do not meet financial criteria established by us.

Area Development Agreement: Development Quota

Your Area Development Agreement will contain a Development Quota specifying a series of Development Periods, the number of franchised locations you must open during each Development Period and the cumulative number of franchised locations you must have opened through the end of the Development Period in question. Franchised territories will not count towards meeting the Development Quota for any Development Period until each has been fully developed and opened operations in accordance with the specific respective franchise agreements with us. We determine if any franchised location has "opened" for purposes of meeting the Development Schedule and any Development Quota for any Development Period. If a franchise is permanently closed after having been opened, you must develop and open a substitute franchise within one year from the date of its permanent closing separate and apart from the Development Schedule.

Rights We Reserve: Area Development Agreement

1. Your Development Territory is not exclusive; we retain the right to establish and grant our affiliate, subsidiaries or parent entity the absolute right to establish a SD TECH franchise business at a specific location or an area within the Designated Territory or to grant other franchisees the right to establish franchise locations within the Designated Territory, but if other franchisees desire to enter into a Franchise Agreement for a SD TECH franchise at a specific location or an area within the Designated Territory we will offer you a right of refusal to open your next scheduled SD TECH franchise at that specific location or area within the Designated Territory ("Right of Refusal Area") provided however if your Area Development Agreement for the Designated Territory was executed first in time (the first Area Development Agreement signed within the Designated Territory), your right of refusal shall be a First Right of Refusal for the specific location or area within the Designated Territory. If you entered into an Area Development Agreement second in time for the Designated Territory, your right of refusal shall be a Second Right of Refusal and you will not be offered the Right of Refusal Area unless the Developer with the First Right of Refusal did not accept the Right to Develop a franchise within the Right of Refusal Area. If there are any Developers which entered into an Area Development Agreement subsequent in time to a preceding Developer, they will be offered a right of refusal for the Right of Refusal Area only if the business preceding Developer refused the opportunity to develop a SD TECH franchise for the Right of Refusal Area; and you will have seven (7) days from the date of our notice offering you the right to develop your next franchise in the Right of Refusal Area, to provide us with your written commitment to accept the obligation to open your next SD TECH franchise business within the Right of Refusal Area and in addition you must find a site within forty-five (45) days which is acceptable to us and also enter into our Franchise Agreement for the location. You will then have one hundred eighty (180) days from the date of the Franchise Agreement to open the Franchised Location. You will not receive an exclusive territory. You may face competition from other Franchisees, from locations that we own, or from other channels of distribution or competitive brands we control. If you have signed a Area Development Agreement, you must open the second franchise within fourteen (14) months of the Opening Date of the first location. If the number of franchise locations to be developed is greater than two, then each franchise location required to be developed must be opened within fourteen (14) months of the Opening Date for each of the preceding SD TECH franchise you are required to open under the Area Development Agreement;

2. establish and grant to other franchisees the right to establish SD TECH franchises anywhere inside or outside the Designated Territory, on such terms and conditions as we deem appropriate (but not within the Protected Territory specified in the Franchise Agreement of any SD TECH franchise you operate under that Agreement and continue to operate);

3. operate and grant franchises to others to operate businesses, whether inside or outside the Designated Territory, specializing in the sale of products or provision of services, other than a Competitive

Business or SD TECH franchise, using certain of the Marks and pursuant to such terms and conditions as we deem appropriate;

4. operate and grant franchises to others to operate businesses, or provide other services, whether inside or outside the Designated Territory, that do not use any of the Marks;

5. market and sell, inside and outside of the Designated Territory, through channels of distribution other than SD TECH franchise (like mail order, Internet or Intranet, website or other forms of e-commerce or retail), all of which are designated ("Sites We Reserve"). Such Sites We Reserve are not protected and are not part of your Designated Territory; and

6. purchase, merge, acquire, be acquired by or affiliate with an existing competitive or non-competitive franchise or non-franchise network, chain or any other business regardless of the location of that other business' facilities, and that following such activity we may operate, franchise or license those other businesses and/or facilities under any names or marks other than, while this Agreement is in effect, the Marks, regardless of the location of these businesses and/or facilities, which may be within the Designated Territory or immediately outside its border.

Designated Area: Default Under the Area Development Agreement

We have the right to terminate a Area Development Agreement if you default under its terms or under the terms of any Franchise Agreement or other agreement you have with us. If you do not achieve the Development Quota specified in the Area Development Agreement, we, in our sole control, may, (but are not required to do so):

1. terminate the Area Development Agreement;

2. have the right to operate (directly or through affiliates) or grant franchises for the operation of franchises within the Designated Area;

3. reduce the Designated Area and the Development Schedule to a size and magnitude that we estimate you are capable of operating otherwise in accordance with the T Development Agreement.

## ITEM 13
## TRADEMARKS

Under the Franchise Agreement, we grant you the non-exclusive right to use the proprietary logo Mark set out below, in connection with your franchise for your use and only in the manner authorized and permitted by us. The Area Development Agreement does not grant you the right to use the proprietary Mark or System. You may not directly or indirectly contest our rights in the Mark.

The following "Mark" was registered on the principal register of the United States Patent and Trademark Office ("USPTO") as follows:

Design
Registration No.: 6971568
Registration Date: February 7, 2023

There is no pending infringement, opposition or cancellation involving the Mark; no known superior rights or infringing uses actually known to us that could materially affect your use of our Mark; and no pending material litigation involving the Mark. All affidavits and renewals required to be filed have been filed.

There are no currently effective agreements that significantly limit our rights to use or license the use of the Mark listed in this section in a manner material to the franchise to be sold.

The franchise agreement grants you the non-exclusive right to use our Mark to identify the products and services offered by us. We have the right to require you to modify or discontinue your use of any Mark. If we exercise this right, we will provide advance notice to all franchisees. We will have no liability or obligation for your modification or discontinuance of any Mark or promotion of a substitute trademark, service mark or trade dress.

You must follow our rules when using our Mark. You must receive our approval when choosing your corporate name and you cannot use the name SD Tech as part of the corporate or other legal entity name or with modifying words, designs or symbols without our consent. All of your usage of the Mark or name SD Tech and any goodwill you establish is to our exclusive benefit and you retain no right in the Mark or name SD Tech on termination or expiration of the franchise agreement. You must also obtain fictitious or assumed name registrations as we require, or under applicable law.

Neither the franchise agreement nor Area Development agreement contain any provisions under which we are required to defend or indemnify you against any claims of infringement or unfair competition arising out of your use of the Mark or name SD Tech. You must immediately notify us of any apparent infringement of or challenge to your use of any Mark or name SD Tech or claim by any person of any rights to any Mark. We will have the sole discretion to take any action we deem appropriate and will have the right to control exclusively, any litigation or UPTO or other administrative proceedings arising out of any infringement, challenge or claim or otherwise relating to any Mark. You must execute any and all instruments and documents, provide assistance and do such things as, in the opinion our counsel, may be necessary or advisable to protect our interest in any litigation or UPTO or other proceeding or otherwise to protect our interest in the Mark. We have no obligation under the franchise agreement or Area Development Agreement to protect you against or reimburse you for any damages for which you are held liable.

We may not be able to prevent anyone who began using the name SD TECH or the Mark or any variation thereof before our use of it from continuing their use of that name in the area of prior use. The name SD TECH may be in use by other businesses in the United States who are not our franchisees or in any way affiliated with us. You will be responsible for finding out whether the name SD TECH is already being used in your granted Territory. Under the Franchise Agreement you release us from any liability to you caused by any prior use of the name SD TECH or any variation thereof or the registered logo trademark by anyone else.

## ITEM 14

## PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents that are material to the franchise. We claim copyright protection of our Manuals and related materials, certain proprietary information, knowledge and know-how concerning the methods of operation of SD TECH franchise and promotional materials, although these materials have not been registered with the United States Registrar of Copyrights. These items are considered proprietary and

confidential and are considered our property and may be used by you only as provided in the Franchise Agreement

There are no agreements in effect which significantly limit our right to use or license the copyrighted materials.

Franchisee Operation's Manual(s)

During the term of the Franchise Agreement, we will loan to you at no charge a Confidential Operating Manual in which we assert a copyright interest. The Confidential Operating Manual(s), its supplements, and any other materials or information designated by us is confidential. You will not provide your employees access to the Confidential Operating Manual(s) unless necessary to operate your franchise territories.

You must use your best efforts to keep confidential all provisions in the Confidential Operating Manual(s), including any supplements or amendments that we provide. You are responsible for keeping your copy of the Confidential Operating Manual(s) up-to-date. The provisions in our master copy will control any disputes that arise. You agree to comply with every provision in the Confidential Operation's Manual(s) and every revision to the Confidential Operating Manual(s) that we may make from time to time, provided such revisions do not implement new or different requirements which alter the fundamental terms and conditions of the Franchise Agreement.

We will loan you a replacement copy if you lose or misplace your copy or supplements but we may require a reasonable replacement charge. You must not photocopy, scan, photograph or duplicate in any way from, or form, any part of the Confidential Operating Manual without our written consent.

Trade Secrets and Know-How

We will be disclosing to you certain proprietary information in our programs, systems, techniques manuals, and trade secrets as well as know-how and operating format related to our methods and materials. You will also use certain materials in the operation of your SD TECH franchise business in which we have a copyright interest. You, however, do not acquire any right or interest in such proprietary information.

You must not disclose any of our proprietary rights, information, or know-how, except as authorized in the Franchise Agreement. You must maintain adequate security in the control, use and handling of our proprietary materials as specified in the Confidential Operating Manual or in writing from us. All persons you employ who can access our proprietary materials are required to sign our approved Confidentiality Agreement (Exhibits "E" and "M"). All persons with an ownership or voting interest in an entity or Area Development Agreement and all individual franchisees who enter into Franchise Agreements or Area Development Agreements and any person employed by or under an independent contractor relationship with you who receives or who will receive any training by us or you which is directly or indirectly related to the System or involves any of the Confidential Information must sign our Approved Confidentiality, Non-solicitation and Non-competition Agreement (Exhibits "M" and "N"). You must immediately notify us of any unauthorized use of our trade secrets. We have complete authority under the Franchise Agreement and Area Development Agreement to take such action or inaction as deemed appropriate.

Failure to comply with the requirements of the Franchise Agreement and Area Development Agreement with respect to confidentiality will cause us irreparable injury and you agree to pay us an amount equal to the aggregate of our cost of obtaining specific performance of, or an injunction against violation of, the requirements of the Franchise Agreement and Area Development Agreement concerning confidentiality, including without limitation, reasonable attorney fees, cost of investigation and proof of facts, court expenses, and damages incurred by us.

## ITEM 15

## OBLIGATIONS TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

We require you to participate in the supervision of the franchise. We may, however, agree in writing to allow someone other than an owner to act as the on-premises manager. That person must complete our training program and cannot have any interest or business relationship with any of our competition and must sign a written agreement to maintain confidentiality of the proprietary information and trade secrets described in Item 14 and conform to the covenants not to compete as described in Item 17.

We may, in our sole discretion, allow franchisees or Area Developers to be corporations, limited liability companies or other entities subject to our approval; however, if a corporation, limited liability company or other entity is allowed to be a franchisee, the individual stockholders, members, etc. must personally guarantee the obligations under the Franchise Agreement and also agree to be personally bound by, and personally liable for, the breach of every provision of the Franchise Agreement, including confidentiality and non-competition provisions. Additionally, a principal owner of the business entity (with ownership of at least 10% of its voting securities) must have management responsibility and authority over the franchise on a day-to-day basis. If you are a partnership, each partner must personally guarantee your obligations under the Franchise Agreement and also agree to be personally bound by, and personally liable for, the breach of every provision of the Franchise Agreement. They must further agree to be bound by the confidentiality and non-competition provisions of the Franchise Agreement and agree to certain restrictions on their ownership interest. Non-individual franchisees that enter into Area Development Agreements are subject to these requirements as well. All persons with an ownership or voting interest in a non-individual franchise or Area Development Agreement and all individual franchisees who enter into Franchise Agreements or Area Development Agreements must execute a confidentiality/non-competition agreement in the form of our "Confidentiality, Non-solicitation and Non-Competition Agreement" (See Exhibits "M" and "N").

Each owner of a business organization will sign and deliver to us our standard form of Principal Owner's Guaranty, undertaking to be bound jointly and severally by all the provisions of the Franchise Agreement. The form of Guaranty is set out in Exhibit K to the Disclosure Document.

In addition to the Principal Owner's Guaranty, the spouse of each owner of a business entity will sign a spousal consent as set out in Exhibit G-Four of the Franchise Agreement.

Each owner of a business organization will also sign a confidentiality and non-competition agreement as set out in Exhibit M to the Disclosure Document.

## ITEM 16

## RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must use only those products, services, equipment, programs and other items in the operation of your franchise that we have designated in the Franchise Agreement, the Confidential Operating Manual(s), or specifically approved in writing unless, as to any one or more items, you are prohibited by local law or regulation or unless we have granted you our advance written approval to exclude some products, services or programs. If you would like to sell any product, service, equipment or program which is not a part of the System, then you must seek and obtain our advance written permission. If we grant our advance written approval, then the product, service, equipment or program in question will become a part of the System (though we will not be required to, but may, authorize it for sale at one or more other franchises). We may subsequently revoke our approval. We will own all rights associated with the product, service, equipment or program. You will not be entitled to any compensation in connection with it.

We may add to, delete from or modify the services, products, equipment, programs and other items which you can and must offer or we may modify the System. You must abide by any additions, deletions and modifications. There are no limits on our rights to make these changes. We may designate, prohibit or otherwise limit your use of music or other entertainment within SD TECH franchise. These requirements are set forth in greater detail in Item 8 of this Disclosure Document.

If at any time any Approved Products or any other components of the System are unavailable at your franchise for any reason, and you can affirmatively prove such unavailability, we will identify alternative products or other components of the System that you may offer at your franchise, only until such time as the Approved Product or other component of the System becomes available. When the Approved Product or other component of the System becomes available, you will be required to offer it at your franchise.

You may only sell System products and services at retail, and you may not engage in the wholesale sale and/or distribution of any System product, service, equipment or other component, or any related product or service.

## ITEM 17

## RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

### THE FRANCHISE RELATIONSHIP

| Provision | Section in Franchise Agreement | Section in Area Development Agreement | Summary |
|---|---|---|---|
| a. Length of the franchise term | Paragraph 2.1 | Paragraphs 2.1 and 3.3 | 10 years for Franchise Agreement; the Area Development Agreement varies depending upon the number of franchised territories to be opened. |
| b. Renewal or extension of the term | Paragraph 3.1 | Not Applicable | If you are in good standing and not in default under the Franchise Agreement, you may enter into a successor franchise agreement for a 10 year term, provided that: (i) you maintain possession of and agree to remodel and/or expand your franchised franchise, add or replace improvements, equipment and signs and otherwise modify your franchised franchise as we require to bring it into compliance with specifications and standards then applicable for a franchised franchise, or (ii) if you are unable to maintain possession of the Site, or if in our judgment your franchised franchise should be relocated, you secure substitute premises we accept, develop such premises in compliance with specifications and standards then |

| Provision | Section in Franchise Agreement | Section in Area Development Agreement | Summary |
|---|---|---|---|
| | | | applicable for your franchised franchise and continue to operate your franchised franchise at the Site until operations are transferred to the substitute premises. |
| c. Requirements for you to renew or extend | Paragraphs 3.1-3.5 | Not Applicable | Maintain Site or secure substitute Site, bring your franchised franchise into compliance with our then current specifications and standards, sign new Franchise Agreement and ancillary agreements, general releases (subject to state law), satisfactory completion of training and refresher programs, and pay us the fee. On renewal, you may be asked to sign a successor contract with materially different terms and conditions than your original Franchise Agreement. |
| d. Termination by you | None | None | None |
| e. Termination by us without cause | None | None | None |
| f. Termination by us with cause | Section 16 | Section 9 | We can terminate only if you commit one of several violations (subject to State Law, see Exhibit "P"). |
| g. "Cause" defined-defaults which can be cured | Section 16 | Section 9 | You have 5 days to cure health, safety or sanitation law violations, except we may require the immediate shut down of your franchised franchise in the event we deem such violation to be a health threat to anyone, 10 days to cure noncompliance with any provision other than Paragraph 16.2 of the Franchise Agreement or the System Standards. For the Area Development Agreement, you have 10 days to cure monetary defaults; 30 days to have vacated an attachment, seizure, writ, warrant or levy on any franchised franchise or any order appoint a receiver, trustee or liquidator of you or any franchised franchise; and 14 days to cure noncompliance with provision of the Area Development Agreement other than Section 9. |

| Provision | Section in Franchise Agreement | Section in Area Development Agreement | Summary |
|---|---|---|---|
| h. "Cause" defined – non curable defaults | Section 16 | Section 9 | Non curable defaults include material misrepresentation or omission, failure to complete training, failure to comply with management requirements, failure to obtain an approval of the franchise location within the time periods specified for such approvals, failure to enter into a lease or purchase agreement within 120 days or open the franchised franchise within 180 days, abandonment, unapproved transfers, conviction of or a plea of no contest to, a felony or other serious crime, violations of anti-terrorism laws of "blocking" of assets under anti-terrorism laws, dishonest or unethical conduct, unauthorized assignment of the Franchise Agreement or of an ownership interest in you or the franchised franchise, loss of the Site, unauthorized use or disclosure of the Confidential Operating Manual(s) or confidential information, failure to pay taxes, repeated defaults (even if cured), an assignment for the benefit of creditors or written admission of insolvency or inability to pay debts as they become due. Failure to meet the development obligations or pay any fees owed. |
| i. Your obligations on termination/nonrenewal | Section 17 | Section 10 | Obligations include payment of outstanding amounts, complete de-identification and return of confidential information (also see (r) below). Ceasing your development activities. |
| j. Assignment of contract by us | Paragraph 15.1 | Paragraph 11.1 | No restriction on our right to assign. |
| k. "Transfer" by you-definition | Paragraph 15.2 | Paragraph 11.2 | You, your owners or your affiliate(s)' voluntary or involuntary, direct or indirect assignment, sale, gift or other disposition of any interest in the Area Development Agreement, any Franchise Agreement, you, or franchised franchise. |

| Provision | Section in Franchise Agreement | Section in Area Development Agreement | Summary |
|---|---|---|---|
| l. Our approval of transfer by you | Paragraphs 15.2-15.5 | Paragraphs 11.2 and 11.3 | We have the right to approve all transfers, even to a Business Entity controlled by you. |
| m. Conditions for our approval of transfer | Paragraph 15.3 | Paragraph 11.4 | New franchisee qualifies, you pay us all amounts due, transferee and its managerial employees agree to complete training, transferee agrees to enter a new Franchise Agreement, transfer fee paid, we approve material terms, you subordinate amounts due to you, and you sign other documents we require-including general releases (also see "r" below). |
| n. Our right of first refusal to acquire your business | Paragraph 15.8 | Paragraph 11.5 | We can match any offer for an ownership interest in you, your Franchise Agreement or your franchised franchise provided that we may substitute cash for any form of payment at a discounted amount if an interest rate will be charged on any deferred payments, our credit will be deemed equal to that of any proposed purchaser, we will have no less than 60 days to prepare for closing and we receive all customary representations and warranties, as we specify. |
| o. Our option to purchase your business | Paragraph 17.5 | None | We have the option to buy your franchised franchise, including leasehold rights to the Site, at fair market value after our termination or your termination without cause, of the agreement (but not expiration). |
| p. Your death or disability | Paragraphs 15.5 and 15.6 | Paragraph 11.6 | Franchise or an ownership interest in you must be assigned to an approved buyer within 6 months and must be run by a trained manager during the period before the assignment. Assignment is subject to our right of first refusal. |
| q. Non-competition covenants during the term of the franchise | Paragraph 9.3 & Section 10 | Paragraph 7.3 | No interest in a Competitive Business, no controlling ownership interest in, or performance of services for, a Competitive Business anywhere. |

| Provision | Section in Franchise Agreement | Section in Area Development Agreement | Summary |
|---|---|---|---|
| r. Non-competition covenants after the franchise is terminated or expires | Paragraph 17.4 | Paragraph 10.2 | No interest in competing business for 2 years at, or within 15 miles of, the Site or within 15 miles of any other SD TECH franchise in operation or under construction (same restrictions apply after assignment). |
| s. Modification of the agreement | Paragraph 19.13 | Paragraph 13.13 | Franchise Agreement- No modifications except by written agreement, but Confidential Operating Manual(s) and System Standards are subject to change. |
| t. Integration/merger clause | Paragraph 19.13 | Paragraph 13.12 | Nothing in the agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document. |
| u. Dispute resolution by arbitration or mediation | Paragraphs 19.9 and 19.10 | Paragraphs 13.7 and 13.8 | Except for certain claims, all disputes must be mediated and arbitrated at our headquarters (subject to State Law, see "P"). |
| v. Choice of forum | Paragraph 19.8 | Paragraph 13.8 | Mediation/Arbitration in Bexar County, Texas |
| w. Choice of law | Paragraph 19.5 | Paragraph 13.5 | Texas law applies (subject to State Law, see Exhibit, "P"). |

See Exhibit P for state specific and other Addenda and Riders.

The provisions of the Franchise Agreement that provide for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).

## ITEM 18

## PUBLIC FIGURES

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

## ITEM 19

## FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a Franchisor to provide information about the actual or potential financial performance of its franchised and/or any franchisor-owned business, if there is a reasonable basis

for the information, and if the information is included in this disclosure document. Financial performance information that differs from that included in item 19 may be given only if: (1) a franchisor provides the actual records of an existing business you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

During the calendar years 2022, 2023 and 2024, our affiliate, Ulmer Enterprises, Inc. operated one (1) business in San Antonio, TX similar to the franchise offered in this disclosure document. The unaudited Annual Gross Revenue for our affiliate location is noted below.

| Gross Revenue | | |
|---|---|---|
| **2022** | **2023** | **2024** |
| $1,500,240.85 | $2,074,641.00 | $2,082,535.58 |

The source of revenue is from the unaudited financial statements of the one location. The above Annual Gross Revenue figures do not reflect the costs of sales, operating expenses or other cost and expenses that must be deducted from the average Annual Gross Revenue or Gross Sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised location. Franchisees or former franchisees, listed in Exhibit "B" and Exhibit "C", may be one source of this information.

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

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

Other than the preceding financial performance representation, we do not make financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Franchise Administration Department at 523 Med Ct., Suite 105, San Antonio, TX 78258 - 210-558-7385, the Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20

## OUTLETS AND FRANCHISEE INFORMATION

**Table 1**
**Systemwide Outlet Summary for 2022, 2023 and 2024**

| Outlet Type | Year | Outlets at the Start of Year | Outlets at the End of Year | Net Change |
|---|---|---|---|---|
| Franchised | 2022 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 0 |

| Outlet Type | Year | Outlets at the Start of Year | Outlets at the End of Year | Net Change |
|---|---|---|---|---|
| | 2024 | 0 | 1 | +1 |
| Company-Owned* | 2022 | 1 | 1 | 0 |
| | 2023 | 1 | 1 | 0 |
| | 2024 | 1 | 1 | 0 |
| **Total Outlets** | **2022** | **1** | **1** | **0** |
| | **2023** | **1** | **1** | **0** |
| | **2024** | **1** | **2** | **+1** |

*Although franchisor does not operate any company owned franchises, our affiliate operates one independent location in the State of Texas.

**Table 2**

**Transfers of Outlets from Franchisees to New Owners**

**(Other than the Franchisor) For 2022, 2023 and 2024**

| State | Year | Number of Transfers |
|---|---|---|
| **Total** | **2022** | **0** |
| | **2023** | **0** |
| | **2024** | **0** |

**Table 3**

**Status of Franchised Outlets for 2022, 2023 and 2024**

| State | Year | Outlets at Start of the Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations – Other Reasons | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|---|
| Texas | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| **Total** | **2022** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| | **2023** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| | **2024** | **0** | **1** | **0** | **0** | **0** | **0** | **1** |

**Table 4**

**Status of Company – Owned Outlets**

**For 2022, 2023 and 2024**

| State | Year | Outlets at Start of the Year | Outlets Opened | Outlets Reacquired from Franchisees | Outlets Closed | Outlets Sold to Franchisees | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|
| Texas | 2022 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 1 |
| **Total*** | **2022** | **1** | **0** | **0** | **0** | **0** | **1** |
| | **2023** | **1** | **0** | **0** | **0** | **0** | **1** |
| | **2024** | **1** | **0** | **0** | **0** | **0** | **1** |

*Although franchisor does not operate any company owned franchise, our affiliate operates one independent location in Texas.

**Table 5**

**Projected Openings as of December 31, 2024**

| State | Franchise Agreements Signed But Outlets Not Opened | Projected Franchised New Outlets in the Next Fiscal Year | Projected Company-Owned Outlets Opening in the Next Fiscal Year |
|---|---|---|---|
| Maryland | 0 | 1 | 0 |
| Texas | 0 | 3 | 0 |
| **Totals** | **0** | **4** | **0** |

Exhibit "B" lists the name of our current franchisees and the addresses and telephone number of each of their outlets as of date of issuance.

Exhibit "C" lists the name, city and state, and current business telephone number, or if unknown, the last known home telephone number for each franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who did not communicate with us within 10 weeks of the disclosure document issuance date.

If you buy this franchise, your contact information may be disclosed to other buyers if you leave the franchise system. No franchisees signed any confidentiality clauses during the last three fiscal years.

There are no trademark specific franchisee organizations associated with the franchise system being offered.

## ITEM 21

## FINANCIAL STATEMENTS

Attached as Exhibit "A" is our Audited Statement for the period ending December 31, 2024, December 31, 2023 and December 31, 2022. Also included are unaudited Financial Statements for the period ending May 31, 2025.

## ITEM 22

## CONTRACTS

The following agreements are attached as exhibits to this disclosure document:

Exhibit "E" Form of Key-Employee Manager Confidentiality Agreement

Exhibit "G" Form of Franchise Agreement

Exhibit "G-Five" State Amendment to Franchise Agreement

Exhibit "H" Form of Area Development Agreement

| | |
|---|---|
| Exhibit “H-One” | State Amendment to Area Development Agreement |
| Exhibit “I” | Form of Conditional Assignment of Telephone numbers and Listings |
| Exhibit “J” | Form of Conditional Assignment and Assumption of Leases |
| Exhibit “K” | Form of Principal Owner’s Guaranty |
| Exhibit “M” | Form of Confidentiality, Non-Solicitation and Non-Competition Agreement for Franchise Agreement |
| Exhibit “N” | Form of Confidentiality, Non-Solicitation and Non-Competition Agreement for Area Development Agreement |
| Exhibit “P” | State Specific and Other Addenda and Riders |
| Exhibit “Q” | Form of Release |

## ITEM 23
## RECEIPTS

See Exhibit “R” for detachable receipts.

**EXHIBIT "A" TO THE DISCLOSURE DOCUMENT**

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**FINANCIAL STATEMENTS**

**OF**

**SD TECH INTERNATIONAL, INC**

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SD TECH
SYSTEM DESIGN TECHNOLOGIES

# SD TECH INTERNATIONAL, INC

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2024, 2023 AND 2022

KEZOS & DUNLAVY
Certified Public Accountants
& Business Advisors

# SD TECH INTERNATIONAL, INC

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KEZOS & DUNLAVY
Certified Public Accountants
& Business Advisors

## *Independent Auditor's Report*

To the Shareholders
SD Tech International, Inc.
Austin, Texas

### *Opinion*

We have audited the accompanying financial statements of SD Tech International, Inc., which comprise the balance sheets as of December 31, 2024, 2023 and 2022, and the related statements of operations, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SD Tech International, Inc. as of December 31, 2024, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

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

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

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

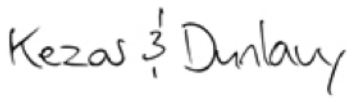
### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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



St. George, Utah
May 30, 2025

# SD TECH INTERNATIONAL, INC
## BALANCE SHEETS
## As of December 31, 2024, 2023, and 2022

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| **Assets** | | | |
| Current assets | | | |
| Cash and cash equivalents | $ 1,411 | $ 525 | $ 2,611 |
| Total current assets | 1,411 | 525 | 2,611 |
| Total assets | $ 1,411 | $ 525 | $ 2,611 |
| **Liabilities and Stockholder's deficit** | | | |
| Current liabilities | | | |
| Credit card payable | $ 5,682 | $ 4,242 | $ 95 |
| Payroll liabilities | - | - | 937 |
| Total current liabilities | 5,682 | 4,242 | 1,032 |
| Non-current liabilities | | | |
| Shareholder loan payable | - | 15,000 | 15,000 |
| Total non-current liabilities | - | 15,000 | 15,000 |
| Stockholder's deficit | | | |
| Common stock, $0.01 par value, 1,500 shares authorized, 1,500 shares issued and outstanding | 15 | 15 | 15 |
| Additional paid in capital | 193,935 | 111,185 | 49,985 |
| Retained losses | (198,221) | (129,917) | (63,421) |
| Total stockholder's deficit | (4,271) | (18,717) | (13,421) |
| Total liabilities and stockholder's deficit | $ 1,411 | $ 525 | $ 2,611 |

The accompanying notes are an integral part of these financial statements

# SD TECH INTERNATIONAL, INC
## STATEMENTS Of OPERATIONS
## For the Years Ended December 31, 2024, 2023, and 2022

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Revenue | $ - | $ - | $ - |
| Operating expenses | | | |
| Salary and wages | 59,152 | 59,181 | 56,607 |
| General and administrative | 3,102 | 2,380 | 737 |
| Professional fees | 6,050 | 4,935 | - |
| Total operating expenses | 68,304 | 66,496 | 57,344 |
| Net loss | $ (68,304) | $ (66,496) | $ (57,344) |

The accompanying notes are an integral part of these financial statements

# SD TECH INTERNATIONAL, INC
# STATEMENTS OF STOCKHOLDER'S EQUITY
For the Years Ended December 31, 2024, 2023, and 2022

| | Common Stock | | Additional | Retained | |
|---|---|---|---|---|---|
| | Shares | Amount | Paid-In Capital | Earnings | Total |
| Balance at January 1, 2022 | 1,500 | $ 15 | $ 49,985 | $ (6,077) | $ 43,923 |
| Net loss | - | - | - | (57,344) | (57,344) |
| Balance at December 31, 2022 | 1,500 | 15 | 49,985 | (63,421) | (13,421) |
| Paid-in capital | - | - | 61,200 | - | 61,200 |
| Net loss | - | - | - | (66,496) | (66,496) |
| Balance at December 31, 2023 | 1,500 | 15 | 111,185 | (129,917) | (18,717) |
| Paid-in capital | - | - | 82,750 | - | 82,750 |
| Net loss | - | - | - | (68,304) | (68,304) |
| Balance at December 31, 2023 | 1,500 | $ 15 | $ 193,935 | $ (198,221) | $ (4,271) |

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

# SD TECH INTERNATIONAL, INC
## STATEMENTS OF CASH FLOWS
## For the Years Ended December 31, 2024, 2023, and 2022

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net loss | $ (68,304) | $ (66,496) | $ (57,344) |
| Adjustments to reconcile net loss to net cash used by operating activities: | - | - | - |
| Changes in operating assets and liabilities: | | | |
| Credit card payable | 1,440 | 4,147 | - |
| Payroll liabilities | - | (937) | 362 |
| Net cash used by operating activities | (66,864) | (63,286) | (56,982) |
| Cash flows from financing activities: | | | |
| Proceeds from shareholder loan | (15,000) | - | 15,000 |
| Proceeds from shareholder contributions | 82,750 | 61,200 | - |
| Cash flows provided by financing activities | 67,750 | 61,200 | 15,000 |
| Net change in cash and cash equivalents | 886 | (2,086) | (41,982) |
| Cash and cash equivalents at beginning of period | 525 | 2,611 | 44,593 |
| Cash and cash equivalents at end of period | $ 1,411 | $ 525 | $ 2,611 |

The accompanying notes to the financial statements are integral part of these financial statements

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

*(a) Nature of Business*

SD Tech International, Inc (the "Company") was incorporated in the State of Texas on October 6, 2021. The Company franchises an IT business services concept. The Company commenced franchise operations in 2022.

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

*(b) Accounting Standards Codification*

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

*(c) Use of Estimates*

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

*(d) Cash and Cash Equivalents*

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. As of December 31, 2024, 2023 and 2022, the Company had cash and cash equivalents of $1,411, $525 and $2,611, respectively.

*(e) Long-Lived Assets*

Long-lived assets will be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Any impairment loss will be measured by the difference between the fair value of an asset and its carrying amount, and will be recognized in the period that the recognition criteria are first applied and met.

*(f) Income Taxes*

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

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

The Company adopted the provisions ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*. This provision prescribes recognition thresholds that must be met before a tax position is recognized in the financial statements and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Under the provision, an entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold. The Company did not make any adjustment to opening retained earnings as a result of the implementation.

Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. The Company's evaluation was performed for the tax years ended December 31, 2024, 2023 and 2022 for U.S. Federal Income Tax.

The Company's policy is to recognize interest and penalties related to income tax issues as components of income tax expense. The Company did not recognize or incur any accrual for interest and penalties relating to income taxes as of December 31, 2024, 2023 and 2022.

*(g) Financial Instruments*

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, and accounts payable, the carrying amounts approximate fair value due to their short maturities.

*(h) Concentration of Risk*

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

(2) Income Taxes

As of December 31, 2024, 2023 and 2022 the components of the deferred income tax asset are as follows:

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Deferred tax asset | | | |
| Net operating loss | $ 68,304 | $ 66,496 | $ 57,344 |
| Allowance on net operating loss | (68,304) | (66,496) | (57,344) |
| Net deferred tax asset | $ - | $ - | $ - |

Due to uncertainty regarding the Company's ability to generate sufficient future taxable income, a valuation allowance has been established against the deferred tax assets. The Company has evaluated its current and expected future profitability, and based on this assessment, it is not yet more likely than not that the deferred tax assets will be realized. As a result, a full valuation allowance has been recorded to reduce the amount of the deferred tax assets to zero.

The Company will continue to evaluate its future profitability and taxable income projections. If, in the future, it becomes more likely than not that the deferred tax assets will be realized, the valuation allowance may be adjusted or reversed, and the corresponding deferred tax asset will be recognized.

(3) Shareholder Loan Payable

During the year ended December 31, 2022, the sole shareholder of the Company advanced the Company $15,000 in cash to cover operating expenses. The loan was originally intended to be repaid when the Company's operating cash flows were sufficient and was classified as a long-term payable. In 2024, the shareholder agreed to convert the full amount of the loan into equity, and the balance was reclassified to paid-in capital.

(4) Commitments and Contingencies

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

In the opinion of management, all matters are of such kind, or involving such amounts of unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

(5) Subsequent Events

Management has reviewed and evaluated subsequent events through May 30, 2025, the date on which the financial statements were issued.

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OF FORM.

# Management Report

SD Tech International

For the period ended May 31, 2025

Prepared on

June 25, 2025

# Balance Sheet

As of May 31, 2025

| | Total |
|---|---|
| ASSETS | |
| **Current Assets** | |
| **Bank Accounts** | |
| Chase Checking 7923 | 330.57 |
| Chase Savings 1756 | 5.00 |
| **Total Bank Accounts** | **335.57** |
| **Total Current Assets** | **335.57** |
| **TOTAL ASSETS** | **$335.57** |
| LIABILITIES AND EQUITY | |
| **Liabilities** | |
| **Current Liabilities** | |
| **Credit Cards** | |
| American Express 1006 | 4,480.00 |
| Chase Card 9838 | 10,055.97 |
| **Total Credit Cards** | **14,535.97** |
| **Total Current Liabilities** | **14,535.97** |
| **Long-Term Liabilities** | |
| Shareholder Loan Payable | 171,200.00 |
| **Total Long-Term Liabilities** | **171,200.00** |
| **Total Liabilities** | **185,735.97** |
| **Equity** | |
| Member Contributions | 50,000.00 |
| Retained Earnings | -198,221.07 |
| Net Income | -37,179.33 |
| **Total Equity** | **-185,400.40** |
| **TOTAL LIABILITIES AND EQUITY** | **$335.57** |

# Profit and Loss % of Total Income

January - May, 2025

| | Total | |
|---|---|---|
| | Jan - May, 2025 | % of Income |
| INCOME | | |
| **Total Income** | | **0.00%** |
| GROSS PROFIT | **0.00** | **0.00%** |
| EXPENSES | | |
| Bank Charges | | |
| Bank Service Charges | 75.00 | |
| **Total Bank Charges** | **75.00** | |
| Interest Expense | 497.99 | |
| Office/General Admistrative Expense | | |
| Software & Apps | 1,023.23 | |
| **Total Office/General Admistrative Expense** | **1,023.23** | |
| Payroll Expenses | | |
| Officers' Salaries | 2,977.80 | |
| Payroll Employer Taxes | 2,430.64 | |
| Salaries & Wages | 19,933.42 | |
| **Total Payroll Expenses** | **25,341.86** | |
| Professional Fees | 1,498.75 | |
| Accounting Services | 2,100.00 | |
| Legal Services | 6,642.50 | |
| **Total Professional Fees** | **10,241.25** | |
| **Total Expenses** | **37,179.33** | **0.00%** |
| NET OPERATING INCOME | **-37,179.33** | **0.00%** |
| NET INCOME | **$ -37,179.33** | **0.00%** |

**EXHIBIT "B" TO THE DISCLOSURE DOCUMENT**

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**LIST OF FRANCHISEES & AREA DEVELOPERS**

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**List of Current Franchisees**
**As of December 31, 2024**

| FRANCHISEE | ADDRESS | PHONE |
|---|---|---|
| SchaeferTech LLC | 7918 Lattimer Pond<br>San Antonio, TX 78254 | (210) 314-2212 |

**List of Current Area Developers**
**As of December 31, 2024**

| FRANCHISEE | ADDRESS | PHONE |
|---|---|---|
| **None** | | |

**List of Company Locations**
**As of December 31, 2024**

| AFFILIATE* | ADDRESS | PHONE |
|---|---|---|
| **Texas** | | |
| Ulmer Enterprises, Inc. | 523 Med Ct., Suite 105<br>San Antonio, TX 78258 | (210) 558-7385 |

**EXHIBIT "C" TO THE DISCLOSURE DOCUMENT**

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**FRANCHISEES WHO HAVE LEFT THE SYSTEM**

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**List of Franchisees Who Have Left the System**

| FRANCHISEE | ADDRESS | PHONE |
|---|---|---|
| **None** | | |

**EXHIBIT "D" TO THE DISCLOSURE DOCUMENT**

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**FORM OF**
**CONFIDENTIAL OPERATING MANUAL**
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# SD TECH INTERNATIONAL, INC
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**EXHIBIT "E" TO THE DISCLOSURE DOCUMENT**

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**FORM OF**
**KEY-EMPLOYEE MANAGER CONFIDENTIALITY AGREEMENT**

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**CONFIDENTIALITY AGREEMENT AND**
**ANCILLARY COVENANTS NOT TO COMPETE**
**SD TECH INTERNATIONAL, INC**

This Agreement is made and entered into _____, 20__, between SD TECH INTERNATIONAL, INC a Texas Corporation ("Franchisor"), and if applicable, _____ ("Franchisee") and _____ ("Employee").

**RECITALS**

**WHEREAS**, Franchisor, as a result of the expenditure of time, skill, and money, has developed and is continuing to develop a system (the "System") for the development and operation of franchises under the name and Mark "SD TECH" (hereinafter "Business" or sometimes "Franchised Business"); and

**WHEREAS**, Franchisor identifies the System through certain trade names, trademarks, services marks, symbols, logos, emblems and indicia of origin, including, without limitation, the name "SD TECH" and other such trade names, trademarks and service marks as Franchisor may develop in the future for the purpose of identifying for the public the sources of services and products marketed under such marks and under the System and representing the System's high standards of quality, appearance and service, all of which may be changed, improved and further developed by Franchisor from time to time (collectively, the "Trade Secrets"); and

**WHEREAS**, the Trade Secrets provide economic advantages to Franchisor and are not generally known to, and are not readily ascertainable by proper means by Franchisor's competitors who could obtain economic value from knowledge and use of the Trade Secrets; and

**WHEREAS**, Franchisor has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of the Trade Secrets; and

**WHEREAS**, Franchisor has granted Franchisee a limited right pursuant to a Franchise Agreement to operate SD TECH Franchised Business using the System and the Trade Secrets for the period defined in the Franchise Agreement; and

**WHEREAS**, Franchisor and Franchisee have agreed in the Franchise Agreement on the importance to Franchisor and to the Franchisee and other licensed users of the System of restricting use, access and dissemination of the Trade Secrets; and

**WHEREAS**, it will be necessary for certain employees of Franchisee to have access to and use some or all of the Trade Secrets in the management and operation of Franchisee's Business using the System; and

**WHEREAS**, Franchisee has agreed to obtain from those employees written agreements protecting the Trade Secrets and System against unfair competition; and

**WHEREAS**, Employee wishes to remain, or wishes to become, an employee of Franchisee; and

**WHEREAS**, Employee wishes and needs to receive and use the Trade Secrets in the course of his/her employment to effectively perform his/her services for Franchisee; and

**WHEREAS**, Employee acknowledges that receipt of and the right to use the Trade Secrets in the course of his/her employment to effectively perform his/her services for Franchisee; and

**NOW THEREFORE**, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

## Confidentiality Agreement

1. Franchisor and/or Franchisee shall disclose to Employee some or all of the Trade Secrets relating to the System.

2. Employee shall receive the Trade Secrets in confidence, maintain them in confidence and use them only in the course of his/her employment by Franchisee and only in connection with the management and/or operation by Franchisee of the Franchised Business using the System for so long as Franchisee is licensed by Franchisor to use the System.

3. Employee shall not at any time make copies of any documents or compilations containing some or all the Trade Secrets without Franchisor's express written permission.

4. Employee shall not at any time disclose or permit the disclosure of the Trade Secrets except to other employees of Franchisee and then only to the limited extent necessary to train or assist other employees of Franchisee in the management or operation of a Franchised Business using the System.

5. Any and all information, know-how, knowledge, techniques and materials made available by Franchisor or by Franchisee under the Franchise Agreement, including without limitation, specifications, guidelines, procedures, cooking techniques, computer software, forms and compilations of data all of which shall be deemed confidential Trade Secrets for the purposes of this Agreement.

6. Employee shall surrender the Confidential Operations Manual(s) and such other manuals and written materials as Franchisor shall have developed ("Manual") described in the Franchise Agreement and any other written material containing some or all of the Trade Secrets to the Franchisee or Franchisor upon request, or upon termination of employment by Franchisee, or upon conclusion of the use for which the Manual or other information or material may have been furnished to the Employee.

7. Employee shall not, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Trade Secrets and the System.

8. The Manual is loaned by Franchisor to Franchisee for limited purposes only and remains the property of Franchisor and may not be reproduced, in whole or in part, without the Franchisor's written consent.

## Covenants Not to Compete:

1. To protect the goodwill and unique qualities of the System and confidentiality and value of the Trade Secrets, and in consideration for the disclosure to Employee further undertakes and covenants that while he/she is employed by Franchisee, he/she will not:

a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or customer or any Franchisor business to any competitor.

b. Own, maintain, engage in or have any interest in any business (other than the Franchised Business) which is the same as or similar to the Franchised Business including, but not limited to, any business offering or providing Managed IT Services, IT Support, VoIP System support, Microsoft Office 365 integration, Hosted Exchange Email, On-Site and Off-Site Backup support, New Construction turn key IT Build-Outs, Cloud Solutions and Migration, Home Automation and Smart Cameras or features any item offered by the Franchised Business.

2. In further consideration for the disclosure to Employee of the Trade Secrets and to protect the uniqueness of the System, Employee agrees that for two (2) years following the earlier of the expiration, termination or transfer of all Franchisee's interest in the Franchise Agreement or the termination of his/her relationship with Franchisee, the Employee will not, without prior written consent of Franchisor:

a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or customer of any Franchisor business to any competitor.

b. Own, maintain, engage in or have any interest in any business which is the same or similar to the Franchised Business including, but not limited to, any business offering Managed IT Services, IT Support, VoIP System support, Microsoft Office 365 integration, Hosted Exchange Email, On-Site and Off-Site Backup support, New Construction turn key IT Build-Outs, Cloud Solutions and Migration, Home Automation and Smart Cameras or that features any item offered by the Franchised Business, which is located within fifty (50) miles of the Franchised Business, or provides such services to customers within fifteen (15) miles of the perimeter of any Protected Territory of any franchisee operating under the System.

3. Divulge any trade secrets or proprietary information of the Franchisor or Franchised Business.

**Miscellaneous**

1. Franchisee undertakes to use his/her/its best efforts to ensure that Employee acts as required by this Agreement.

2. Employee agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisor shall be entitled to enforce this Agreement and shall be entitled, in addition to any other remedies which are available to it at law or in equity, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

3. Employee agrees to pay all expenses (including court costs and reasonable attorney fees) incurred by Franchisor or the Franchisee in enforcing this Agreement.

4. Any failure by Franchisor or the Franchisee to object to or take action with respect to any breach of this Agreement by Employee shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Employee.

5. **EXCEPT AS STATED BELOW, EMPLOYEE HEREBY IRREVOCABLY SUBMITS HIMSELF/HERSELF TO THE JURISDICTION OF THE STATE COURTS OF BEXAR COUNTY, TEXAS AND THE FEDERAL DISTRICT COURT FOR THE DISTRICT OF TEXAS IN WHICH SAN ANTONIO, TEXAS IS LOCATED. EMPLOYEE HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. EMPLOYEE HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM/HER IN ANY LEGAL PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY TEXAS OR FEDERAL LAW. EMPLOYEE FURTHER AGREES THAT VENUE FOR ANY LEGAL OR EQUITABLE PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE BEXAR COUNTY, TEXAS; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION FOR INJUNCTIVE OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY STATE OR FEDERAL DISTRICT COURT WHICH HAS JURISDICTION. WITH RESPECT TO ALL CLAIMS, CONTROVERSIES, DISPUTES OR ACTIONS, THIS AGREEMENT SHALL BE INTERPRETED AND CONSTRUCTED UNDER TEXAS LAW.**

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

7. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

8. All notices and demands required to be given hereunder shall be in writing and shall be sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage pre-paid or commercial airborne carrier service for next day delivery to the respective parties.

**If directed to Franchisor, the notice shall be addressed to:**

SD TECH INTERNATIONAL, INC

523 Med Ct., Suite 105

San Antonio, TX 78258

**If directed to the Franchisee, the notice shall be addressed to:**

_____

_____

_____

**If directed to the Employee, the notice shall be addressed to:**

_____

_____

_____

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by commercial airborne carrier service for next day delivery shall be deemed delivered two (2) business days after being placed in the hands of the commercial airborne carrier service. Any notices sent by certified or registered mail shall be deemed given three (3) business days after the time of mailing. Any change in the above addresses shall be affected by giving fifteen (15) days written notice of such change to the other party. Business day shall be defined as any day other than Saturday, Sunday or any recognized U.S. national holiday.

9. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its successors, assigns and transferees. The respective obligations of the Franchisee and the Employee hereunder may not be assigned by the Franchisee or Employee, as applicable, without the prior written consent of Franchisor.

[ Signatures on page that follows. ]

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by signatures below.

**FRANCHISOR:**

**SD TECH INTERNATIONAL, INC**

By: _____

Name: _____

Title: _____

**FRANCHISEE:**

_____

_____

_____

_____

**EMPLOYEE:**

_____ **(**Legal Seal)

Signature

Name: _____

**EXHIBIT "F" TO THE DISCLOSURE DOCUMENT**

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**LIST OF STATE AGENCIES/AGENTS**
**FOR SERVICE OF PROCESS**

---

| LIST OF ADMINISTRATORS | | |
|---|---|---|
| **STATE** | **ADDRESS** | **PHONE** |
| California – Los Angeles<br>Department/Commissioner of Financial Protection and Innovation | 320 West 4th Street, Suite 750<br>Los Angeles, CA 90013-1105 | 213-576-7500 |
| California – Sacramento<br>Department/Commissioner of Financial Protection and Innovation | 2101 Arena Boulevard<br>Sacramento, CA 95834 | 916-445-7205 |
| California – San Diego<br>Department/Commissioner of Financial Protection and Innovation | 1455 Frazee Road, Suit 315<br>San Diego, CA 92108 | 619-525-4233 |
| California – San Francisco<br>Department/Commissioner of Financial Protection and Innovation | One Sansome Street, Suite 600<br>San Francisco, CA 94104-4428 | 415-972-8559 |
| Hawaii | 335 Merchant Street, Room 203<br>Honolulu, HI 9813-2921 | 808-586-2722 |
| Illinois | 500 South Second Street<br>Springfield, IL 62706 | 217-782-4465 |
| Indiana | 200 W. Washington Street, Room 201<br>Indianapolis, IN 46204 | 317-232-6681 |
| Maryland<br>Office of the Attorney General<br>Securities Division | 200 St. Paul Place, 20th Floor<br>Baltimore, MD 21202-2020 | 410-576-6360 |
| Michigan | 525 W. Ottawa Street<br>Lansing, MI 48913 | 517-373-7117 |
| Minnesota | 85 7th Place East, Suite 280<br>St. Paul, MN 55101-2198 | 651-539-1600 |
| New York<br>New York State Department of Law<br>Investor Protection Bureau | 28 Liberty Street, 21st Floor<br>New York, NY 10005 | 212-416-8222 |
| North Dakota | 600 East Boulevard Avenue, 5th Floor<br>Bismarck, ND 58505 | 701-328-4712 |
| Rhode Island | 1511 Pontiac Avenue<br>Cranston, RI 02920 | 401-462-9587 |
| South Dakota | 124 S. Euclid, Suite 104<br>Pierre, SD 57501 | 605-773-3563 |
| Virginia<br>State Corporation Commission,<br>Division of Securities and Retail Franchising | 1300 E. Main Street, 9th Floor<br>Richmond, VA 23219 | 804-371-9051 |
| Washington | 150 Israel Road, SW<br>Tumwater, WA 98501 | 360-902-8760 |
| Wisconsin | 345 W. Washington Ave., Suite 300<br>Madison, WI 53703 | 608-267-9140 |

| AGENTS FOR SERVICE OF PROCESS | | |
|---|---|---|
| **STATE** | **ADDRESS** | **PHONE** |
| California<br>Commissioner of Financial Protection and Innovation | 320 West 4th Street, Suite 750<br>Los Angeles, CA 90013-1105 | 866-275-2677 |
| California<br>Commissioner of Financial Protection and Innovation | One Sansome Street, Suite 600<br>San Francisco, CA 94104-4428 | 866-275-2677 |
| Hawaii<br>Commissioner of Securities | 335 Merchant Street, Room 203<br>Honolulu, HI 9813-2921 | 808-586-2722 |
| Illinois<br>Illinois Attorney General | 500 South Second Street<br>Springfield, IL 62706 | 217-782-4465 |
| Indiana<br>Indiana Secretary of State | 200 W. Washington Street, Room 201<br>Indianapolis, IN 46204 | 317-232-6681 |
| Maryland<br>Maryland Securities Commissioner | 200 St. Paul Place, 20th Floor<br>Baltimore, MD 21202-2020 | 410-576-6360 |
| Michigan<br>Michigan Department of Commerce, Corporations and Securities Bureau | 525 W. Ottawa Street<br>Lansing, MI 48913 | 517-373-7117 |
| Minnesota<br>Commissioner of Commerce | 85 7th Place East, Suite 280<br>St. Paul, MN 55101-2198 | 651-539-1600 |
| New York<br>Secretary of State of the State of New York | One Commerce Plaza<br>99 Washington Avenue, 6th Floor<br>Albany, NY 12231-0001 | 518-473-2492 |
| North Dakota<br>Securities Commissioner | 600 East Boulevard Avenue, 5th Floor<br>Bismarck, ND 58505 | 701-328-4712 |
| Rhode Island<br>Director of Department of Business Regulation | 1511 Pontiac Avenue<br>Cranston, RI 02920 | 401-462-9587 |
| South Dakota<br>Director of Division of Securities | 124 S. Euclid, Suite 104<br>Pierre, SD 57501 | 605-773-3563 |
| Virginia<br>Clerk of the State Corporation Commission | 1300 E. Main Street, 1st Floor<br>Richmond, VA 23219 | 804-371-9051 |
| Washington<br>Director of Dept. of Financial Institutions | 150 Israel Road, SW<br>Tumwater, WA 98501 | 360-902-8760 |
| Wisconsin<br>Wisconsin Division of Securities | 201 W. Washington Ave. Suite 300<br>Madison, WI 53703 | 608-267-9140 |

**EXHIBIT "G" TO THE DISCLOSURE DOCUMENT**

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**FORM OF**
**FRANCHISE AGREEMENT**

---

# SD TECH INTERNATIONAL, INC

SD TECH
SYSTEM DESIGN TECHNOLOGIES

# FRANCHISE AGREEMENT

**SD TECH INTERNATIONAL, INC**
**FRANCHISE AGREEMENT**

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**SD TECH INTERNATIONAL, INC**
**FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (the "Agreement") is effective as of the _____ day of _____, 20___ (the "Agreement Date"). The parties to this Agreement are SD TECH INTERNATIONAL, INC, a Texas Corporation, with its principal business address at 523 Med Ct., Suite 105, San Antonio, TX 78258 (referred to in this Agreement as "Franchisor," "we," "us" or "our"), and _____, whose principal business address is _____ (referred to in this Agreement as "Franchisee," "you" or "your").

## 1. Introduction.

**1.1 SD TECH Franchise.** We and our affiliate have expended considerable time and effort in developing a business concept under the name SD TECH, offering commercial and/or residential customers with repair and/or servicing and/or delivery and/or assembly of Managed IT Services, IT Support, VoIP System support, Microsoft Office 365 integration, Hosted Exchange Email, On-Site and Off-Site Backup support, New Construction turn key IT Build-Outs, Cloud Solutions and Migration, Home Automation and Smart Cameras among other items. We operate under the Marks (defined below) and under distinctive business formats, methods, procedures, designs, layouts, signs, equipment, trade dress, standards and specifications, all of which we may improve, further develop or otherwise modify from time to time (collectively, the "System").

We use, promote and license certain trademarks, services marks and other commercial symbols in the operation of our franchise locations, including the trade name, trademarks and service marks "SD TECH" and other associated designs, artwork and trade dress, which have gained and continue to gain public acceptance and goodwill, and we may create, use and license additional trademarks, service marks and commercial symbols in conjunction with the operation of a SD TECH franchise (collectively, the "Marks"). We grant to persons who meet our qualifications and are willing to undertake the investment and effort, a franchise to own and operate one SD TECH franchise business offering the items and services we authorize and approve and utilizing the System. You have applied for a franchise to own and operate one SD TECH franchise.

**1.2 Confirmations.** You confirm and agree that:

a. you understand and accept the terms, conditions and covenants contained in this Agreement as being necessary to maintain our high standards of quality and service and the uniformity of those standards for each SD TECH franchise business and to protect and preserve the goodwill of the Marks;

b. you have conducted an independent investigation of the business venture contemplated by this Agreement and recognize that, like any other business, the nature of the business conducted by a SD TECH franchise may evolve and change over time;

c. in all of their dealings with you, our officers, directors, employees and agents act only in a representative, and not in an individual, capacity. All business dealings between you and such person as a result of this Agreement are solely between you and us; and

d. we have provided to you a copy of our Franchise Disclosure Document at least 14 calendar days prior to the execution of the Franchise Agreement or our receipt of any consideration from you.

**1.3 Representations.** You represent to us, as an inducement to our entry into this Agreement, that all statements you have made and all materials you have submitted to us in connection with your purchase of the franchise are accurate and complete and that you have made no misrepresentations or material omissions in obtaining the franchise. We have approved your request to purchase a franchise partially in reliance on all of your representations.

**1.4 Business Organization and Ownership Information.** If you have obtained our prior approval and Franchisee is a corporation, partnership, limited liability company or other form of legal entity, Franchisee and the owners agree, represent, and warrant and covenant that:

a. you have the authority to execute, deliver and perform your obligations under this Agreement and are duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation;

b. your organizational or governing documents will recite that the issuance and transfer of any ownership interests by you are restricted by the terms of this Agreement, and all certificates and other documents representing ownership interests in you will bear a legend referring to the restrictions of this Agreement;

c. Franchisee shall provide to Franchisor prior to the execution of this Agreement, true and correct copies, as applicable, of Franchisee's articles of incorporation, bylaws, partnership agreement, articles of organization and limited liability company operating agreement, or limited liability company agreement and other governing documents and amendments thereto, as well as resolutions of the Board of Directors, partners or members authorizing entry into and performance of this Agreement. During the term of this Agreement, Franchisee shall promptly provide to Franchisor true and correct copies of any amendments or other changes to such governing documents. No such documents shall contain any provision that is contrary to or inconsistent with any provision of this Agreement;

d. you and your owners agree to revise the Principal Owner's Statement as may be necessary to reflect any ownership changes and to furnish such other information about your organization or formation as we may request (no ownership changes may be made without our approval, which shall not be unreasonably withheld);

e. a Principal Owner of the Business Entity (with ownership of at least 10% of its voting securities) must: (i) have management responsibility and authority over SD TECH franchise business on a day-to-day basis; (ii) oversee SD TECH franchise business's operations; (iii) be bound by our then-current form of Confidentiality Agreement (or other form satisfactory to us); and (iv) satisfactorily complete our initial training program and any other training programs we request during the term; and

f. each of your owners during the term of this Agreement will sign and deliver to us our standard form of Principal Owner's Guaranty undertaking to be bound jointly and severally by all provisions of this Agreement and any other agreements between you and us. A copy of our current form of Principal Owner's Guaranty is attached to the Franchise Disclosure Document. The spouse of each of your owners will execute a spousal consent in the form attached hereto as Exhibit G-Four.

## 2. Grant and Term.

**2.1 Term.** The term of the Franchise and this Agreement begins on the Agreement Date and expires 10 years from the Agreement Date. This Agreement may be terminated before it expires in accordance with its terms.

**2.2 Grant.** Subject to the terms of and upon the conditions contained in this Agreement, we grant you a franchise (the "Franchise") to: (a) operate one SD TECH franchise business at the Site, and at no other location (temporary or permanent); (b) use the Marks solely in connection with operating SD TECH franchise business; and (c) use the System in its operation. Except as set forth in Paragraph 2.4 and its sub-paragraphs below, as long as you are in compliance with this Agreement, we will not grant a franchise to anyone else to operate, or ourselves operate, a SD TECH franchise business within the Protected Territory.

**2.3 Performance.** You agree that you will at all times faithfully, honestly and diligently perform your obligations, continuously exert your best efforts to promote and enhance SD TECH franchise business and not engage in any other business or activity that conflicts with your obligations to operate SD

TECH franchise business in compliance with this Agreement. You may not operate SD TECH franchise business from any location other than the Site without our prior written consent. At all times, either you or one of your Principal Owners must meet our qualifications for management responsibility and authority over the operations of SD TECH franchise business. In addition, at all times SD TECH franchise business must be managed by an operations/general manager who has satisfactorily completed our Initial Training program.

**2.4 Rights We Reserve.** Notwithstanding any of the foregoing, we (and our affiliate) retain the right in our sole discretion to:

a. establish, and grant to other franchisees the right to establish, SD TECH franchise businesses anywhere outside the Protected Territory, on such terms and conditions as we deem appropriate (even immediately outside the border of the Protected Territory), but not within the Protected Territory of your SD TECH franchise business you open under this Agreement and continue to operate under it;

b. operate, and grant franchises to others to operate, businesses, whether inside or outside the Protected Territory, specializing in the sale of products or provisions of services, other than a Competitive Business or a SD TECH franchise business, using certain of the Marks and pursuant to such terms and conditions as we deem appropriate;

c. operate, and grant franchises to others to operate businesses or provide other services, whether inside or outside the Protected Territory, that do not use any of the Marks;

d. market and sell, inside and outside of the Protected Territory, through channels of distribution other than SD TECH franchise businesses (like mail order, Internet or Intranet, website or other forms of e-commerce or retail), all of which are designated ("Sites We Reserve"). Such Sites We Reserve are not protected and are not part of your Protected Territory;

e. you agree that we have the right, now, or in the future, to purchase, merge, acquire, or affiliate with an existing competitive or non-competitive franchise network, chain, or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as "SD TECH" franchise businesses operating under the Marks or any proprietary marks or any of their marks following our purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which you acknowledge may be within the "Protected Territory" or proximate thereto, or proximate to any Franchisee location); and

f. You acknowledge and agree that we own all business records and databases, whether in print, electronic or other form, related to SD TECH franchise business, including without limitation, Customer Data and all other Business Records Franchisee creates and maintains. Franchisor has the right to contact Franchisee's former and current customers to ascertain their level of satisfaction. We hereby grant Franchisee a license to use the Business Records during the term of this Agreement. Franchisee may not use the Business Records for any purpose whatsoever other than in the normal conduct of SD TECH franchise business, and Franchisee may not sell, loan or give the Business Records, including without limitation, Customer Data, to anyone without Franchisor's written permission. Upon termination or expiration of this Agreement, Franchisee must promptly deliver to Franchisor all Business Records in Franchisee's possession, including without limitation, any hard or electronic copies.

We will have the right to assign this agreement, and all of its rights and privileges under this agreement, to any person, firm, corporation or other entity.

You agree and affirm that we may sell our self, our assets, Marks or other proprietary marks and/or our System to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations, or other entities, or be acquired by another corporation or other entity, and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, you

expressly and specifically waive any claims, demands or damages arising from or related to the loss of Franchisor's license to use the name(s), Marks, proprietary marks (or any variation thereof) and system and/or the loss of association with or identification of "SD TECH" under this Agreement. You specifically release any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing.

If we assign our rights in this Agreement, nothing herein shall be deemed to require us to remain in the same business or any business which we now conduct or to offer to sell any items, products or services to you.

## 3. Successor Terms.

**3.1 Your Right to Acquire a Successor Franchise.** This Agreement expires 10 years from the Agreement Date. Upon expiration, if you (and each of your owners) have substantially complied with this Agreement during its term, and provided that:

a. you maintain possession of and agree to remodel and/or expand SD TECH franchise business, add or replace improvements, equipment and signs and otherwise modify SD TECH franchise business as we require to bring it into compliance with specifications and standards then applicable for SD TECH Franchises; or

b. if you are unable to maintain possession of the Site, or if in our judgment SD TECH franchise business should be relocated, you secure substitute premises accepted by us, you develop such premises in compliance with specifications and standards then applicable for SD TECH franchise businesses and continue to operate SD TECH franchise business at the Site until operations are transferred to the substitute premises, then, subject to the terms and conditions set forth in this Section 3, you will have the privilege to apply for successor franchise agreements to operate the then existing SD TECH franchise business as a franchised SD TECH (a "Successor Franchise"), for additional ten (10) year periods for each successor franchise agreement, on the terms and conditions of the franchise agreement we are then using in granting Successor SD TECH Franchises for SD TECH franchise businesses, which may contain materially different terms and conditions than this Agreement.

**3.2 Grant of a Successor Franchise.**

a. Your Election: You agree to give us written notice of your election to acquire a Successor Franchise during the first 90 days of the 9th year of this Agreement or during the first 90 days of the 10th year of the term of any 10-year Successor Franchise. We agree to give you written notice ("Response Notice"), not more than 90 days after we receive your notice, of our decision:

(i) to grant you a Successor Franchise; or

(ii) to grant you a Successor Franchise on the condition that deficiencies of SD TECH franchise business, or in your operation of SD TECH franchise business, are corrected; or

(iii) not grant you a Successor Franchise based on our determination that you and your owners have not substantially complied with this Agreement during its term.

b. Response Notice: If applicable, our Response Notice will:

(i) describe the remodeling and/or expansion of SD TECH franchise business and other improvements or modifications required to bring SD TECH franchise business into compliance with the applicable specifications and standards for SD TECH franchise businesses; and

(ii) state the actions you have to take to correct operating deficiencies and the time period in which such deficiencies must be corrected.

If we elect not to grant a Successor Franchise, the Response Notice will describe the reasons for our decision. Your right to acquire a Successor Franchise is subject to your continued compliance with all of your terms and conditions of this Agreement through the date of its expiration, in addition to your compliance with the obligations described in the Response Notice.

c. Deficiencies: If our Notice states that you must cure certain deficiencies of SD TECH franchise business or its operation as a condition to the grant of a Successor Franchise, we will give you written notice of a decision not to grant a Successor Franchise unless you cure such deficiencies, not less than 90 days prior to the expiration of this Agreement. However, we will not be required to give you such notice if we decide not to grant you a Successor Franchise due to your breach of this Agreement during the 90-day period prior to its expiration. If we fail to give you:

(i) notice of deficiencies pertaining to SD TECH franchise business, or in your operation of SD TECH franchise business, within 90 days after we receive your timely election to acquire a Successor Franchise; or

(ii) notice of our decision not to grant a Successor Franchise at least 90 days prior to the expiration of this Agreement, if such notice is required.

We may extend the term of this Agreement for such period of time as is necessary in order to provide you with either reasonable time to correct deficiencies or 90 days' notice of our refusal to grant a Successor Franchise.

**3.3 Agreements/Releases.** If you satisfy all of the other conditions to the grant of a Successor Franchise, you and your owners agree to execute the form of franchise agreement and any ancillary agreements we are then customarily using in connection with the grant of Successor Franchises. You and your owners further agree to execute general releases, in the form attached to the Franchise Disclosure Document, of any and all claims against us and our shareholders, officers, directors, employees, agents, successors and assigns. Failure by you or your owners to sign such agreements and releases and deliver them to us for acceptance and execution within 60 days after their delivery to you will be deemed an election not to acquire a Successor Franchise.

**3.4 Training and Refresher Programs.** Our grant of a Successor Franchise is also conditioned on the satisfactory completion by you (or an Operating Partner and Operations Manager of yours approved by us) of any new training and refresher programs as we may reasonably require. You are responsible for travel, living and compensation costs of attendees.

**3.5 Fees and Expenses.** Our grant of a Successor Franchise is contingent on your payment to us of a Successor Franchise Fee of $5,000.

**3.6 Subsequent Successor Franchises.** The fees and other conditions for any later granting of subsequent Successor Franchises will be governed by the Successor Franchise agreement (then in existence).

## 4. Site Selection and Development.

**4.1 Site/Protected Territory.** Subject to local ordinances and zoning rules and regulations, we may permit you to locate SD TECH franchise business within your principal residence. Approval of Franchisee's principal residence as the Site does not hold Franchisor out as knowing or verifying Franchisee's local ordinances and zoning rules or regulations. If Franchisee does not use Franchisee's principal residence as the Site, the Franchisee must obtain Franchisor's approval for operating SD TECH franchise business at a location we have accepted.

**a.** Site Selection Area: During the first 45 days of the Site Selection Period, you must obtain our acceptance of an intersection of streets or other landmark that will form the center (the "Center") of the Site Selection Area. The Site Selection Area (the "Site Selection Area") will, following our acceptance of the Center, consist of the geographic area containing a maximum population of 125,000

people or a radius of 10 miles, whichever is the lesser area. When the Center and Site Selection Area are determined, we will complete Exhibit "G-One" and provide a copy of it to you.

**b.** Site Identification: Prior to the 45th day following the Agreement Date, you must identify your proposed Site (which must be located within the Site Selection Area) and submit it to us for our acceptance. If we notify you that we will not accept that proposed Site, you must, within the next 15 days of our notice rejecting that proposed Site (but prior to the expiration of the Site Selection Period), identify and submit to us an alternative proposed Site, for our review and acceptance within the Site Selection Area.

**c.** Site Acceptance: We are not obligated to evaluate or accept any proposed Site submitted to us for acceptance after the expiration of the Site Selection Period or outside the Site Selection Area. Once you have identified the Site and we have accepted it, and the lease has been reviewed and is acceptable to us, we will complete Exhibit G-Two and provide it to you. If you have not identified and obtained our acceptance of a Site prior to signing this Agreement, you (with or without our assistance) must, within the Site Selection Period, identify, submit to us and obtain our acceptance (in our sole judgment) of a Site for your SD TECH franchise business located within the Site Selection Area. However, if as of the expiration of the Site Selection Period we have yet to notify you whether we will accept or reject a Site that was submitted to us for review during the Site Selection Period, we will have 10 days following the end of the Site Selection Period to notify you of our decision to accept or reject that proposed Site. If we do not accept a Site during that 30-day period following the Site Selection Period, we will not be obligated to permit you to submit an alternative proposed Site to us.

**d**. Protected Territory: Upon our acceptance of the Site and lease, we will designate the "Protected Territory" which will consist of the geographic area containing a maximum population of 125,000 people (most recent U.S. Census), or a radius of 10 miles of the Site, whichever is the lesser area. After our acceptance of the Site, and the lease has been reviewed and is acceptable to us, we will insert that Site and the Protected Territory into Exhibit "G-Two" and send a copy to you.

**4.2 Site Evaluation.** Each proposed Site must be evaluated by us or by a professional site analyst that we have approved. The Site must meet our criteria, with which we will provide you, for demographic characteristics, traffic patterns, parking, competition from and proximity to other businesses and other SD TECH franchise business, the nature of other businesses in proximity to the site and other commercial characteristics and the size, appearance and other physical characteristics of the proposed site. We retain the right to accept or reject the floor plan for your site. We will accept or reject a Site you propose for a SD TECH franchise business within 10 days. We may rely entirely on the site analysis in doing so. You acknowledge and agree that:

**a.** our recommendation or acceptance of the Site, the Site Selection Area, or the Protected Territory does not imply, guaranty, assure, warrant or predict profitability or success, express or implied;

**b.** our recommendation or acceptance of the Site indicates only that we believe that the Site, the Site Selection Area and the Protected Territory fall within the acceptable demographic and other criteria for site selection areas, sites and premises or protected territories that we have established as of the time of our recommendation or acceptance of the Site, Site Selection Area or Protected Territory;

**c.** application of criteria that we have developed for our System or have appeared effective with respect to other sites and premises may not accurately reflect the potential for all sites and premises, and, after our acceptance of a site, demographic and/or other factors included in or excluded from our criteria could change or alter the potential of a site and premises; and

**d.** the uncertainty and instability of such criteria are beyond our control, and we will not be responsible for the failure of a premises, Site and Protected Territory we accept.

**4.3 Lease of Site.**

**a.** Lease of Site: You agree that you must enter into an acceptable lease agreement for the approved site within 120 days from the execution of this Franchise Agreement. In order for us to accept the lease, you agree to deliver copies of the proposed lease agreement and related documents to us prior to signing them. You agree not to sign any lease agreement or related documents (or any renewal of it) unless we have previously approved them. Our approval, which will not be unreasonably withheld, will be limited to ensuring that the lease is consistent with this Agreement. If we approve the lease, you agree to deliver a copy of the signed lease to us within 15 days after its execution along with the Lease Assignment.

**b.** Lease Assignment: When entering into such a lease, you and the lessor must sign our then-current form of Conditional Assignment and Assumption of Lease Agreement (the "Lease Assignment"). You will give the lessor our form of the Lease Assignment when you begin discussions with the prospective lessor. You agree not to sign any lease or renewal of a lease unless you have also obtained the Lease Assignment signed by the lessor.

**c. Mandatory Lease Terms:** We may require that the lease or any renewal contain certain provisions, including the following:

(i) a provision which expressly permits the lessor of the Site to provide us with all revenue and other information lessor may have related to the operation of your SD TECH franchise business as we may request;

(ii) a provision which requires the lessor to contemporaneously provide us with copies of any written notice of default under the lease sent to you and which grants to us, at our option, the right (but not the obligation) to cure any default under the lease (should you fail to do so) within 15 days after the expiration of the period in which you may cure the default;

(iii) a provision which evidences your right to display the Marks in accordance with the specifications required by the Confidential Operating Manual(s), subject only to the provisions of applicable law;

(iv) a provision which requires that any lender or other person will not disturb your possession of the Site so long as the lease term continues and you are not in default (along with such documents as are necessary to ensure that such lenders and other persons are bound);

(v) a provision which expressly states that any default under the lease which is not cured within any applicable cure period also constitutes grounds for termination of this Agreement;

(vi) a lease term which is at least equal to the initial term of this Agreement, either through an initial term of that length or right, at your option, to renew the lease for the full term of this Agreement; and

(vii) the premises must be operated as a SD TECH franchise business.

**d.** No Warranty: You acknowledge that our approval of the lease for the Site does not constitute a guarantee or warranty, express or implied, of the successful operation or profitability of a SD TECH franchise business operated at the Site. Such approval indicates only that we believe that the Site and the terms of the lease fall within the acceptable criteria we have established as of the time of our approval. You further acknowledge that we have advised you to have an attorney review and evaluate the lease.

**4.4 Ownership and Financing.** Instead of leasing a Site, you may propose to purchase, construct, own and operate a SD TECH franchise business on real property owned by you or through an affiliate. You must meet certain conditions if you or an affiliate own a Site or at any time prior to acquisition, or subsequently, you or your affiliates propose to obtain any financing with respect to the Site

or for your SD TECH franchise business or for any Operating Assets in which any of such items are pledged as collateral securing your performance. The form of any purchase contract with the seller of a Site and any related documents, and the form of any loan agreement with or mortgage in favor of any lender and any related documents, must be approved by us before you sign them. Our consent to them may be conditioned upon the inclusion of various terms and conditions, including the following:

**a.** a provision which requires any lender or mortgagee concurrently to provide us with a copy of any written notice of deficiency or default under the terms of the loan or mortgage sent to you or your affiliates or the purchaser;

**b.** a provision granting us, at our option, the right (but not the obligation) to cure any deficiency or default under the loan or mortgage (should you fail to do so) within 15 days after the expiration of a period in which you may cure such default or deficiency; and

**c.** a provision which expressly states that any default under the loan or mortgage, if not cured within the applicable time period, constitutes grounds for termination of this Agreement and any default under this Agreement, if not cured within the applicable time period, also constitutes a default under the loan or mortgage.

## 5. Development, Décor and Operating Assets.

**5.1 Development.** You are responsible for developing your SD TECH franchise business. We will furnish you with access to prototype design plans, specifications, and layout including requirements for design, color scheme, image, interior, layout and Operating Assets (which include equipment and signs). The floor plan layout you receive from us can be adapted to most spaces. You are obligated to have prepared all required construction plans and specifications to suit the shape and dimensions of the Site and to ensure that such plans and specifications comply with applicable ordinances, building codes and permit requirements and with lease requirements and restrictions. You agree to submit construction plans and specifications to us for approval before construction of SD TECH franchise business is commenced and, at our request, submit all revised or "as built" plans/specifications during the course of such construction. We may require that an architect designated by us oversee the finished plans before construction begins. At your request, to the extent we deem necessary, we will assist you in developing SD TECH franchise business by recommending contractors and architects and otherwise furnishing information to assist you in developing SD TECH franchise business in accordance with our specifications.

**5.2 Development Expenses.** You agree, at your own expense, to do the following with respect to developing SD TECH franchise business at the Site:

**a.** have complete and detailed construction drawings approved by an architect (both the drawings and your architect are subject to our approval);

**b.** secure all financing required to develop and operate SD TECH franchise business;

**c.** obtain all building, utility, sign, health, sanitation, business and other permits and licenses required to construct and operate SD TECH franchise business and pay all assessed impact fees;

**d.** construct all required improvements to the Site and decorate SD TECH franchise business in compliance with the plans, specifications and schedule we have approved;

**e.** purchase or lease and install all Operating Assets required for SD TECH franchise business; and

f. purchase an opening inventory of authorized and approved products, materials and supplies.

**5.3 Décor.** You agree that all décor of your SD TECH franchise business must be previously approved by us and must comply with our standards as described in the Confidential Operating Manual(s), which may be periodically revised. Your failure to maintain SD TECH franchise business décor in

compliance with our System and the standards described in the Confidential Operating Manual(s) constitutes a material breach of this Agreement.

**5.4 Operating Assets and Materials.** You agree to acquire all services, supplies, materials and products for use in connection with your SD TECH franchise business (collectively "Materials") and all equipment, signs and electronic or computerized devices and services (including computers, POS, e-mail, internet services, hardware and software) (the "Operating Assets") from suppliers we have previously approved. We will only approve suppliers whose Materials and Operating Assets meet the quality standards that we establish from time to time. You agree to only place or display at the Site (interior and exterior) such signs, emblems, lettering, logos and display materials that we periodically approve. We may require that you purchase or lease Operating Assets and Materials through any affiliate supplier and/or any form of a "business to business," e-commerce, Internet supply network that we may designate, establish or participate in from time to time. You also agree that we or our agents, at any reasonable time, may remove any Operating Asset from SD TECH franchise business, without compensation to you, if such Operating Assets are deemed by us or our agents to not be approved for use at SD TECH franchise business or be deemed to be a public health and/or safety risk. In the event such Operating Asset is removed, we may replace such Operating Asset or make arrangements to have such Operating Asset Serviced, repaired and/or cleaned at your expense. Any expense we incur will be due and payable by you to us upon demand.

**5.5 Changes to Approved Suppliers.** If you want to propose a new supplier of Materials or Operating Assets, you agree to submit to us, on our "Supplier Approval Form" and pay us a Supplier Approval Fee of $1,000 at the time you submit the "Supplier Approval Form", sufficient written information about the proposed new supplier to enable us to approve or reject either the supplier or the particular item and to be responsible for any expenses incurred in the process by us or you. We will have 30 days from receipt of the information to approve or reject the proposed new supplier or items. We may consider in providing such approval not just the quality standards of the products or services, but their delivery capabilities, financing terms and ability to service our franchise system as a whole. We may terminate or withhold approval of any Materials or Operating Assets, or any supplier of such item, that do not meet our quality standards by giving you written notice. If we do so, you agree to immediately stop purchasing from such supplier or using such Materials or Operating Assets in your SD TECH franchise business until we notify you that such supplier or such Materials or Operating Assets meet our quality standards. At our request, you agree to submit to us sufficient information about a proposed supplier and samples of proposed SD TECH Materials or Operating Assets for our examination so that we can determine whether they meet our quality standards. We also have the right to require our representatives to be permitted to inspect the proposed supplier's facilities at your expense. We reserve the right, at our option, to re-inspect or re-test from time to time the facilities and products, Operating Assets or other items of any approved supplier and to revoke approval upon a supplier's failure to meet any of our then-current criteria. Nothing hereinabove shall be construed to require us to approve any particular supplier. Your failure to comply with the provisions of Paragraph 5.5 shall be deemed a material breach under this Agreement. We have and reserve the right to receive compensation or other consideration from approved suppliers and service providers based on our or our franchisees' purchases from these suppliers and on our designating the supplier as an approved supplier even if these suppliers include these fees in their prices to us or our franchisees.

**5.6 Opening.** You agree not to open SD TECH franchise business for business until:

**a.** we approve SD TECH franchise business as developed in accordance with our specifications and standards;

**b.** pre-opening training of you and your personnel has been completed to our satisfaction including operator certification at our approved training site;

**c.** the Franchise Fee and all other amounts then due to us have been paid;

**d.** we have been furnished with copies of all insurance policies required by this Agreement, or such other evidence of insurance coverage and payment of premiums as we request or accept;

**e.** we have received signed counterparts of all required documents pertaining to your lease or acquisition of the Site;

**f.** if we, in our sole discretion approve you to be a business entity, we have received your Articles of Incorporation, Partnership Agreements and/or other organizational documents; and

**g.** any pre-opening marketing requirements have been completed to our satisfaction.

You agree to select a Site for SD TECH franchise business and submit the location for our approval with 45 days of signing this Franchise Agreement. You must enter into an approved Lease Agreement or Purchase Agreement within 120 days of signing this Franchise Agreement and be conducting business at the approved location within 180 days from the date of this Franchise Agreement.

## 6. Fees.

**6.1 Franchise Fee.** In consideration of our granting you a SD TECH franchise business, you agree to pay us a nonrefundable and fully earned Initial Franchise Fee of _____Dollars ($_____), payable on the Agreement Date. If you enter into an Area Development Agreement, instead of paying this Initial Franchise Fee you will pay us the amount of the Area Development Fee required to be paid under that agreement determined in accordance with the number of franchise businesses you agree to develop and you will execute a separate franchise agreement for each of the remaining franchises as they are developed by you.

**6.2 License Fee.** You agree to pay us a License Fee in the amount of 6% of your SD TECH franchise business's weekly Gross Revenue. We must receive the License Fee on or before the Payment Day of each week for the immediately preceding week.

**6.3 Electronic Funds Transfer and Payment Procedure.** We require you to pay all payments of the License Fee or any other amounts due us under this Agreement to us by electronic funds transfer. We will designate the day of each week (the "Payment Day") for the License Fee payment or payment of other amounts due us under this Agreement. We may designate different Payment Days for different amounts due us under this Agreement (e.g. License Fee, Marketing and Technology Fund fee, etc.). You agree to comply with the procedures we specify in our Confidential Operating Manual(s) and perform such acts and sign and deliver such documents as may be necessary to accomplish payment by this method. You will give us authorization, in a form that we designate, to initiate debit entries or credit correction entries to SD TECH franchise business's bank operating account (the "Account") for payments of License Fees, the Marketing and Technology Fund fee, and other amounts due under this Agreement, including any applicable interest charges. You will make the funds available in the Account for withdrawal by electronic transfer no later than the Payment Day. The amount actually transferred from the Account to pay License Fees and the Marketing and Technology Fund fees, will be based on your SD TECH franchise business's Gross Revenue reported to us. If you have not reported your SD TECH franchise business's Gross Revenue for any reporting period, we will transfer from your Account an amount calculated in accordance with our reasonable estimate of your SD TECH franchise business's Gross Revenue during any such reporting period, provided, however that the minimum amount will be five hundred dollars ($500) per week that we will debit if you have not reported Gross Revenue in the reporting period. If we determine at any time that you have under-reported Gross Revenue or underpaid License Fees or other amounts due to us, we will be authorized to immediately initiate a transfer from the Account in the appropriate amount in accordance with the foregoing procedures, including applicable interest and late charges. Any overpayment will be credited to the Account through a credit, effective as of the first reporting date after you and we determine that such credit is due. A fee of one hundred dollars ($100) per occurrence will be due to us for each insufficient electronic funds transfer.

**6.4 Definition of "Gross Revenue".** As used in this Agreement, the term "Gross Revenue" means all revenue you derive from operating your SD TECH franchise business, including, but not limited to, all amounts you receive at or away from the Site from any activities or services whatsoever including any that are in any way associated with the Marks, and whether from cash, check, barter, credit or debit card or credit transactions, including the redemption value of gift certificates redeemed by you regardless of whether such gift certificates are issued by you or someone else; but excluding (1) all federal, state or municipal sales, use or service taxes collected from customers and paid to the appropriate taxing authority and (2) customer refunds, adjustments, credits and allowances actually made by SD TECH. Gross Revenue also includes the aggregate of revenues from the sale of merchandise, goods, wares, services and products from all sources in connection with SD TECH franchise business.

**6.5 Interest on Late Payments.** All amounts which you owe us will bear interest after their due date at the annual rate of 18% or the highest contract rate of interest permitted by law, whichever is less. You acknowledge that we do not agree to accept any payments after they are due nor commit to extend credit to, or otherwise finance your operation of, SD TECH franchise business. Your failure to pay all amounts when due constitutes grounds for termination of this Agreement, as provided in Section 16 of this Agreement.

**6.6 Late Payment Penalties.** All License Fees, the Marketing and Technology Fund fee, amounts due for purchases by you from us, and any interest accrued thereon, and any other amounts which you owe us, or our affiliate, are subject to a late payment fee of 1.5% per month of the amount due, but not to exceed the maximum allowed by law. The late payment fee is due immediately on any delinquent payments. The provision in this Agreement concerning late payment fees survives termination or expiration of this Agreement and does not mean that we accept or condone late payments, nor does it indicate that we are willing to extend credit to, or otherwise finance the operation of, your SD TECH franchise business.

**6.7 Application of Payments.** Notwithstanding any designation you might make, we have sole discretion to apply any of your payments to any of your past due indebtedness to us. You acknowledge and agree that we have the right to set off any amounts you or your owners owe us against any amounts we might owe you or your owners.

**6.8 Payment Offsets.** We may offset from any amounts that we may owe you any amount that you owe to us for any reason whatsoever, including without limitation, License Fees, the Marketing and Technology Fund fee, late payment penalties and late payment interest, amounts owed to us for purchases or services or for any other reason. Thus, payments that we make to you may be reduced, in our discretion, by amounts that you owe to us from time to time. In particular, we may retain any amounts that we have received for your account as a credit and payment against any amounts that you may owe to us at any time. We will notify you monthly if we do so.

**6.9 Discontinuance of Service.** If you do not pay amounts due to us timely under this Agreement, we may discontinue any services to you, without limiting any of our other rights in this Agreement.

**6.10 Territory Extension Fee.** We may in our sole discretion and for an additional fee of $25,000 extend your Protected Territory up to an additional 100,000 people or up to an additional 5 mile radius from the Protected Territory, whichever is the lesser additional area. The Territory Extension Fee is payable on the Agreement Date and is nonrefundable and fully earned when paid. You agree that the grant of the extended territory hereunder is the sole consideration for payment of the Territory Extension Fee.

**6.11 Franchise Store Start-Up Kit.** You agree to pay us a non-refundable Franchise Store Start-Up Kit fee of One Thousand Five Hundred Dollars ($1,500), payable on the Agreement Date. The Franchise Store Start-Up Kit consist of a Network Stack (UDM PRO/24 Port PoE Switch Access Point). The Franchise Store Start-Up Kit does not include licenses which you must purchase directly from the Licensor.

**6.12 Franchise Employee Start-Up Kit.** You agree to pay us a non-refundable Franchise Employee Start-Up Kit fee on the Agreement Date of Two Thousand Five Hundred Twenty-Five Dollars ($2,525) per employee (Principal Owner included). The Franchise Employee Start-Up Kit will consist of five (5) Polos, five (5) T-Shirts, Two Thousand Five Hundred (2,500) Business Cards, one (1) Laptop, one (1) Yubi key and onboarding.

**6.13 Advertising Start-Up Kit.** You agree to pay us a non-refundable Advertising Start-Up Kit fee on the Agreement Date of Four Thousand Four Hundred Seventy-Five Dollars ($4,475). The Advertising Start-Up Kit consist of Two Thousand five hundred (2,500) Sales Rack cards, two hundred fifty (250) mousepads, twenty-five (25) network rack stickers, two hundred fifty (250) marketing pens, one (1) landing page, thirty (30) SEO domains and back links and one (1) or more Social Media accounts.

**6.14 1Team Help Desk**. Commencing on the date you open for business and twelve months thereafter, you agree to pay us a 1Team Help Desk fee in the amount of 36% of the monthly service agreement charges for monthly services provided to each of your clients. If a client does not have a monthly service agreement, then 36% of the gross fee charged for the service. After the twelfth month period, you may request us to continue your monthly Help Desk for the same monthly fee of 36% of the monthly service agreement charges for monthly services provided to each of your client s or 36% of the gross fee charged for the services if a client does not have a monthly service agreement. We may discontinue the 1Team Help Desk at any time.

## 7. Training and Assistance.

**7.1 Training.** Before SD TECH franchise business opens, we or our designee will furnish the initial thirty-six (36) hours of classroom training ("Initial Training") to you and/or your Operating Manager (or, if you are a Business Entity, your primary operating manager (the "Operating Manager"). The Operating Manager of SD TECH franchise business must successfully and fully complete the Initial Training and pass the training certificate process (the "Training Certificate") conducted at one of our affiliate franchise business in Texas. Although we, or our designee, will furnish the Initial Training to the Operating Manager and you at no additional fee or other charge, you will be responsible for all travel and living expenses which the Operating Manager and you incur in connection with the training. You must pay us a fee in the amount of $350 per day for each replacement Trainee trained by us, or our designee, or each person provided the Initial Training by us, or our designee, other than the initial trainees.

**7.2 Opening On-Site Assistance.** We, or our designee, will provide assistance for a total of twenty–eight (28) hours of On-Site Assistance. You must pay for motel/hotel, transportation and expenses incurred with the provision of such services. We do not provide opening on-site assistance if you enter into an Area Development Agreement and have opened at least one SD TECH franchise business pursuant to the Area Development Agreement.

**7.3 Ongoing Assistance.** We will provide continuing advisory assistance to you in the operation, and promotion of SD TECH franchise business as we deem necessary. We, or our designee, will also provide additional or refresher training programs for you and your employees as we deem appropriate. We will provide you, from time to time with advice and materials concerning techniques of managing and operating SD TECH franchise business. At your request, we will make additional or refresher training in form and content as we deem appropriate available at your SD TECH franchise business or at other locations we designate for an additional fee (the "Additional Training Fee") at the rate of $350 per trainer, per day plus travel and living expense, minimum of one (1) day charge.

**7.4 Additional Training.** If, at any time after SD TECH franchise business opens, you hire additional management personnel or replace one or more of your Operating Partners/Principals, you must ensure that such new employees are satisfactorily trained and certified at an approved training franchise business at your expense. You agree to furnish meals to our, or our designee's, training personnel when they are at your SD TECH franchise business, at no cost to us. We may require the Trainees and/or other

previously trained and experienced managers or employees attend periodic refresher training courses at such times and locations that we designate. You must pay to us, or our designee, the Additional Training Fee set forth in Paragraph 7.3.

**7.5 General Guidance.** We will advise you from time to time regarding the operation of SD TECH franchise business based upon reports you submit to us or inspections we make. In addition, we will furnish guidance to you with respect to:

**a.** standards, specifications and operating procedures and methods utilized for SD TECH franchise businesses;

**b.** purchasing required equipment, signs, products, materials and supplies;

**c.** use of suppliers, approved products, volume buying;

**d.** advertising and marketing programs;

**e.** employee training; and

**f.** administrative, bookkeeping and accounting procedures.

Such guidance will, at our discretion, be furnished in our Confidential Operating Manual(s), bulletins or other written materials and/or during telephone consultations and/or additional training.

## 8. Marks.

**8.1 Ownership and Goodwill of Marks.** Your right to use the Marks is derived solely from this Agreement and limited to your operation of SD TECH franchise business at the Site pursuant to and in compliance with this Agreement and all System Standards we prescribe from time to time during its term. Your unauthorized use of the Marks will be a breach of this Agreement and an infringement of our rights in and to the Marks. You acknowledge and agree that your usage of the Marks and any goodwill established by such use will be exclusively for our benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate SD TECH franchise business in compliance with this Agreement). All provisions of this Agreement apply to any additional proprietary trade and service marks and commercial symbols we authorize you to use.

**8.2 Limitations on Your Use of Marks.** You agree to use the Marks as the sole identification of SD TECH franchise business, except that you agree to identify yourself as the independent owner in the manner we prescribe in the Confidential Operating Manual(s) or otherwise. We may place a conspicuous notice at a place we designate in your SD TECH franchise business identifying you as its independent owner and operator. You agree not to remove, destroy, cover or alter that notice without our prior consent. If you do not do so, we may accomplish the notice or identification as we see fit, and you agree to reimburse us for doing so. You may not use any Mark as part of any corporate or legal business name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos we license to you), or in any modified form, nor may you use any Mark in connection with any social media networking, including but not limited to, any postings on a social media site or social media network sites nor with the performance or sale of any unauthorized services or products or in any other manner we have not expressly authorized in writing. No Mark may be used in any advertising concerning the transfer, sale or other disposition of SD TECH franchise business or an ownership interest in you. You agree to display the Marks prominently in the manner we prescribe at SD TECH franchise business, on supplies, merchandise or materials we designate and in connection with forms and advertising and marketing materials. You agree to give such notices of trade and service mark registrations as we specify and to obtain any fictitious or assumed name registrations required under applicable law.

**8.3 Notification of Infringements and Claims.** You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any claim by any person of any rights in any Mark, and you agree not to communicate with any person other than us, our attorneys and your attorneys

in connection with any such infringement, challenge or claim. We have sole discretion to take such action as we deem appropriate and the right to control exclusively any litigation, U.S. Patent and Trademark Office proceeding or any other administrative proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark. You agree to sign any and all instruments and documents, render such assistance and do such acts and things as, in the opinion of our attorneys, may be necessary or advisable to protect and maintain our interests in any litigation or Patent and Trade Mark Office or other proceeding or otherwise to protect and maintain our interests in the Marks.

**8.4 Discontinuance of Use of Marks.** If we deem it advisable at any time in our sole control for us and/or you to modify or discontinue the use of any Mark and/or use one or more additional or substitute trade or service marks, you agree to comply with our directions within a reasonable time after receiving notice. We will not be obligated to reimburse you for any direct or indirect loss, including loss of revenue attributable to any modified or discontinued Mark or for any expenditure you make to promote a modified or substitute trademark or service mark.

**8.5 Signage.** Signage must comply with all state and local laws, ordinances and any covenants agreed to within your lease. You must limit your signage to "**SD TECH**". The use of any other language is forbidden. If you employ any signage that does not comply with this Agreement, you will be in material breach of this Agreement. The signage must also incorporate the specific letter style/color and curvature associated with "SD TECH" logo or other mark or logo we may, in our sole discretion, designate in writing from time to time. You must not use a sign that deviates from the standard logo unless and until you have submitted a request for such deviation to us in writing with drawings and we have approved such deviation in writing.

**8.6 Protection Against Social Media Networking.** You understand and agree that you are strictly prohibited from promoting or using the Marks in any manner on any social and/or networking websites, including but not limited to Facebook, LinkedIn, My Space, Twitter, Instagram, Vine, Tumblr, Snapchat, or any other platform including but not limited to any online advertising, digital marketing and sponsorships without our prior written consent.

**8.7 Copyrights.** All right, title and interest in and to all materials, artwork, and designs used with the Marks or in association with the System are our sole and exclusive property and cannot be replaced or replicated either during or after this Agreement. You have no right to make any direct or indirect use of Copyright Materials except as permitted under this Agreement.

## 9. Confidential Information.

**9.1 Types of Confidential information.** We possess (and will continue to develop and acquire) certain confidential information (the "Confidential Information") relating to the development and operation of SD TECH franchise businesses which includes (without limitation):

**a.** the System and the know-how related to its use;

**b.** specifications, size and physical characteristics of SD TECH franchise businesses;

**c.** site selection criteria;

**d.** methods in obtaining licensing and meeting regulatory requirements;

**e.** sources, design and methods of use and repair of equipment, forms, materials, supplies, websites, Internet, "business to business" or "business to customer" networks or communities and other e-commerce methods of business;

**f.** any marketing (including but not limited to websites, online advertising, social media marketing or presence, digital marketing and sponsorships), advertising and promotional programs for SD TECH franchise businesses;

**g.** staffing and delivery methods and techniques for personal services;

**h.** the selection, testing and training of managers for SD TECH franchise businesses;

**i.** the recruitment, qualification and investigation methods to secure employment for employment candidates;

**j.** any computer software we make available in the future or recommend for SD TECH franchise businesses;

**k.** methods, techniques, formats, specifications, procedures, information and systems related to and knowledge of and experience in the development, operation, advertising, marketing and franchising of SD TECH franchise businesses;

**l.** knowledge of specifications for and identities of and suppliers of certain products, materials, supplies, furniture, furnishings and equipment; and

**m.** pricing recommendations, purchase agreement and contracts.

**9.2 Disclosure and Limitations on Use.** We will disclose much of the Confidential Information to you and personnel of SD TECH franchise business by furnishing the Confidential Operating Manual(s) to you and by providing training, guidance and assistance to you. In addition, in the course of the operation of your SD TECH franchise business, you or your employees may develop ideas, concepts, methods, techniques or improvements ("Improvements") relating to your SD TECH franchise business or the System, which you hereby agree to disclose to us. We will be deemed to own the Improvements, and the Improvements will constitute Confidential Information. We may use the Improvements and authorize you and others to use them in the operation of SD TECH franchise business or any other aspect of the System.

**9.3 Confidentiality Obligations.** You agree that your relationship with us does not vest in you any interest in the Confidential Information other than the right to use it in the development and operation of your SD TECH franchise business as we see fit, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition. You acknowledge and agree that the Confidential Information is proprietary, includes trade secrets belonging to us, and is disclosed to you or authorized for your use solely on the condition that you agree, and you therefore do agree, that you:

**a.** will not use the Confidential Information in any other business or capacity;

**b.** will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement;

**c.** will not make unauthorized copies of any portion of the Confidential Information disclosed via electronic medium, in written form or in other tangible form, including, for example, the Confidential Operating Manual(s); and

**d.** will adopt and implement all reasonable procedures we may prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information, including restrictions on disclosure to your employees and the use of nondisclosure and noncompetition agreements we may prescribe for employees or others who have access to the Confidential Information.

**9.4 Exceptions to Confidentiality.** The restrictions on your disclosure and use of the Confidential Information will not apply to the following:

**a.** disclosure or use of information, processes, or techniques which are generally known and used in the franchise business (as long as the availability is not because of a disclosure by you), provided that you have first given us written notice of your intended disclosure and/or use; and

**b.** disclosure of the Confidential Information in judicial, administrative or arbitration proceedings when and only to the extent you are legally compelled to disclose it, provided that you have

first given us the opportunity to obtain an appropriate protective order or other assurance satisfactory to us that the information required to be disclosed will be treated confidentially.

## 10. Exclusive Relationship.

You acknowledge and agree that we would be unable to protect Confidential Information against unauthorized use or disclosure or to encourage a free exchange of ideas and information among franchised SD TECH franchise businesses if franchisees of SD TECH franchise businesses were permitted to hold interests in or perform services for a Competitive Business (defined below). You agree that, during the term of this Agreement, neither you nor any of your owners (nor any of your or your owners' spouses or children) will:

**a.** have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business, other than SD TECH franchise business;

**b.** have any direct or indirect controlling interest as a disclosed or beneficial owner in a Competitive Business, wherever located; or

**c.** perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business, wherever located.

The term "Competitive Business" as used in this Agreement means any business or facility owning, operating or managing, or granting franchises or licenses to others to do so, any franchise business or facility that features items and services similar to those offered by SD TECH franchise business, including but not limited to, any business offering or providing commercial and/or residential customers with repair and/or servicing and/or assembly of all Managed IT Services, IT Support, VoIP System support, Microsoft Office 365 integration, Hosted Exchange Email, On-Site and Off-Site Backup support, New Construction turn key IT Build-Outs, Cloud Solutions and Migration, Home Automation and Smart Cameras and any items or services similar to any item offered by SD TECH franchise business, other than a SD TECH Franchise business under a franchise agreement with us.

## 11. Operation and System Standards.

**11.1 Confidential Operating Manual(s).** During the term of this Agreement, we will allow you access, in electronic or in another format we designate, to our manuals (the "Manuals"), consisting of such materials that we generally furnish to franchisees from time to time for use in operating a SD TECH franchise business. The Manuals contain mandatory and suggested specifications, standards, operating procedures and rules ("System Standards") that we prescribe from time to time for the operation of a SD TECH franchise business and information relating to your other obligations under this Agreement and related agreements. You agree to follow the System Standards and other standards, specifications and operating procedures we establish periodically for the System that are described in the Manuals. We also reserve the right to make the Manuals accessible to you on-line via computer systems or other electronic formats (like Internet, CD-ROM, websites or e-mail). You also must comply with all updates and amendments to the System as described in newsletters or notices we distribute, including via computer systems e.g., internet, CD or other media we select. Any form of the Manuals we make accessible to you on-line will be deemed our Confidential Information. You agree to maintain the Manuals as confidential and maintain the information in the Manuals as secret and confidential. The Manuals may be modified, updated and revised (in written or electronic format) by us from time to time to reflect changes in System Standards. You agree to keep your copy of the Manuals, if any, current and in a secure location at SD TECH franchise business. In the event of a dispute relating to its contents, the master copy of the Manuals we maintain at our principal office will be controlling. However, in the event we utilize on-line Manuals, the most recent on-line Manuals will control any disputes between the on-line version and printed copies of the Manuals. You may not at any time copy, duplicate, record or otherwise reproduce any part of the Manuals. If your copy of the Manuals is lost, destroyed or significantly damaged, you agree to obtain a

replacement copy at our then applicable charge (unless we have made on-line Manuals accessible to you. If so, you may utilize the on-line Manuals instead of purchasing other printed Manuals.)

**11.2 Compliance with System Standards.** You acknowledge and agree that your operation and maintenance of SD TECH franchise business in accordance with System Standards is essential to preserve the goodwill of the Marks at all SD TECH franchise businesses. Therefore, at all times during the term of this Agreement, you agree to operate and maintain SD TECH franchise business in accordance with each and every System Standard, as we periodically modify and supplement them during the term of this Agreement. System Standards may regulate any one or more of the following with respect to SD TECH franchise business:

**a.** design, layout, décor, appearance and lighting; periodic maintenance, cleaning and sanitation; periodic remodeling; replacement of obsolete or worn-out leasehold improvements, equipment and signs; televisions; music and other entertainment services; periodic painting; and use of interior and exterior signs, emblems, lettering and logos, and illumination;

**b.** types, models and brands of required equipment, signs, software, materials and supplies;

**c.** types, content, size, materials and standards for signage;

**d.** required or authorized products and product categories and quantities or portions devoted to each supplier of products;

**e.** designated or approved suppliers of equipment, signs, software, products, materials and supplies including for all items, approved distributors and/or distribution systems and approved trade accounts;

**f.** terms and conditions of the sale and delivery of, and terms and methods of payment for, products, materials, supplies and services, including direct labor, that you obtain from us, unaffiliated suppliers or others;

**g.** sales, marketing (including but not limited to websites, online advertising, social media marketing or presence, digital marketing and sponsorships), advertising and promotional programs and materials and media used in such programs;

**h.** use and display of the Marks;

**i.** staffing levels for SD TECH franchise business, and qualifications, training, dress and appearance of employees;

**j.** days and hours of operation at SD TECH franchise business;

**k.** participation in market research and testing and product and service development programs and customer satisfaction programs;

**l.** acceptance of credit cards, corporate and other franchisee issued gift certificates, coupons (including those from other franchisees), gift cards and payment systems and check verification services;

**m.** bookkeeping, accounting, data processing and record keeping systems, including software, and forms; methods, formats, content and frequency of reports to us of sales, revenue, financial performance and condition; and furnishing tax returns and other operating and financial information to us;

**n.** types, amounts, terms and conditions of insurance coverage required to be carried for SD TECH franchise business and standards for underwriters of policies providing required insurance coverage; our protection and rights under such policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage that must be furnished to us; our right to obtain insurance coverage for SD TECH

franchise business at your expense if you fail to obtain required coverage; our right to defend claims; and similar matters relating to insured and uninsured claims;

**o.** complying with applicable laws; obtaining required licenses and permits; adhering to good business practices; observing high standards of honesty, integrity, fair dealing and ethical business conduct in all dealings with customers, suppliers and us; and notifying us if any action, suit or proceeding is commenced against you or SD TECH franchise business;

**p.** regulation of such other aspects of the operation and maintenance of SD TECH franchise business that we determine from time to time to be useful to preserve or enhance the efficient operation, image or goodwill of the Marks and SD TECH franchise businesses;

**q.** your use of, or mandatory or recommended participation in any e-commerce, Intranet, Internet or website communities, systems or processes, website and compliance with any Internet, Intranet or e-commerce policies or procedures which we may establish from time to time; and

You agree that System Standards prescribed from time to time in the Manuals, or otherwise communicated to you in writing or other tangible form, constitute provisions of this Agreement as if fully set forth herein. All references to this Agreement include all System Standards as periodically modified.

**11.3 Modification of System Standards.** We may periodically modify System Standards, which may accommodate regional or local variations as we determine. Such modifications may obligate you to invest additional capital in SD TECH franchise business ("Capital Modifications") and/or incur higher operating costs. However, such modifications will not alter your fundamental status and rights under this Agreement. We will not obligate you to make any Capital Modifications when such investment cannot in our reasonable judgment be amortized during the remaining term of this Agreement, plus all eligible successor periods, unless we agree to extend the term of your franchise so that such additional investment, in our reasonable judgment, may be amortized; unless such investment is necessary in order to comply with applicable laws. We agree to give you up to 90 days to comply with Capital Modifications we require. However, if a Capital Modification requires an expenditure of more than $20,000 we agree to give you up to 180 days from the date such request is made to comply with such Capital Modification. You are obligated to comply with all modifications to System Standards, including Capital Modification, within the time period we specify.

**11.4 Interior and Exterior Upkeep.** You agree at all times to maintain SD TECH franchise business's interior and exterior and the surrounding area in the highest degree of cleanliness, orderliness and sanitation and comply with requirements regarding the upkeep of SD TECH franchise business established in the Manuals and by federal, state and local laws.

**11.5 Hours of Operation.** Unless we have otherwise approved in advance in writing, you agree to operate SD TECH franchise business, at a minimum, between the hours of 8:00 a.m. to 6:00 p.m., Monday through Friday. Standard system-wide holidays allow for closing of SD TECH franchise business on Thanksgiving Day and Christmas Day.

**11.6 Accounting, Computers and Records.** It is your responsibility to obtain accounting services and any required hardware or software related to them. You will at all times maintain the records reasonably specified in the Manuals, including, without limitation, sales, inventory and expense information. To the extent we require support for accounting software used by you, such support will only be provided with respect to the accounting software then used by us in the operation of our own (or our affiliate's own) SD TECH franchise businesses.

**11.7 Computer System.** You agree to use in developing and operating SD TECH franchise business the computer equipment and operating software (and related training and periodic software support) (the "Computer System") that we periodically specify. We may require you to obtain specified computer hardware or software and may modify specifications for and components of the Computer System

from time to time. We currently require you to use the online accounting software and bookkeeping system we designate, which is based on the QuickBooks Online system and has been programmed to SD TECH franchise Operations. You must also pay the vendor a monthly service fee for each franchise business. Our modifications and specifications for components of the Computer System may require you to incur cost to purchase, lease or license new or modified computer hardware or software and to obtain service and support for the Computer System during the term of this Agreement. You agree to incur such costs in connection with obtaining the computer hardware and software comprising the Computer System and any additions or modifications. Within 60 days after you receive notice from us, you agree to obtain the components of the Computer System that we designate and require. We have the right to charge you for any computer usage costs that we incur as a result of your use of the Computer System. The Computer System must be capable of connecting with our Computer System so that we can review the results of your SD TECH franchise business's operations. We also have the right to charge you a reasonable systems fee for modifications of and enhancements made to any proprietary software that we license to you and other maintenance and support services that we or our affiliate may furnish to you related to the Computer System. You are responsible for all ISP and other connectivity related fees and costs relating to your use of the Computer System. You agree to maintain an active e-mail address at all times and inform us of it. If we adopt a different computer system, POS system or other system in the future, you must adopt it at your expense. You must maintain, modify and upgrade all such items at your sole expense and as we may require from time to time. You must provide us full 24-hour, 7-day-a-week access including online access, and the right to "upload" or "download" information to and from all online accounting software and bookkeeping system and all POS, computer and other systems, and to the information through your computer, POS or other systems. You must use software we designate from time to time. You agree that you will not make any claim against us or our affiliates for any loss, damage, liability or expense caused by or related to failures, errors, acts, omissions, or otherwise of any computer, online accounting software and bookkeeping system and all POS, hardware or software system.

**11.8 Trade Accounts and Taxes.** You agree to maintain your trade accounts in a current status and seek to resolve any disputes with trade suppliers promptly. You agree to timely pay all taxes incurred in connection with your SD TECH franchise business operations. If you fail to maintain your trade accounts in a current status, timely pay such taxes or any other amounts owing to any third parties or perform any non-monetary obligations to third parties, we may, but are not required to, pay any and all such amounts and perform such obligations on your behalf. If we elect to do so, then you agree to reimburse us for such amounts. You agree to repay us immediately upon receipt of our invoice. We may also set-off the amount of any such reimbursement obligations against all amounts which we may owe you.

**11.9 Proprietary Materials.** You agree to purchase from us or approved manufacturers or suppliers all items used in operating SD TECH franchise business, some of which may bear the Marks. These items include, but are not limited to, software, wearing apparel, employee clothing (such as shirts, hats and aprons) and (collectively, the "Proprietary Materials"), at then prevailing prices, plus freight, taxes and delivery costs. The items may also include products like glassware, clothing, hats, tee shirts, etc. for retail sale to customers.

**11.10 Approved Products.** You agree not to sell any products or other items at SD TECH franchise business that we have not previously approved for sale. You agree to only use and display items that have been prescribed or approved (except for prices) in advance by us. You agree to sell all the products, merchandise and services that we specify in our manual(s) and no others. You agree not to, without our prior written consent, sell, dispense, give away or otherwise provide products or other items at SD TECH franchise business, a program of charitable giving or under an approved delivery service in accordance with this Agreement. You will immediately implement changes to the products, service or other items requested by us. You agree to maintain an inventory of products sufficient to meet the daily demands of SD TECH franchise business.

**11.11 Management.** You (or your Operating Partner) and one of your managerial employees that has satisfactorily completed our training program must assume responsibility for SD TECH franchise business's day-to-day management and operation and supervision of SD TECH franchise business personnel. You or your Operating Partner/Principal must work a minimum of 40 hours per week (other than vacation periods). During all hours of operations, SD TECH franchise business must be under the direct supervision of you (or your Operating Partner/Principal) and a management-level employee who has satisfactorily completed our Initial Training Program or otherwise been trained by you if you have received our Training Certificate for Initial Training and meets our qualifications for a SD TECH franchise business Manager. Each of your managerial employees must sign our Confidentiality Agreement attached to the Franchise Disclosure Document, or other agreements satisfactory to us.

**11.12 Personnel.** All employees must be trained and supervised in accordance with the specifications set forth in the Manuals. All personnel must meet every requirement imposed by applicable federal, state and local law as a condition to their employment.

**11.13 Insurance.** You shall carry statutory limits for Workers Compensation insurance as required by law in the state in which your SD TECH franchise business is located and employer's liability insurance with One Million Dollars ($1,000,000) each accident, disease and employee. You may not avail yourself of any local ordinances or interpretations of statute to "opt out" or in any way circumvent the requirements of this paragraph. You may not utilize a Professional Employer Organization, Employee Leasing, or other concept to transfer the responsibilities of this paragraph to another entity without the expressed written consent of us. We reserve unto ourselves the right to grant any exemption to this section of the Franchise Agreement regardless of the reasonableness of your request.

You shall carry and maintain in force, comprehensive general liability insurance, employer's liability insurance, product liability insurance, personal and advertising injury insurance, and professional liability insurance with limits of One Million Dollars ($1,000,000) limit including the following coverages: broad form contractual liability, personal injury (employee and contractual exclusion); insuring us and you against all claims suits, obligations, liabilities and damages, including attorneys' fees, for actual or alleged personal injuries or property damage relating to your franchised business, provided that the required amounts herein may be modified from time to time by us to reflect inflation or future experience with claims; automobile liability insurance on company vehicles, including owned, hired and non-owned vehicle coverage, with a limit of at least One Million Dollars ($1,000,000); Employer Practice Liability insurance with a limit of at least One Million Dollars ($1,000,000); and, additional insurance and types of coverage as may be required by the terms of any lease for your franchised business, or as may be required by us, including an umbrella policy with limits of One Million Dollars ($1,000,000). You shall also carry and maintain in force, loss of income insurance (in an amount sufficient to cover the License Fees, Marketing and Development Fund fees due under the Franchise Agreement, for a period of at least six months); and rental value insurance (in an amount sufficient to cover the rents and other fees due the landlord and/or Merchants' Association under the lease, if any, during any period of business interruption or inability to operate the franchise business) or such greater amounts of insurance as required by the lease for the franchise business.

All insurance policies must be issued by carriers we have approved and who are authorized to do business in the state where SD TECH franchise business is located, must contain the types and minimum amounts of coverage, exclusions and maximum deductibles as we prescribe from time to time, must name us as additional insured, must provide for 30 days prior written notice to us of any material modification, cancellation or expiration of such policy and must include all other provisions we may require from time to time. These policies shall indemnify both the Franchisee (as named insured), the Franchisor and any other party having an insurable interest in either your operations or our operations as an Additional Insured from an actual or alleged claim by a third party caused by or occurring in conjunction with the operation of SD TECH franchise business or otherwise in conjunction with the conduct of business by you pursuant to this Franchise Agreement. We reserve the right to adjust the limits of indemnification (up or down) or to

require you to procure and maintain other additional coverage prescribed from time to time by us and issued by insurance carriers rated A- or better by Alfred M. Best and Company, Inc. You shall submit to us annually a copy of the certificate of, or other evidence of, the renewal or extension of such insurance policy or policies. We reserve the right to reject any policy with exclusions or sub limits that are not satisfactory to us.

You shall procure and maintain at your sole cost and expense a policy of Commercial Fire Insurance on a Special Form Basis providing for One Hundred Percent (100%) replacement cost of franchisee's Business Personal Property, Leasehold Improvements and Betterments and Real Property (including signs and plate glass). You shall also provide Business Interruption and Extra Expense on a One Hundred Percent (100%) co-insurance basis. We shall be named as loss Payee on the Business Interruption coverage on a primary basis so as to enable you to provide us with an uninterrupted stream of payments (as if you were still in operation) for a period of a minimum of six months.

You shall further carry any additional insurance covering such additional risks or providing higher limits as we may reasonably request.

If you at any time fail or refuse to maintain in effect any insurance coverage required by us, or to furnish satisfactory evidence thereof, we at our option and in addition to its other rights and remedies hereunder, may, but shall not be required to, obtain such insurance coverage on behalf of you, and you shall promptly execute any applications or other forms or instruments required to obtain any such insurance and pay to us, on demand, any costs and premiums incurred by us plus an administrative fee of 15% of the amount paid.

**11.14 Adequate Reserves and Working Capital.** You must at all times maintain adequate reserves and working capital sufficient for you to fulfill all your obligations under this Agreement and to cover the risks and contingencies of SD TECH franchise business for at least three months. These reserves may be in the form of cash deposits or lines of credit.

**11.15 Variation of Terms.** You acknowledge that because uniformity under many varying conditions may not be possible or practical, we reserve the right to materially vary our standards or franchise agreement terms for any SD TECH franchise business, based on the timing of the grant of the franchise, the peculiarities of the particular protected territory or circumstances, business potential, population, existing business practices, other non-arbitrary distinctions or any other condition which we consider important to the successful operation of SD TECH franchise business. You will have no right to require us to disclose any variation or to grant the same or a similar variation to you.

**11.16 Customer Complaints.** In the event your customer(s) contact(s) us to report a complaint about your SD TECH franchise business, you agree that we may in our sole discretion, compensate your customer in a manner we determine to be appropriate, and you agree to reimburse us for such compensation. Payment of such amount paid to the customer (the "Customer Comment Reimbursement Fee") is due upon demand by us.

**11.17 Your Purchases**. We or an affiliate may derive revenue from the sale of required purchases of products, items, goods and services through mark-ups in prices charged by us or our affiliate. We or an affiliate may receive compensation and discounts from suppliers for your purchase of items. You agree that we and/or our affiliates are entitled to such fees and/or other consideration. Any monies paid to us for products, goods or services are non-refundable.

**11.18 Your Protection of Personally Identifiable Information.** You must implement all administrative, physical and technical safeguards necessary to protect any information that can be used to identify an individual, including names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, credit card information, biometric or health data, and government-issued identification numbers ("Personal Information") in accordance with applicable laws and industry best practices. It is your responsibility entirely (even if we provide you any

assistance or guidance in this regard) to confirm that safeguards you use to protect Personal Information comply with all applicable laws and industry best practices related to the collection, access, use, storage, disposal and disclosure of Personal Information. If you become aware of a suspected or actual breach of security or unauthorized access involving Personal Information, you will notify us immediately of the breach or unauthorized access, and specify the extent to which Personal Information was compromised or disclosed, and your plans to correct and prevent any further breach or unauthorized access. You will allow us, in our sole discretion, to provide advice on the course of your corrective action.

## 12. Marketing and Promotion.

### 12.1 Establishment of Marketing and Technology Fund.

**a.** You agree to pay us a Marketing and Technology Fund ("Fund") fee of 1% of your monthly Gross Revenue, which fee may be increased up to 1.5% of your monthly Gross Revenue upon a thirty (30) day written notice to you. We must receive the Fund fee by the fifth ($5^{th}$) day of each month. We require you to pay the Fund fee by electronic funds transfer. You agree to comply with the procedures we specify in our Confidential Operations Manual and perform such acts and sign and deliver such documents as may be necessary to accomplish payment by this method. You will give us authorization in a form we designate to initiate debit entries or credit correction entries to your bank account for each month's Fund fee payment and any interest charges due.

**b.** We will direct all marketing (including but not limited to websites, online advertising, social media marketing or presence, digital marketing and sponsorships) and technology programs, with sole control over the creative concepts, materials and media used in such programs, and the placement and allocation of Fund advertising. You acknowledge that the Fund is intended to further general public recognition and acceptance of the Proprietary Marks for the benefit of SD TECH System and other benefits derived from the website we develop or utilize. You further acknowledge that we and our designees undertake no obligation in administering the Fund to make expenditures for you which are equivalent or proportionate to your contributions, to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising or to ensure that any advertising impacts or penetrates your Protected Territory. The Fund is not a trust and we are not a fiduciary with respect to the Fund.

**c.** The Fund may be used to meet any and all costs of administering, directing, preparing, placing and paying for national, regional or local advertising, including (without limitation): television, radio, magazine, newspaper and worldwide web/internet advertising campaigns; other advertising, marketing and public relations materials; point-of-purchase materials; paper goods; consumer research, interviews and related activities; the creation, maintenance and periodic modification of SD TECH website; reviewing any advertising material you propose to use (as provided below); search engine optimization; establishing a third party facility for customizing local advertising materials; the creative development of signage, posters and unit décor items; the development and creative activity associated with loyalty programs, promotions and public relations events; accounting for SD TECH Fund receipts and expenditures; attendance at industry related conventions, shows or seminars; other activities that we in our business judgment believe are appropriate to enhance, promote and/or protect SD TECH System or any component thereof; and, engaging advertising agencies to assist in any or all of the foregoing activities, including fees to have print, broadcast and/or internet advertising placed by an agency, and all other advertising agency and public relations fees.

**d.** We need not maintain the sums paid by franchisees to the Fund, or income earned from the Fund, in a separate account from our other funds, but we may not use these amounts under any circumstance for any purposes other than those provided for in this Agreement. We may, however, expend monies from the Fund for any reasonable administrative costs and overhead that we may incur in activities reasonably related to the administration or direction of the Fund and marketing and technology programs for franchisees including, without limitation, preparing marketing and advertising materials; working with advertising agencies, advertising placement services and creative talent; preparing an accounting of

contributions to the Fund and the annual statement of Fund contributions and expenditures provided for below; and, otherwise devoting our personnel, resources and/or funds for the benefit of the Fund. Our right to expend monies from the Fund to reimburse us for such activities is exclusive of any advertising agency or public relations fees which the Fund must expend to secure the services of an advertising agency or public relations firm or to have print, broadcast or internet advertising placed by an agency.

**e.** Within 60 days following the close of our fiscal year, we will prepare (but not audit) a statement detailing Fund income and expenses for the calendar year just ended, a copy of which statement will be sent to you upon request.

**f.** We expect to expend most contributions to the Fund for advertising during the calendar year when the contributions are made. If we expend less than the total sum available in the Fund during any fiscal year, the excess amount will be carried forward to the following fiscal year to be used as provided for in subsection g. If we advance and expend an amount greater than the amount available in the Fund in any calendar year (in addition to any sum required to be expended because we did not expend all the sums in the Fund during the preceding year), we will be entitled to reimburse ourselves from the Fund during the following fiscal year for all such advanced sums, with interest payable on such advanced sums at the greater rate of 1.5% per month or the maximum commercial contract interest rate permitted by law (with interest accruing the first calendar day following the day on which we advance and expend any such sum).

**g.** We reserve the right to use any media, create any programs and allocate advertising funds to any regions or localities in any manner we consider appropriate in our business judgment. The allocation may include rebates to individual franchisees of some or all of their Fund contributions for local advertising expenditures if, in our judgment, our national or regional advertising program or campaign cannot effectively advertise or promote in certain regions or communities. If we determine that the total Fund contributions collected from all franchisees is insufficient to sustain a meaningful regional or national advertising campaign, we may rebate all or a portion of the Fund contributions to franchisees on a pro rata basis. Franchisees must expend any rebate on the types of local advertising and media that we determine. All rebate advertising expenditures must be documented to us in a monthly rebate advertising expenditure report form which we will furnish.

**h.** Although the Fund is intended to be a perpetual duration, we maintain the right to terminate the Fund, but will not do so until all of the monies in the Fund have been expended for advertising and promotional purposes.

**i.** The Fund will not be used for any activity whose sole purpose is the sale of franchises; provided, however, that the design and maintenance of our Web site (for which Fund monies may be used) may include information and solicitations for prospective franchisees and public relations and community involvement activities which may result in greater awareness of SD TECH franchise business brand and the franchise opportunity.

**j.** No SD TECH franchise business which we or our affiliate own or operate will be required to participate in or contribute to the Marketing and Technology Fund or other advertising programs provided for in this Paragraph 12.1 and sub-paragraphs thereof, unless it determines to participate in a regional or joint franchise advertisement setting forth the names, addresses and/or telephone numbers of individual SD TECH franchise businesses, including those owned and operated by us or our affiliate. If we or our affiliate decide to participate in any joint or regional advertising of this type, then we or our affiliate will contribute our or its proportionate share of the cost of the advertisement to the franchisee group sponsoring the advertisement.

**k.** We or our designee will direct all programs financed by the Marketing and Technology Fund, with sole control over the allocation and any Internet or Intranet websites, networks or communities it operates or participate in, or which requires your participation. You agree that the Marketing

and Technology Fund may be used to pay the costs associated directly or indirectly with the operation, maintenance, hosting or development of the website bearing our marks; or establishing Internet, Intranet, website or other forms of e-commerce communities, networks, systems, methods, processes, databases or monitoring systems, which may include our establishing one or more Internet or Intranet websites for purposes of: linking this Agreement; our sharing or selling information to third parties; our establishing business to business or business to customer e-commerce; promoting the development and growth of franchises or soliciting franchisees; or your reporting of License Fees, Gross Revenue or other information as we designate from time to time. The Marketing and Technology Fund may be used for defraying administrative hosting, development maintenance costs and overhead incurred by us or our designees in connection with the Fund. The Fund may periodically furnish you with samples of advertising, marketing and promotional formats and materials at no cost. Multiple copies of such materials will be furnished to you at our direct cost of producing them, plus any related shipping, handling and storage charges.

**12.2 Local Advertising.** You are required to spend a minimum of $750.00 per month localized digital marketing approved by us. You agree that all Local Advertising will comply with the standards set by us and as established in the Confidential Operations Manual. Local Advertising requirements may include, without limitation, placing a certain number and/or type(s) of media advertisements. You are required to provide us quarterly reports of your Local Advertising expenditures and at the beginning of each new year, you must provide us with an annual budget for your Local Advertising expenditures within thirty (30) days of the beginning of each new calendar year. You shall have the right, but not the obligation, to spend more than the Local Advertising requirement on local advertising. All advertising and promotional materials must be previously approved by us and you shall report all advertising expenditures to us upon our request, within ten (10) days. You agree that we shall have the right to require your local advertising be combined with one or more franchisees in an area designated by us, and we shall have the sole right to approve the media selection format.

**12.3 Directory Listings.** In addition to your obligation to participate in the marketing and Technology Fund and conduct local advertising, at your expense, you agree to obtain telephone directory listing in the online white and yellow pages as approved by us. If other franchisees operate SD TECH franchise businesses in the market area serviced by the online directories, then you will participate in and pay your pro rata share (based on number of SD TECH franchise businesses) of the cost of such listings and advertising.

**12.4 Websites.** You acknowledge and agree that any website constitutes "advertising" under this Agreement. Any website you develop or utilize must meet all other terms and conditions for advertising described in this Agreement. For this purpose, a "website" means an interactive electronic document, contained in a network of computers linked by communications software, that you operate or authorize others to operate that refers to your SD TECH franchise business, the Marks, us, and/or the System. The term website also includes Internet, Intranet and World Wide Web home pages or e-mail address sites. You must not establish any website without our prior written approval of its form, content and information presented due to our substantial interest in protecting the Marks, the System and the Confidential Information. We may require you to participate in a centralized website operated by us, without any compensation to you. We may refuse to permit you to operate or establish any website. We reserve the right to establish one or more Internet, Intranet or other forms of e-commerce websites, networks or communities for purposes of: promoting the development, growth, sales and solicitation of franchises; our establishing or participating in, and requiring or authorizing your participation in, or in connection with: e-commerce; establishing purchasing, supply or referral programs, networks or communities in which you must participate; or monitoring your performance under this Agreement and other purpose we designate from time to time which we deem to promote the development and operation of the System. From time to time we will establish and notify you of our establishment of website policies and other forms of e-commerce policies, which will become part of our System Standards and be provided in the Operations Manual or other written communication by you. We own all right, title and interest in and to information compiled

from, derived from or obtained by us via your or our use of websites or our establishment of an Intranet, Internet or other forms of e-commerce networks or communities. Furthermore, you agree to the following:

**a.** you agree that we may establish electronic links from our website to your website (if we agree that you may have your own website), and that other franchisees may establish electronic links to your website from their websites; without any compensation to you. We may prohibit you from linking any website to your website for any reason without compensation to you;

**b.** you must not use any mark as part of any URL domain name, Internet or e-mail address, or any other identification of you in any electronic medium or with any prefix, suffix or other modifying words, terms, designs, or symbols, or in any modified form, without our written consent;

**c.** if this Agreement expires or terminates for any reason, you must immediately stop using any website that utilizes any of the Marks or the System, or that are linked to any of our websites or the website of any of our franchisees. You must also then remove and change any website, domain names, Internet or Intranet addresses, e-mail addresses or other identification that utilize any of the Marks;

**d.** you agree to establish, maintain and notify us of your active e-mail address, and notify us of any change in your e-mail address within 3 business days of the change; and

**e.** you agree that we have the right (but no obligation) to develop an Intranet which we and our franchisees can communicate by e-mail or similar electronic means. If we develop an Intranet, you agree to use the facilities of the Intranet in strict compliance with the standards, protocols and restrictions that we include in the Manuals (including, without limitation, standards, protocols, and restrictions relating to encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements). We may, in our sole discretion charge a fee for Intranet usage, which fee shall be paid in accordance with our invoice or pursuant to Paragraph 6.3, through Electronic Funds Transfer.

**12.5 Opening Advertising.** You agree to spend any amount designated to you by us between $4,000 to $7,000 on an opening advertising campaign to promote the opening of your SD TECH franchise business as directed by us. This amount must be spent in the sixty (60) day period comprising thirty (30) days before and thirty (30) days after your franchise business opens to the public. Your opening advertising campaign must be approved by us before you may begin it, and we may require that your campaign include promotional giveaways, which sum shall not be included in the $4,000 to $7,000 advertising campaign expenses.

## 13. Records, Reports and Financial Statements.

**13.1 Accounting System.** You agree to establish and maintain at your own expense a bookkeeping and recordkeeping system conforming to the requirements and formats we prescribe from time to time. We may require you to use approved computer hardware, software and websites in order to maintain certain sales data and other information we designate from time to time. This may include the updating of Manuals and for communication purposes. You agree that we may have access to such sales data and other information through the computer system at all times.

**13.2 Reports.** You agree to furnish to us on such forms that we prescribe from time to time:

**a.** following the Agreement Date, and weekly thereafter until your SD TECH franchise business opens, a report of your progress in the development and opening of your SD TECH franchise business;

**b.** at our request, within 5 days after their filing, copies of all sales tax returns, for SD TECH franchise business and copies of the canceled checks for the required sales taxes and surtaxes;

**c.** on Monday of each calendar week, a report on SD TECH franchise business's Gross Revenue during the immediately preceding calendar week (Monday through Sunday);

**d.** within 15 days after the end of each calendar quarter, a profit and loss statement for SD TECH franchise business for the immediately preceding calendar month and year-to-date and a balance sheet as of the end of such month;

**e.** within 15 days after the end of SD TECH franchise business's fiscal year, annual profit and loss and source and use of funds statements and a balance sheet for SD TECH franchise business as of the end of such fiscal year; and

**f.** within 10 days after our request, exact copies of federal and state income and other tax returns and such other forms, records, books and other information we may periodically require.

We may require that any of the reports described in this Paragraph 13.2 or any information you are required to provide us under this Agreement or our System Standards be provided to us in electronic format via a secure website (internet or Intranet) at times and in the manner we designate, from time to time.

**13.3 Access to Information.** You agree to verify and sign each report and financial statement in the manner we prescribe. We have the right to disclose data derived from such reports without identifying you. We also have the right to require you to have reviewed or audited financial statements prepared on a calendar year (12 month) basis if we reasonably believe that the reports are incorrect. Moreover, we have the right as often as we deem appropriate (including on a daily basis) to access, electronically or otherwise, all computer registers and other computer systems that you are required to maintain in connection with the operation of SD TECH franchise business and to retrieve electronically or otherwise, all information (including sales, product mix, or other information) relating to SD TECH franchise business's operations.

**13.4 Copies of Reports.** You agree to furnish us with a copy of all sales, income and other tax returns relating to your SD TECH franchise business, at our request. You will also send us copies of any sales or other reports sent to any landlord or governmental agency, at our request.

## 14. Inspections and Audits.

**14.1 Our Right to Inspect SD TECH Franchise Business.** To determine whether you and SD TECH franchise business are complying with this Agreement and all System Standards, we and our designated agents have the right at any time during your regular business hours without prior notice, to:

**a.** inspect SD TECH franchise business;

**b.** observe, photograph and videotape the operations of SD TECH franchise business for such consecutive or intermittent periods as we deem necessary;

**c.** interview personnel and customers of SD TECH franchise business; and

**d.** inspect and copy any books, records and documents relating to your operation of SD TECH franchise business.

You agree to cooperate with us fully in connection with any such inspections, observations, photographing, videotaping, interviews and electronic (Internet or Intranet) record access. You agree to present to your customers such evaluation forms that we periodically prescribe and to participate and/or request your customers to participate in any surveys performed by us or on our behalf. You agree to correct or repair any unsatisfactory conditions we specify within 5 days.

**14.2 Our Right to Audit.** We have the right at any time during your business hours to inspect and audit, or cause to be inspected and audited, your (if you are a Business Entity) and SD TECH franchise business's business, bookkeeping and accounting records, purchasing records, advertising and marketing records and expenditures, sales and income tax records and returns and other records. You agree to cooperate fully with our representatives and independent accountants we hire to conduct any such inspection or audit. If our inspection or audit is made necessary by your failure to furnish reports, supporting records or other information we require, or to furnish such items on a timely basis, or if the information is not accurate (i.e., your Gross Revenue is understated by 2% or more), you agree to reimburse us for the

cost of such inspection or audit, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board and compensation of our employees. You also must pay us any shortfall in the amounts you owe us, including late fees and interest, within 10 days of our notice. The foregoing remedies are in addition to our other remedies and rights under this Agreement and applicable law, which may include termination of this Agreement.

## 15. Transfer.

**15.1 By Us.** This Agreement is fully transferable by us, and inures to the benefit of any transferee or other legal successor to our interests, as long as such transferee or successor agrees to be bound by, and assumes all of our continuing obligations under, this Agreement. We may also delegate the performance of any portion or all of our obligations under this Agreement to third-party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations.

**15.2 By You.** You understand and acknowledge that the rights and duties created by this Agreement are personal to you (or, if you are a Business Entity, to your owners) and that we have granted the Franchise to you in reliance upon our perceptions of your (or your owners') individual or collective character, skill, aptitude, attitude, business ability and financial capacity. Accordingly, neither this Agreement (nor any interest in it) nor any ownership or other interest in you or SD TECH franchise business may be transferred without our prior written approval. Any transfer without such approval constitutes a breach of this Agreement and is void and of no effect. As used in this Agreement, the term "transfer" includes your (or your owners') voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition of any interest in: (a) you; (b) this Agreement; or (c) SD TECH franchise business.

An assignment, sale, gift or other disposition includes the following events:

i. transfer of ownership of capital stock, any ownership interest in the legal entity, or a partnership interest;

ii. merger or consolidation or issuance of additional securities or interest representing an ownership interest in you:

iii. any issuance or sale of your stock or any security convertible to your stock;

iv. transfer of an interest in you, this Agreement or SD TECH franchise business in a divorce, insolvency or corporate or any legal entity or partnership dissolution proceeding or otherwise by operation of law;

v. transfer of an interest in you, this Agreement or SD TECH franchise business, in the event of your death or the death of one of your owners, by will, declaration of or transfer in trust or under the laws of intestate succession; or

vi. pledge of this Agreement (to someone other than us) or of an ownership interest in you as security, foreclosure upon SD TECH franchise business or your transfer, surrender or loss of possession, control or management of SD TECH franchise business.

**15.3 Conditions for Approval of Transfer.** If you (and your owners) are in full compliance with this Agreement, then subject to the other provisions of this Section 15, we will not unreasonably withhold approval of a transfer that meets all the applicable requirements of this Section. The proposed transferee and its direct and indirect owners must be individuals of good character and otherwise meet our then applicable standards for SD TECH franchise business franchisees. A transfer of ownership, possession or control of SD TECH franchise business may only be made if the transferee enters into a new Franchise Agreement. If the transfer is of your SD TECH franchise business or a controlling interest in you, or is one of a series of transfers which in the aggregate constitutes the transfer of your SD TECH franchise business(es) or a controlling interest in you, all of the following conditions must be met prior to or concurrently with the effective date of any transfer:

**a.** the transferee has sufficient business experience, aptitude and financial resources to operate SD TECH franchise business and has been approved as a franchisee;

**b.** you have paid all License Fees, Marketing and Technology Fund fee, amounts owed for purchases from us and all other amounts owed to us or to third-party creditors and have submitted all required reports and statements;

**c.** the transferee (or its Operating Partner) and its managerial employee (if different from your manager) have completed our training program;

**d.** the transferee has agreed to enter into a new Franchise Agreement;

**e.** you or the transferee pays us a transfer fee of $12,500 (the "Transfer Fee"). We may provide training to your employees, other than Trainees. If we do so, you must pay us a fee of $2,500 per person trained by us. You must also pay all travel and living expenses for you, other trainees and your employees to attend the training. This subsection will not apply if the proposed transferee is among your owners, but the transferee is required to reimburse us for any administrative costs we incur in connection with the transfer;

**f.** the transferee agrees to pay the costs required to bring SD TECH franchise business into compliance with the then current System Standards;

**g.** you (and your transferring owners) have executed a general release, in the form attached to the Franchise Disclosure Document, of any and all claims against us and our shareholders, officers, directors, employees and agents;

**h.** we have approved the material terms and conditions of such transfer and determined that the price and terms of payment will not adversely affect the transferee's operation of SD TECH franchise business;

**i.** if you or your owners finance any part of the sale price of the transferred interest, you and/or your owners have agreed that all of the transferee's obligations pursuant to any promissory notes, agreements or security interests that you or your owners have reserved in SD TECH franchise business are subordinate to the transferee's obligation to pay License Fees, the Marketing and Technology Fund fee and other amounts due to us and otherwise to comply with this Agreement;

**j.** you and your transferring owners have executed a non-competition covenant in favor of us and the transferee agreeing to be bound, commencing on the effective date of the transfer, by the post-term competitive restrictions otherwise contained in this Agreement; and

**k.** you and your transferring owners have agreed that you and they will not directly or indirectly at any time or in any manner (except with respect to other SD TECH franchise businesses you own and operate) identify yourself or themselves or any business as a current or former franchisee or franchised SD TECH business, or as one of our licensees or franchisees, use any Mark, any colorable imitation of a Mark, or other indicia of a SD TECH franchise business in any manner or for any purpose or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with us.

**15.4 Transfer to a Business Entity.** Notwithstanding the foregoing, if you are in full compliance with this Agreement, we may permit you to transfer this Agreement to a Business Entity that conducts no business other than SD TECH franchise business and, if applicable, other SD TECH franchise businesses so long as you own, control and have the right to vote all issued and outstanding ownership interests (like stock or partnership interests) and you guarantee its performance under this Agreement. All other owners are subject to our approval. The organizational or governing documents of the Business Entity must recite that the issuance and transfer of any ownership interests in the Business Entity are restricted by the terms of this Agreement, are subject to our approval, and all certificates or other documents representing ownership interest in the Business Entity must bear a legend referring to the restrictions of this Agreement.

As a condition of our approval of the issuance or transfer of ownership interests to any person other than you, we may require (in addition to the other requirements we have the right to impose) that the proposed owner execute an agreement, in a form provided or approved by us, agreeing to be bound jointly and severally by, to comply with, and to guarantee the performance of all your obligations under this Agreement.

**15.5 Transfer Upon Death or Disability.** Upon your death or disability or, if you are a Business Entity, the death or disability of the owner of a controlling interest in you, you or such owner's executor, administrator, conservator, guardian or other personal representative must transfer your interest in this Agreement or such owner's interest in you to a third party. Such disposition of this Agreement or the interest in you (including, without limitation, transfer by bequest or inheritance) must be completed within a reasonable time, not to exceed 6 months from the date of death or disability, and will be subject to all of the terms and conditions applicable to transfers contained in this Section. A failure to transfer your interest in this Agreement or the ownership interest in you within this period of time constitutes a breach of this Agreement. For purposes of this Agreement, the term "disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent you or an owner of a controlling interest in you from managing and operating SD TECH franchise business.

**15.6 Operation Upon Death or Disability.** If, upon your death or disability or the death or disability of the owner of a controlling interest in you, SD TECH franchise business is not being managed by a trained manager, you or such owner's executor, administrator, conservator, guardian or other personal representative must within a reasonable time, not to exceed 15 days from the date of death or disability, appoint a manager to operate SD TECH franchise business, such manager will be required to complete training at your expense. Pending the appointment of a manager as provided above or if, in our judgment, SD TECH franchise business is not being managed properly any time after your death or disability or after the death or disability of the owner of a controlling interest in you, we have the right, but not the obligation, to appoint a manager for SD TECH franchise business. All funds from the operation of SD TECH franchise business during the management by our appointed manager will be kept in a separate account, and all expenses of SD TECH franchise business, including compensation, other costs and travel and living expenses of our manager, will be charged to this account. We also have the right to charge a reasonable management fee (in addition to the License Fees and Marketing and Technology Fund contributions payable under this Agreement) during the period that our appointed manager manages SD TECH franchise business. Operation of SD TECH franchise business during any such period will be on your behalf, provided that we only have a duty to utilize our best efforts and will not be liable to you or your owners for any debts, losses or obligations incurred by SD TECH franchise business or to any of your creditors for any products, materials, supplies or services SD TECH franchise business purchases during any period it is managed by our appointed manager.

**15.7 Effect of Consent to Transfer.** Our consent to a transfer of your SD TECH franchise business or any interest in you does not constitute a representation as to the fairness of the terms of any contract between you and the transferee, a guarantee of the prospects of success of SD TECH franchise business or transferee or a waiver of any claims we may have against you (or your owners).

**15.8 Our Right of First Refusal.** If you (or any of your owners) at any time determine to sell, assign, or transfer for consideration an interest in your SD TECH franchise business or an ownership interest in you, you (or such owner) agree to obtain a bona fide, executed written offer and earnest money deposit (in the amount of 5% or more of the offering price) from a responsible and fully disclosed offeror (including lists of the owners of record and all beneficial owners of any corporate or limited liability company offeror and all general and limited partners of any partnership offeror) and immediately submit to us a true and complete copy of such offer, which includes details of the payment terms of the proposed sale and the sources and terms of any financing of the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be denominated in a dollar amount. The offer must apply only to an interest in SD TECH franchise business and may not include an offer to purchase any of your (or your owners') other property or rights. However, if the offeror proposes to buy any other property or rights from you (or

your owners) under a separate, contemporaneous offer, such separate, contemporaneous offer must be disclosed to us, and the price and terms of purchase offered to you (or your owners) for the interest in you or SD TECH franchise business must reflect the bona fide price offered and reflect any value for any other property or rights.

We have the right, exercisable by written notice delivered to you or your selling owner(s) within 30 days from the date of the delivery to us of both an exact copy of such offer and all other information we request, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that:

**a.** we may substitute cash for any form of payment proposed in such offer (with a discounted amount if an interest rate will be charged on any deferred payments);

**b.** our credit will be deemed equal to the credit of any proposed purchaser;

**c.** we will have not less than 60 days after giving notice of our election to purchase to prepare for closing; and

**d.** we are entitled to receive, and you and your owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the capital stock of an incorporated business, as applicable, including, without limitation, representations and warranties as to:

(i) ownership and condition of and title to stock or other forms of ownership interest and/or assets;

(ii) liens and encumbrances relating to the stock or other ownership interest and/or assets; and

(iii) validity of contracts and the liabilities, contingent or otherwise, of the corporation whose stock is being purchased.

If we exercise our right of first refusal, you and your selling owner(s) agree that, for a period of 2 years commencing on the date of the closing, you and they will be bound by the post-term competitive restrictions otherwise described in this Agreement.

If we do not exercise our right of first refusal, you or your owners may complete the sale to such purchaser pursuant to and on the exact terms of such offer, subject to our approval of the transfer as otherwise provided in this Agreement, provided that, if the sale to such purchaser is not completed within 120 days after delivery of such offer to us, or if there is a material change in the terms of the sale (which you agree promptly to communicate to us), we will have an additional right of first refusal during the 30-day period following either the expiration of such 120-day period or notice to us of the material change(s) in the terms of the sale, either on the terms originally offered or the modified terms at our option.

## 16. Termination of Agreement.

**16.1. By Us.** We have the right to terminate this Agreement, effective upon delivery of written notice of termination to you, if we, in our sole discretion, determine to cease all franchise operations or if:

**a.** you (or any of your owners) have made any material misrepresentation or omission in connection with your purchase of the Franchise; or

**b.** you or, if applicable, the required Operating Manager or Franchise business Manager fail to successfully complete Initial Training to our satisfaction or you have not fulfilled all of the conditions for management of SD TECH franchise business; or

**c.** you (i) fail to obtain our approval of the Site within the required time periods or fail to open SD TECH franchise business to the public within 180 days from the execution of this Franchise Agreement, or (ii) fail to obtain our approval of the Lease for the Site or to provide a Conditional

Assignment and Assumption of Lease clearly signed by the Landlord or fail to commence construction of SD TECH franchise business within 60 days of the Agreement Date; or

**d.** you abandon or fail to actively operate SD TECH franchise business for 2 or more consecutive business days, unless SD TECH franchise business has been closed for a purpose we have approved or because of casualty or government order; or

**e.** you surrender or transfer control of the operation of SD TECH franchise business without our prior written consent; or

**f.** you (or any of your owners) are or have been convicted by a trial court of, or plead or have pleaded no contest, or guilty, to, a felony or other serious crime or offense that is likely to adversely affect your reputation, our reputation or the reputation of any other SD TECH franchise business; or

**g.** you (or any of your owners) engage in any dishonest or unethical conduct which may adversely affect the reputation of SD TECH franchise business or another SD TECH franchise business or the goodwill associated with the Marks; or

**h.** you (or any of your owners) make an unauthorized assignment of this Agreement or of an ownership interest in you or SD TECH franchise business; or

**i.** in the event of your death or disability or the death or disability of the owner of a controlling interest in you, this Agreement or such owner's interest in you is not assigned as required under this Agreement; or

**j.** you lose the right to possession of the Site; or

**k.** you (or any of your owners) make any unauthorized use or disclosure of any Confidential Information or use, duplicate or disclose any portion of the Manuals in violation of this Agreement; or

**l.** you violate any health, safety or sanitation law, ordinance or regulation and do not begin to cure the noncompliance or violation immediately, and correct such noncompliance or violation within 5 days, after written notice is delivered to you, except we may require the immediate shut down of your SD TECH franchise business in the event we deem such violation to be a health threat to anyone; or

**m.** you fail to make payments of any amounts due to us or our affiliate under this Agreement or any other agreement that you have with us, and do not correct such failure within 10 days after written notice of such failure is delivered to you; or

**n.** you fail to make payments of any amounts due to approved suppliers of products or services and do not correct such failure within 10 days after written notice of such failure is delivered to you by such supplier; or

**o.** you fail to pay when due any federal or state income, service, sales or other taxes due on the operations of SD TECH franchise business, unless you are in good faith contesting your liability for such taxes; or

**p.** you (or any of your owners) fail to comply with any other provision of this Agreement or any System Standard and do not correct such failure within 30 days after written notice of such failure to comply is delivered to you; or

**q.** you (or any of your owners) fail on 2 or more separate occasions within any period of 12 consecutive months or on 3 occasions during the term of this Agreement to submit when due reports or other data, information or supporting records, to pay when due any amounts due to us or otherwise to comply with this Agreement, whether or not such failures to comply were corrected after written notice of such failure was delivered to you; or

**r.** you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee or liquidator of all or the substantial part of your property; SD TECH franchise business is attached, seized, subjected to a writ or distress warrant or levied upon, unless such attachment, seizure, writ, warrant or levy is vacated within 30 days; or any order appointing a receiver, trustee or liquidator of you or SD TECH franchise business is not vacated within 30 days following the entry of such order. You are required to notify us in writing within 10 days of any of the above events; or

**s.** you misuse or make an unauthorized use of the Marks or materially impair the goodwill associated with the Marks.

Notwithstanding the provisions described in Paragraph 16.1 and sub-sections "a-s", if any valid, applicable law or regulation of a competent governmental authority having jurisdiction over the Franchise and the parties to this Franchise Agreement shall limit our rights of termination or shall require a longer notice period than set forth above, this Franchise Agreement is deemed amended to conform to such rules and regulations.

**16.2. Your Failure to Pay Constitutes Your Termination of This Agreement.** Your failure to timely cure any breach of your obligation to make payments of License Fees, the Marketing and Technology Fund fee or any other monies due and owing to us under this Agreement, or to timely cure any other material breach of this Agreement committed by you, in either instance following our notice to you that you have committed a breach of this Agreement and granting you an opportunity to cure said breach, will be irrevocably deemed to constitute your unilateral rejection and termination of this Agreement and all related agreements between you and us or our affiliate, notwithstanding that a formal notice of such termination(s) ultimately issues from us, and you shall never contend or complain otherwise.

**16.3. Cross-Default.** Any default or breach by you, an affiliate which has been approved by us, and/or any guarantor of yours of any other agreement between us and you and/or such other parties will be deemed a default under this Agreement, and any default or breach of this Agreement by you and/or such other parties will be deemed a default or breach under any and all such other agreements between us and you, your affiliates and/or any guarantor of yours. If the nature of the default under any other agreement would have permitted us to terminate this Agreement if the default had occurred under this Agreement, then we will have the right to terminate all such other agreements in the same manner provided for in this Agreement for termination hereof. Your "affiliates" means any persons or entities controlling, controlled by or under common control with you.

**16.4. Options Prior to Termination.**

Prior to the termination of this Agreement, if you fail to pay any amounts owed to us or our affiliate, or fail to comply with any term of this Agreement, then in addition to any right we may have to terminate this Agreement or to bring a claim for damages, we will have the option to:

**a.** Remove the listing of SD TECH franchise business from all advertising we may publish or approve;

**b.** Remove the listing of SD TECH franchise business from our Website;

**c.** Prohibit you from attending any meetings or seminars we hold or sponsor or that take place on our premises; and/or

**d.** Suspend all services we provide to you under this Agreement or otherwise, including, but not limited to inspections, training, marketing assistance, and sale of products and supplies.

Our actions, as outlined in this Paragraph 16.4, may continue until you have brought your accounts current, cured any default, and complied with our requirements, and we have acknowledged the same in writing. You acknowledge that our taking of any of these actions would not prevent you from continuing to operate SD TECH franchise business (unless and until this Agreement has been terminated), and

therefore would not constitute constructive termination of this Agreement. The taking of any of the actions permitted in this paragraph will not suspend or release you from any obligation that would otherwise be owed to us or our affiliate under the terms of this Agreement or otherwise.

## 17. Rights and Obligations Upon Termination.

**17.1. Payment of Amounts Owed to Us.** You agree to pay us within 15 days after the effective date of termination or expiration of this Agreement, or on such later date that the amounts due to us are determined, such License Fees, the Marketing and Technology Fund fee, amounts owed for purchases from us, interest due on any of the foregoing and all other amounts owed to us which are then unpaid.

**17.2. Marks and De-Identification.** Upon the termination or expiration of this Agreement:

**a.** You may not directly or indirectly at any time or in any manner (except with respect to other franchised SD TECH franchise businesses you own and operate) identify yourself or any business as a current or former franchised SD TECH franchise business, or as one of our licensees or franchisees, use any Mark, any colorable imitation of a Mark or other indicia of a SD TECH franchise business in any manner or for any purpose or utilize for any purpose any trade name, trade or service mark or other commercial symbol that indicates or suggests a connection or association with us. Within thirty (30) days of termination or expiration you are to deliver to us, at your own expense, all signs, sign-faces, sign-cabinets, marketing materials, forms and other materials containing any mark or otherwise identifying or relating to a SD TECH franchise business. In our sole judgment, we may waive this requirement in writing provided that you provide a sworn Certificate of Destruction/De-identification detailing your compliance with these terms;

**b.** You agree to take such action as may be required to cancel all fictitious or assumed name or equivalent registrations or licenses relating to your use of any Mark;

**c.** If we do not have or do not exercise an option to purchase SD TECH franchise business, you agree to deliver to us within 30 days after, as applicable, the effective date of expiration/termination of this Agreement or the Notification Date all signs, sign-faces, sign-cabinets, marketing materials, forms and other materials containing any Mark or otherwise identifying or relating to a SD TECH franchise business and allow us, without liability to you or third parties, to remove all such items from SD TECH franchise business;

**d.** If we do not have or do not exercise an option to purchase SD TECH franchise business, you agree that, after, as applicable, the effective date of expiration/terminations of this Agreement or the Notification Date, you will promptly and at your own expense make such alterations we specify to distinguish SD TECH franchise business clearly from its former appearance and from other SD TECH franchise businesses so as to prevent confusion by the public, including, without limitation, removing all exterior and interior signage bearing SD TECH franchise business's name or logo; removing all furnishings bearing SD TECH franchise business's name or logo; removing all memorabilia and décor items including pictures or any notation of any type that includes SD TECH franchise business's name or logo; removing and ceasing to use all retail merchandise bearing SD TECH franchise business's name or logo; repainting of the interior of the franchise business to reflect a change in the basic color scheme so as to clearly distinguish from its former appearance/concept and from other SD TECH franchise business so as to prevent confusion by the public and all other alterations we specify to distinguish SD TECH franchise business clearly from its former appearance and from other SD TECH franchise business;

**e.** If we do not have or do not exercise an option to purchase SD TECH franchise business, you must return to us all proprietary manuals including the Confidential Operations Manual. These items are to be returned to us via ground delivery service, shipped no later than the day of closing, and a copy of the bill of lading/shipping order provided to us;

**f.** If we do not have or do not exercise an option to purchase SD TECH franchise business, you must destroy all remaining unused gift certificates, gift cards and coupons. You must provide a signed and notarized statement attesting to the quantity (dollar amount) of unredeemed gift certificates, gift cards and coupons outstanding and a method for reimbursement to franchisees of SD TECH franchise business system for a period of one year from date of franchise business closing. Reimbursement must be guaranteed by funds held in escrow or other form acceptable to us in our sole discretion;

**g.** If we do not have or do not exercise an option to purchase SD TECH franchise business you agree that, after, as applicable, the effective date of expiration/termination of this Agreement or the Notification Date, you will notify the telephone company and assign all telephone, facsimile or other numbers and any regular, classified or other telephone directory listings to us or at our direction and/or instruct the telephone company to forward all calls made to your telephone numbers to numbers we specify. You further appoint an officer of Franchisor as your attorney in fact, to direct the telephone company and any listing agencies to transfer any telephone numbers and listing to us should you fail to voluntarily do so, and the telephone company and all listing agencies shall accept such direction of this Agreement as conclusive of the exclusive rights of Franchisor in such telephone numbers and directory listings and its authority to direct their transfer; and

**h.** You agree to furnish us, within 30 days after, as applicable, the effective date of expiration or termination of this Agreement or the Notification Date, with evidence satisfactory to us of your compliance with the foregoing obligations.

**17.3. Confidential Information.** You agree that, upon termination or expiration of this Agreement, you will immediately cease to use any of our Confidential Information in any business or otherwise and return to us all copies of the Manuals and any other confidential materials that we have loaned to you.

**17.4. Competitive Restrictions.** Upon termination or expiration of this Agreement for any reason whatsoever, you agree that, for a period of 2 years commencing on the Effective Date of termination or expiration neither you nor any of your owners will have any direct or indirect interest (including through a spouse, child or other family member) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, member, manager, representative or agent or in any other capacity in any Competitive Business operating:

**a.** At the Site or within the Protected Territory; or

**b.** Within 50 miles of the Site or Protected Territory; or

**c.** Within 15 miles of any other SD TECH franchise business in operation or under construction on the later of the effective date of the termination or expiration.

If any person restricted by this Section refuses voluntarily to comply with the foregoing obligations, the 2-year period will commence with the entry of an order of an arbitrator, or court if necessary, enforcing this provision. You expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Section will not deprive you or your owners of your or their personal goodwill or ability to earn a living.

All persons with an ownership or voting interest in you if you are a Business Entity franchisee, all individual franchisees if you are not a Business Entity and any person employed by or under an independent contractor relationship with you who receives or will receive any training by us or you which is directly or indirectly related to the System or involves any of the Confidential Information must execute the Confidentiality, Non-solicitation and Non-competition Agreement attached to the Franchise Disclosure Document no later than ten days following the effective date of this Agreement (or, if any individual or entity attains such status after the effective date of this Agreement, within ten days following such individual or entity's attaining such status).

**17.5. Our Right to Purchase.**

**a.** Exercise of Option. Upon our termination of this Agreement in accordance with its terms and conditions, we have the option, exercisable by giving written notice to you within 60 days from the date of such termination, to purchase SD TECH franchise business from you, including the leasehold right to the Site. (The date on which we notify you whether or not we are exercising our option is referred to in this Agreement as the "Notification Date"). We have the unrestricted right to assign this option to purchase SD TECH franchise business. We will be entitled to all customary warranties and representations in connection with our asset purchase, including, without limitation, representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise.

**b.** Leasehold Rights. You agree at our election:

(i) To assign your leasehold interest in the Site to us; to enter into a sublease for the remainder of the lease term on the same terms (including renewal options) as the prime lease; or

(ii) To lease to us if you own the Site in accordance with the Agreement to Lease.

**c.** Purchase Price. The purchase price for SD TECH franchise business will be its fair market value, determined in a manner consistent with reasonable depreciation of SD TECH franchise business's equipment, signs, inventory, materials and supplies provided that SD TECH franchise business will be valued as an independent business and its value will not include any value for:

(i) the Franchise or any rights granted by the Agreement;

(ii) the Marks; or

(iii) participation in the network of SD TECH franchise business.

Your SD TECH franchise business's fair market value will include the goodwill you developed in the market of SD TECH franchise business that exists independent of the goodwill of the Marks and the System. The length of the remaining term of the lease for the Site will also be considered in determining SD TECH franchise business's fair market value.

We may exclude from the assets purchased cash or its equivalent and any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to SD TECH franchise business's operation or that we have not approved as meeting standards for a SD TECH franchise business, and the purchase price will reflect such exclusions.

The purchase price will be paid at the closing of the purchase, which will take place not later than 90 days after determination of the purchase price. We have the right to set off against the purchase price, and thereby reduce the purchase price by, any and all amounts you or your owners owe to us. At the closing, you agree to deliver instruments transferring to us the following:

(i) Good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interest acceptable to us), with all sales and other transfer taxes paid by you;

(ii) All licenses and permits of SD TECH franchise business which may be assigned or transferred; and

(iii) The leasehold interest and improvements in the Site.

If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the closing of the sale will be accomplished through an escrow. You and your owners further agree to execute general releases, in the form attached to the Franchise Disclosure Document, of any and all claims against us and our shareholders, officers, directors, employees, agents, successors and assigns.

## 18. Relationship of the Parties/Indemnification.

**18.1. Independent Contractors.** You and we understand and agree that this Agreement does not create a fiduciary relationship between you and us, that we and you are and will be independent contractors and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venturer, partner or employee of the other for any purpose. You agree to conspicuously identify yourself in all dealings with customers, suppliers, public officials, SD TECH franchise business personnel and others as the owner of SD TECH franchise business under a franchise we have granted and to place such notices of independent ownership on such forms, business cards, stationery and advertising and other materials as we may require from time to time. If you do not do so, we may place the notices and accomplish the foregoing as we see fit, and you must reimburse us for doing so.

**18.2. No Liability for Acts of Other Party.** You agree not to employ any of the Marks in signing any contract or applying for any license or permit, or in a manner that may result in our liability for any of your indebtedness or obligations, and that you will not use the Marks in any way we have not expressly authorized. Neither we nor you will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name or on behalf of the other, represent that our respective relationship is other than franchisor and franchisee or be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized in writing. We will not be obligated for any damages to any person or property directly or indirectly arising out of SD TECH franchise business's operation or the business you conduct pursuant to this Agreement.

**18.3. Taxes.** We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, payroll, property or other taxes, whether levied upon you or SD TECH franchise business, in connection with the business you conduct (except any taxes we are required by law to collect from you with respect to purchases from us). Payment of all such taxes is your responsibility.

**18.4. Indemnification.** You agree to indemnify, defend and hold us, our affiliate and our respective shareholders, directors, officers, employees, agents, successors and assignees (the "Indemnified Parties") harmless from and to reimburse any one or more of the Indemnified Parties for all claims, obligations and damages described in this Section, any and all taxes arising from the operation of your SD TECH franchise business, and any and all claims and liabilities directly or indirectly arising out of SD TECH franchise business's operation (even if our negligence is alleged, but not proven); any element of your development, opening and operation of your SD TECH franchise business, including (without limitation) any personal injury, death or property damage suffered by any customer, visitor, operator, employee or guest of SD TECH franchise business; crimes committed on or near your SD TECH franchise business or vehicles used by your SD TECH franchise business; all acts, errors, neglects or omissions engaged in by you, your contractors or subcontractors, as well as any third party, arising out of or related to the design, construction, conversion, build-out, outfitting, remodeling, renovation or upgrading of your SD TECH franchise business, whether or not any of the foregoing was approved by us; defects in any franchised SD TECH franchise business you construct and/or operate, whether or not discoverable by you or by us; all acts, errors, neglects or omissions of you or SD TECH franchise business and/or the owners, officers, directors, management, employees, agent, servants, contractors, partners, proprietors, affiliate or representatives of you or SD TECH franchise business (or any third party acting on your behalf or at your direction), whether in connection with SD TECH franchise business or otherwise; all liabilities arising from or related to your offer, sale and/or delivery of products and/or services as contemplated by this Agreement; and, any action by any customer of yours or visitor to your SD TECH franchise business or any other facility of your franchised business; or your breach of this Agreement.

For purposes of this indemnification, "claims" includes all obligations, damages (actual, consequential or otherwise) and costs reasonably incurred in the defense of any claim against any of the Indemnified Parties, including, without limitation, reasonable accountant's, arbitrator's, attorney's and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of litigation,

arbitration or alternative dispute resolution and travel and living expenses. We have the right to defend any such claim against us. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

Under no circumstances will we or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate our, their or your losses and expenses, in order to maintain and recover fully a claim against you. You agree that a failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts we or another Indemnified Party may recover from you.

## 19. Enforcement.

**19.1. Severability and Substitution of Valid Provisions.** Except as expressly provided to the contrary herein, each section, paragraph, term and provision of this Agreement, and any portion thereof, shall be considered severable and if, for any reason, any such portion of this Agreement is held to be invalid, contrary to, or in conflict with any applicable present or future law or regulation in a final, un-appealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which Franchisor is a party, that ruling shall not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, which shall continue to be given full force and effect and binding upon the parties hereto, although any portion held to be invalid shall be deemed not to be part of this Agreement from the date the time for appeal expires, if you are a party thereto, or upon your receipt of a notice of non-enforcement thereof from us. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to allow you a Successor Franchise to this Agreement than is required hereunder, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operation procedure prescribed by us is invalid or unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the notice requirements hereof, and we shall have the right, in our sole discretion to modify such invalid or unenforceable provision, specification, standard or operation procedure to the extent required to be valid and enforceable. Such modifications to this Agreement shall be effective only in such jurisdiction unless we elect to give them greater applicability and this Agreement shall be enforced as originally made and entered into in all other jurisdictions.

**19.2. Waiver of Obligations.** Whenever this Agreement requires our prior approval or consent, you shall make a timely written request therefor, and such approval shall be obtained in writing. We make no warranties or guarantees upon which you may rely, and assume no liability or obligation to you by granting any waiver, approval or consent to you, or by reason of any neglect, delay or denial of any request therefor. Any wavier granted by us shall be without prejudice to any other rights we may have, will be subject to continuing review by us and may be revoked, in our sole discretion, at any time and for any reason, effective upon receipt by you of ten (10) days prior written notice. We shall not be deemed to have waived or impaired any right, power, or option reserved by this Agreement (including, without limitation, our right to demand exact compliance with every term, condition and covenant herein, or to declare any breach thereof to be a default and to terminate this Franchise prior to the expiration of its term), by virtue of any custom or practice of the parties at variance with the terms hereof; any failure by us or you to demand strict compliance with this Agreement, any waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature against other franchisees of us or the acceptance by us of any payments due from you after failure to comply with any provision of this Agreement, nor acceptance by us of any payment by you or failure, refusal or neglect of us or you to exercise any right under this Agreement or to insist upon full compliance by the other with its obligations, hereunder, including without limitation, any mandatory specification, standard or operating procedure, shall not constitute a waiver of any provision of this Agreement.

**19.3. Franchisee May Not Withhold Payment Due Franchisor.** You agree that you will not, on grounds of the alleged nonperformance by us of any of our obligations hereunder, withhold payment of any

License Fees, the Marketing and Technology Fund fee, and amounts due to us for items or products purchased by you or any other amounts due from you to us.

**19.4. Force Majeure.** If the performance of any obligation under this Franchise Agreement is prevented or delayed, in whole or in part, by reason of force majeure, or the consequence thereof, affecting the parties hereto or the rights granted hereunder, such force majeure to include but not be limited to acts of God, fire, flood, governmental restrictions, lockouts or labor disputes, then the affected party shall be given such additional time as is reasonable to perform in view of the nature and extent of the force majeure.

**19.5. Governing Law.** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, *et seq*.) and the United States Arbitration Act which may also be designated the Federal Arbitration Act, this Agreement and the franchise shall be governed by the laws of Texas.

Franchisee waives any and all rights, actions or claims for relief under the Federal Act entitled "Racketeer Influenced And Corrupt Organizations", 18 U.S.C. Section 1961, *et seq*.

**19.6. Binding Effect.** This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, legal representatives, assigns and successors in interest.

The parties hereto agree that this Agreement may be executed electronically by any means Franchisor chooses, and if by electronic signature, the electronic signature shall be binding to the same extent as an original signature and shall be deemed an original signature with regard to this Agreement and all Riders, Amendments or Addenda hereto. You are not entitled to challenge the validation or authenticity of the electronic signature or the document on the ground that it is not the original.

**19.7. Construction.** The preambles are a part of this Agreement, and together with the Manuals, all exhibits, attachments and addenda constitute the entire agreement of the parties, and, with the exception, if applicable, of a lease or sublease for the premise of SD TECH franchise business between us and you, there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto. The headings of the Sections and Paragraphs hereof are for convenience only and do not define, limit or construe the contents of such Sections or Paragraphs. The term "you", "your" or "Franchisee" as used herein is applicable to one or more persons, a corporation, partnership, limited liability company or other legal entity, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. Reference to Franchisee, and "assignees" and "transferees" which are applicable to an individual or individuals shall mean the principal owner or owners of the equity or operating control of Franchisee or any such assignee or transferee if Franchisee or such assignee or transferee is a corporation, partnership, limited liability company or other legal entity. This Agreement may be executed in multiple copies, each of which shall be deemed an original. Time is of the essence of this Agreement.

**19.8. Judicial Enforcement, Injunction and Specific Performance.** Notwithstanding the provisions of Paragraphs 19.9 and 19.10, we shall be entitled, without bond, to the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to Franchisee's use of the Marks, the obligations of Franchisee upon termination or expiration of the franchise, and assignment of the Franchise and ownership of Franchisee. If we secure any such injunction or order of specific performance, Franchisee agrees to pay to us an amount equal to the aggregate of our costs of obtaining such relief, including, without limitations, reasonable attorneys' fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, and any damages incurred by us as a result of the breach of any such provision.

**19.9. Mediation.** The parties hereto agree that before resorting to binding arbitration, that if any dispute arises between the parties hereto, any affiliated companies thereof or any of their officers, directors, partners, joint ventures, employees, agents, representatives or those in active concert with any of such

parties, relating to anything other than the matters set forth in Section 10 and Paragraphs 17.4 or 19.8, the parties hereto agree to first try in good faith before resorting to arbitration, to settle the dispute by mediation in Bexar County, Texas, administered by the American Arbitration Association under its Commercial Mediation Rules and initiated at and supervised by the American Arbitration Association unless agreed otherwise by the parties. Disputes subject to mediation shall be all controversies, claims, and matters from the beginning of time, whether contractual or tort in nature, except for those matters specifically excluded in Section 10 and Paragraphs 17.4 and 19.8. The party who seeks resolution of a controversy, claim or dispute or other matter in question shall notify the other party and the American Arbitration Association office in writing of the existence and subject matter of such controversy, claim or dispute. Unless mutually agreed otherwise, the parties shall meet with the mediator within thirty (30) days after the recipient party has received notice of the dispute, and agree to utilize their best efforts and all expediency to resolve the matters in dispute. The mediation shall not continue longer than one (1) hearing day without the written approval of both parties. Neither party shall be bound by any recommendation of the mediator; however, any agreement reached during mediation shall be final and conclusive. The expense of mediation shall be shared equally by both parties. The parties' obligation to mediate will be deemed to be satisfied after one (1) hearing day or 60 days after a mediation demand has been made if any party fails to appear or participate in good faith in the mediation.

Franchisor and the Franchisee each agree that the mediation process is negotiation for the purpose of compromise. All offers, promises, conduct, and statements, whether oral or written, made in the course of the mediation process by any of the parties, their agents, employees, experts and attorneys, shall be confidential. Franchisee acknowledges that Franchisor may require the Franchisee to execute a confidentiality agreement pertaining to the mediation process. Notwithstanding the foregoing, evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or not discoverable as a result of its use in the mediation process.

In the event the parties are unable to reach an agreement by mediation, then in that event all disputes, controversies, claims or causes of action shall be submitted to binding arbitration pursuant to Paragraph 19.10 hereinafter.

**19.10. Arbitration.** All disputes and claims relating to any provision of this Franchise Agreement (other than as set forth in Section 19, Paragraph 19.8 above, Franchisee's use of the Marks or the parties' Exclusive Relationship or the obligations of Franchisee upon termination or expiration of the franchise, and assignment of the Franchise and ownership of Franchisee), any specification, standard, operating procedure, or rule or any other obligation of Franchisee prescribed by Franchisor or any obligation of Franchisor, or the breach thereof (including, without limitation, any claim that this Agreement, any provision hereof, any specification, standard, operating procedure or rule or any other obligation of Franchisee or Franchisor is illegal or otherwise unenforceable or voidable under any law, ordinance, or ruling) shall be settled by arbitration in Bexar County, Texas or if Franchisor shall no longer maintain an office in Bexar County, Texas, then the home office of Franchisor. Arbitration shall be conducted in accordance with the United States Arbitration Act (9 U.S.C. Section 1, *et seq*.), if applicable, and the Rules of the American Arbitration Association (relating to the arbitration of disputes arising under franchise and license agreements, if any, otherwise, the general rules of commercial arbitration), provided that the arbitrator shall award, or include in his/her award, the specific performance of this Agreement, and the arbitrator shall issue a written opinion explaining the reasons for his/her decision and award. If a claim for amounts owed by Franchisee to Franchisor is asserted in the arbitration proceeding and if Franchisor shall prevail on such claim, Franchisor shall be entitled to so much of its cost and expenses including accounting and legal fees, as are attributable to the prosecution thereof. Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof or of Franchisor or of Franchisee. During the pendency of an arbitration proceeding hereunder, Franchisee and Franchisor shall fully perform and comply with the provisions of this Agreement. The parties intend and agree that any state laws attempting to prohibit arbitration or void out-of-state forums

for arbitration are preempted by the Federal Arbitration Act and the arbitration shall be held as provided in Paragraph 19.10.

**19.11. Third Party Beneficiaries.** Our officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the arbitration provisions in Paragraph 19.10, each having authority to specifically enforce the right to arbitrate claims asserted against such person(s) by Franchisee.

**19.12. Class Claims.** Franchisee agrees that any arbitration between Franchisee and Franchisor will be Franchisee's individual claim and that the claim or claims subject to arbitration shall not be arbitrated on a class-wide basis.

**19.13. Entire Agreement.** This Agreement, including the introduction, addenda and exhibits to it, constitutes the entire agreement between you and us. Notwithstanding the foregoing, nothing in the Agreement is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you. There are no other oral or written understandings or agreements between you and us concerning the subject matter of this Agreement. Except as expressly provided otherwise in this Agreement, this Agreement may be modified only by written agreement signed by both you and us.

**19.14. Certain Definitions.** The term "family member" refers to parents, spouses, offspring and siblings, and the parents and siblings of spouses. The term "affiliate" means any Business Entity directly or indirectly owned or controlled by a person, under common control with a person or controlled by a person. The terms "franchisee," "franchise owner," "you" and "your" are applicable to one or more persons, or a Business Entity, as the case may be. The singular use of any pronoun also includes the plural and the masculine and neuter usages include the other and the feminine. The term "person" includes individuals, corporations, partnerships (general or limited), limited liability companies, and all artificial or legal entities. The term "Section" refers to a Section or Subsection of this Agreement. The word "control" means the power to direct or cause the direction of management and policies. The word "owner" means any person holding a direct or indirect, legal or beneficial ownership interest or voting right in another person (or a transferee of this Agreement or an interest in you), including any person who has a direct or indirect interest in you or this Agreement and any person who has any other legal or equitable interest, or the power to vest in himself any legal or equitable interest, in the revenue, profits, rights or assets.

**19.15. Time Is of the Essence.** It will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement. In computing time periods from one date to a later date, the words "from "and "commencing on" (and the like) mean "from and including"; and the words "to", "until" and "ending on" (and the like) mean "to but excluding." Indications of time of day mean San Antonio, Texas time.

**19.16. Anti-Terrorism Compliance.** You agree to comply with, and/or assist us to the fullest extent possible in our efforts to comply with, Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, the Foreign Terrorist Organizations Sanctions Regulations, the Cuban Assets Control Regulations and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war (the "Anti-Terrorism Laws"). In connection with such compliance you certify, represent and warrant that none of your property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that you are not otherwise in violation of any of the Anti-Terrorism Laws. Any violation of the Anti-Terrorism Laws by you or your employees or any "blocking" of your assets under the Anti-Terrorism Laws constitute grounds for immediate termination of this Agreement and any other agreements you have entered into with us or any of our affiliate, in accordance with the termination provisions of this Agreement.

**19.17. Our Withholding of Consent, Your Exclusive Remedy.** In no event may you make any claim for money damages based on any claim or assertion that we have unreasonably withheld or delayed any consent or approval under this Franchise Agreement. You waive any such claim for damages. You may

not claim any such damages by way of setoff, counterclaim or defense. Your sole remedy for the claim will be mediation and arbitration proceedings in accordance with Paragraphs 19.9 and 19.10 respectively to enforce the Agreement provisions, for specific performance or for declaratory judgment.

**19.18. Notices.** All written notices and reports permitted or required under this Agreement or by the Manuals will be deemed delivered:

a. 2 business days after being placed in the hands of a commercial airborne courier service for next business day delivery; or

b. 3 business days after placement in the United States mail by certified mail, return receipt requested, postage prepaid.

All such notices must be addressed to the parties as follows:

If to Us: SD Tech International, Inc.
523 Med Ct., Suite 105
San Antonio, TX 78258

If to You: _____
_____
_____
Attention: _____

Either you or we may change the address for delivery of all notices and reports and any such notice will be effective within 10 business days of any change in address. Any required payment or report not actually received by us during regular business hours on the date due (or postmarked by postal authorities at least 2 days prior to such date, or in which the receipt from the commercial courier service is not dated prior to 2 days prior to such date) will be deemed delinquent.

## 20. Spousal Consent.

If you have obtained our approval and the Franchisee is a corporation, partnership, limited liability company or other form of legal entity, then the spouse of each of your owners, or, for, an individual(s), or subsequent to execution hereof you marry or you assign this Agreement to an individual(s), then in either event, the spouse(s) hereby jointly and severally personally and unconditionally guarantee(s) without notice, demand or presentment, the payment of all of your monetary obligations under this Agreement as if each were an original party to this Agreement in his or her individual capacity. All such spouses further agree to be bound by restrictions upon your activities upon transfer, termination or expiration of this Agreement as if each were an original party to this Agreement in his or her individual capacity. All such spouses must execute a spousal consent in the form attached hereto as Exhibit G-Four. In the event of divorce and re-marriage, or subsequent marriage, you covenant and agree to provide Franchisor with a properly executed spousal consent and guarantee, in the form prescribed by Franchisor.

Intending to be bound, you and we sign and deliver this Agreement in 2 counterparts effective on the Agreement Date, regardless of the actual date of signature.

[ Signatures on page that follows. ]

Dated: _____

**"You"; "Your"; "Franchisee"**
If a corporation or other entity:

_____
(Name of Corporation or Other Entity)

Attest: _____

By: _____

_____
(Print Name)

Its: _____
(Title)

Dated: _____

If an individual:

_____
Witness/Date

_____
(Signature)

_____
(Print Name)

_____
(Signature)

_____
(Print Name)

Dated: _____

**"We"; "Us"; "Our"; "Franchisor"**
**SD TECH INTERNATIONAL, INC.**

Attest: _____

By: _____

_____
(Print Name)

_____
Witness/Date

Its: _____
(Title)

**EXHIBIT "G-ONE" TO THE FRANCHISE AGREEMENT**

---

**CENTER AND SITE SELECTION AREA**

---

**EXHIBIT "G-ONE" TO THE FRANCHISE AGREEMENT**

**CENTER AND SITE SELECTION AREA**

1. Your Site Selection Area prior to approval of the Site is the geographic area described below (the "Center"):

_____
_____
_____
_____

2. If the Site Selection Area is to be determined after the Agreement Date, check this box ☐.

When we accept the Center, we will complete the description of the Site Selection Area at that time.

**EXHIBIT "G-TWO" TO THE FRANCHISE AGREEMENT**

---

**PROTECTED TERRITORY**

---

**EXHIBIT "G-TWO" TO THE FRANCHISE AGREEMENT**

**PROTECTED TERRITORY**

Your Site is located at:

_____
_____
_____
_____

Your Protected Territory is the geographic area consisting of a maximum of 125,000 people (most recent U.S. Census), or a radius of 10 miles of the site, whichever is the lesser area.

If a map is attached, check this box ☐.

**EXHIBIT "G-THREE" TO THE FRANCHISE AGREEMENT**

---

**TERRITORY EXTENSION**

---

**EXHIBIT "G-THREE" TO THE FRANCHISE AGREEMENT**

**TERRITORY EXTENSION**

If we agree, in our sole discretion, to allow you to extend your Protected Territory to a maximum of 100,000 additional population or radius of 5 additional miles from the Protected Territory, whichever is the lesser additional area, and you have paid the Territory Extension Fee on the Agreement date.

If a map is used check this box ☐ and attach the map.,

Franchisee accepts the Extended Territory set out below:

_____
_____
_____
_____

Dated: _____

**"You"; "Your"; "Franchisee"**
If a corporation or other entity:

_____
(Name of Corporation or Other Entity)

Attest: _____

By: _____

_____
(Print Name)

_____
(Print Name)

Its: _____
(Title)

Dated: _____

If an individual:

_____
Witness/Date

_____
(Signature)

_____
(Print Name)

Dated: _____

**"We"; "Us"; "Our"; "Franchisor"**
**SD TECH INTERNATIONAL, INC.**

Attest: _____

By: _____

_____
(Print Name)

_____
(Print Name)

Its: _____
(Title)

**EXHIBIT "G-FOUR" TO THE FRANCHISE AGREEMENT**

---

**SPOUSAL CONSENT**

---

**EXHIBIT "G-FOUR" TO THE FRANCHISE AGREEMENT**

**SPOUSAL CONSENT**

The undersigned person(s) hereby represent(s) to SD TECH INTERNATIONAL, INC. that he/she is the spouse of the individual franchisee(s) who has executed a SD TECH INTERNATIONAL, INC Franchise Agreement dated the __ day of _____, 20__ or that he/she is the spouse of one of the Owners of the legal entity who executed SD TECH INTERNATIONAL, INC Franchise Agreement of the same date. In consideration of the grant by SD TECH INTERNATIONAL, INC to the Franchisee as herein provided, each of the undersigned spouses agrees, in consideration of benefits received and to be received by each of them, jointly and severally, and for themselves, their heirs, legal representatives and assigns that they, and each of them, will be firmly bound by all of the terms, provisions and conditions of the foregoing SD TECH INTERNATIONAL, INC Franchise Agreement, that they and each of them jointly and severally do hereby unconditionally guarantee the full and timely performance by the Franchisee of each and every obligation of the Franchisee under the aforesaid Franchise Agreement, including, without limitation, any indebtedness of the Franchisee arising under or by virtue of the aforesaid Franchise Agreement. The undersigned jointly and severally further agree(s) to be bound by the in-term and post-term covenants set forth in Section 10 and in Paragraph 17.4 of the aforesaid Franchise Agreement.

WITNESS: Signature: _____

_____ Printed Name: _____

**EXHIBIT "G-FIVE" TO THE FRANCHISE AGREEMENT**

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# STATE AMENDMENT TO FRANCHISE AGREEMENT

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**MARYLAND**
**ADDENDUM TO**
**SD TECH INTERNATIONAL, INC. FRANCHISE AGREEMENT**

This addendum to the Franchise Agreement is agreed to by and between SD TECH International, Inc. and the Franchisee identified below, to amend and revise said Franchise Agreement as follows:

The Franchise Agreement is amended by the addition of the following language to the original language that appears therein:

Any limitation on the period of time arbitration and/or litigation claims must be brought shall not act to reduce the 3 year statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

Any general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

The acknowledgments or representations of the franchisee made in the franchise agreement and questionnaire which disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law are not intended to nor shall they act as a release, estoppels or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

To the extent this Amendment shall be deemed to be inconsistent with any term or conditions of said Franchise Agreement or Exhibits or attachments thereto, the terms and conditions as stated in this Rider shall govern.

The provision in the franchise agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Notwithstanding anything heretofore in the Franchise Agreement, nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.

Anything to the contrary in the Franchise Agreement, a Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Francise Registration and Disclosure Law.

The Maryland Securities Commissioner has determined that the franchisor has not demonstrated it is adequately capitalized and/or that the franchisor must rely on franchise fees to fund operations. The Commissioner has imposed a requirement for the franchisor to maintain a surety bond in the amount of $93,500 with United Casualty and Surety Insurance Company during the registration period. The surety bond is available for you to recover your damages in the event we do not fulfill our obligations to you to open your franchise business. We will provide you with a copy of the surety bond upon request.

[ Signatures on page that follows. ]

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the ___ day of _____, 20__.

**FRANCHISOR**
**SD TECH International, Inc.**
A Texas corporation

By:_____

Title:_____

**FRANCHISEE**

_____

_____
(Signature)

_____
(Print Name)

**EXHIBIT "H" TO THE DISCLOSURE DOCUMENT**

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# FORM OF
# AREA DEVELOPMENT AGREEMENT

---

**SD TECH INTERNATIONAL, INC.**

**AREA DEVELOPMENT AGREEMENT**

Effective Date: _____

Name of Developer: _____

Address of Developer: _____
_____
_____

Summary of Description of Territory: See Exhibit "H-One"

**SD TECH INTERNATIONAL, INC.**
**AREA DEVELOPMENT AGREEMENT**
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**EXHIBITS**

Exhibit “H-One” Designated Territory
Exhibit “H-Two” State Amendment to Area Development Agreement

**SD TECH INTERNATIONAL, INC.**
**AREA DEVELOPMENT AGREEMENT**

**THIS AREA DEVELOPMENT AGREEMENT** (this "Agreement") is effective on _____ __, 20__ (the "Agreement Date"). The parties to this agreement are **SD TECH INTERNATIONAL, INC.**, a Texas Corporation, with its principal office located at 523 Med Ct., Suite 105, San Antonio, TX 78258 (referred to in this Agreement as "we," "us," "our" or "Franchisor") and _____ whose principal address is _____ (referred to in the Agreement as "you," "your" or "Developer").

## 1. Introduction.

**1.1 SD TECH System.** We and our affiliate have expended considerable time and effort in developing SD TECH franchise businesses offering or providing commercial and/or residential customers with repair and/or servicing and/or delivery and/or assembly of all Managed IT Services, IT Support, VoIP System support, Microsoft Office 365 integration, Hosted Exchange Email, On-Site and Off-Site Backup support, New Construction turn key IT Build-Outs, Cloud Solutions and Migration, Home Automation and Smart Cameras and other products and services in a distinctive and innovative environment ("SD TECH"). SD TECH franchise businesses operate under distinctive business formats, methods, procedures, designs, layouts, signs, equipment, trade dress, standards and specifications, all of which we may improve, further develop or otherwise modify from time to time (the "System").

We use, promote and license certain trademarks, service marks and other commercial symbols in the operation of a SD TECH franchise business, including the trademarks, service marks and commercial symbols, **"SD TECH"**, and other associated designs, artwork and trade dress, which have gained and continue to gain public acceptance and goodwill, and may create, use and license additional trademarks, service marks and commercial symbols in conjunction with the operation of SD TECH franchise businesses (collectively, the "Marks"). We grant to persons who meet our qualifications and are willing to undertake the investment and effort, the right to develop and operate multiple SD TECH franchise businesses located within a defined geographic area.

**1.2 Confirmations.** You confirm and agree to the following:

(a) you have read this Agreement and our Franchise Disclosure Document;

(b) you understand that we may modify our current form of franchise agreement from time to time; however, any modifications of the franchise agreement during the term of this Agreement will not vary the amount of Franchise Fees or license fees to be paid by you;

(c) you understand and accept the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain our high standards of quality service and the uniformity of those standards at every SD TECH franchise business in order to protect and preserve the goodwill of the Marks;

(d) you have conducted an independent investigation of the business venture contemplated by this Agreement and recognize that, like any other business, the nature of the business conducted by SD TECH franchise businesses may evolve and change over time;

(e) as an inducement to our entry into this Agreement, you have made no misrepresentations in obtaining the development rights granted in this Agreement; and

(f) we have provided to you a copy of our Franchise Disclosure Document and an executable copy of the Franchise Agreement at least 14 calendar days prior to the execution of the Franchise Agreement or our receipt of any consideration from you.

**1.3 Business Organization.** If you are at any time a business organization ("Business Entity") (like a corporation, limited liability or partnership) you agree and represent that:

(a) you have the authority to execute, deliver and perform your obligations under this Agreement and are duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation;

(b) your organizational or governing documents will recite that the issuance and transfer of any ownership interests in you are restricted by the terms of this Agreement, and all certificates and other documents representing ownership interests in you will bear a legend referring to the restrictions of this Agreement;

(c) the Principal Owner's Statement will completely and accurately describe all of your Owners and their interests in you. A copy of our current form of Principal Owner's Statement is attached to the Franchise Disclosure Document;

(d) you and your Owners agree to revise the Principal Owner's Statement as may be necessary to reflect any ownership changes and to furnish such other information about your organization or formation as we may request (no ownership changes may be made without our approval, which will not be unreasonably withheld);

(e) each of your Owners during the term of this Agreement will sign and deliver to us our standard form of Principal Owner's Guaranty undertaking to be bound jointly and severally by all provisions of this Agreement and any other agreements between you and us. A copy of our current form of Principal Owner's Guaranty is attached to our Franchise Disclosure Document; and

(f) at our request, you will furnish true and correct copies of all documents and contracts governing the rights, obligations and powers of your Owners and agents (like articles of incorporation or organization, and partnership, operating or shareholder agreements).

## 2. Term and Succession.

**2.1 Term of Agreement.** This Agreement commences on the Agreement Date and expires on the earlier of: (i) the last day of the Development Schedule; or (ii) the Certificate of Occupancy of the last SD TECH franchise business specified in the Development Schedule. This Agreement may be terminated before it expires in accordance with Section 9 of this Agreement. Upon expiration or termination of this Agreement, you will not have any further rights to acquire franchises to operate SD TECH franchise businesses; but you may continue to own and operate all existing franchised SD TECH franchise businesses subject to the franchise agreements (the "Franchise Agreement(s)") with us in accordance with their terms.

This Agreement will expire when you have opened the last of the Franchised Locations you are permitted to open under this Agreement, or seven (7) years from the date of this Agreement, whichever occurs first. There are no renewal or successor rights extended to Developer in this Agreement.

**2.2 Rights on Expiration or Termination.** Upon expiration or termination of this agreement we may then operate or grant other persons' franchises to operate SD TECH franchise businesses within the Designated Territory set forth in Exhibit "H-One" attached hereto and made a part hereof. You may continue to own and operate each SD TECH franchise business then in operation under Franchise Agreements that you have executed with us, subject however, to the terms and conditions of each Franchise Agreement.

## 3. Development Rights, Obligations and Designated Territory.

**3.1 Development Rights – Right of First Refusal.** If you are in full compliance with all of the provisions of this Agreement and all of the franchise agreements, then during the term of this Agreement, we will grant to you, pursuant to the terms and conditions of this Agreement, the non-exclusive right to enter into franchise agreements with us (the "Franchise Agreements") to open a total number of Franchised

Locations within the development territory set forth by map or written description in Exhibit "H-One" of this Agreement (hereinafter "Designated Territory"), and to use our System, Marks and Methods solely in connection with those businesses, at specific locations to be designated in separate Franchise Agreements signed as provided herein and pursuant to the Development Schedule described in Paragraph 3.3.2 of this Agreement ("the Development Schedule"). Each Franchised Location to be developed will be located in the Designated Territory set forth in Exhibit "H-One".

**3.2 Rights Retained.** Your Designated Territory is non-exclusive and we retain the right in our sole and absolute discretion to:

(a) establish and grant our affiliate, subsidiaries or parent entity the absolute right to establish SD TECH franchise businesses at a specific location or an area within the Designated Territory or to grant other franchisees the right to establish SD TECH franchise businesses within the Designated Territory, but if other franchisees desire to enter into a Franchise Agreement for a SD TECH franchise business at a specific location or an area within the Designated Territory we will offer you a right of refusal to open your next scheduled SD TECH franchise business at that specific location or area within the Designated Territory ("Right of Refusal Area") provided however if your Area Development Agreement for the Designated Territory was executed first in time (the first Area Development Agreement signed within the Designated Territory), your right of refusal shall be a First Right of Refusal for the specific location or area within the Designated Territory. If you entered into an Area Development Agreement second in time for the Designated Territory, your right of refusal shall be a Second Right of Refusal and you will not be offered the Right of Refusal Area unless the Developer with the First Right of Refusal did not accept the Right to Develop SD TECH franchise business within the Right of Refusal Area. If there are any Developers which entered into an Area Development Agreement subsequent in time to a preceding Developer, they will be offered a right of refusal for the Right of Refusal Area only if the preceding Developer refused the opportunity to develop SD TECH franchise business for the Right of Refusal Area.

You will have seven (7) days from the date of our notice offering you the right to develop your next SD TECH franchise business in the Right of Refusal Area, to provide us with your written commitment to accept the obligation to open your next SD TECH franchise business within the Right of Refusal Area and in addition, find a site within thirty (30) days which is acceptable to us and further enter into our Franchise Agreement for the location. After your written acceptance and signing the Franchise Agreement you will have one hundred eighty (180) days from the date of the Franchise Agreement to open the Franchised Location. If the number of franchise business locations in Section 4 of this Agreement is two, then the second franchise business must be opened within fourteen (14) months of the Opening Date of the first franchise business. If the number of franchise business locations in Section 4 of this Agreement is greater than two, then each franchise business location required to be developed must be opened within fourteen (14) months of the Opening Date for each of the preceding SD TECH franchise businesses you are required to open in Section 4 of this Agreement;

(b) establish and grant to other franchisees the right to establish SD TECH franchise businesses anywhere inside or outside the Designated Territory, on such terms and conditions as we deem appropriate (but not within the Protected Territory specified in the Franchise Agreement of any SD TECH franchise business you operate under this Agreement and continue to operate);

(c) operate and grant franchises to others to operate businesses, whether inside or outside the Designated Territory, specializing in the sale of products or provision of services, other than a Competitive Business or a SD TECH franchise business, using certain of the Marks and pursuant to such terms and conditions as we deem appropriate;

(d) operate and grant franchises to others to operate businesses, or provide other services, whether inside or outside the Designated Territory, that do not use any of the Marks;

(e) market and sell, inside and outside of the Designated Territory, through channels of distribution other than SD TECH franchise business locations, (like mail order, Internet or Intranet, website of other forms of e-commerce or retail), all of which are designated ("Sites We Reserve"), such Sites We Reserve are not protected and are not part of your Designated Territory; and

(f) purchase, merge, acquire, be acquired by or affiliate with an existing competitive or non-competitive franchise or non-franchise network, chain or any other business regardless of the location of that other business' facilities, and that following such activity we may operate, franchise or license those other businesses and/or facilities under any names or marks other than, while this Agreement is in effect, the Marks, regardless of the location of these businesses and/or facilities, which may be within the Designated Territory or immediately outside its border.

**3.3 Development Obligations.** During the term of the Agreement, you will at all times faithfully, honestly and diligently perform your obligations and continuously exert your best efforts to promote and enhance the development of SD TECH franchise businesses within the Designated Territory. Without limiting the forgoing obligations, you agree to do the following:

3.3.1 Separate Agreements. You must sign separate Franchise Agreements for each of the Franchised Locations to be opened by you pursuant to and according to the Development Schedule set forth in Paragraph 3.3.2. Each Franchise Agreement to be signed by you will be the then current form of Franchise Agreement used by us in the sale of franchises.

3.3.2 Schedule of Openings. You will sign your first Franchise Agreement at the same time you sign this Agreement and you will have one hundred eighty (180) days from the date of that Franchise Agreement to open your first Franchised Location. The second franchise business must be opened within fourteen (14) months of the Opening Date of the first franchise business location. If the number of franchise business locations in Section 4 is greater than two, then each subsequent franchise business location required to be developed must be opened within fourteen (14) months of the Opening Date for each of the preceding franchise businesses until you have opened the total number of Franchised Locations for which you have made payment in accordance with the requirements described in Section 4 of this Agreement. However, you may not acquire a site for any Franchised Location, or otherwise begin construction or improvement of any site for a Franchised Location, until you have signed a Franchise Agreement for that location. Further, notwithstanding any provision of this Agreement, we will not be required to sign a Franchise Agreement with you at any time in which you are in default of any provision of this Agreement or of any previously signed Franchise Agreement.

Your SD TECH franchise businesses will not count towards meeting the Development Quota for any Development Period until they have been fully developed and have opened operations in accordance with their respective franchise agreements with us. We determine if any SD TECH franchise business has opened for purposes of meeting the Development Schedule and any Development Quota for any Development Period. If a SD TECH franchise business is permanently closed after having been opened, you agree to develop and open a substitute SD TECH franchise business within one (1) year from the date of its permanent closing separate and apart from the Development Schedule.

3.3.3 Designated Operations Executive. Within thirty (30) days after the execution of this Agreement, you must designate one individual as an "Operations Executive." This person will be obligated to devote his or her full time, best efforts and constant personal attention to your SD TECH franchise business franchise operations. The Operations Executive must have full authority from you to implement our System and Methods at each Franchised Location. Your designation of the Operations Executive will be subject to our approval, which we will not arbitrarily or unreasonably withhold. The Operations Executive must attend our training program as described in the Franchise Agreements to learn the techniques of operating SD TECH franchise businesses, furnished by us at the place and time we may designate.

**3.4 Effect of Failure.** Strict Compliance with the Development Schedule is the essence of this Agreement. If you do not timely meet your Development Quota as of the end of any Development Period shown on the Development Schedule, you will be in default of your obligations under this Agreement. If such a default occurs, it will constitute a material breach of this Agreement and we may then, in our sole discretion, elect to:

(a) terminate this Agreement; or

(b) have the right to operate (directly or through affiliates) or grant franchises for the operation of SD TECH franchise businesses within the Designated Territory; or

(c) reduce the Designated Territory and the Development Schedule to a size and magnitude that we estimate you are capable of operating otherwise in accordance with this Agreement.

## 4. Development Fee.

If you are qualified and enter into an Area Development Agreement with us, you must pay a Development Fee when you sign the Area Development Agreement together with the Franchise Agreement for your first location. The amount of the Development Fee depends upon the number of SD TECH franchise businesses to be opened. The Development Fee for two (2) SD TECH franchise territories under the Area Development Agreement is $85,000. If we approve additional franchise territories beyond two, the Development Fee for three (3) SD TECH franchise territories is $105,000 and each SD TECH franchise territory after the third is $20,000 per SD TECH franchise territory.

The third, fourth and subsequent franchise businesses must be opened within fourteen (14) months of the Opening Date for each of the preceding franchise businesses and you will sign a separate franchise agreement for each location to be opened. The Development Fee is payable in a lump sum, is uniform, non-refundable and fully earned upon receipt.

By your signature immediately below in this Section 4, you are promising to open and operate a total of ___ franchised SD TECH franchise business locations and you agree to pay a total Development Fee of $_____ when you sign this Agreement.

| _____ | _____ | _____ |
|---|---|---|
| Developer's Signature | Developer's Printed Name | Date of Signature |

You agree that the grant of rights to you under this Agreement constitute the sole consideration for payment of the Development Fee and that the fee is fully earned by us when due and is nonrefundable.

## 5. Site Selection/Franchises.

Subject to the provisions of this Agreement, we will grant franchises to you for the operation of SD TECH franchise businesses to be located within the Designated Territory on the following conditions:

**5.1 Site Reports.** You agree to submit to us a complete report (containing such information and collateral materials as we require from time to time) for each Site at which you propose to establish and operate a SD TECH franchise business, before you acquire any interest in it (by lease or purchase). A complete site report should contain demographic, commercial and market feasibility studies, a site plan, photographs and such other information as we determine appropriate. Each Site you submit must be based on your belief that it conforms to the site criteria we establish from time to time.

**5.2 Site Evaluation.** We will evaluate all proposed Sites and all Sites are subject to our prior written acceptance. In evaluating a Site that you propose, we will consider such matters as demographic characteristics of the proposed site, traffic patterns, land use and zoning, licensing and regulatory concerns,

residential and recreational quality, parking, character of the neighborhood, renovation and construction concerns, competition from other facilities in the area, the proximity to other facilities, the nature of other businesses and SD TECH franchise businesses (when applicable) in proximity to the Site and other commercial and residential characteristics (including the purchase price, rental obligations and other lease or acquisition terms for the proposed Site), and the size, appearance and other physical characteristics of the Site. You agree to obtain our prior written consent to the Site before you sign any lease for, or a binding purchase agreement for, the proposed Site. Nothing prevents us from operating (directly or through an affiliate), or from granting a franchise for the operation of, a SD TECH franchise business at any Site outside of the Designated Territory.

**5.3 Site Acceptance.** We may withhold our consent to a Site for any reason we deem to be based on our good faith business judgment. We will, by delivery of written notice to you, accept or reject each Site proposed by you for the operation of a SD TECH franchise business. We agree to exert commercially reasonable efforts to notify you of our acceptance or rejection within 10 days after we have received the complete site report and other materials we have requested.

**5.4 Effect of Acceptance.** Our acceptance of the Site (including its location, appearance and size) indicates only that we believe it falls within the acceptable criteria we have established at that time. You acknowledge and agree that:

(a) our acceptance of the Site does not imply, assure, guaranty, warrant or predict profitability or success, express or implied;

(b) application of criteria that have been effective with respect to other Sites may not be predictive of the potential for all Sites and that, subsequent to our acceptance of a Site, demographic and/or economic factors included in, or excluding from, our criteria could change, thereby altering the potential of a Site;

(c) the uncertainty and instability of such criteria are beyond our control and we are not responsible for the failure of a Site approved by us to meet expectations as to potential revenue or operational criteria; and

(d) Your acceptance of a franchise for the operation of a SD TECH franchise business at a site you propose is based upon your own independent investigation of the suitability of that location and that Site even though we may provide guidance and assistance to you in selecting the Site for your SD TECH franchise business.

**5.5 Franchise Agreement.** If we have accepted, and you have obtained lawful possession of or a formal commitment for the Site, we will offer you a franchise to operate a SD TECH franchise business at the proposed Site by delivering to you a Franchise Agreement in a form ready for signing by you (or an affiliate). You understand and agree that we may modify the Franchise Agreement from time to time. You (or an affiliate) must sign and deliver the Franchise Agreement to us within 20-days after our delivery of the Franchise Agreement to you. If you (or your affiliate) do not timely sign and return the Franchise Agreement, we may revoke our offer to grant you a franchise to operate a SD TECH franchise business at the proposed Site. Contemporaneously with the signing of the Franchise Agreement, each of your direct or indirect Owners must sign and deliver to us a Principal Owner's Guaranty in the form attached to the Franchise Agreement.

## 6. Management of Business.

**6.1 Management.** You (or, if you are a Business Entity), a person having management rights and powers (e.g., officers, managers, partners, etc.) (the "Operating Partner(s)"), agree to:

(a) supervise the development and operation of SD TECH franchise businesses franchised pursuant to this Agreement;

(b) attend such training programs, meetings and conventions which we may offer during the term of this Agreement; and

(c) pay and bear all expenses incurred by you and your Operating Partners(s) in attending such meetings, programs or conventions.

**6.2 Management Personnel.**

(a) Ownership Interest: As a developer of multiple SD TECH franchise businesses, you may not be in a position to have direct, personal day-to-day management responsibility for SD TECH franchise businesses that you will own and operate. However, you understand and acknowledge that each of SD TECH franchise business that you (or your affiliates) own and operate must be under the oversight, supervision and direction of an Operating Partner who has a direct economic ownership interest (at least 10%) in such SD TECH franchise business (or the Business Entity that owns and operates it). Accordingly, you agree that each SD TECH franchise business will be under the oversight and direction of an Operating Partner/Principal who meets all the following qualifications and conditions:

(i) Has ownership interest of at least 10% of the economic interest in such SD TECH franchise business or Business Entity;

(ii) Has a sufficient amount of experience in managing and operating franchise business in terms of duration, operational responsibilities and previous training and who has satisfactorily completed our training programs so that such person can demonstrate to our satisfaction that he/she is capable of overseeing the operations of a SD TECH franchise business;

(iii) Has oversight responsibility and authority over SD TECH franchise business on a day-to-day basis;

(iv) Is bound by our then-current form of confidentiality and non-competition agreement (or other form of contract satisfactory to us); and

(v) Satisfactorily completes our initial training program, certification and any other training programs we request from time to time.

You will provide to us a copy of the organizational and governing documents for the Business Entity(ies) that demonstrates that the Operating Partner has the requisite ownership interest.

**6.3 Joint and Several.** If two or more persons are at any time the Developer under this Agreement, their obligations to us are joint and several and the term "you" refers to all of them.

## 7. Confidential Information/Exclusive Relationship.

**7.1 Types of Confidential Information.** We possess certain confidential information relating to the development and operation of SD TECH franchise businesses, which includes but is not limited to the following (collectively, the "Confidential Information"):

(a) the System and the know-how related to its use;

(b) plans, specifications, size and physical characteristics of SD TECH franchise businesses;

(c) site selection criteria, land use and zoning techniques and criteria;

(d) sources, design and methods of use of equipment, furniture, forms, materials, supplies, Internet or Intranet, "business to business" or "business to customer" networks or communities and other e-commerce methods of business;

(e) marketing (including but not limited to websites, online advertising, social media marketing or presence, digital marketing and sponsorships), advertising and promotional programs for SD TECH franchise businesses;

(f) staffing and delivery methods and techniques for personal services;

(g) the selection, testing and training of managers and other employees for SD TECH franchise businesses;

(h) the recruitment, qualification and investigation methods to secure employment for employment candidates;

(i) the Computer software we make available or recommend for SD TECH franchise businesses;

(j) methods, techniques, formats, specifications, procedures, information and systems related to and knowledge of and experience in the development, operation and franchising of SD TECH franchise businesses;

(k) knowledge of specifications for and identities of and suppliers of certain products, materials, supplies, furniture, furnishings and equipment;

(l) knowledge of operating results and financial performance of SD TECH franchise businesses other than those operated by you (or your affiliates); and

(m) pricing, purchase agreements and contracts.

We will disclose certain Confidential Information to you through various manuals and in providing training, guidance and assistance to you from time to time.

**7.2 Nondisclosure Agreement.** You acknowledge and agree that:

(a) you will not acquire any interest in the Confidential Information, other than the right to utilize it in the development and operation of SD TECH franchise businesses under the Franchise Agreements during the term of this Agreement, and that the duplication or use of the Confidential Information in any other business would constitute an unfair method of competition; and

(b) the Confidential Information is proprietary, may involve our trade secrets and is disclosed to you solely on the condition that you agree that:

(i) you will not use the Confidential Information in any other business or capacity;

(ii) you will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement;

(iii) you will not make unauthorized copies of any portion of the Confidential Information disclosed via electronic medium, in written form or in other tangible form, including, for example, the Manuals; and

(iv) you will adopt and implement all reasonable procedures that we prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information including, restrictions on disclosure to your employees and the use of nondisclosure and noncompetition agreements we may prescribe for employees or others who have access to the Confidential Information.

**7.3 Competitive Restrictions.** You agree and acknowledge that we would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among SD TECH franchise businesses if owners of SD TECH franchise businesses were permitted to hold any interest in any business or facility owning, operating, managing franchising or licensing, any items or services similar to SD TECH franchise business, including but not limited to any business offering or providing commercial and/or residential customers with repair and/or servicing and/or delivery and/or assembly of Managed IT Services, IT Support, VoIP System support, Microsoft Office 365 integration, Hosted Exchange Email, On-Site and Off-Site Backup support,

New Construction turn key IT Build-Outs, Cloud Solutions and Migration, Home Automation and Smart Cameras (other than a SD TECH franchise business under a franchise agreement with us or our affiliate, "Competitive Business"). You also acknowledge that we have entered into this Agreement with you in part upon consideration of and in reliance on your agreement to deal exclusively with us. Therefore, you agree as follows:

(a) Noncompetition and Non-solicitation: During the term of this Agreement neither you nor any of your Owners if you are a Business Entity (a "Restricted Person") will:

(i) engage in a Competitive Business or perform services for a Competitive Business, directly or indirectly, as a director, owner, proprietor, officer, manager, employee, consultant, representative, agent, independent contractor or otherwise, except under a franchise agreement with us or our affiliate;

(ii) have any direct or indirect interest, as a disclosed or beneficial owner, in a Competitive Business, except under franchise agreements with us or our affiliate;

(iii) have any direct or indirect interest, as a disclosed or beneficial owner, in any entity which is granted or is granting franchises or licenses to others to operate any Competitive Business, except SD TECH franchise businesses under franchise agreements with us or our affiliate; or

(iv) directly or indirectly, on behalf of yourself or any other person, or as an employee, proprietor, owner, consultant, agent, contractor, employer, affiliate, partner, officer, director or associate, or stockholder of any other person or entity, or in any other capacity, solicit, divert, take away, or interfere with any of the business, customers, clients, contractors, referral sources, trade or patronage of ours, our affiliate or our franchisees as such may exist throughout the term of this Agreement.

(b) Public Companies: Notwithstanding the foregoing, any aggregate ownership of 5% or less of the issued and outstanding shares of any class of stock of a publicly traded company is not prohibited by the provisions of this Section.

(c) Confidentiality, Non-solicitation and Noncompetition Agreement: You must require and obtain, at your expense, execution and delivery to us of restrictive covenants, in the form of Confidentiality, Non-solicitation and Non-competition Agreement attached to the Franchise Disclosure Document from all of your Owners, and any person employed by or under an independent contractor relationship with you who receives or will receive any training by us or you which is directly or indirectly related to the System or involves any of the Confidential Information no later than ten days following the effective date of this Agreement (or, if any individual or entity attains such status after the effective date of this Agreement, within ten days following such individual or entity's attaining such status).

## 8. Marks and Internet.

**8.1 Ownership and Goodwill of Marks.** Your right to use the Marks is derived solely from this Agreement and the Franchise Agreements and limited to your operation of SD TECH franchise businesses at the Sites pursuant to and in compliance with the Franchise Agreements and all System Standards we prescribe from time to time during the term of the Franchise Agreements. Your unauthorized use of the Marks will be a breach of this Agreement and an infringement of our rights in and to the Marks. You acknowledge and agree that your usage of the Marks and any goodwill established by such use will be exclusively for our benefit and that neither this Agreement nor the Franchise Agreements confer any goodwill or other interests in the Marks upon you (other than the right to operate SD TECH franchise businesses in compliance with the Franchise Agreements). All provisions of this Agreement and the Franchise Agreements applicable to the Marks apply to any additional proprietary trade and service marks and commercial symbols we authorize to use.

**8.2 Limitations on Your Use of Marks.** You agree to use the Marks as the sole identification of SD TECH franchise businesses, except that you agree to identify yourself as the independent owner in

the manner we prescribe in the Manual or otherwise. We may place or require you to place a conspicuous notice at a place we designate in each of your SD TECH franchise businesses identifying you as its independent owner and operator. You agree not to remove, destroy, cover or alter that notice without our prior consent. If you do not do so, we may accomplish the notice or identification as we see fit, and you agree to reimburse us for doing so. You may not use any Mark as part of any corporate or legal business name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos we license to you), or in any modified form, nor may you use any Mark in connection with the performance or sale of any unauthorized services or products or in any other manner we have not expressly authorized in writing. No Mark may be used in any advertising concerning the transfer, sale or other disposition of any SD TECH franchise business or an ownership interest in you. You agree to display the Marks prominently in the manner we prescribe at each SD TECH franchise business, on supplies or materials we designate and in connection with forms and advertising and marketing materials. You agree to give such notices of trade and service mark registrations as we specify and to obtain any fictitious or assumed name registrations required under applicable law.

**8.3 Notification of Infringements and Claims.** You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any claim by any person of any rights in any Mark, and you agree not to communicate with any person other than us, our attorneys and your attorneys in connection with any such infringement, challenge or claim. We have sole discretion to take such action as we deem appropriate and the right to control exclusively any litigation, U.S. Patent and Trademark Office proceeding or any other administrative proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark. You agree to sign any and all instruments and documents, render such assistance and do such acts and things as, in the opinion of our attorneys, may be necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise protect and maintain our interests in the Marks.

**8.4 Discontinuance of Use of Marks.** If it becomes advisable at any time in our sole discretion for us and/or you to modify or discontinue the use of any Mark and/or use one or more additional or substitute trade or service marks, you agree to comply with our directions within a reasonable time after receiving notice. We will not be obligated to reimburse you for any direct or indirect loss, including loss of revenue attributable to any modified or discontinued Mark or for any expenditure you make to promote a modified or substitute trademark or service mark.

**8.5 Signage.** Your signage must comply with all state and local laws and ordinances. You are also to limit your signage to "**SD TECH**". The use of any other language is forbidden. If you employ any signage that does not comply with this Agreement, you will be in material breach of this Agreement. The signage must also incorporate the specific letter style, curvature, approved colors and trademark associated with SD TECH franchise business logo. You must not use a sign that deviates from the standard logo unless and until you have submitted a request for such deviation to us in writing with drawings and we have approved such deviation in writing.

**8.6 Internet.** You may not maintain a World Wide Web site or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with any SD TECH franchise business without our prior written approval, which we may withhold for any reason or no reason and in our sole discretion. You agree to submit to us for our approval, before use, true and correct printouts of all Web site pages you propose to use in your Web site connection with the business. You understand and agree that our right of approval of all such Web materials is necessitated by the fact that such Web materials will include and be inextricably linked with the Marks. You may only use material which we have approved. Should we grant you the right to establish a Web site in connection with the business authorized by this agreement, SD TECH franchise business's web site must conform to all of our Web site requirements, whether set forth in its Manual or otherwise. You agree to provide all hyperlinks or other links that we require. If we grant approval for a Web site, you may not use any of the Proprietary Information at the site except as we expressly permit. You may not post any of our proprietary, confidential

or copyrighted material or information on the Web site without our prior written permission. If you wish to modify an approved site, all proposed modifications must also receive our prior written approval. You explicitly understand that you may not post on the Web site any material which any third party has any direct or indirect ownership interest in (including, without limitation, video clips, photographs, sound bites, copyrights, trademarks or service marks, or any other test or image which any third party may claim intellectual property ownership interests in). You agree to list on the Web site, should we ever grant you the right to have a Web site in connection with any aspect of this Agreement, any Web site maintained by us, and any other information we require in the manner we dictate. You agree to obtain our prior written approval for any Internet domain name and/or home page address. The requirement for our prior approval set forth in this Paragraph will apply to all activities on the Internet or other communications network to be conducted by you, except that you may maintain one or more E-mail addresses and may conduct individual E-mail communications with our prior written approval. You agree to obtain our prior approval as provided above if you propose to send advertising to multiple addresses via E-mail.

**8.7 Protection Against Social Media Networking.** You understand and agree that you are strictly prohibited from promoting or using the Marks in any manner on any social and/or networking websites, including but not limited to, Facebook, LinkedIn, My Space, Twitter, Instagram, TikTok, Tumblr, Snapchat, or any other platform, platform including but not limited to any online advertising, digital marketing and sponsorships without our prior written consent. All references to advertising, shall include, but shall not be limited to, electronic advertising, whether by internet, social media platforms or otherwise.

## 9. Termination.

### 9.1 Termination Upon Notice.

We may terminate this Agreement, effective on delivery of notice of termination to you, if:

(a) you fail to meet your obligations in accordance with the Development Schedule (unless we exercise other remedies under Paragraph 3.4 (b)-(c));

(b) you (or, if you are a Business Entity, any Operating Partner/Principal or any Owner) make an unauthorized assignment or transfer of this Agreement, an ownership interest in you or any interest in any affiliate's SD TECH franchise business or Franchise Agreement granted pursuant to this Agreement;

(c) you (or, if you are a Business Entity, any Operating Partner/Principal or any Owner) have made any material misrepresentation or omission in your application for the development rights conferred by this Agreement;

(d) you (or, if you are a Business Entity, any Operating Partner/Principal or any Owner) are or have been convicted of, or plead, or have pleaded no contest, or guilty, to a felony or other serious crime or offense that is likely to adversely affect your reputation, our reputation or the reputation of any other SD TECH franchise business;

(e) you (or, if you are a Business Entity, any Operating Partner/Principal or any Owner) make any unauthorized use of the Marks, fail to comply with our Internet restrictions or any unauthorized use or disclosure of the Confidential Information;

(f) you fail to make payments of any amounts due to us or our affiliate under this Agreement or any other agreement that you have with us (including any Franchise Agreement), and do not correct such failure within 10 days after written notice of such failure is delivered to you;

(g) you fail to perform or observe any provision of any lease or sublease for any Site, any financing document for any Site or any lease or financing document for any of the approved Operating Assets or SD TECH Materials (as defined in the Franchise Agreement) and do not correct such failure within the applicable cure period;

(h) you fail to commence construction of your first SD TECH franchise business within 60 days following the effective date of this Agreement;

(i) you do not enter into a franchise agreement within 15 days after you have obtained lawful possession of a lease for or a contract to purchase a Site;

(j) you, or one of your principal Owners, make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; consent to the appointment of a receiver, trustee or liquidator of all or the substantial part of your property; your business, or a principal Owner's business, is attached, seized, subjected to a warrant or levied upon, unless such attachment, seizure, warrant or levy is vacated within 30 days; or any order appointing a receiver, trustee or liquidator of you, or a principal Owner, or the business of any of them is not vacated within 30 days following the entry of such order (You must notify us in writing within 10 days of any of the events listed in this Paragraph 9.1(j));

(k) you, or any of your principal Owners, engage in any dishonest or unethical conduct which may adversely affect the reputation of SD TECH franchise businesses or the goodwill associated with the Marks;

(l) you fail to comply with any other provision of the Agreement or any provision of any other agreement you have with us (including any Franchise Agreement), after we have notified you of the failure whether or not such failures to comply are corrected after notice of the failure is delivered to you;

(m) you fail on 2 or more separate occasions within any 12 consecutive month period or on 3 occasions during the term of this Agreement to comply with this Agreement or any other agreement you have with us (including any Franchise Agreement), after we have notified you of the failure whether or not such failures to comply are corrected after notice of the failure is delivered to you; or

(n) we have delivered to you (or an affiliate) a notice of termination of a Franchise Agreement in accordance with its terms and conditions or you (or your affiliates) have terminated a Franchise Agreement without cause, as defined in such agreement.

**9.2 Cross-Default.** Any default or breach by you, your affiliates and/or any guarantor of yours of any other agreement between us or our affiliate and you and/or such other parties will be deemed a default under this Agreement, and any default or breach of this Agreement by you and/or such other parties will be deemed a default or breach under any and all such other agreements between us or our affiliate and you, your affiliates and/or any guarantor of yours. If the nature of the default under any other agreement would have permitted us (or our affiliate) to terminate this Agreement if the default had occurred under this Agreement, then we will have the right to terminate all such other agreements in the same manner provided for in this Agreement for termination hereof. Your "affiliates" means any persons or entities controlling, controlled by or under common control with you.

## 10. Effect of Termination and Expiration.

**10.1 Continuing Obligations.** All of the obligations under this Agreement which expressly or by their nature survive the expiration or termination of this Agreement continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement, until they are satisfied in full or by their nature expire. Within 5 days immediately following termination or expiration of this Agreement for any reason, you must pay to us all fees or other amounts due us under this Agreement, or any other agreement, note, or obligation between you and us.

**10.2 Post-Term Competitive Restrictions.** Upon termination or expiration of this Agreement for any reason, you and your Owners and guarantors agree that, for a period of 2 years commencing on the effective date of termination or expiration, no Restricted Person will have any direct or indirect interest (e.g. through a spouse, child, or other family member) as a disclosed or beneficial owner, investor, partner,

director, officer, employee, consultant, member, manager, representative or agent or in any other capacity in any Competitive Business operating:

(a) at any Site or within the Designated Territory;

(b) within 50 miles of any Site or the Designated Territory; or

(c) within 15 miles of any other SD TECH franchise business in operation or under construction on the later of the effective date of the termination or expiration.

If any Restricted Person refuses voluntarily to comply with the foregoing obligations, the 2-year period will commence with the entry of an order of an arbitrator, or court if necessary enforcing this provision. Each Restricted Person expressly acknowledges that he/she possesses skills and abilities of a general nature and has other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Section will not deprive you of your personal goodwill or ability to earn a living. You acknowledge and agree that the time and geographic restrictions contained in this Section are reasonable and necessary to protect our interests and investments and do not and will not unduly burden you or deprive you of your ability to earn a living. You acknowledge and agree that any claim you have, or may have arising from this Agreement, or otherwise have or may have against us will not constitute a defense to our enforcement of the restrictive covenants contained in this Agreement.

**10.3 Grant of Franchises.** Upon termination or expiration of this Agreement for any reason, your rights under this Agreement will terminate and you agree to immediately and permanently cease your development activities. We will then have no further obligation to grant you additional franchises for SD TECH franchise businesses and will be free to operate, or grant other persons franchises to operate SD TECH franchise businesses within the Designated Territory.

**10.4 Marks and Confidential Information. Except in connection with SD TECH franchise businesses you are then operating under Franchise Agreements, or with respect to which a Franchise Agreement has been signed, you agree to immediately and permanently cease use, by advertising or in any manner whatsoever, the Marks and the Confidential Information; slogan, trademarks, trade names, service marks, designs, trade dress or logos which are similar in nature to the Marks; or any equipment, materials, forms, confidential methods, procedures, and techniques associated with or similar to the System or which display the Marks or any other distinctive forms, slogans, signs, symbols, trade dress or devices associated with or belonging to us.**

**11. Transfers.**

**11.1 By Us.** This Agreement is fully transferable by us and inures to the benefit of any assignee or other legal successor to our interest, as long as such assignee or successor agrees to be bound by, and assumes all of our continuing obligations under it.

**11.2 By You.** You understand and acknowledge that the rights and duties created by this Agreement are personal to you (or, if you are a corporation, corporation or partnership, your Owners) and that we have granted this Agreement in reliance upon our perceptions of the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you (or, if you are a Business Entity, your Owners). Therefore, neither this Agreement (or any interest therein) nor any part or all of the ownership of you may be transferred by you or your Owners without our prior written approval. Any such transfer without our prior written approval constitutes a breach of this Agreement and will convey no rights, or interests, in this Agreement. As used in this Agreement, the term "transfer" includes your (or your Owners') voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition of any interest in: (a) this Agreement; (b) you; or (c) any of the Franchise Agreements.

**11.3 Transfer to a Business Entity.** Notwithstanding Paragraph 11.2, if you are in full compliance with this Agreement, we may permit you to transfer this Agreement to a Business Entity that conducts no business other than your SD TECH franchise businesses so long as you own, control and have

the right to vote all of its issued and outstanding ownership interests (like stock or partnership interests) and you guarantee its performance under this Agreement. Furthermore, you may not transfer any ownership interest to anyone who does not meet our approval. All owners of every SD TECH franchise business and of any Business Entity must meet our approval. The organizational or governing documents of the business organization must recite that the issuance and transfer of any ownership interest in the business organization are restricted by the terms of this Agreement, are subject to our approval, and all certificates or other documents representing ownership interests in the business organization must bear a legend referring to the restriction of this Agreement. As a condition of our approval of the issuance or transfer of ownership interests to any person other than you, we may require (in addition to the other requirements we have the right to impose) that the proposed owner execute an agreement, in a form provided or approved by us, agreeing to be bound jointly and severally by, to comply with, and to guarantee the performance of, all of your obligations under this Agreement and sign a General Release used in the then current disclosure document.

**11.4 Conditions for Approval of Transfer.**

(a) Application: If you (or, if you are a Business Entity, your Owners) are in full compliance with this Agreement and all of the Franchise Agreements, we will not unreasonably withhold our approval of a transfer that meets all the applicable requirements of this Section. The proposed transferee and its owners must be individuals of good moral character and otherwise meet our then applicable standards for developers of SD TECH businesses.

(b) Development Rights: If the transfer of the development rights granted under this Agreement or a controlling interest in the Developer, or is one of a series of transfers which in the aggregate constitute the transfer of the development rights granted under this Agreement or a controlling interest in the Developer, all of the following conditions must be met prior to or concurrently with the effective date of the transfer:

(i) the transferee must have sufficient business experience, aptitude and financial resources to operate your franchised business and develop the Designated Territory, and must either already own a SD TECH franchise business or is acquiring one or more of them in association with the transfer;

(ii) you agree to pay us all amounts owed to us or our affiliate, if any, which are then due and unpaid and submit all required reports and statements which have not yet been submitted, under this Agreement, any Franchise Agreement or any other agreement between you (or an affiliate) and us (or our affiliate);

(iii) the transferee and/or the transferee's personnel must agree to complete our initial training program to our satisfaction;

(iv) the transferee must meet our current owner criteria and agree to be bound by and expressly assume all of the terms and conditions of this Agreement for the remainder of its term;

(v) you (and your Owners) must execute a general release, in the form attached to the Franchise Disclosure Document, of any and all claims against us and our officers, directors, employees and agents;

(vi) we must approve the material terms and conditions of such transfer including, without limitation, that the price and terms of payment are not so burdensome as to affect adversely the future development of the Designated Territory and the operation of SD TECH franchise businesses in it;

(vii) if the transferee finances any part of the sale price of the transferred interest, you (and your Owners) must agree that all obligations of the transferee under or pursuant to any promissory notes, agreements or security interests reserved by you (or your Owners) must be subordinate

to transferee's obligations to us to comply with this Agreement or Franchise Agreements executed by the transferee; and

(viii) all Restricted Persons must sign and deliver to us an agreement in which they will comply with the competitive restrictions contained in Paragraph 10.2 of this Agreement for 2 years commencing on the effective date of the transfer.

In connection with any transfer permitted under this Section, you agree to provide us with all documents to be signed by you and the proposed assignee or transferee at least 30 business days prior to signing.

**11.5 Right of First Refusal.** If you (or your Owners) at any time determine to transfer this Agreement (as defined above), you will obtain a bona fide, signed written offer, an earnest money deposit (in the amount of 5% or more of the offering price) from a responsible and fully disclosed purchaser and submit an exact copy of such offer to us. The offer must apply only to an interest in this Agreement or you. It must not include the purchase of any other property or rights of you (or your Owners). The offer must completely describe the purchase price, payment terms, terms of the assumption of liabilities and all other material terms of the transfer (including all exhibits and other information so that we may readily determine the foregoing). Within 30 days from the date we receive the copy of such offer, we may purchase your rights under this Agreement and the assets of your business on the terms and conditions contained in the offer provided to us, except that:

(a) we may substitute cash for any form of payment proposed in the offer (with a discounted amount if an interest rate will be charged on any deferred payments);

(b) our credit will be deemed equal to the credit of any proposed purchaser;

(c) we will have no less than 90 days to prepare for a closing; and

(d) we are entitled to receive, and you and your Owners agree to make, all customary representations and warranties given by the seller of the assets of a business or with the capital stock of an incorporated business, as applicable, including, without limitation, representations and warranties as to:

(i) ownership and condition of and title to stock or other forms of ownership interests and/or assets;

(ii) liens and encumbrances relating to the stock or other ownership interests and/or assets; and

(iii) validity of contracts and the liabilities contingent or otherwise of the corporation or other legal entity whose stock or ownership rights are being purchased.

The 30-day period will not commence until you have delivered to us full and complete documentation to enable us to fully evaluate the offer.

If we exercise our right of first refusal, you and your selling Owner(s) agree that, for a period of 2 years commencing on the date of the closing, you and they will be bound by the competitive restrictions contained in Paragraph 10.2 of this Agreement.

If we do not exercise our right of first refusal, you or your Owners may complete the transfer on the terms contained in the offer, subject to our approval of the transfer as described in this Section of this Agreement. If the transfer as described in the offer is not completed within 120 days after delivery of the offer to us, or if there is a material change in the terms of the transfer, we will again have the right of our first refusal as described in this Agreement.

**11.6 Death or Permanent Disability.** Upon your death or permanent disability or that of one of your Owners, the executor, administrator, conservator or other personal representative of such person must transfer his or her interest within a reasonable time, not to exceed 6 months from the date of death or

permanent disability, to a third party approved by us. Such transfer, including, without limitation, transfer by devise or inheritance, is subject to all the conditions for transfers contained in Paragraph 11.4 and unless transferred by gift, devise or inheritance, subject to the terms of Paragraph 11.5. Failure to dispose of such interest within that time period constitutes a breach of this Agreement. Our consent to a transfer of any interest subject to the restrictions of this Section does not constitute a waiver of any claims we may have against the assignor; nor will it be deemed a waiver of our right to demand the assignee's exact compliance with any of the terms or conditions of this Agreement or any Franchise Agreements.

**11.7 Public Offerings of Securities.** Notwithstanding any other provisions of this Agreement, you agree not to, without our prior written consent, sell or offer to sell any of your securities if such sale or offer would be required to be registered pursuant to the provisions of the Securities Act of 1933, as amended, and the rules and regulations pursuant thereto, or the securities laws of any other state or territory of the United States of America or of any other jurisdiction. All advertisements or promotional materials must be previously approved by us. You may not use any advertising or promotional materials that we have disapproved.

**11.8 Franchise Transfers.** A transfer of any SD TECH franchise business developed pursuant to this Agreement may be made only in connection with the transfer of the Franchise Agreement for such SD TECH franchise business, and a transfer of the Franchise Agreement for any such SD TECH franchise business may be made only in connection with the transfer of all interests of yours in such SD TECH franchise business (or the affiliate that owns such SD TECH franchise business). A transfer must comply with all of the requirements for a transfer set forth in the Franchise Agreement.

## 12. Relationship of the Parties/Indemnification.

**12.1 Independent Contractors.** You and we understand and agree that this Agreement does not create a fiduciary relationship between the parties. We and you are independent contractors. Nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner or employee of the other for any purpose. You agree to conspicuously identify yourself in all dealings as the owner of development rights granted under an Area Development Agreement with us in the ways we specify for doing so. You agree to place notices of independent ownership on such forms, business cards, stationery, advertising and other materials as we may require from time to time.

**12.2 No Liability for Acts of Other Party.** You agree not to employ any of the Marks in signing any contract or applying for any license or permit or in a manner that may result in our liability for any of your indebtedness or obligations. You agree to not use the Marks in any way not expressly authorized by this Agreement or the Franchise Agreements. Except as expressly authorized in writing, neither you nor we will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name or on behalf of the other or be obligated by or have any liability under any agreements or representation made by the other. We will not be obligated for any damages to any person or property directly or indirectly arising out of the operations of your business authorized by or conducted pursuant to this Agreement.

**12.3 Taxes.** We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, payroll, property or other taxes, whether levied upon you or your assets or upon us, arising in connection with the business conducted by you pursuant to this Agreement or any Franchise Agreement. Payment of all such taxes is solely your responsibility.

**12.4 Indemnification.** You agree to indemnify, defend and hold us, our affiliate and our respective shareholders, directors, officers, employees, agents, successors and assignees (the "Indemnified Parties") harmless from and against and to reimburse them for all claims, obligations and damages described in this Section, any and all taxes described in Paragraph 12.3 of this Agreement and any and all claims and liabilities directly or indirectly arising out of the operation of your business (even if our negligence is alleged, but not proven), your breach of this Agreement or your use of the Marks in any manner not in

accordance with this Agreement. For purposes of this indemnification, "claims" means and includes all obligations, damages (actual, consequential or otherwise) and costs reasonably incurred in the defense of any claim against any of the Indemnified Parties including, without limitation, reasonable costs, other expenses of litigation, arbitration or alternative dispute resolution and travel and living expenses. The Indemnified Parties have the right to defend any such claim against them in such manner as they deem appropriate or desirable in their sole discretion. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Under no circumstances will we or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate our, their or your losses and expenses, in order to maintain and recover fully a claim against you. You agree that a failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts we or another Indemnified Party may recover from you.

## 13. Enforcement.

**13.1 Severability; Substitution of Valid Provisions.** Except as otherwise stated in this Agreement, each provision of this Agreement, and any portion of any provision, are severable. The remainder of this Agreement will continue in full force and effect. To the extent that any provision restricting your competitive activities is deemed unenforceable, you and we agree that such provisions will be enforced to the fullest extent permissible under governing law. This Agreement will be deemed automatically modified to comply with such governing law if any applicable law requires: (a) a greater prior notice of the termination of or refusal to renew this Agreement; or (b) the taking of some other action not described in this Agreement; or (c) if any System Standard is invalid or unenforceable. We may modify such invalid or unenforceable provision to the extent required to be valid and enforceable. In such event, you will be bound by the modified provisions.

**13.2 Waivers.** We will not be deemed to have waived our right to demand exact compliance with any of the terms of this Agreement, even if at any time: (a) we do not exercise a right or power available to us under this Agreement; or (b) we do not insist on your strict compliance with the terms of this Agreement; (c) there develops a custom or practice which is at a variance with the terms of this Agreement; or (d) if we accept payments which are otherwise due to us under this Agreement. Similarly, our waiver of any particular breach or series of breaches under this Agreement or of any similar term in any other agreement between you and us and any other franchise owner, will not affect our rights with respect to any later breach by you or anyone else. Any waiver we may grant to you will, without any prejudice to you and without any obligation on our part to compensate you, be subject to our continuing review, and may be revoked by us, at any time and for any reason, effective upon our notice to you of our revocation of the waiver.

**13.3 Limitation of Liability.** Neither we nor you will be liable for loss or damage or deemed to be in breach of this Agreement if failure to perform obligations results from:

(a) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state or municipal government or any department or agency thereof;

(b) acts of God, terror, war or similar events; or

(c) acts or omissions of a similar event or cause.

However, such events or delays do not excuse payments of amounts owed at any time.

**13.4 Approval and Consents.** Whenever this Agreement requires our advance approval, agreement or consent, you agree to make a timely written request for it. Our approval or consent will not be valid unless it is in writing. If we provide to you any waiver, approval, consent, or suggestion, or if we neglect or delay our response or deny any request for any of those, we will not be deemed to have made any warranties or guarantees which you may rely on, and will not assume any liability or obligation to you.

**13.5 Governing Law.** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051, *et seq*.) and the United States Arbitration Act, this Agreement and our relationship shall be governed by the laws of Texas.

Developer waives any and all rights, actions or claims for relief under the Federal Act entitled "Racketeer Influenced and Corrupt Organizations", 18 U.S.C. Section 1961, *et seq*.

**13.6 Judicial Enforcement, Injunction, and Specific Performance.** Notwithstanding the provisions of Paragraphs 13.7 and 13.8, we shall be entitled, without bond, to the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to your use of the Marks, your obligation upon termination or expiration of the Agreement, and any Transfer by you of this Agreement and ownership of Developer. If we secure any such injunction or order of specific performance, you agree to pay us an amount equal to the aggregate of our cost of obtaining such relief, including, without limitation, reasonable attorneys' fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, and any damages incurred by us as a result of the breach of any such provision.

**13.7 Mediation.** The parties hereto agree that before resorting to binding arbitration, that if any dispute arises between the parties hereto, any affiliated companies thereof or any of their officers, directors, partners, relating to anything other than the matters set forth in Paragraphs 7.3, 10.2 and 13.6, the parties hereto agree to first try in good faith before resorting to arbitration, to settle the dispute by mediation in Bexar County, Texas, administered by the American Arbitration Association under its Commercial Mediation Rules and initiated at and supervised by the American Arbitration Association, unless agreed otherwise by the parties. Disputes subject to mediation shall be all controversies, claims, and matters from the beginning of time, whether contractual or tort in nature, except for those matters specifically excluded in Paragraphs 7.3, 10.2 and 13.6. The party who seeks resolution of a controversy, claim or dispute or other matter in question shall notify the other party and the American Arbitration Association office in writing of the existence and subject matter of such controversy, claim or dispute. Unless mutually agreed otherwise, the parties shall meet with the mediator within thirty (30) days after the recipient party has received notice of the dispute, and agree to utilize their best efforts and all expediency to resolve the matters in dispute. The mediation shall not continue longer than one (1) day without the written approval of both parties. Neither party shall be bound by any recommendation of the mediator; however, any agreement reached during mediations shall be final and conclusive. The expense of mediation shall be shared equally by both parties. The parties' obligation to mediate will be deemed to be satisfied after one (1) hearing day or 60 days after mediation demand has been made if any party fails to appear or participate in good faith in the mediation.

We and you each agree that the mediation process is negotiation for the purpose of compromise. All offers, promises, conduct, and statements, whether oral or written, made in the course of the mediation process by any of the parties, their agents, employees, experts and attorneys, shall be confidential. You acknowledge that we may require you to execute a confidentiality agreement pertaining to the mediation process. Notwithstanding the foregoing, evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or not discoverable as a result of its use in the mediation process.

In the event the parties are unable to reach an agreement by mediation, then in that event all disputes, controversies, claims or causes of action shall be submitted to binding arbitration pursuant to Paragraph 13.8 hereinafter.

**13.8 Arbitration.** All disputes and claims relating to any provision of this Agreement (other than as set forth in Paragraph 13.6 above, "Judicial Enforcement, Injunction and Specific Performance"), any specification, standard, operating procedure, or rule or any other obligation of Developer prescribed by us or any obligation of us, or the breach thereof (including, without limitation, any claim that this Agreement, any provision hereof, any specification, standard, operating procedure, rule or any other obligation of Developer or us is illegal or otherwise unenforceable or voidable under any law, ordinance,

or ruling) shall be settled by arbitration in Bexar County, Texas, or if we shall no longer maintain an office in Bexar County, Texas, then our home office. Arbitration shall be conducted in accordance with the United States Arbitration Act (9 U.S.C. Section 1, *et seq*.), if applicable, and the Rules of the American Arbitration Association (relating to the arbitration of disputes arising under franchise and license agreements, if any, otherwise, the general rules of commercial arbitration), provided that the arbitrator shall award, or include in his/her award, the specific performance of this Agreement, and the arbitrator shall issue a written opinion explaining the reasons for his/her decision and award. If a claim for amounts owed by Developer to us is asserted in the arbitration proceeding and if we shall prevail on such claim, we shall be entitled to so much of our cost and expenses including accounting and legal fees, as are attributable to the prosecution thereof. Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof or of us or of Developer. During the pendency of an arbitration proceeding hereunder, the parties hereto shall fully perform and comply with the provisions of this Agreement.

**13.9 Third Party Beneficiaries.** Our officers, directors, shareholders, agents, and/or employees are express third party beneficiaries of the arbitration provisions in Paragraph 13.8, each having authority to specifically enforce the right to arbitrate claims asserted against such person(s) by Developer.

**13.10 Class Claims.** Developer agrees that any arbitration between Developer and us will be Developer's individual claim and that the claim or claims subject to arbitration shall not be arbitrated on a class-wide basis.

**13.11 Binding Effect.** This Agreement is binding on and will inure to the benefit of our successors and assigns. Except as otherwise provided in this Agreement, this Agreement will also be binding on your successors and assigns, and your heirs, executors and administrators.

The parties hereto agree that this Agreement may be executed electronically by any means Franchisor chooses, and if by electronic signature, the electronic signature shall be binding to the same extent as an original signature and shall be deemed an original signature with regard to this Agreement and all Riders, Amendments or Addenda hereto. You are not entitled to challenge the validation or authenticity of the electronic signature or the document on the ground that it is not the original.

**13.12 Entire Agreement.** This agreement, including the introduction, addenda and exhibits to it, constitutes the entire agreement between you and us. There are no other oral or written understandings or agreements between you and us concerning the subject matter of this Agreement. Notwithstanding the foregoing, nothing in the Agreement is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you. Except as expressly provided otherwise in this Agreement, this Agreement may be modified only by written agreement signed by both you and us.

**13.13 No Liability to Others; No Other Beneficiaries.** We will not, because of this Agreement or by virtue of any approvals, advice or services provided to you, be liable to any person or legal entity who is not a party to this Agreement. Except as specifically described in this Agreement, no other party has any rights because of this Agreement.

**13.14 Construction.** The headings of the sections and paragraphs are for convenience only. If two or more persons are at any time operating as the Developer hereunder, whether or not as partners or joint venturers, their obligations and liabilities to us are joint and several. This Agreement may be signed in multiple copies, each of which will be an original.

**13.15 Certain Definitions.** The term "family member" refers to parents, spouses, offspring and siblings, and the parents and siblings of spouses. The term "affiliate" means any Business Entity directly or indirectly owned or controlled by a person, under common control with a person or controlled by a person. The terms "developer, franchisee, franchise owner, you and your" are applicable to one or more persons, a Business Entity, as the case may be. The singular use of any pronoun also includes the plural and the masculine and neuter usages include the other and the feminine. The term "person" includes individuals and Business Entities. The term "Section" or "Paragraph" refers to a section, subsection or

paragraph of this Agreement. The word "control" means the power to direct or cause the direction of management and policies. The word "Owner" means: any person holding a direct or indirect, legal or beneficial ownership interest or voting rights in another person (or a transferee of this Agreement or an interest in you), and the officers, directors, partners, members or holders of a beneficial interest in any person who has 5% or more direct or indirect beneficial interest in you or this Agreement and any person who has any other legal or equitable interest, or the power to vest in himself/herself any legal or equitable interest, in the revenue, profits, rights or assets.

**13.16 Time is of the Essence.** It will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement. In computing time periods from one date to a later date, the words "from" and "commencing on" (and the like) mean "to but excluding." Indications of time of day mean San Antonio, Texas time.

**13.17 Notices and Payments.** All written notices and reports permitted or required under this Agreement or by the Manuals will be deemed delivered:

(a) 2 business days after being placed in the hands of a commercial airborne courier service for next business day delivery; or

(b) 3 business days after placement in the United States mail by certified mail, return receipt requested, postage paid.

We may direct notices to your affiliates to you. All such notices must be addressed to the parties as follows:

If to Us: SD Tech International, Inc.
523 Med Ct., Suite 105
San Antonio, TX 78258

If to You: _____
_____
_____

Attention: _____

Either you or we may change the address for delivery of all notices and reports and any such notice will be effective within 10 business days of any change in address. Any required payment or report not actually received by us during regular business hours on the date due (or postmarked by postal authorities at least 2 days prior to such date, or in which the receipt from the commercial courier service is not dated prior to 2 days prior to such date) will be deemed delinquent.

## 14. Merger, Acquisition or Affiliation.

You agree that we have the right, now, or in the future, to purchase, merge, acquire, or affiliate with an existing competitive or non-competitive franchise network, chain, or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as "SD TECH franchise businesses" operating under the Marks or any proprietary marks or any of their marks following our purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which Developer acknowledges may be within its " Designated Territory", proximate thereto, or proximate to any of SD TECH franchise business locations).

We will have the right to assign this Agreement, and all of our rights and privileges under this Agreement, to any person, firm, corporation or other entity.

You agree and affirm that we may sell ourselves, our assets, name and Marks or other proprietary marks and/or our system to a third party; may go public; may engage in a private placement of some or all

of our securities; may merge, acquire other corporations, or be acquired by another corporation; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, you expressly and specifically waive any claim, demand, or damages arising from or related to the loss of our name, and Marks, proprietary marks (or any variation thereof) and system and/or the loss of association with or identification of SD TECH under this Agreement. You specifically release any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing.

If we assign our rights in this Agreement, nothing herein shall be deemed to require us to remain in the franchise business or any business which we now conduct or to offer to sell any items, products or services to Developer or any franchised SD TECH franchise business.

The parties to this Agreement now sign and deliver this Agreement in 2 counterparts effective as of the date shown on page 1, regardless of the actual date of signature.

| **FRANCHISOR**<br>**SD TECH INTERNATIONAL, INC.** | **DEVELOPER** |
|---|---|
| By: _____ | By: _____ |
| _____ | _____ |
| (Printed Name and Title) | (Printed Name and Title) |
| Date: _____ | Date: _____ |

**EXHIBIT "H-ONE" TO THE AREA DEVELOPMENT AGREEMENT**

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**DESIGNATED TERRITORY**

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**EXHIBIT "H-ONE" TO THE AREA DEVELOPMENT AGREEMENT**

**DESIGNATED TERRITORY**

Description of Designated Territory:

or if appropriate check here □ for Map describing Designated Territory and attach the Map to this Exhibit H-One"

**EXHIBIT "H-TWO" TO THE AREA DEVELOPMENT AGREEMENT**

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**STATE AMENDMENT TO AREA DEVELOPMENT AGREEMENT**

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**MARYLAND**
**ADDENDUM TO AREA DEVELOPMENT AGREEMENT**

This Addendum to the Area Development Agreement by and between SD TECH International, Inc. and Developer is dated _____, 20___.

1. The Area Development Agreement is modified by the inclusion of the following language:

   Any clause(s) referencing choice of forum is not applicable to claims arising under the Maryland Franchise Registration and Disclosure Law. Developer may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

2. The appropriate Section(s) of the Area Development Agreement are amended to include the following:

   Any general release, estoppel or waiver of liability required as a condition of purchase, renewal and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

   Maryland Franchise and Disclosure Law prohibits us from requiring prospective franchisees to assent to any release, estoppel or waiver of liability as a condition of purchasing a franchise. Our Franchise Agreement requires franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law in order to purchase your franchise. Therefore, such representations are not intended to nor shall they act a s a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

3. The Maryland Securities Commissioner has determined that the franchisor has not demonstrated it is adequately capitalized and/or that the franchisor must rely on franchise fees to fund operations. The Commissioner has imposed a requirement for the franchisor to maintain a surety bond in the amount of $93,500 with United Casualty and Surety Insurance Company during the registration period. The surety bond is available for you to recover your damages in the event we do not fulfill our obligations to you to open your franchise business. We will provide you with a copy of the surety bond upon request.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum concurrently with the execution of the Franchise Agreement on the day and year first above written.

SD TECH International, Inc.
A Texas corporation

By: _____

Title: _____

DEVELOPER:

_____
(Signature)

_____
(Print Name)

_____
(Signature)

_____
(Print Name)

**EXHIBIT "I" TO THE DISCLOSURE DOCUMENT**

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# FORM OF
# CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS

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**CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS**

**THIS CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS** (this "**Assignment")** is effective as of _____, 20__, between **SD TECH, INTERNATIONAL, INC,** a Texas Corporation, with its principal place of business at 523 Med Ct., Suite 105, San Antonio, TX, 78258, and telephone number is 210-558-7385 ("**Franchisor**," "**Assignee**," "**we**," "**us**" or "**our**") and _____ whose current place of business is _____ ("**Franchisee**," "**Assignor**," "**you**" **or "your**"). You and we are sometimes referred to collectively as the "**parties"** or individually as a "**party".**

**BACKGROUND INFORMATION**

We have simultaneously entered into a Franchise Agreement (the "**Franchise Agreement"**) dated as of _____, 20__ with you, pursuant to which you plan to own and operate a franchise to operate as a SD TECH franchisee. We use, among other things, certain proprietary, procedures, formats, systems forms, printed materials, applications, methods, specifications, standards and techniques we authorize or develop (collectively the "**System**"). We identify SD TECH, International Inc. franchises and various components of the System by certain trademarks, trade names, service marks, trade dress and other commercial symbols (collectively the "**Marks**"). In order to protect our interest in the System and the Marks, we will have the right to control the telephone numbers and listings of SD TECH, International, Inc. franchise if the Franchise Agreement is terminated.

**OPERATIVE TERMS:**

You and we agree as follows:

1. **Background Information**: The background information is true and correct. This Assignment will be interpreted by reference to the background information. Terms not otherwise defined in this Assignment will have the meanings as defined in the Franchise Agreement.

2. **Conditional Assignment**: You assign to us, all of your right, title and interest in and to the following telephone numbers _____ (specified when obtained) and any other telephone numbers and regular, classified or other telephone directory listings (collectively, the "**Numbers and Listings**") associated with the Marks and used from time to time in connection with the operation of SD TECH, International, Inc. Franchise Business. We will have no liability or obligation of any kind whatsoever arising from or in connection with the Assignment, unless we notify the telephone company and/or the listing agencies with which you have placed telephone directory listings (collectively, the "**Telephone Company**") to effectuate the assignment of the Numbers and Listings to us. Upon termination or expiration of the Franchise Agreement we will have the right and authority to ownership of the Numbers and Listings. In such event, you will have no further right, title or interest in the Numbers and Listings and will remain liable to the Telephone Company for all past due fees owing to the Telephone Company on or before the date on which the assignment is effective. As between the parties, upon termination or expiration of the Franchise Agreement, we will have the sole right to and interest in the Numbers and Listings.

3. **Power of Attorney**: You irrevocably appoint us as your true and lawful attorney-in-fact to: (a) direct the Telephone Company to effectuate the assignment of the Numbers and Listings to us; and (b) sign on your behalf such documents and take such actions as may be necessary to effectuate the assignment. Notwithstanding anything else in the Assignment, however, you will immediately notify and instruct the Telephone Company to effectuate the assignment described in this Assignment to us when, and only when: (i) the Franchise Agreement is terminated or expires; and (ii) we instruct you to so notify the Telephone Company. If you fail to promptly direct the Telephone Company to effectuate the assignment of the Numbers and Listings to us, we will direct the Telephone Company to do so. The Telephone Company may accept our written direction, the Franchise Agreement or this Assignment as conclusive

proof of our exclusive rights in and to the Numbers and Listings upon such termination or expiration. The assignment will become immediately and automatically effective upon Telephone Company's receipt of such notice from you or us. If the Telephone Company requires that you and/or we sign the Telephone Company's assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, our signature on such forms or documentation on your behalf will effectuate your consent and agreement to the assignment. At any time, you and we will perform such acts and sign and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement. The power of attorney conferred upon us pursuant to the provisions set forth in this Assignment is a power coupled with an interest and cannot be revoked, modified or altered without our consent.

4. **Indemnification**: You will indemnify and hold us and our affiliate, stockholders, directors, officers, members, and representatives (collectively, the "**Indemnified Parties**") harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys' fees, costs and expenses that any of the Indemnified Parties incur as a result of any claim brought against any of the Indemnified Parties or any action which any of the Indemnified Parties are named as a party or which any of the Indemnified Parties may suffer, sustain or incur by reason of, or arising out of, your breach of any of the terms of any agreement or contract or the nonpayment of any debt you have with the Telephone Company.

5. **Binding Effect**: This Assignment is binding upon and inures to the benefit of the parties and their respective successors-in-interest, heirs, and successors and assigns.

The parties hereto agree that this Agreement may be executed electronically by any means Franchisor chooses, and if by electronic signature, the electronic signature shall be binding to the same extent as an original signature and shall be deemed an original signature with regard to this Agreement and all Riders, Amendments or Addenda hereto. You are not entitled to challenge the validation or authenticity of the electronic signature or the document on the ground that it is not the original.

6. **Assignment to Control**: This Assignment will govern and control over any conflicting provision in any agreement or contract which you may have with the Telephone Company.

7. **Attorneys' Fees, Etc**.: In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment or the enforcement thereof, the prevailing party will be entitled to reimbursement of its attorneys' fees, costs and expenses from the non-prevailing party. The term "attorneys' fees" means any and all charges levied by an attorney for his or her services including time charges and other reasonable fees including paralegal fees and legal assistant fees and includes fees earned in settlement, at trial, appeal or in bankruptcy proceedings and/or in arbitration proceedings.

8. **Severability**: If any of the provisions of this Assignment or any section or subsection of this Assignment or any section or subsection of this Assignment is held invalid for any reason, the remainder of this Assignment or any such section or subsection will not be affected, and will remain in full force and effect in accordance with its terms.

9. **Governing Law Forum**: This Assignment is governed by Texas Law. The parties will not institute any action arising out of this Assignment against any of the other parties to this Assignment except in the state or federal court of competent jurisdiction in Bexar County, Texas, and they irrevocably submit to the jurisdiction of such courts and waive any objection they may have to either the jurisdiction or venue of such court.

[ Signatures on page that follows. ]

| **ASSIGNOR:** | **ASSIGNEE:**<br>**SD TECH INTERNATIONAL, INC** |
|---|---|
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date: _____ | Date: _____ |

**THIS CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS** is accepted and agreed to by:

(TELEPHONE COMPANY)

By: _____

Name: _____

Its: _____

Date: _____

**EXHIBIT "J" TO THE DISCLOSURE DOCUMENT**

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# FORM OF
# CONDITIONAL ASSIGNMENT AND ASSUMPTION OF LEASE

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## CONDITIONAL ASSIGNMENT AND ASSUMPTION OF LEASE

**THIS CONDITIONAL ASSIGNMENT AND ASSUMPTION OF LEASE** (this "**Assignment"**) is made, entered into and effective as of the effective date of the Lease (as defined hereinbelow), by, between and among **SD TECH International, Inc.,** a Texas Corporation with its principal business address located at 523 Med Ct., Suite 105, San Antonio, TX 78258 ("**Franchisor,**" "**we**," "**us**" or "**our**"), and _____ whose current principal place of business is _____ ("**Franchisee,**" "**you"** or "**your**").

## BACKGROUND INFORMATION

We entered into that certain Franchise Agreement (the "**Franchise Agreement**") dated as of _____, 20__ with you, pursuant to which you plan to own and operate a SD TECH franchise located at that certain location approved by us located at _____ pursuant to the Franchise Agreement between you and us dated _____, 20__ (the "**Approved Office Location**" or "**Site**"). In addition, pursuant to that certain Lease Agreement (the "Lease"), you have leased or will lease certain space containing SD TECH, International, Inc. franchise described therein from _____ (the "**Lessor**"). The Franchise Agreement requires you to deliver this Assignment to us as a condition to the grant of a franchise.

We and you agree as follows:

1. **Background Information:** The background information is true and correct. This Assignment will be interpreted by reference to, and construed in accordance with, the background information.

2. **Incorporation of Terms**: Terms not otherwise defined in this Assignment have the meanings as defined in the lease.

3. **Indemnification of Us:** You agree to indemnify and hold us and our affiliate, if any, our members, directors, officers and representatives harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys' fees, costs and expenses, that they incur resulting from any claim brought against any of them or any action which any of them may suffer, sustain or incur by reason of, or arising out of, your breach of any of the terms of the Lease, including the failure to pay rent or any other terms and conditions of the Lease.

4. **Assignment**: You grant to us a security interest in and to the Lease, all of the furniture, fixtures, inventory and supplies located in the Approved Location and the franchise relating to SD TECH franchise, and all of your rights, title and interest in and to the Lease as collateral for the payment of any obligation, liability or other amount owed by you or your affiliates (if permitted by us) to the Lessor arising under the Lease and for any of the terms and provisions of the Franchise Agreement. In the event of a breach or default by you under the terms of the Lease, or, in the event we make any payment to the Lessor as a result of your breach of the Lease, then such payment by us, or such breach or default by you, will at our option be deemed to be an immediate default under the Franchise Agreement, and we will be entitled to the possession of the Site and to all of your rights, title and interest in and to the Lease and to all other remedies described herein or in the Franchise Agreement or at law or in equity, without prejudice to any of our other rights or remedies under any other Agreements or under other applicable laws or equities. This Assignment will constitute a lien on your interest in and to the Lease until satisfaction in full of all amounts owed by you to us. In addition, our rights to assume all obligations under the Lease provided in this Assignment are totally optional on our part. You agree to execute any and all Uniform Commercial Code financing statements and all other documents and instruments deemed necessary by us to perfect or document the interests and assignments granted herein.

5. **No Subordination:** You will not permit the Lease to become subordinate to any lien without first obtaining our written consent, other than the lien created by this Assignment, the Franchise Agreement, the Lessor's lien under the Lease, liens securing bank financing for your operations on the Site and the agreements and other instruments referenced herein. You will not terminate, modify or amend any of the provisions or terms

of the Lease without our prior written consent. Any attempt at termination, modification or amendment of any of the terms without such written consent is null and void.

6. **Exercise of Remedies**: In any case of default by you under the terms of the Lease or under the Franchise Agreement, we will be entitled to exercise any one or more of the following remedies:

(a) to take possession of the Approved Location, or any part thereof, personally, or by our agents or attorneys;

(b) to, without notice and with or without process of law, enter upon and take and maintain possession of all or any part of the Approved Location, together with all your furniture, fixtures, inventory, books, records, papers and accounts;

(c) to exclude you, your agents or employees from the Approved Location;

(d) as your attorney-in-fact or in our own name, and under the powers herein granted, to hold, operate, manage and control SD TECH Franchise business and conduct the business, if any thereof, either personally or by our agents, with full power to use such measures, legally rectifiable, as we may be deemed proper or necessary to cure such default, including actions of forcible entry or detainer and actions in distress of rent, hereby granting full power and authority to us to exercise each and every right or the rights, privileges and powers herein granted at any and all times hereafter;

(e) to cancel or terminate any unauthorized agreements or subleases entered into by you, for any cause or ground which would entitle us to cancel the same;

(f) to disaffirm any unauthorized agreement, sublease or subordinated lien, to make all necessary or proper repairs, decorating, renewals, replacements, alterations, additions, betterments and improvements to the Site that may seem judicious;

(g) to insure and reinsure the same for all risks incidental to our possession, operation and management thereof; and/or

(h) notwithstanding any provision of the Franchise Agreement to the contrary, to declare all of your rights but not obligations under the Franchise Agreement to be immediately terminated as of the date of your default under the Lease.

7. **Power of Attorney**: You do hereby irrevocably appoint us as your true and lawful attorney-in-fact in your name and stead and hereby authorize us, upon any default under the Lease or under the Franchise Agreement, with or without taking possession of the Site, to manage and operate the Site and/or rent or lease the Site to any person, firm, corporation or entity, upon such terms and conditions as we may determine, and with the same rights and powers and immunities, exoneration of liability and rights of recourse and indemnity as we would have upon taking possession of the Site pursuant to the provisions set forth in the Lease. The power of attorney conferred upon us pursuant to this Assignment is a power coupled with an interest and cannot be revoked, modified or altered without our written consent.

8. **Election of Remedies:** It is understood and agreed that the provisions set forth in this Assignment are deemed a special remedy given to us and are not deemed to exclude any of the remedies granted in the Franchise Agreement or any other agreement between the parties, but are deemed an additional remedy and are cumulative with the remedies therein and elsewhere granted to us, all of which remedies are enforceable concurrently or successively. No exercise by us or any of the rights hereunder will cure, waive or affect any default hereunder or default under the Franchise Agreement. No inaction or partial exercise of rights by us will be construed as a waiver of any of our rights and remedies and no waiver by us of any such rights and remedies will be construed as a waiver by us of any future rights and remedies.

9. **Binding Agreements**: This assignment and all provisions are binding upon the parties, their successors, assigns and legal representatives and all other persons or entities claiming under them or through them, or either of them, and the words "we", "us" or "our" or "you" and "your "includes all such persons and entities and any others liable for payment of amounts under the Lease or the Franchise Agreement. All individuals executing on behalf of corporate or other legal entities hereby represent and warrant that such

execution has been duly authorized by all necessary corporate and shareholder or member authorizations and approvals.

10. **Assignment to Control**. This Assignment governs and controls over any conflicting provisions in the lease.

11. **Attorney's Fees, Etc**. In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment, the prevailing party will be entitled to recover its attorneys' fees, costs and expenses relating to any trial or appeal (including, without limitation, paralegal fees) or arbitration or bankruptcy proceeding from the non-prevailing Party.

12. **Severability**. If any of the provisions of this Assignment or any section or subsection of this Assignment is to be held invalid for any reason, the remainder of this Assignment or any such section or subsection will not be affected thereby and will remain in full force and effect in accordance with its terms.

**IN WITNESS WHEREOF,** the Parties have caused this Assignment to be executed as of the day and year first above written.

"**YOU**"

_____
Name of Entity

By: _____

Name: _____

Title: _____
Date: _____

"**US**"
**SD TECH INTERNATIONAL, INC**

By: _____

Name: _____

Title: _____
Date: _____

**THIS CONDITIONAL ASSIGNMENT AND ASSUMPTION OF LEASE** is accepted and agreed to by:

"**LESSOR**"

_____

By: _____

Name: _____

Its: _____

Date: _____

**EXHIBIT "K" TO THE DISCLOSURE DOCUMENT**

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**FORM OF**
**PRINCIPAL OWNER'S GUARANTY**

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## PRINCIPAL OWNER'S GUARANTY

This Guaranty must be signed by each of the principal owners (referred to as "**Guarantor,**" "**you**" or "**your**" for purposes of this Guaranty only) of _____ (the "**Business Entity**") under the Franchise Agreement dated _____, 20__ (the "**Agreement**") with **SD TECH, INTERNATIONAL, INC.** ("**Franchisor,**" "**we,**" "**us**" or "**our**").

1. **Incorporation of Terms**. Each term of the Agreement is incorporated into this Guaranty.

2. **Guaranty**. In consideration of and as an inducement to us signing and delivering the Agreement, each of you signing this Guaranty personally and unconditionally: guarantees to us and our successors and assigns that (a) the Business Entity will punctually pay and perform every obligation and obey every restriction and covenant set forth in the Agreement and each and every Agreement entered into by and between Us and the Business Entity; and (b) each of you jointly and severally agrees to be personally bound by, and personally liable for the breach of, each and every obligation, restriction and covenant in the Agreement.

3. **Payment**. If the Business Entity fails to make any payment when due or otherwise defaults under any of the terms of the Agreement, immediately upon demand, you will pay to us the full amount owed, plus any interest or penalty allowed under the Agreement. All payments are made without set-off, deduction or withholding for any reason, and are final and free from any defense, claim or counterclaim of you, except the defense that the Business Entity has paid all obligations in full.

4. **Waivers**. Each of you waives: (a) acceptance and notice of acceptance by us of your obligations under this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed by you; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed by you; (d) any right you may have to require that an action be brought against the Business Entity or any other person as a condition of your liability; (e) all rights to payments and claims for reimbursement or subrogation which you may have against the Business Entity arising as a result of your execution of and performance under this Guaranty; and (f) all other notices and legal or equitable defenses to which you may be entitled in your capacity as guarantors.

5. **Consents and Agreements**. Each of you consents and agrees that: (a) your direct and immediate liability under this Guaranty is joint and several; (b) you must render any payment or performance required under the Agreement upon demand if the Business Entity fails or refuses punctually to do so; (c) your liability will not be contingent or conditioned upon our pursuit of any remedies against the Business Entity or any other person; (d) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may from time to time grant to the Business Entity or to any other person, including without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims and no such indulgence will in any way modify or amend this Guaranty; and (e) this Guaranty will continue and is irrevocable during the term of the Agreement and, if required by the Agreement, after its termination or expiration.

6. **Enforcement Costs**. If we are required to enforce this Guaranty in any judicial or arbitration proceeding or any appeals, you must reimburse us for our enforcement costs. Enforcement costs include reasonable accountants', attorneys', attorney's assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, arbitration filing fees, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guaranty.

7. **Effectiveness**. Your obligations under this Guaranty are effective on the Agreement Date, regardless of the actual date of signature. Each of you agrees that this "Principal Owners Guaranty" may be executed electronically by any means Franchisor chooses, and if by

electronic signature, the electronic signature shall be binding to the same extent as an original signature with regard to this "Principal Owners Guaranty." You are not entitled to challenge the validation or authenticity of the electronic signature or this document on the ground that it is not an original. Terms not otherwise defined in this Guaranty have the meanings as defined in the Agreement. This Guaranty is governed by Texas law and we may enforce our rights regarding it by arbitration in Bexar County, Texas, or if we no longer maintain an office in Bexar County, Texas then our home office. Arbitration shall be conducted in accordance with the United States Arbitration Act (9 U.S.C. Section 1, *et seq*.), if applicable, The Rules of the American Arbitration Association relating to the Arbitration of disputes arising under franchise and license agreements, if any, otherwise, the general rules of commercial arbitration, provided that the arbitrator shall award, or include in his/her award, the specific performance of this Agreement, and the arbitrator shall issue a written opinion explaining the reasons for his/her decision and award. If a claim for amounts owed by you to us is asserted in the arbitration proceeding and if we shall prevail on such claim, we shall be entitled to so much of our cost and expenses including accounting and legal fees, as are attributable to the prosecution thereof. Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof or of us or of you.

Each of you now signs and delivers this Guaranty effective as of the date of the Agreement regardless of the actual date of signature.

| **PERCENTAGE OF OWNERSHIP** | **GUARANTORS** |
|---|---|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| | DATE _____ |

**EXHIBIT "L" TO THE DISCLOSURE DOCUMENT**

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**FORM OF**
**PRINCIPAL OWNER'S STATEMENT**

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# PRINCIPAL OWNER'S STATEMENT

This form must be completed by you if you have multiple owners or if you, or your franchised business, is owned by a business organization (like a corporation, partnership or limited liability company). We are relying on the truth and accuracy of this form in awarding the Franchise Agreement to you.

1. **Form of Owner.** Franchisee is a (check one):

(a) General Partnership ☐
(b) Corporation ☐
(c) Limited Partnership ☐
(d) Limited Liability Company ☐
(e) Other ☐
Specify: _____

Franchisee was formed under the laws of _____.
(State)

2. **Business Entity**. Franchisee was incorporated or formed on _____, 20__, under the laws of the State of _____. Franchisee has not conducted business under any name other than your corporate, limited liability company or partnership name and _____. The following is a list of all persons who have management rights and powers (e.g., officers, managers, partners, etc.) and their positions are listed below:

| **Name of Person** | **Position** |
|---|---|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

3. **Owners**. The following list includes the full name and mailing address of each person who is one of your owners and fully describes the nature of each owner's interest. Attach additional sheets if necessary.

| **Owner's Name and Address** | **Description of Interest** |
|---|---|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

4. **Governing Documents**. Attached are copies of the documents and contracts governing the ownership, management and other significant aspects of the business organization (e.g., operating agreement, certificate of formation, articles of incorporation or organization, partnership or shareholder agreements, etc.).

[ Signature on page that follows. ]

This Statement of Principal Owner's is current and complete as of _____, 20__.

You agree that this document may be executed electronically by any means Franchisor chooses, and if by electronic signature, the electronic signature shall be binding to the same extent as an original signature and shall be deemed an original signature with regard to this document. You are not entitled to challenge the validation or authenticity of the electronic signature or this document on the ground that it is not the original.

**OWNER**
**INDIVIDUALS**

_____
[Signature]
_____

[Print Name]

_____
[Signature]
_____
[Print Name]

**CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP**

_____
[Name]

By: _____

Title: _____

**EXHIBIT "M" TO THE DISCLOSURE DOCUMENT**

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**FORM OF**
**CONFIDENTIALITY, NON-SOLICITATION AND NON-COMPETITION AGREEMENT FOR FRANCHISE AGREEMENT**

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**CONFIDENTIALITY, NON-SOLICITATION AND**
**NON-COMPETITION AGREEMENT**

**NAME:** _____

**FRANCHISEE:** _____

**HOME ADDRESS:** _____

_____

**HOME TELEPHONE:** _____

**CLASSIFICATION:** _____

**(Owner, Shareholder, Officer, Director, Attorney, Employee, Etc.)**

_____ ("Franchisee") is a franchisee of SD TECH, International, Inc. ("Franchisor") pursuant to a Franchise Agreement entered into by Franchisee and Franchisor dated _____, 20__ (the "Franchise Agreement"). I agree that, unless otherwise specified, all terms in this Agreement have those meanings ascribed to them in the Franchise Agreement.

I agree that during the term of my employment by, ownership participation in, association with or service to, Franchisee, or at any time thereafter, I will not communicate, divulge or use for the benefit of any other person, persons, partnership, proprietorship, association, corporation or entity any confidential information, knowledge or know-how concerning the systems of operation, services, products, clients or practices of Franchisee and/or Franchisor.

Any and all information, knowledge, know-how, techniques and information which the entities mentioned above or their officers designate as confidential will be Confidential Information for the purposes of this Agreement, except information which I can demonstrate came to my attention before disclosure or which had become or becomes a part of the public domain through publication or communication by others (unless the publication or communication is in violation of a similar confidentiality agreement), but in no event through any act of mine.

I will at no time copy, duplicate, record or otherwise reproduce any of the Confidential Information or material containing it, in whole or in part, franchise business them in a computer retrieval or data base, nor otherwise make them available to any unauthorized person. Upon the expiration or other termination for any reason of my employment, association, service, or ownership, I agree to return to Franchisor or Franchisee, as the case may be, all Confidential Information or material containing it (in whole or in part) in my possession utilized during my employment, association, service or ownership participation.

I further agree that during the term of my employment, association, service or ownership participation, and under the circumstances set forth in the following paragraph, for a period of two years immediately following its expiration or termination for any reason, I will not, directly or indirectly engage or participate in any Competitive Business, as defined below, which is located within fifteen (15) miles of the Franchised Business or provides such services to customers within fifty (50) miles of the perimeter of any Protected Territory of any franchisee operating under the SD TECH, International, Inc. system. I agree that I am prohibited from engaging in any Competitive Business as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, advisor, or consultant.

The term "Competitive Business" as used in this Agreement means any business or facility owning, operating or managing, or granting franchises or licenses to others to do so, any franchise business or facility that features items and services similar to those offered by the SD TECH franchise business is offering or providing commercial and/or residential customers with repair and/or servicing and/or delivery and/or

assembly of Managed IT Services, IT Support, VoIP System support, Microsoft Office 365 integration, Hosted Exchange Email, On-Site and Off-Site Backup support, New Construction turn key IT Build-Outs, Cloud Solutions and Migration, Home Automation and Smart Cameras and any items and services similar to any of the item offered by a SD TECH franchise business, including the sale of any services similar to any item offered by a SD TECH franchise business. This "exclusivity" is construed in accordance with and/or is governed by (as applicable) the law of the State of Texas without recourse to Texas (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of Texas, and if the franchise Business is located outside of Texas and the provision would be enforceable under the laws of the state in which the franchise Business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Agreement is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or any other doctrine of law of the State of Texas or any other state, which would not otherwise apply.

I further agree that all disputes and claims relating to this Agreement and of the Franchise Agreement (other than your engaging in a Competitive Business, as defined above, upon termination or expiration of the Franchise Agreement, the use of our name or trademarks) shall be settled by Arbitration in Bexar County, Texas, or if Franchisor shall no longer maintain an office in Bexar County, Texas, then the home office of Franchisor. Arbitration shall be conducted in accordance with the United States Arbitration Act (9 U.S.C. Section 1, *et seq*.), if applicable, and the Rules of the American Arbitration Association (relating to the arbitration of disputes arising under franchise and license agreements, if any, otherwise, the general rules of commercial arbitration), provided that the arbitrator shall award, or include in his/her award, the specific performance or injunction remedies of this Agreement, and the arbitrator shall issue a written opinion explaining the reasons for his/her decision and award. Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof or of Franchisor, Franchisee or me as an owner, shareholder, officer, director, attorney, employee or any other relationship I have with the Franchisee. During the pendency of an arbitration proceeding hereunder, Franchisee and Franchisor shall fully perform and comply with the provisions of this Agreement.

I hereby waive and covenant never to assert or claim that arbitration is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

I hereto agree that this document may be executed electronically by any means Franchisor chooses, and if by electronic signature, the electronic signature shall be binding to the same extent as an original signature and shall be deemed an original signature with regard to this document. You are not entitled to challenge the validation or authenticity of the electronic signature or this document on the ground that it is not the original.

**Witness:**

_____ _____

**(Signature)**

_____ _____

**Date** **(Printed Name)**

**EXHIBIT "N" TO THE DISCLOSURE DOCUMENT**

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**FORM OF**
**CONFIDENTIALITY, NON-SOLICITATION AND NON-COMPETITION AGREEMENT**
**FOR**
**AREA DEVELOPMENT AGREEMENT**

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**CONFIDENTIALITY, NONSOLICITATION AND NONCOMPETITION AGREEMENT FOR AREA DEVELOPMENT AGREEMENT**

**NAME:** _____

**DEVELOPER:** _____

**HOME ADDRESS:** _____

_____

**HOME TELEPHONE:** _____

**CLASSIFICATION:** _____

**(Owner, Shareholder, Officer, Director, Attorney, Employee, Etc.)**

_____ ("Developer") is a developer of SD TECH International, Inc. ("Franchisor") pursuant to an Area Development Agreement entered into by Developer and Franchisor dated _____, 20__ (the "Area Development Agreement"). I agree that, unless otherwise specified, all terms in this Agreement have those meanings ascribed to them in the Area Development Agreement.

I agree that during the term of my employment by, ownership participation in, association with or service to, Developer, or at any time thereafter, I will not communicate, divulge or use for the benefit of any other person, persons, partnership, proprietorship, association, corporation or entity any confidential information, knowledge or know-how concerning the systems of operation, services, products, clients or practices of Developer and/or Franchisor which may be communicated to me ("Confidential Information"), and I will not divert any business to competitors of Developer and/or Franchisor.

Any and all information, knowledge, know-how, techniques and information which the entities mentioned above or their officers designate as confidential will be Confidential Information for the purposes of this Agreement, except information which I can demonstrate came to my attention before disclosure or which had become or becomes a part of the public domain through publication or communication by others (unless the publication or communication is in violation of a similar confidentiality agreement), but in no event through any act of mine.

I will at no time copy, duplicate, record or otherwise reproduce any of the Confidential Information or material containing it, in whole or in part, franchise business them in a computer retrieval or data base, nor otherwise make them available to any unauthorized person. Upon the expiration or other termination for any reason of my employment, association, service or ownership participation, I agree to return to Franchisor or Developer, as the case may be, all Confidential Information or material containing it (in whole or in part) in my possession utilized during my employment, association, service or ownership participation.

I further agree that during the term of my employment, association, service or ownership participation, and under the circumstances set forth in the following paragraph, for a period of two years immediately following its expiration or termination for any reason, I will not, directly or indirectly engage or participate in any Competitive Business, as defined below, which is located within fifteen (15) miles of the Franchised Business or provides such services to customers within fifty (50) miles of the perimeter of any Protected Territory of any franchisee operating under the SD TECH, International, Inc. system. I agree that I am prohibited from engaging in any Competitive Business as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, advisor, or consultant.

The term “Competitive Business” as used in this Agreement means any business or facility owning, operating or managing, or granting franchises or licenses to others to do so, any franchise business or facility

that features items and services similar to those offered by SD TECH franchise business, including by not limited to, any business offering commercial and/or residential customers the repair and/or servicing and/or delivery and/or assembly of Managed IT Services, IT Support, VoIP System support, Microsoft Office 365 integration, Hosted Exchange Email, On-Site and Off-Site Backup support, New Construction turn key IT Build-Outs, Cloud Solutions and Migration, Home Automation and Smart Cameras and items or services similar to any items offered by a SD TECH franchise business, other than a SD TECH franchise business under a franchise agreement with us. The term "Competitive Business" shall be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of Texas without recourse to any other choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of Texas, and if the franchise Business is located outside of Texas and the provision would be enforceable under the laws of the state in which the franchise Business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Agreement is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or any other doctrine of law of the State of Texas or any other state, which would not otherwise apply.

I further agree that all disputes and claims relating to this Agreement and of the Franchise Agreement or Area Development Agreement (other than your engaging in a Competitive Business, as defined above, upon termination or expiration of the Area Development Agreement or Franchise Agreement, the use of our name or trademarks) shall be settled by Arbitration in Bexar County, Texas, or if Franchisor shall no longer maintain an office in Bexar County, Texas then the home office of Franchisor. Arbitration shall be conducted in accordance with the United States Arbitration Act (9 U.S.C. Section 1, *et seq*.), if applicable, and the Rules of the American Arbitration Association (relating to the arbitration of disputes arising under franchise and license agreements, if any, otherwise, the general rules of commercial arbitration), provided that the arbitrator shall award, or include in his/her award, the specific performance or injunction remedies of this Agreement, and the arbitrator shall issue a written opinion explaining the reasons for his/her decision and award. Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof or of Franchisor, Franchisee or me as an owner, shareholder, officer, director, attorney, employee or any other relationship I have with the Franchisee. During the pendency of an arbitration proceeding hereunder, Franchisee and Franchisor shall fully perform and comply with the provisions of this Agreement.

I hereby waive and covenant never to assert or claim that arbitration is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

I hereto agree that this document may be executed electronically by any means Franchisor chooses, and if by electronic signature, the electronic signature shall be binding to the same extent as an original signature and shall be deemed an original signature with regard to this document. I shall not be entitled to challenge the validation or authenticity of the electronic signature nor this document on the ground that it is not the original.

**Witness:**

| | |
|---|---|
| _____ | _____ |
| | **(Signature)** |
| _____ | _____ |
| **Date** | **(Printed Name)** |

**EXHIBIT "O" TO THE DISCLOSURE DOCUMENT**

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**FORM OF**
**FRANCHISEE QUESTIONNAIRE**

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**SD TECH INTERNATIONAL, INC.**

**FRANCHISEE QUESTIONNAIRE**

**Please do not sign this Questionnaire if you are a resident of Maryland or the business is to be operated in Maryland.**

Prior to the final execution of a Franchise Agreement, this questionnaire must be completed in its entirety.

1. **Full Name of Franchisee:**

_____

2. **Franchisee Office Location:**

_____

3. **Franchisee is: (check applicable box)**

[ ] Individual [ ] Corporation [ ] General Partnership [ ] Limited Partnership

[ ] Limited Liability Company [ ] Other _____

4. **If Franchisee is other than an individual, indicate the capacity in which the undersigned is authorized to act on behalf of the Franchisee: (check applicable box)**

[ ] Officer (insert title): _____

[ ] General Partner

[ ] Other (please explain): _____

5. **Did Franchisee receive a Franchise Disclosure Document?** [ ] Yes [ ] No

**EXHIBIT "P" TO THE DISCLOSURE DOCUMENT**

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**STATE SPECIFIC AND OTHER**
**ADDENDA AND RIDERS**

---

**CALIFORNIA ADDENDUM**

**TO FRANCHISE DISCLOSURE DOCUMENT**

1. **The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

2. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains an inconsistency with the law, the law will control.

3. The Franchise Agreement and Area Development Agreement provide for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).

4. The Franchise Agreement and Area Development Agreement contain covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.

5. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.

6. Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

7. You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

8. **THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.**

9. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5 Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

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

11. The highest interest rate allowed by law in California is 10% annually.

12. A contract which restrains a former franchisee from engaging in a lawful trade or business is to that extent void under California Business and Professions Code Section 16600.

13. **OUR WEBSITE, WWW.SD-TECH.NET HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THESE WEBSITES MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.CA.GOV.**

14. California's Franchise Investment Law (Corporations Code section 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

15. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

16. The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a requirement for us to maintain a surety bond under California Corporations Code section 31113 and 10 C.C.R. section 310.113.5, which must remain in effect during our registration period. The surety bond is in the amount of $75,000 with Travelers Casualty and Surety Company of America and is available for you to recover your damages in the event we do not fulfill our obligations to you to open your franchised business. We will provide you with a copy of the surety bond upon request.

**CALIFORNIA**

**ADDENDUM TO**

**SD TECH INTERNATIONAL, INC. FRANCHISE AGREEMENT**

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a requirement for us to maintain a surety bond under California Corporations Code section 31113 and 10 C.C.R. section 310.113.5, which must remain in effect during our registration period. The surety bond is in the amount of $75,000 with Travelers Casualty and Surety Company of America and is available for you to recover your damages in the event we do not fulfill our obligations to you to open your franchised business. We will provide you with a copy of the surety bond upon request.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the ___ day of _____, 20__.

**FRANCHISOR**
**SD TECH International, Inc.**
A Texas corporation

By:_____

Title:_____

**FRANCHISEE**

_____

_____
(Signature)

_____
(Print Name)

**CALIFORNIA**

**ADDENDUM TO**

**SD TECH INTERNATIONAL, INC. AREA DEVELOPMENT AGREEMENT**

No statement, questionnaire, or acknowledgement signed or agreed to by a Developer in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a requirement for us to maintain a surety bond under California Corporations Code section 31113 and 10 C.C.R. section 310.113.5, which must remain in effect during our registration period. The surety bond is in the amount of $75,000 with Travelers Casualty and Surety Company of America and is available for you to recover your damages in the event we do not fulfill our obligations to you to open your franchised business. We will provide you with a copy of the surety bond upon request.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the ___ day of _____, 20__.

**FRANCHISOR**
**SD TECH International, Inc.**
A Texas corporation

By:_____

Title:_____

**DEVELOPER**

_____

_____
(Signature)

_____
(Print Name)

**MARYLAND**
**ADDENDUM TO THE SD TECH INTERNATIONAL, INC.**
**DISCLOSURE DOCUMENT**

Anything to the contrary in the SD TECH International, Inc. disclosure document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Maryland:

Item 5 is revised as follows:

> The Maryland Securities Commissioner has determined that the franchisor has not demonstrated it is adequately capitalized and/or that the franchisor must rely on franchise fees to fund operations. The Commissioner has imposed a requirement for the franchisor to maintain a surety bond in the amount of $93,500 with United Casualty and Surety Insurance Company during the registration period. The surety bond is available for you to recover your damages in the event we do not fulfill our obligations to you to open your franchise business. We will provide you with a copy of the surety bond upon request.

Item 17 is revised as follows:

> Any clause(s) referencing choice of forum is not applicable to claims arising under the Maryland Franchise Registration and Disclosure Law.
>
> Pursuant to COMAR 02.08.16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
>
> Any claim arising under the Maryland Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the ___ day of _____, 20__.

**FRANCHISOR**
**SD TECH International, Inc.**
A Texas corporation

By:_____

Title:_____

**FRANCHISEE**

_____

_____
(Signature)

_____
(Print Name)

**EXHIBIT "Q" TO THE DISCLOSURE DOCUMENT**

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**FORM OF**
**RELEASE**

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## FORM OF RELEASE

The following is our current general release form that we expect to include in a release that a franchisee and/or transferor may sign as part of a renewal, approved transfer or purchase by us of the assets of a franchisee's SD TECH franchise business. We may periodically modify the release.

**THIS RELEASE** is given by _____ and their predecessors, agents, affiliates, legal representatives, successors, assigns, heirs, beneficiaries, executors and administrators (collectively, "**we**," "**us**" or "**ours**"), to SD TECH International, Inc., and all of its predecessors, affiliates, owners, officers, employees, legal representatives, directors, successors and assigns, their heirs, beneficiaries, executors and administrators (sometimes hereafter collectively referred to as "**you**" or "**your**"). Effective on the date of this Release, we forever release and discharge SD TECH International, Inc., from any and all claims, causes of action, suits, debts, agreements, promises, demands, liabilities, contractual rights and/or obligations, of whatever nature or kind, in law or in equity, which we now have or ever had against SD TECH International, Inc., including without limitation, anything arising out of that certain Franchise Agreement dated _____, 20__ (the "**Franchise Agreement**"), the franchise relationship between the parties, and any other relationships between you and us; except your obligations under the _____ Agreement. This Release is effective for: (a) any and all claims and obligations, including those of which we are not now aware; and (b) all claims we have from anything which has happened up to now; provided, however, that all liabilities arising under Indiana Code Sec. 23-2-2.7, the Maryland Franchise Registration and Disclosure Law and/or the Minnesota Franchise Act are excluded from this release, and that all rights enjoyed by us under the Franchise Agreement and any causes of action arising in our favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will remain in force; it being the intent of this provision that the non-waiver provisions of General Business Law, Section 687.4 and 687.5 be satisfied. If we are domiciled or have our principal place of business in the State of California, then we hereby expressly waive and relinquish all rights and benefits under Section 1542 of the California Civil Code, which provides: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.".

We are bound by this Release. We freely and voluntarily give this Release to you for good and valuable consideration and we acknowledge its receipt and sufficiency.

We represent and warrant to you that we have not assigned or transferred to any other person any claim or right we had or now have relating to or against you.

In this Release, each pronoun includes the singular and plural as the context may require.

This Release is governed by Texas law.

This Release is effective _____, 20__, notwithstanding the actual date of signatures.

**IN WITNESS WHEREOF**, the undersigned execute this Release:

By: _____

Name: _____

Title: _____

Date: _____

(STATE OF _____)

(COUNTY OF _____)

The foregoing instrument was acknowledged before me this the _____ day of _____, 20___, by _____, who is personally known to me or has produced _____ as identification.

_____
Signature of Notary

_____
Printed Name of Notary

My Commission Expires: _____

**EXHIBIT "R" TO THE DISCLOSURE DOCUMENT**

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**RECEIPTS**

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## State Effective Dates

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

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

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

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

**RECEIPT**
**(Retain this copy for your records)**

This disclosure document summarizes certain provisions of the Franchise Agreement, Area Development Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If SD TECH INTERNATIONAL, INC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement for the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If SD TECH INTERNATIONAL, INC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency in Exhibit "F".

The franchisor is SD TECH INTERNATIONAL, INC, located at 523 Med Ct., Suite 105, San Antonio, TX 78258, and telephone number is 210-558-7385.

Issuance Date: June 2, 2025

The franchise seller for this offering is _____ whose principal business address is 523 Med Ct., Suite 105, San Antonio, TX 78258, and telephone number is 210-558-7385

SD TECH INTERNATIONAL, INC authorizes the respective state agencies identified in Exhibit "F" to receive service of process for it in their particular state.

I received a disclosure document dated June 2, 2025 that included the following

Exhibits:

| | |
|---|---|
| Exhibit A | Financial Statements |
| Exhibit B | List of Franchisees and Area Developers |
| Exhibit C | List of Franchisees Who Have Left the System |
| Exhibit D | Form of Confidential Operating Manual Table of Contents |
| Exhibit E | Form of Key-Employee Manager Confidentiality Agreement |
| Exhibit F | List of State Agencies/Agents for Service of Process |
| Exhibit G | Form of Franchise Agreement |
| Exhibit H | Form of Area Development Agreement |
| Exhibit I | Form of Conditional Assignment of Telephone Numbers and Listings |
| Exhibit J | Form of Conditional Assignment and Assumption of Lease |
| Exhibit K | Form of Principal Owner's Guaranty |
| Exhibit L | Form of Principal Owner's Statement |
| Exhibit M | Form of Confidentiality, Non-Solicitation and Non-Competition Agreement for Franchise Agreement |
| Exhibit N | Form of Confidentiality, Non-Solicitation and Non-Competition Agreement for Area Development Agreement |
| Exhibit O | Franchisee Questionnaire |
| Exhibit P | State Specific and other Addenda and Riders |

Exhibit Q Form of Release

Exhibit R Receipts

**Individual:**

_____

Date Received

_____

Prospective Franchisee Signature

_____

Print Name

**OR**

**Legal Entity**

By: _____

Name: _____

On behalf of the following entity:

Company Name:

_____

Title: _____

_____

Date Received

**RECEIPT**
**(Sign, Date, and return this copy to us)**

This disclosure document summarizes certain provisions of the Franchise Agreement, Area Development Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If SD TECH INTERNATIONAL, INC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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Exhibit Q Form of Release

Exhibit R Receipts

**Individual:**

_____

Date Received

_____

Prospective Franchisee Signature

_____

Print Name

**OR**

**Legal Entity**

By: _____

Name: _____

On behalf of the following entity:

Company Name:

_____

Title: _____

_____

Date Received