

FRANCHISE DISCLOSURE DOCUMENT

SECURITY FRANCHISORS, LLC
a Delaware Limited Liability Company
1450 Centrepark Boulevard, Suite 210
West Palm Beach, Florida 33401
(800) 261-2041
www.Security101.com



The franchise offered is for the operation of a commercial security business that will provide sales, engineering, installation and monitoring of electronic access control; closed circuit television; and intrusion detection systems for commercial enterprises under the name SECURITY 101®.

The total initial investment necessary to begin operation of a SECURITY 101 business is from \$130,100 to \$235,000. This includes \$59,500 that must be paid to the franchisor or its affiliate.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Steve Crespo at 1450 Centrepark Boulevard, Suite 210, West Palm Beach, Florida 33401, (800) 261-2041.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as *"A Consumer's Guide to Buying a Franchise,"* which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 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.

Issuance Date: April 15, 2022

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit F.
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 SECURITY 101® 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 SECURITY 101® franchisee?	Item 20 or Exhibit F 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 B.

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 Florida. 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 Florida than in your own state.
2. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
3. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
4. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate the business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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

NOTICE REQUIRED BY THE STATE OF MICHIGAN

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

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

A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provisions of the franchise agreement and to cure such failure after being given written notice and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration, of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if (i) the term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but it not limited to:

(i) The failure of the proposed franchisee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee or subfranchisor until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

The fact that there is a notice of this Offering on file with the Attorney General does not constitute approval, recommendation, or endorsement by the Attorney General.

Any questions regarding the notice should be directed to:

State of Michigan
Consumer Protection Division
Attention: Franchise
670 Law Building
Lansing, Michigan 48913
Telephone Number: (517) 373-3800

TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE</u>
1. THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES	1
2. BUSINESS EXPERIENCE	3
3. LITIGATION.....	3
4. BANKRUPTCY	3
5. INITIAL FEES.....	3
6. OTHER FEES	4
7. ESTIMATED INITIAL INVESTMENT.....	7
8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	9
9. FRANCHISEE’S OBLIGATIONS	11
10. FINANCING.....	13
11. FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING.....	13
12. TERRITORY	18
13. TRADEMARKS	20
14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	21
15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	22
16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	22
17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	23
18. PUBLIC FIGURES.....	25
19. FINANCIAL PERFORMANCE REPRESENTATIONS	25
20. OUTLETS AND FRANCHISEE INFORMATION	27
21. FINANCIAL STATEMENTS	32
22. CONTRACTS.....	32
23. RECEIPTS	32

EXHIBITS

A.	Financial Statements
B.	Schedule of State Administrators and Agents for Service of Process
C.	State Addenda
D.	Franchise Agreement with Addenda
E.	Operations Manuals Table of Contents
F.	List of Franchisees
G.	Sample Release
H.	State Effective Dates
I.	Receipts

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

To simplify the language in this Disclosure Document, “we,” “us” or “our” means SECURITY FRANCHISORS, LLC, the franchisor. “You” means the person or entity who buys the franchise. If the franchisee is a corporation, partnership or other entity, “you” may also mean its owners. Certain provisions of the Franchise Agreement will apply to your owners and will be noted in this Disclosure Document.

Security Franchisors, LLC was first organized as a Georgia Limited Liability Company on July 2, 2007, but now we are a Delaware limited liability company. We have offered franchises since December 10, 2007. Our principal place of business is at 1450 Centrepark Boulevard, Suite 201, West Palm Beach, Florida 33401; telephone number (800) 261-2041; website www.security101.com. We do business under our corporate name and “SECURITY 101.” We do not do business or intend to do business under any other names. We do not operate any other business, nor do we offer franchises in any other line of business.

Parent, Affiliates and Predecessors

Our direct parent is S101 Acquisition, Inc., a Delaware corporation formed on November 11, 2021 (“S101”). S101 acquired 100% of our membership interests (and the membership interests of certain of our affiliates) on December 28, 2021 (the “Transaction”). As part of the Transaction, S101 became a wholly-owned subsidiary of S101 Holdings, Inc., a Delaware corporation formed on November 11, 2021 (“Holdings”), and Holdings became a wholly-owned subsidiary of S101 Parent, LLC, a Delaware limited liability company formed on November 11, 2021 (“Parent”). Parent is ultimately controlled by investment funds affiliated with Gemspring Management, LLC, a private equity investment firm (“Gemspring”).

The name and principal business address of each of our direct or indirect parents are as follows:

Name of Company	Principal Business Address	Parent Entity
S101 Parent, LLC (“Parent”)	1450 Centrepark Boulevard, Suite 201, West Palm Beach, Florida 33401	
S101 Holdings, Inc. (“Holdings”)	1450 Centrepark Boulevard, Suite 201, West Palm Beach, Florida 33401	Parent
S101 Acquisition, Inc. (“S101”)	1450 Centrepark Boulevard, Suite 201, West Palm Beach, Florida 33401	Holdings

Set forth below are our affiliates who either operate a business similar to the one offered under this Disclosure Document or provide products and services to our franchisees. None of our affiliates offer or has offered franchises in any line of business, other than the indirect affiliate noted below. All have the same principal business address as ours (1450 Centrepark Boulevard, Suite 201, West Palm Beach, Florida 33401), unless otherwise noted.

101 Ware, LLC is a Florida limited liability company that has developed and owns a unique business management software program (the “101 Ware”) and licenses this program to our franchisees. 101 Ware, LLC previously licensed a version of this software program to third parties but, as of the date of this Disclosure Document, only licenses 101 Ware to our franchisees. Security 101 Holdings, LLC is a Georgia

limited liability company that may contract with National Accounts and provide franchisees with the right to service those accounts in their local markets (National Accounts are defined and described in more detail in Item 12). Each of the following four affiliates operates the Security 101 business in local markets: (i) AVI Integrators, Inc., a Florida corporation, with principal business addresses at 2400 W. 84th Street, Suite 15, Miami, Florida 33016, 1520 N. Powerline Road, Pompano Beach, Florida 33069 and 6708 Benjamin Road, Suite 100, Tampa, Florida, (ii) R3 Security, LLC, a Florida limited liability company, with a principal business address of 12001 Science Drive, Suite 135, Orlando, Florida 32826, (iii) TNTSI, LLC, a Florida limited liability company, with principal business addresses at 8118 Cypress Plaza Dr. Suite 304, Jacksonville, Florida 32256, 100 Bull Street, Suite 216, Savannah, Georgia 31401, 1320 Main S, Unit 2, Columbia, SC 29201, and 9481 Industrial Center Sr., Unit 2, Ladson, SC 29456 and (iv) Affinity Systems, LLC a North Carolina limited liability company, with a principal business address of 9731-G Southern Pine Boulevard, Charlotte, NC 28273.

The following portfolio company of Gemspring offers franchises in the U.S.:

Fiesta Insurance Franchise Corporation (“Fiesta”) is a franchisor that offers franchises for insurance products under the name Fiesta. Fiesta’s principal business address is 3755 Breakthrough Way, Suite #205, Las Vegas, Nevada 89135. Fiesta has been affiliated with Gemspring since October 19, 2018. Fiesta has been offering franchises since 2007, and as of December 31, 2021 has 235 locations.

Our agents for service of process are disclosed in Exhibit B to this Disclosure Document.

The Franchise

We grant franchises to qualified persons for the right to operate a SECURITY 101 commercial security business (a “Commercial Security Business”) within a protected territory (“Protected Territory”) and under the terms of our standard Franchise Agreement, a copy of which is included in this Disclosure Document as Exhibit D. A SECURITY 101 Commercial Security Business provides sales, engineering, installation and monitoring of electronic access control; closed circuit television; and intrusion detection systems for commercial enterprises. Franchisees will market and operate their Commercial Security Business under the SECURITY 101 trademark.

Franchisees operating a Commercial Security Business must construct and operate their business consistent with our standards and requirements including, constructing their business per our design and layout requirements and utilizing products, supplies and services that we approve.

There are no known state or federal regulations specific to the operation of a Commercial Security Business. You will, however, be required to comply with numerous government regulations affecting the operation of your franchise and your relationship with employees, including licensing of low-voltage installers, minimum wage requirements, overtime, working conditions and citizenship requirements. There may be other laws applicable to your business and we urge you to make further inquiries of your advisors and local government officials about such regulation.

The commercial security industry is experiencing growth and is very competitive. You will compete with other businesses offering similar services in your market. Specifically, you will compete with businesses that are locally, regionally or nationally owned. The commercial security industry experiences minimal seasonal revenue fluctuations.

ITEM 2
BUSINESS EXPERIENCE

Chief Executive Officer: Steve Crespo

Mr. Crespo has been our Chief Executive Officer since April 2008. He holds the same position with Security Holdings and our Security 101 affiliates noted in Item 1 (other than Fiesta).

President: Michael Walton

Mr. Walton has been our President since March 2021 and was our Chief Operating Officer from April 2014 to March 2021.

Director of Operations: Tim Rose

Mr. Rose has been our Director of Operations since March 2010.

Director of Sales: Brian Mathieu

Mr. Mathieu has been our Director of Sales since April 2019. Prior to joining us, he was an Integrated Solutions Specialist in New Haven, Connecticut from July 2017 to March 2019. From September 2013 to June 2017, he was a Sales Director for Vanderbilt Industries in Parsippany, New Jersey.

Director of Franchise Development and Talent Acquisition: Steve Parsons

Mr. Parsons has been our Director of Franchise Development and Talent Acquisition since March 2014.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Initial Franchise Fee

You will pay an Initial Franchise Fee of \$59,500 for a license to operate a SECURITY 101 Commercial Security Business. The Initial Franchise Fee must be made in a lump sum at the time you sign your Franchise Agreement. The Initial Franchise Fee is earned upon receipt and is non-refundable.

ITEM 6
OTHER FEES

Type of Fee⁽¹⁾	Amount	Due Date	Remarks
Royalty Fee	Ranges from 4% to 6% of Gross Billings. Monthly Minimum Payment requirement ranging from \$2,000 to \$8,000 begins on the 13 th month following the opening date of your Commercial Security Business. ⁽²⁾	Last business day of each month. Royalty Fee for each job billed will be due on the last business day of the third month following the month in which the job is billed. ⁽²⁾	Gross Billings includes all amounts billed by your Commercial Security Business, except Gross Billings does not include sales or use taxes.
Marketing and Advertising Fees	0.5% of your monthly Gross Billings	Last business day of each month. ⁽³⁾ Marketing and Advertising Fee will be due on the last business day of the third month following the month in which the job is billed.	Gross Billings includes all amounts billed by your Commercial Security Business, except Gross Billings does not include sales or use taxes.
101 Ware Software Fee	\$500 per month	Last business day of each month	You must license 101 Ware from 101 Ware, LLC. After you open your Commercial Security Business you will pay 101 Ware, LLC the monthly Software Fee.
Cross Sales Fee	70% of Gross Billings for Cross Sale ⁽⁴⁾	Due on the last business day of the month in which the Cross Sale installation is complete.	If you are the Originating Franchisee of a Cross Sale (defined below), you will pay the Local Business (defined below) the Cross Sales Fee (the percentage is currently 70%, although we reserve the right to change this percentage on 60 days' advance written notice).
Late Fee	\$50	Due if your Royalty Fee is not received by the 7 th day of the month after the fee is due.	None
Interest	The lesser of 18% per annum or the maximum legal rate allowed by applicable law	Due if your Royalty Fee is not received by the 7 th day of the month after the fee is due.	None

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Local Advertising ⁽⁵⁾	In addition to the Marketing and Advertising Fee, you must spend at least 2% of your monthly Gross Billings on local advertising and marketing.	Monthly.	Payable to third party suppliers.
Additional Franchise Management Training	Currently \$750 per person	2 weeks prior to beginning of training.	We train 2 persons without charge. See Item 11.
Transfer Fee	25% of our then-current Initial Franchise Fee	Prior to transfer.	None
Renewal Fee	10% of our then-current Initial Franchise Fee	30 days before renewal.	None
Audit	The expenses we incur to audit your records, ranging between \$750 to \$3,000.	3 days after billing.	If an audit of your books shows an underpayment of 3% or more, you must pay us the cost of the audit, plus the amount of the underpayment and interest.
Insurance ⁽⁶⁾	\$1,000 to \$3,000	When premiums are due	Payable to third party suppliers. See Item 8.

Notes:

- 1 You must pay each of these fees to us unless otherwise noted. Fees are assessed uniformly to each franchisee and are non-refundable.
- 2 Commencing on the effective date of the Franchise Agreement, on the last business day of each calendar month during the term of the Franchise Agreement, you must pay us a monthly Royalty Fee (the “Monthly Royalty Fee”) calculated as follows:

Monthly Gross Billings	Royalty Calculation
For your first \$0 to \$166,667 of Gross Billings	6%
For your next \$166,668 to \$333,334 of Gross Billings	5%
For any remaining Gross Billings of \$333,335 or more	4%

Beginning on the 13th month following the opening date of your Commercial Security Business, a minimum monthly royalty obligation (the “Monthly Minimum Payment”) will commence. Although we will not enforce the Monthly Minimum Payment in 2019, we do reserve the right to implement on 180 day’s written notice. The amount of your Monthly Minimum Payment will depend on whether your Protected Territory is designated as an “A,” “B” or “C” market (as

described more fully in Item 12). You will only be required to pay a Monthly Minimum Payment if your Monthly Royalty Fee is less than the Monthly Minimum Payment noted below, in which case we will have the right to withdraw from your bank account an amount equal to the Monthly Minimum Payment as outlined in the table below.

Market Type	Monthly Minimum Payment
“A”	\$8,000
“B”	\$4,000
“C”	\$2,000

You must authorize your bank to directly deposit your Royalty Fees, Marketing and Advertising Fees and any other amounts due to us into our bank account from your bank account on a monthly basis. You must also provide us with all documents necessary to direct your bank to honor these pre-authorized bank debits.

- 3 As of the date of this Disclosure Document, we do not collect the Marketing and Advertising Fee. When 25 franchised commercial security businesses are open, we will have the right (upon 90 days advance written notice) to institute a National Marketing and Advertising Fund (the “Advertising Fund”) and require all franchisees to pay up to 0.5% of their monthly Gross Billings into the Advertising Fund. These funds will be payable in the same manner and at the same time as your Monthly Royalty Fee. Once an Advertising Fund is established, we will contribute 0.5% (or any lower system-wide percentage rate which is identical to that paid by franchisees) of our company-owned or affiliate-owned commercial security business revenues to the Advertising Fund.
- 4 “Cross Sale” means the sale of services by you (the “Originating Franchisee”) to a customer located inside or outside your Protected Territory, which services will be performed inside another SECURITY 101 franchisee’s protected territory or a territory serviced by us or our affiliates, provided the customer is not a National Account (as defined in Item 12) (the “Local Business”). Before engaging in a Cross Sale, the Originating Franchisee must complete a proposal for the project, including a detailed description of the installation and estimated cost and contact the Local Business for approval. Upon receipt, the Local Business will review the proposal and, if agreeable to the installation, accept and approve the proposal. The Local Business will perform the installation and the Originating Franchisee will bill the customer. The Local Business will receive its portion of the Cross Sale on the last business day of the month in which the Cross Sale installation is complete. The Local Business will not pay any Royalty Fees or Marketing and Advertising Fees on a Cross Sale. The Originating Franchisee is responsible for paying Royalty Fees and Marketing and Advertising Fees on the total Gross Billings of the Cross Sale.
- 5 You must spend at least 2% of your monthly Gross Billings on approved local advertising and promotional activities. As further described in Item 11, we may designate a local or regional advertising cooperative and require you to contribute to and participate in the advertising cooperative. Each commercial security business, including any company-owned or affiliate-owned businesses will be a member of the advertising cooperative. Each franchise or company-owned business will have one vote per business.

- 6 You must procure and maintain throughout the term of the Franchise Agreement insurance in the amounts stated in the Franchise Agreement and the Operations Manuals (as defined in Item 11). The cost of insurance will vary based on policy limits, type of policies procured, any lease requirements, number of employees, contents of the business, geographical location and other factors bearing on risk exposure. You pay insurance premiums directly to third party insurers. See Item 8. If you fail to maintain insurance coverage that meets our specifications, we may (but are not required to) obtain coverage on your behalf and you must reimburse us for all costs and expenses we incur.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made⁽¹⁾
Initial Franchise Fee	\$59,500	Lump Sum	At signing of Franchise Agreement	Us
Travel & Living Expenses while Training	\$4,000 to \$8,000	As Incurred	During Training	Airlines, Hotels, & Restaurants
Rent ²	\$2,250 to \$4,500	As Incurred	As Incurred	Landlord
Leasehold Improvements	\$500 to \$2,500	As Incurred	Before Opening	Local Vendors
Furniture, Equipment & Signage ³	\$4,900 to \$7,500	As Incurred	Before Opening	Vendors
Computer System	\$1,500 to \$3,000	As Incurred	Before Opening	Vendors
Software Fee	\$1,500	As Incurred	Within 90 days of opening (but not prior to)	101 Ware, LLC
Initial Inventory	\$2,000 to \$3,000	As Incurred	Before Opening	Vendors
Miscellaneous Opening Costs ⁴	\$1,500 to \$2,500	As Incurred	Before Opening	Vendors
Security and Lease Deposits ⁵	\$1,500 to \$3,000	Before Opening	Before Opening	Landlord

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made ⁽¹⁾
Additional Funds-6 Months ⁶	\$50,950 to \$140,000	As Incurred	During the initial 6-month period	Vendors
TOTALS⁷	\$130,100 to \$235,000			

Notes:

- 1 Payments to us or our affiliates are non-refundable. Payments to other vendors and landlords may be refundable, depending on your contract with each.
- 2 While you may operate your Commercial Security Business from an executive suite, most businesses expand into a larger facility. A suitable facility would include 1,400 to 4,000 square feet of space. You may incur leasehold improvement costs and you will pay ongoing rental fees for the space.
- 3 Equipment includes items in the following chart:

Desks, Chairs, Phone Lines, Telephones, File Cabinets	\$2,500 to \$3,500
2 Service Vans (2 Months lease Payments) & Decal Package	\$1,500 to \$2,000
Signage	\$400 to \$1,000
Shelving	\$500 to \$1,000
TOTALS	\$4,900 to \$7,500

- 4 Miscellaneous Opening Costs include costs of general liability insurance; office supplies; printed forms; the installation of four telephone lines; government license fees and incorporation, fees and costs.
- 5 The figure for "Security Deposits" assumes that you will pay the first and last month's rent and typical utility deposits when you sign your lease.
- 6 Additional Funds estimates the cash or credit lines you should have available when you open your business to cover any expenses that exceed revenues during the first three to six months. These expenses include payments for you and your staff. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business.
- 7 We relied on more than 11 years of experience in the commercial security business to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. You are cautioned to allow for

inflation, discretionary expenditures, fluctuating interest rates, other costs of financing, and local market conditions. You must bear any deviation or escalation costs from the estimates in this Item 7. We cannot guarantee that you will not have additional expenses starting your business.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

In order to ensure a uniform image and uniform quality of products and services in all SECURITY 101 commercial security businesses, you must maintain and comply with our quality standards. Although you are not required to purchase or lease real estate from us, we must accept the location of your Commercial Security Business. You must sign our standard form of Lease Addendum in connection with any lease for the location, a copy of which is attached to the Franchise Agreement as Schedule C. You must construct and equip your Commercial Security Business in accordance with our then current approved design, specifications and standards. In addition, it is your responsibility to ensure that your building plans comply with the Americans with Disabilities Act and all other federal, state and local laws. You also must use equipment (including hardware and software for your Computer System), signage, fixtures, furnishings, products, supplies and advertising materials that meet our specifications and standards.

Designated Sources

You must purchase certain equipment, products, merchandise and supplies only from us or our required suppliers as noted in this Item 8. From time to time we, an affiliate or a third party vendor or supplier may be the only approved supplier for certain products. For example, as of the date of this Disclosure Document our affiliate, 101 Ware, LLC is the only approved supplier for 101 Ware. You will pay the then-current price in effect for all purchases you make from us, our affiliate or any third party vendor we designate.

Approved Supplies and Suppliers

We provide you with a list of approved manufacturers, suppliers and distributors (“Approved Suppliers List”) and approved inventory products, fixtures, furniture, equipment, signs, stationery, supplies and other items or services necessary to operate your Commercial Security Business (“Approved Supplies List”). The Approved Supplies List may specify a required manufacturer or supplier of a specific product or piece of equipment. We reserve the right to designate a required source of supply for certain products and supplies, and we or an affiliate may be a required source.

The lists also may include other specific products without reference to a particular manufacturer or supplier, or they identify the specifications and/or standards for other approved products. For example, as noted below, you must obtain a computer system (including hardware and software) and insurance coverage that meets our standards and requirements. We may revise the Approved Suppliers List and Approved Supplies List. We give you the approved lists as we deem advisable. We generally do not give these lists to approved suppliers.

Except where we identify a sole single source, if you propose to use in the operation of your Commercial Security Business any product, supply, material, furnishing or equipment which has not yet been approved by us as conforming to our specifications and quality standards and/or from a supplier not yet approved in writing by us, you must first notify us in writing and must submit to us, upon request, sufficient information, specifications, and samples so that we can determine whether the item or service complies with our standards or the supplier meets our supplier criteria. We will provide you with written approval or disapproval within a reasonable time period (typically 30 days). You may not use any product, supply, material, furnishing or equipment that we have not approved.

Supplier approval will depend on the following: quality of the manufacturer and its performance, pricing, delivery capability, quality control, financial condition of the manufacturer or vendor, and proof of adequate insurance. We may inspect or re-inspect the facilities and products of any approved supplier and revoke our approval if the supplier fails to continue to meet our criteria and specifications. As a condition of approval, you and/or any supplier must reimburse us for all costs and expenses incurred by us associated with any testing, including travel and lodging expenses incurred where we deem it necessary to visit a supplier's facilities.

Nothing contained in this Disclosure Document or in the Franchise Agreement requires us to approve an inordinate number of suppliers of a given item or approve suppliers, which, in our reasonable judgment, would result in higher costs to our franchisees or prevent, in our sole judgment, our effective and economical supervision of suppliers.

You must purchase and maintain in full force and effect, at your expense and from a company we accept, insurance that insures both you and us, our affiliates, and any other persons we designate by name. The insurance policies must include, at a minimum: (i) commercial general liability insurance covering claims for personal injuries and property damage with minimum limits of \$1,000,000 per occurrence, \$2,000,000 general aggregate, \$2,000,000 products/completed operations aggregate, and \$1,000,000 for Errors and Omissions; (ii) coverage for property and fire legal liability with minimum limits of \$50,000 and medical expense of at least \$5,000; (iii) workers' compensation and employers liability insurance with minimum limits of \$500,000 for bodily injury caused by accident or disease, or the minimum required by state law (whichever is greater) (iv) business interruption insurance covering a minimum 12 months loss of income, including coverage for our Royalty Fees with us named as a loss payee with respect to those fees; (v) vehicle liability for owner, leased, hired and non-owned vehicles with minimum limits of \$1,000,000 combined single limit for bodily injury and property damage per occurrence; (vi) "Per Location" aggregate limits when multiple business locations are insured under one comprehensive general liability policy; (vii) umbrella liability insurance with minimum limits of \$1,000,000; (viii) Security Franchisors, LLC and our affiliates named as additional insureds on all liability policies required by this subparagraph; and (ix) any other such insurance coverages or amounts as required by law or other agreement related to the Commercial Security Business.

The required insurance coverage must commence as of the date the building lease or building purchase agreement has been signed for your Authorized Location (as defined in Item 12). You must deliver to us at commencement and annually or at our request a proper certificate evidencing the existence of such insurance coverage and your compliance with the provisions of this subparagraph. The insurance certificate must show our status as an additional insured (as noted in (viii) above) and provide that we will be given 30 days' prior written notice of material change in or termination or cancellation of the policy. We also may request copies of all policies. We may modify the required minimum limits from time to time and by written notice to you, as conditions require, to reflect changes in relevant circumstances, industry standards, experiences in the SECURITY 101 system, standards of liability and higher damage awards. Although we do not do so as of the date of this Disclosure Document, we reserve the right to designate a single source from which you must purchase or renew insurance.

Although we require certain insurance coverage and have recommended other coverages, we do not guarantee that the required or recommended insurance will be adequate to fully protect your assets. You should therefore consult with an insurance professional to determine what coverage, in addition to the minimum required coverage, may be needed for you and your Commercial Security Business.

As of the date of this Disclosure Document, we have negotiated purchase arrangements with third party suppliers. Franchisees, however, are not required to purchase products, goods or services from these third

party suppliers. While we and our affiliates reserve the right to receive rebates or other consideration from suppliers in connection with your purchase of goods, products and services, as well as in connection with any future purchase of any goods, products or services, we do not receive any rebates or payments from third party suppliers as of the date of this Disclosure Document. We may retain and use such payments as we deem appropriate or as required by the vendor, but as of the date of this Disclosure Document, we anticipate that any rebates we receive will be redistributed to existing franchisees.

During our last fiscal year ending December 31, 2021, we did not derive any revenues from the sale of products by us nor did we receive any payments or consideration from any third party as a result of purchases made by our franchisees. We may derive revenue from the sale of products to you by charging more than our wholesale purchase price or by receiving commissions, rebates and other payments from the manufacturers or suppliers.

During its last fiscal year ending December 31, 2021, our affiliate 101 Ware, LLC derived \$181,00 (or 42% of its total revenue, according to internal financial reports) from the licensing of the 101 Ware to franchisees.

Because our affiliate 101 Ware, LLC supplies the 101 Ware to our franchisees, some of our officers own an interest in one of our suppliers. Other than our officers' ownership interest in 101 Ware, LLC, as of the date of this Disclosure Document no officer has an ownership interest in any approved supplier.

We estimate that your purchase of all required purchases and products, supplies, and marketing materials that meet our specifications and standards will represent approximately 25% to 40% of the cost to establish the franchise business and 5% to 20% operate the franchise business on an ongoing basis.

There currently are no purchasing or distribution cooperatives. We may negotiate prices for products for the benefit of the franchise system but not on behalf of individual franchisees. We will try to receive volume discounts for the franchise system. We do not provide material benefits to you based on your purchase of particular products or services or use of particular suppliers.

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 Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 2.A, 2.C and 5.A	Items 7 and 11
b. Pre-opening purchase/leases	Sections 5.A, 6.A-6.D	Items 6 & 7
c. Site development or other pre-opening requirements	Sections 5.A-5.F	Items 8 & 12
d. Initial and ongoing training	Sections 7.B-7.E	Item 11
e. Opening	Section 2.B	Item 5 & 11D

Obligation	Section in Agreement	Disclosure Document Item
f. Fees	Sections 9.A-9.F and 9.I	Items 5 and 6
g. Compliance with standards and policies/Operations Manual	Sections 5.B, 5.F, 6.A-6.D and 6.G	Item 11
h. Trademarks and proprietary information	Section 3	Items 13 and 14
i. Restrictions on products/ services offered	Section 6	Items 8 & 16
j. Warranty and customer service requirements	Section 6.G	Item 11
k. Territorial development and sales quotas	Sections 2.B-2.C	Item 12
l. Ongoing product/service purchases	Section 6	Items 8 & 16
m. Maintenance, appearance and remodeling requirements	Sections 5.B-5.E	Not applicable
n. Insurance	Section 10.C	Items 7 and 11
o. Advertising	Section 8	Items 6 and 7
p. Indemnification	Section 10.B	Item 13
q. Owner's participation/ management/staffing	Section 7.A	Item 15
r. Records and reports	Sections 9.J-9.K	Item 6
s. Inspections and audits	Sections 6.E and 9.K	Item 6
t. Transfer	Section 11	Items 6 and 17
u. Renewal	Section 4.B	Items 6 and 17
v. Post-termination obligations	Section 14	Item 17
w. Non-competition covenants	Section 10.D	Item 17
x. Dispute resolution	Section 12	Item 17
y. Other (describe)	Not Applicable	Not applicable

ITEM 10
FINANCING

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

ITEM 11
FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

A. Pre-Opening Assistance. Before you operate your Commercial Security Business, we will:

- 1 Grant you a license to operate your Commercial Security Business in a Protected Territory (Franchise Agreement, Section 2.A).
- 2 We will provide you with our initial training program – “Security 101 Academy,” as described further below (Franchise Agreement, Section 7.B).
- 3 Provide you with a list of approved products and suppliers for your Commercial Security Business (Franchise Agreement, Section 6.B).
- 4 We do not select the site for your Commercial Security Business, but we will provide you with our Site Selection and Build Out Manual and will assist you in selecting a site for your Commercial Security Business. We will provide you with site selection training over the telephone or you may visit us for a one day class on site selection. We will approve or disapprove sites that you submit to us for consideration. We will notify you of our approval or disapproval of your proposed site within 20 days of your submission. (Franchise Agreement, Section 5.A).
- 5 Lend you a copy of our Operations Manual, our Policies and Procedures Manual, the Site Selection and Build Out Manual and the 101 Ware, LLC Training Manual (collectively, the “Operations Manuals”) which contain mandatory and suggested specifications, standards and procedures for operating your Commercial Security Business. These manuals are confidential and remain our property. We may modify the Operations Manuals from time to time. (Franchise Agreement, Section 6.G). Attached as Exhibit E is the table of contents of our current Operations Manuals. These manuals currently encompass approximately 325 pages.

B. Ongoing Assistance. During the operation of your Commercial Security Business, we will:

- 1 Post your Commercial Security Business’s contact information on our website (Franchise Agreement, Section 6.J).
- 2 Provide you with telephone assistance and support regarding the operation of your Commercial Security Business (Franchise Agreement, Section 7.C).
- 3 Provide you with ongoing training and assistance with respect to any new products, services or developments relating to the operation of your Commercial Security Business (Franchise Agreement, Section 7.C).

- 4 Furnish you from time to time with updated and revised materials for the Operations Manuals (Franchise Agreement, Section 6.G).
- 5 We may hold annual franchise conferences and require you to attend. As of the date of this Disclosure Document we do not charge a fee to attend the annual conference, but reserve the right to do so in the future. You must pay all your travel and living expenses to attend the annual conference. These mandatory conferences may be held at our headquarters or at other locations of our choosing (Franchise Agreement, Section 7.E).
- 6 We may, from time-to-time, provide you with sample advertising and marketing materials for your use. We reserve the right to charge you a fee for any additional copies of these advertising and marketing materials that you request (Franchise Agreement, Section 8.B).
- 7 Manage the Advertising Fund once implemented (Franchise Agreement, Section 8.A).

C. Training.

Within 120 days of the signing of your Franchise Agreement we will provide the following initial training program - Security 101 Academy:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Marketing	8	4	West Palm Beach, Florida for classroom; Orlando franchisee's location for on-the-job training
Sales	24	20	West Palm Beach, Florida for classroom; Orlando franchisee's location for on-the-job training
Project Management	20	16	West Palm Beach, Florida for classroom; Orlando franchisee's location for on-the-job training
Project Implementation	24	12	West Palm Beach, Florida for classroom; Orlando franchisee's location for on-the-job training
Service/Time & Materials Training	8	16	West Palm Beach, Florida for classroom; Orlando franchisee's location for on-the-job training

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Business Operations	32	8	West Palm Beach, Florida for classroom; Orlando franchisee's location for on-the-job training
101 Ware Software	4	4	West Palm Beach, Florida for classroom; Orlando franchisee's location for on-the-job training
Total Hours	120 hours	80 hours	

In addition to the on-the-job training at our Orlando franchisee's location, we will provide 120 hours of training at your principal place of business prior to opening. You may not open your Commercial Security Business until you or your general manager completes our initial training program to our satisfaction. The training program consists of three weeks of training at our home office location in West Palm Beach, Florida, two weeks of training at our franchisee location in Orlando, Florida, and three weeks of training at your place of business (with one additional week of preparation work that you will do in advance of training at your business).

There is no charge for up to two people to attend this training, but you must pay the travel and living expenses for those persons you send to training. If you send more than two people to training, you must pay us \$750 for each additional person and you are also responsible for the travel and living expenses for those additional persons you send to training. We will provide a training class when one or more franchisees have signed their franchise agreements, paid their initial franchise fees, and leased an appropriate space for their commercial security business.

Tim Rose will lead the training program. Mr. Rose has been our Director of Operations since April 2010 and has over 27 years of experience in the security business industry. The Operations Manuals will be used as the principal instructional material. You may accompany members of our affiliate's staff on sales calls and job installations.

Any training provided by us to any of your workers will be limited to training or guidance regarding the delivery of approved services to clients in a manner that reflects the customer and client service standards of the SECURITY 101 system. You are, and will remain, the sole employer of your employees at all times, including during all training programs, and you are solely responsible for all employment decisions and actions related to your workers. You are solely responsible for ensuring that your workers receive adequate training.

As of the date of this Disclosure Document, no additional training programs or refresher courses are required, but we reserve the right to require you to attend additional training programs or refresher courses in the future.

D. Marketing Programs.

You must use your best efforts to promote and advertise your Commercial Security Business in your Protected Territory and participate in any local marketing and promotional programs we establish from time to time. Specifically, you must spend at least 2% of your monthly Gross Billings on local advertising and promotion. You must use only the marketing materials as we furnish, approve or make available to you, and the materials must be used only in a manner that we prescribe. We will not unreasonably withhold approval of any marketing materials, provided that they are factual and dignified and include proper usage of the Marks (as defined in Item 13). You may not separately register any domain name or operate any web site containing any of the Marks, nor market or sell products or services similar to our products and services, without our written approval. Any local advertising materials you submit to us will be deemed approved if we do not disapprove or comment on the materials within 15 business days of receipt.

As of the date of this Disclosure Document, we do not collect the Marketing and Advertising Fee. When 25 franchised commercial security businesses are open, we will have the right (upon 90 days advance written notice) to institute an Advertising Fund and require all franchisees to pay up to 0.5% of their monthly Gross Billings into the Advertising Fund. At such time that an Advertising Fund is created, we will contribute 0.5% (or any lower system-wide percentage rate which is identical to that paid by franchisees) of our company-owned or affiliated-owned commercial security business' revenues to the Advertising Fund.

We will administer the Advertising Fund when we implement. We may formulate, develop, and conduct marketing and promotion programs out of the Advertising Fund to promote the SECURITY 101 system and products in a form and media we determine in our sole judgment to be appropriate. Media used for any marketing program may include indoor and outdoor display boards, Internet, television, radio, newspapers, magazines and other written publications, which all may be local, regional or national in coverage. We may use national and regional marketing and advertising agencies from time to time to create and place advertising and other marketing communications. We reserve the right to use the Advertising Fund to reimburse ourselves for all costs that we incur related to the marketing and promotion programs, including the proportionate compensation of employees who devote time and render service in the conduct, formulation, development and production of the marketing and promotion programs, website development, or the administration of the Advertising Fund.

We have no obligations to spend any amount on marketing in the area or Protected Territory where you are located. We may, however, provide you with sample advertising materials that we have developed ourselves or that we have commissioned. If you want additional copies of these materials, you will have to pay the duplication costs. Excess Advertising Fund contributions not spent in any fiscal year will be carried over for future use. The Advertising Fund is not a trust or escrow account, creates no fiduciary duties or obligations, and is our property. You have no property rights of any kind with respect to the monies in the Advertising Fund. Upon request, we will provide you with an unaudited financial report showing receipts and disbursements of the Advertising Fund. The Advertising Fund program will not be used for advertising principally directed at the sale of franchises.

During our last fiscal year we did not collect any Marketing and Advertising Fees, and, therefore, do not have any allocation information regarding the Advertising Fund to report.

Although we currently do not do so, we reserve the right to require advertising or marketing cooperatives to be formed, changed, dissolved or merged.

E. Computer Purchases.

You must obtain a computer system (the “Computer System”) for use in the operation of your Commercial Security Business that meets our specifications and requirements. The Computer System will be used to develop a database of your prospects and clients, schedule your appointments, generate bids and proposals, maintain communications over the Internet, and produce your accounting records. Your Computer System and its software must properly communicate with our systems to permit report submission and to access the Internet for communicating with us. You will license the 101 Ware that we specify from our affiliate, 101 Ware, LLC, and pay our affiliate a \$500 per month Software Fee.

There are no contractual limitations on our access to the data on your computer or the data you upload onto your Computer System. You must update, at your cost, your computer hardware and software as we direct. There are no contractual limitations on the frequency or cost of the computer hardware and software updates that you must make at our request.

Listed below is the computer hardware and software that is required for the operation of your Commercial Security Business:

1. One Desktop and/or Laptop Computer
2. Printer
3. QuickBook Accounting Software
4. 101 Ware

We reserve the right to require utilization of new hardware and software solutions, including Personal Digital Assistants (PDA’s) and cellular systems in the future. We anticipate your computer, printer, fax machines and basic software will cost between \$900 and \$2,500. Your accounting software will cost approximately \$250 to \$500, and 101 Ware is licensed for \$500 per month. We estimate that the annual cost of optional and/or required maintenance, updating, upgrading or support contracts for the Computer System will range from \$0 to \$2,000.

F. Site Selection and Opening.

The length of time between the signing of the Franchise Agreement and the opening of your Commercial Security Business is typically 2 to 4 months. Factors affecting this length of time usually include your ability to obtain a lease, financing, construction or building permit delays, zoning and local ordinances, weather conditions, shortages, and delayed delivery of equipment. You must obtain our approval for the site. Factors we consider in approving a site include population and whether the site is located inside your Protected Territory. You must open your Commercial Security Business within 180 days of signing your Franchise Agreement, unless we provide you with a written extension of time. If we do not approve of the sites you have chosen, we may extend this time if we feel that you are working diligently to find a site and open. If we do not extend this timeframe, we may terminate the Franchise Agreement.

ITEM 12

TERRITORY

You are granted the right to operate your Commercial Security Business within a designated Territory (“Protected Territory”), subject to certain limitations described below. As a result, you will not receive an exclusive territory. You may face competition from other franchisees, from other outlets we or our affiliates may operate, or from other channels of distribution or competitive brands that we, our affiliates or third parties control, operate or franchise.

We do provide you with territory protections as described below and in the Franchise Agreement. During the term of your Franchise Agreement, we will not establish either a company-owned SECURITY 101 business or another franchised SECURITY 101 business inside your Protected Territory (except for National Account Sales or Cross Sales described below) or modify your Protected Territory without your written permission, provided that you are in compliance with the terms and conditions of your Franchise Agreement.

Your Protected Territory will be defined by Metropolitan Statistical Areas (“MSA’s”), zip codes, county or municipal boundaries, or geographic or highway boundaries. Each franchisee’s Protected Territory will be designated as an “A”, “B”, or “C” market based on the population of the Protected Territory on the date the Franchise Agreement is signed. “A” markets will contain a population in excess of 1,500,000 residents. “B” markets will contain a population between 500,000 and 1,500,000 residents. “C” markets will contain less than 500,000 residents. You will operate your Commercial Security Business from a specific location that we approve (the “Authorized Location”) inside your Protected Territory. If you are granted an “A” market, you will be required to open a second Authorized Location to service your Protected Territory by the fifth anniversary of the opening of your first Authorized Location. You will not sign a second Franchise Agreement or pay a separate initial franchise fee in connection with opening a second Authorized Location in an “A” market.

You may lose your Protected Territory protection under the following circumstances: (i) failure to open a second Authorized Location in an “A” market will constitute a breach of your Franchise Agreement and will provide us with the right to terminate the Franchise Agreement or grant you additional time to open your second Authorized Location (“B” and “C” markets may be serviced by one Authorized Location), and (ii) failure to pay the Monthly Minimum Payments as further described below in this Item 12.

Except as stated in Item 12 and the Franchise Agreement, you may market and serve only those customers located in your Protected Territory. You may, however, after receiving approval from us, our affiliate or the Local Business, engage in a Cross Sale for a customer located inside or outside your Protected Territory, provided the customer is not a National Account. A Cross Sale occurs when the customer requesting the services is located inside or outside your Protected Territory, but the installation services will occur in another SECURITY 101 franchisee’s protected territory (or in a territory that is serviced by us or our affiliates) – the Local Business, provided the customer for whom the services will be performed is not a National Account. All Cross Sales activity must be performed in accordance with our then current Cross Sales policies and procedures. You may not perform installations inside the protected territory granted to another SECURITY 101 franchisee (or those that are serviced by us or our affiliates) without first securing their (or our) permission. In most Cross Sales, you will be required to utilize installation labor from the Local Business. You will pay the Local Business 70% of the Gross Billings for the Cross Sale (We reserve the right to change the 70% amount on 60 days’ advance written notice). Any contract requiring installation of products or completion of services in multiple territories must be approved by us prior to signing.

If neither we nor a franchisee operates in a neighboring territory, we may permit you to service clients located outside of your Protected Territory. In such instances, we reserve the right to require you to cease

servicing those clients located outside your Protected Territory, and you must work diligently to assist in transferring the service needs of those clients immediately to the entity (whether us or a franchisee) that will continue to service those clients. We or the new franchisee will assume the obligations associated with those clients.

We and our affiliates retain all rights that are not expressly granted to you under the Franchise Agreement. Further, we and our affiliates may, among other things, on any terms and conditions we deem advisable, without compensation to any franchisee, and without granting you any rights therein:

- (i) establish and/or license others to establish franchised or company-owned SECURITY 101 businesses at any location outside the Protected Territory regardless of the proximity of such business to your Protected Territory;
- (ii) merge with, acquire or become associated with (“Merger/Acquisition Activity”) any businesses of any kind under other systems and/or other marks, which businesses may convert to or operate under the SECURITY 101 Marks and may offer or sell products and services that are the same as or similar to the services offered at or from your Commercial Security Business, and which may be located anywhere within or outside the Protected Territory; and
- (iii) sell and distribute for ourselves and/or license others to sell and distribute through alternate channels of distribution, including the Internet, within and outside the Protected Territory, products or services the same as or different from the products and services offered through your Commercial Security Business, and which are offered and distributed under marks the same as or different than the SECURITY 101 Marks.

We are not required to pay you if we exercise any of the rights specified above inside your Protected Territory.

We and our affiliates have the right to sell and enter into agreements with National Accounts, both inside and outside your Protected Territory. A “National Account” means any corporate headquarters customer who conducts business in 3 or more states or other designation that we use from time to time. For example, if you provide services to a branch office only and not the corporate headquarters, this will not constitute a National Account. All National Account activity must be performed in accordance with our then current National Account policies and procedures. While we do not do so as of the date of this Disclosure Document, we reserve the right to require you to transfer a customer who is not initially a National Account but later qualifies as a National Account to us or our affiliate. If a National Account requests installation services inside your Protected Territory, we or our affiliate will provide you with the option to provide the installation services. We or our affiliate will bill the National Account. Thirty days after we or our affiliate receive payment from the National Account, we or our affiliate will pay you 100% of the Gross Billings, less the Royalty and Marketing and Advertising Fees you are required to pay to us on Gross Billings. If you choose not to provide the installation services for a National Account, we, our affiliate or any third party we designate (which may be another SECURITY 101 franchisee) will have the right to enter your Protected Territory and complete the installation services, without paying you any compensation.

You do not have any options, rights of first refusal or similar rights to acquire additional franchises within any particular Protected Territory. As noted above, however, if your Protected Territory is designated as an “A” market, you must open two Authorized Locations inside the Protected Territory by the fifth anniversary of the Franchise Agreement.

We will grant you authority to relocate your Commercial Security Business provided the relocation does not interrupt the services you provide to customers and the new location is not located in another franchisee's protected territory. You must pay the costs of any relocation, and we reserve the right to charge you for any reasonable costs that we incur. You do not have the right to relocate in the event you lose the right to occupy the Commercial Security Business premises because of the cancellation of your lease due to your breach.

Although we and our affiliates have the right to do so (as described above), we and our affiliates have not operated or franchised, and have no plans to operate or franchise, other businesses selling or offering similar products or services under different trademarks.

You do not have to generate a minimum level of Gross Billings to maintain your Protected Territory, although there will be a Monthly Minimum Payment obligation imposed beginning in the 13th month following the opening date of your Commercial Security Business. The amount of your Monthly Minimum Payment will depend on whether your Protected Territory is designated as an "A," "B" or "C" market. You will only be required to pay the Monthly Minimum Payment if your Monthly Royalty Fee is less than the Monthly Minimum Payment noted below. If your Monthly Royalty Fee is less than your required Monthly Minimum payment, then we will have the right to withdraw from your bank account an amount equal to the greater of the Monthly Minimum Payment as outlined in the table below and the actual Monthly Royalty Fee you paid. Failure to pay the Monthly Minimum Payment is a default under the Franchise Agreement and can result in termination of your SECURITY 101 franchise.

Market Type	Monthly Minimum Payment
"A"	\$8,000
"B"	\$4,000
"C"	\$2,000

We do not restrict you from soliciting or making sales from inside your Protected Territory. Except as provided in this Disclosure Document, you may not solicit or make any sales outside your Protected Territory. You do not have the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside your Protected Territory.

You may not, unless advertising with other SECURITY 101 franchisees, target customers with direct mail marketing or advertise in telephone, internet or similar directories that target areas outside your Protected Territory, nor may you establish mailing addresses for your Commercial Security Business that would lead others to believe that you are authorized to offer services outside of your Protected Territory.

ITEM 13

TRADEMARKS

The Franchise Agreement licenses you to use the "SECURITY 101" trademark, as well as other trademarks, service marks, trade names and commercial symbols (collectively the "Marks"). The Mark listed below is registered with the United States Patent and Trademark Office. We also claim common law trademark rights for all of the Marks. We have filed or intend to file all required affidavits and renewals for the Marks listed below:

Trademark	Register	Registration Number	Registration Date
SECURITY 101	Principal	3,425,346	May 13, 2008

Your use of the Marks and any goodwill is to our exclusive benefit and you retain no rights in the Marks. You also retain no rights in the Marks upon expiration or termination of your Franchise Agreement. You are not permitted to make any changes or substitutions of any kind in or to the use of the Marks unless we direct in writing.

You must follow our rules when you use the Marks. You may not use the Marks as part of your corporate (or other entity) name. You may not use the Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us.

Your conduct on the Internet, including without limitation, your use of the Marks on the Internet, on social media platforms and in domain names for the Internet, is subject to the provisions of the Franchise Agreement and Operations Manuals. We reserve the right to establish and modify, from time to time, rules, policies and procedures which will govern your conduct and use of the Internet in connection with your Commercial Security Business, and you must agree to abide by such rules, policies and procedures. As of the date of this Disclosure Document we will maintain a website promoting the franchise system. You may not maintain your own website promoting your Commercial Security Business. Your rights to use the Marks will terminate when the Franchise Agreement terminates or expires.

There currently are no effective material determinations by the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, or any pending infringement, opposition or cancellation proceeding, or any pending material litigation, involving the Marks. There currently are no agreements in effect that significantly limit our rights to use or license the use of any Marks in any manner material to the franchise. There are no infringing uses or superior rights actually known to us that could materially affect your use of the Marks.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of the Marks, or to participate in your defense or indemnify you. We reserve the right to control any litigation related to the Marks and we have the sole right to decide to pursue or settle any infringement actions related to the Marks. You must notify us promptly of any infringement or unauthorized use of the Marks of which you become aware. If we decide to change the Marks or determine that a trademark infringement action requires changes or substitutions to the Marks, we will reimburse you for your tangible costs of compliance that have been pre-approved by us in excess of \$5,000 (i.e., changing signs), but we will not reimburse you for any costs exceeding \$8,000. You must not directly nor indirectly contest our right to our trademarks, trade secrets or business techniques that are part of our business.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents, pending patent applications, or copyrights currently registered or pending that are material to the franchise, although we do claim copyright ownership and protection for our Franchise Agreement, Operations Manuals, websites and for various sales, promotional and other materials published from time to time.

There are no currently effective determinations of the Copyright Office (Library of Congress), United States Patent and Trademark Office, Board of Patent Appeals and Interferences, or any court, or any pending infringement, opposition or cancellation proceeding or any pending material litigation involving any patents

or copyrights. There are currently no agreements in effect that significantly limit our rights to use or license the use of any patents or copyrights in any manner material to the franchise. There are no infringing uses actually known to us that could materially affect your use of the patents or copyrights.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of any patents or copyrights, or to participate in your defense or indemnify you. We reserve the right to control any litigation related to any patents and copyrights and we have the sole right to decide to pursue or settle any infringement actions related to the patents or copyrights. You must notify us promptly of any infringement or unauthorized use of any of our patents or copyrights of which you become aware.

You must keep confidential during and after the term of the Franchise Agreement all proprietary information, including the Operations Manuals. Upon termination of your Franchise Agreement, you must return to us all proprietary information, including the Operations Manuals and all other copyright material. You must notify us immediately if you learn about an unauthorized use of proprietary information. We are not obligated to take any action and we have the sole right to decide the appropriate response to any unauthorized use of proprietary information. You must comply with all changes to the manuals at your cost.

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

While we do not require that you personally supervise your Commercial Security Business, the franchise must be directly supervised, on a daily basis, by a manager who has successfully completed our training program. The manager may not have an interest or business relationship with any of our business competitors. The manager need not have an ownership interest in you, but he or she must sign a written agreement to maintain the confidentiality of the trade secrets described in Item 14 and to conform with the covenants not to compete described in Item 17.

Each individual who owns a 5% or greater interest in the franchise entity must sign a Guarantee assuming and agreeing to discharge all obligations of the “Franchisee” under the Franchise Agreement. A franchisee’s spouse is not required to guarantee performance if they do not have an ownership interest in the franchisee entity.

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

We require you to offer and sell only those services that we have approved and that you only utilize products approved by us. You are required to offer all the products and services as defined in the Operations Manuals. There are no limits on our right to make modifications to the approved products and services from time to time as stated in the Operations Manuals or otherwise in writing. Any failure to comply with these standards may result in termination of your Franchise Agreement.

You are not permitted to install security systems in the residential market unless it is an accommodation for a referral source or a family member of a commercial customer.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

Provision	Section in Franchise Agreement	Summary
a. Term of the franchise	Section 4.A	The term is 10 years.
b. Renewal or extension of the term	Section 4.B	If you are in good standing and satisfy the renewal requirements you can renew for additional 10 year terms.
c. Requirements for you to renew or extend	Section 4.B	Sign new agreement, (that new agreement may contain terms different from your current agreement but your territory will not change); pay any balances outstanding; comply with any modernization and training requirements; renew lease for Commercial Security Business; sign a release and pay renewal fee. If you seek to renew your franchise at the expiration of the initial term or any renewal term, you may be asked to sign a new Franchise Agreement that contains terms and conditions materially different from those in your previous Franchise Agreement, such as different fee requirements and territorial rights.
d. Termination by you	Section 13.C	You may terminate the Franchise Agreement after 60 days advance written notice if we breach our obligations and fail to cure the breach within 30 days.
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	Section 13.A	We can terminate only if you default.
g. "Cause" defined. Defaults which can be cured	Section 2.B, 13.A and 13.B.2	Curable defaults: failure to open your franchise within 180 days of signing your Franchise Agreement, non-payment of fees, non-reporting, failure to meet Franchise Agreement standards, non-compliance with local law, poor business practices (as defined), failure to obtain non-compete agreements from managers, operating from a non-approved site, failure to provide access to your accounting records and your database of prospects, customers and inventory, offering services in another name or outside of protected territory.

Provision	Section in Franchise Agreement	Summary
h. “Cause” defined. Defaults which cannot be cured	Section 13.B.2	Non-curable defaults: conviction of felony, repeated defaults (even if cured), abandonment, trademark misuse, unapproved transfers, bankruptcy, insolvency, or false statements on applications or reports.
i. Your obligations on termination or non-renewal	Section 14	Obligations include complete de-identification and payment of amounts due (see also r, below).
j. Assignment of contract by us	Section 11.G	No restriction on our right to assign.
k. “Transfer” by you—Definition	Section 11.A	Includes transfer of contract, or assets, or ownership change.
l. Our approval of transfer by franchisee	Section 11.B	We have the right to approve all transfers but will not unreasonably withhold approval; provided all transfer conditions are satisfied.
m. Conditions for our approval of transfer	Sections 11.B-11.D	New franchisee qualifies, transfer fee paid, purchase agreement approved, training arranged, modernization requirements completed, release signed by you, all fees owed by you paid, and current agreement signed by new franchisee (also see r, below).
n. Our right of first refusal to acquire your business	Section 11.F	Right of first refusal is reserved by us. We will have 10 days to notify you of our intention to meet the terms of a buyer and 45 days to complete a purchase.
o. Our option to purchase your business	Section 14.B	We have the option to purchase your Commercial Security Business upon termination of the Franchise Agreement.
p. Your death or disability	Section 11.E	Your estate and/or beneficiaries can inherit your rights as long as a qualified manager runs your franchise.
q. Non-competition covenants during the term of the franchise	Section 10.D	No involvement in a Competitive Business (defined in (r) below).
r. Non-competition covenants after the franchise is terminated or expires	Section 10.D	You may not for a period of 2 years after any termination, expiration or transfer, own or manage a Competitive Business: (i) at the premises of your former Commercial Security Business, (ii) within a 50-mile radius of the outer boundary of your Protected Territory, or (iii) inside the protected territory of another SECURITY 101 business, whether franchised or owed by us or our affiliates. “Competitive Business” means any business where 10% of more of its sales include the sale of commercial security products or services.

Provision	Section in Franchise Agreement	Summary
s. Modification of the agreement	Section 15.B	No modifications generally unless agreed to in writing by both parties but Operations Manual is subject to change.
t. Integration/merger clause	Section 15.B	Only the terms of the franchise agreement are binding (subject to state law). Any statements or promises not in the Franchise Agreement or this Disclosure Document should not be relied upon and may not be enforceable. 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 mediation or arbitration	Section 12	Except for certain claims, all disputes must be first mediated, then arbitrated in West Palm Beach, Florida (subject to state law).
v. Choice of forum	Section 15.I	Litigation must be in the federal or state court closest to our headquarters (subject to state law).
w. Choice of law	Section 15.H.1	Florida law applies (subject to state law).

ITEM 18

PUBLIC FIGURES

We do not use any public figures to promote the franchise. No public figure is involved in our actual management or control.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

This financial performance representation in this Item 19 is for 47 Security 101 franchisee outlets (“Reporting Franchisees”), which were in operation for the entire 12-month period of January 1, 2021 through December 31, 2021 (the “Measurement Period”). Ten of the 47 franchisee outlets became affiliate locations at the end of December 2021 as noted in Items 1 and 20. Those ten locations operated as franchisee outlets, however, throughout 2021 until December 28, 2021. Two Reporting Franchisees with multiple territories did not operate in their second territory, so this Item 19 includes information for their only operating outlet. In addition, 1 franchisee closed during the Measurement Period and is not included as a Reporting Franchisee. No franchisee opened and closed during the same 12 month period in 2021.

All of the revenue information contained in this Item 19 was provided to us by our franchisees through their monthly reports and/or the data they have inputted into 101Ware.

Average Billings Performance Information; Breakdown of Existing and New Clients.

For the purposes of this Section I, Gross Billings means all amounts billed to clients, including the National Account billings that are allocated to each of the 41 Reporting Franchisees. Gross Billings includes all amounts billed by a Commercial Security Business, except Gross Billings does not include sales or use taxes.

The average Gross Billings for our Reporting Franchisee locations during the Measurement Period is \$2,899,412, with a median of \$1,596,196, a high of \$16,039,647 and a low of \$67,257. Of the 47 Reporting Franchisee locations included in the Measurement Period, 18 or 38% exceeded the average of \$2,899,412.

Installation Billings and Service Billings

The following is a breakdown of Installation Billings and Service Billings during the Measurement Period:

The average Installation Billings for our Reporting Franchisee locations during this Measurement Period is \$2,572,209 with a median of \$1,484,577, a high of \$14,070,523 and a low of \$52,221. Of the 47 Reporting Franchisee locations included in the Measurement Period, 18 or 38% exceeded the average Installation Billings of \$2,291,271.

The average Service Billings for our Reporting Franchisee locations during this Measurement Period is \$241,932, with a median of \$113,577, a high of \$2,044,256 and a low of \$2,602. Of the 47 Reporting Franchisee locations included in the Measurement Period, 15 or 32% exceeded the average of \$241,932.

	<u>Average Gross Billings</u>	<u>Median Gross Billings</u>
Installation Billings	\$2,572,209	\$1,484,577
Service Billings	\$241,932	\$113,577

Billing Performance for Existing and New Clients

The following is a breakdown of existing and new clients during the Measurement Period:

The average Billing Performance from existing clients for Reporting Franchisee locations during this Measurement Period is \$2,463,328, with a median of \$1,283,434, a high of \$15,010,567 and a low of \$15,770. Of the 47 Reporting Franchisee locations included in the Measurement Period, 16 or 34% exceeded the average of \$2,463,328. Existing clients are those clients with recurring revenue where the client relationship started prior to the beginning of the Measurement Period.

The average Billing Performance from new clients for Reporting Franchisee locations during this Measurement Period is \$436,084, with a median of \$259,080, a high of \$2,063,579 and a low of \$14,654. Of the 47 Reporting Franchisee locations included in the Measurement Period, 16 or 34% exceeded the average of \$436,084. New clients are those clients that began the client relationship during the Measurement Period.

	<u>Average</u>	<u>Median</u>
Billings Performance from Existing Clients	\$2,463,328	\$1,283,434

	<u>Average</u>	<u>Median</u>
Billings Performance from New Clients	\$436,084	\$259,080

Notes to Item 19:

1. The financial performance representation does not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit.
2. You should conduct an independent investigation of the costs and expenses you will incur in operating your Commercial Security Business. Current and former franchisees listed in this Disclosure Document may be one source of this information.

Some franchisees have earned these amounts. Your individual results may differ. There is no assurance you will earn as much.

Written substantiation of all data presented in this Item 19 will be made available to you on reasonable request.

Other than the preceding financial performance information, we do not make any 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 Steve Crespo at 1450 Centrepark Boulevard, Suite 210, West Palm Beach, Florida 33401; telephone (800) 261-2041, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NO. 1
Systemwide Outlet Summary for Years 2019 to 2021**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	2019	41	45	+4
	2020	45	46	+1
	2021	46	39	-7
Company-Owned	2019	0	0	0
	2020	0	0	0
	2021	0	10	+10
Total Outlets	2019	41	45	+4
	2020	45	46	+1
	2021	46	49	+3

TABLE NO. 2
Transfers of Outlets from Franchisees to New Owners
(Other than the Franchisor or an Affiliate)
for Years 2019 to 2021

State	Year	Number of Transfers
California	2019	0
	2020	0
	2021	1
Pennsylvania	2019	0
	2020	1
	2021	0
Total	2019	0
	2020	1
	2021	1

TABLE NO. 3
Status of Franchised Outlets
for Years 2019 to 2021

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Alabama	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
Arizona	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
California	2019	2	2	0	0	0	0	4
	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
Colorado	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Connecticut	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
District of Columbia	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Florida	2019	5	0	0	0	0	0	5
	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	5	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Georgia	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	2	0	0
Illinois	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
Indiana	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Louisiana	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Maine	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Massachusetts	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Michigan	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
Minnesota	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
Missouri	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Nevada	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
New Jersey	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
New York	2019	4	0	0	0	0	0	4
	2020	3	1	1	0	0	0	3
	2021	3	0	0	0	0	1	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
North Carolina	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	1	0	1
Ohio	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
Pennsylvania	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
South Carolina	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	2	0	0
Tennessee	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Texas	2019	3	1	0	0	0	0	4
	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
Utah	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Virginia	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
Washington	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Total	2019	41	4	0	0	0	0	45
	2020	45	2	1	0	0	0	46
	2021	46	4	0	0	10	1	39

Note: We do not have franchised outlets located in the states excluded from this table.

TABLE NO. 4
Status of Company-Owned Outlets
For Years 2019 to 2021

State	Year	Outlets at Start of Year	Outlets Opened	Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Florida	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	0	5	0	0	5
Georgia	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	0	2	0	0	2
North Carolina	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	0	1	0	0	1
South Carolina	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	0	2	0	0	2
Total	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	0	10	0	0	10

TABLE NO. 5
Projected Openings as of December 31, 2021

State	Franchised Agreements Signed But Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California*	2	0	0
Total	2	0	0

*Note: These two Franchise Agreements were signed in 2020 and both remain projected openings as of December 31, 2021

Included in this Disclosure Document as Exhibit F is a list of the names, city and state, and business telephone numbers of all current franchisees as of December 31, 2021. Exhibit F also includes a list of those franchisees that had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during our most recently completed fiscal year. No franchisees have failed to communicate with us in the 10 weeks prior to the date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

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

We have not created nor do we sponsor a franchise advisory board or council. As of the date of this Disclosure Document, we do not sponsor or endorse any franchise associations. No franchisee associations have requested to be included in this Disclosure Document.

ITEM 21

FINANCIAL STATEMENTS

The company's Audited Financial Statements dated December 31, 2021, December 31, 2020, and December 31, 2019, are attached hereto as Exhibit A. The company's fiscal year ends December 31.

ITEM 22

CONTRACTS

This Disclosure Document includes the following sample agreements:

- EXHIBIT C – State Addenda
- EXHIBIT D – Franchise Agreement
 - Addendum A — Franchisee's Protected Territory
 - Addendum B — Closing Acknowledgments
 - Addendum C — Approved Location Acknowledgment
 - Addendum D — Guaranty
 - Addendum E — State Law Addendum
- EXHIBIT G – Sample Release

ITEM 23

RECEIPTS

Exhibit I contains duplicate copies of our Receipt acknowledging that you have received this Franchise Disclosure Document. You are required to sign each Receipt and return one copy to us.

EXHIBIT A TO THE FRANCHISE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

SECURITY FRANCHISORS, LLC

**FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANTS' AUDIT REPORT
DECEMBER 31, 2021 AND DECEMBER 31, 2020**

TABLE OF CONTENTS

	<u>Page</u>
Independent accountants' audit report	1
Financial statements	
Balance sheets	2
Statements of income and changes in members' equity	3
Statements of cash flows	4
Notes to financial statements	5-9
Supplementary information	10
General and administrative expenses	11

INDEPENDENT ACCOUNTANTS' AUDIT REPORT

To the Members
Security Franchisors, LLC

We have audited the accompanying financial statements of Security Franchisors, LLC (a Delaware limited liability company), which comprise the balance sheets as of December 31, 2021 and December 31, 2020 and the related statements of income and changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Security Franchisors, LLC as of December 31, 2021 and December 31, 2020, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information in the Schedule of General and Administrative Expenses is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



DiSalvo & Associates, PLLC
West Palm Beach, FL 33411
March 30, 2022

Security Franchisors, LLC
Balance Sheet
As of December 31,

	<u>2021</u>	<u>2020</u>
Assets		
Current assets:		
Cash	\$ 2,465,822	\$ 269,105
Accounts receivable, net	1,800,699	1,768,180
Loans receivable - affiliate	5,034	178,283
Total current assets	<u>4,271,555</u>	<u>2,215,568</u>
Property and equipment, net	<u>35,615</u>	<u>38,354</u>
Other assets		
Intangible assets	111,600	111,600
Prepaid expenses	-	118,319
Security deposits	38,403	38,403
Lease asset	280,696	466,226
Total other assets	<u>430,699</u>	<u>734,548</u>
Total assets	<u><u>\$ 4,737,869</u></u>	<u><u>\$ 2,988,470</u></u>
Liabilities and members' equity		
Current liabilities		
Accounts payable	\$ 6,602	\$ 5,384
Rebates due to customers	945	918
Accrued expenses	2,286,549	40,493
Due to affiliate	81,226	240,470
Deferred revenue	77,500	77,500
Lease liability - current	222,416	203,023
Total current liabilities	<u>2,675,238</u>	<u>567,790</u>
Long-term liabilities		
Lease liability - long-term	<u>58,280</u>	<u>263,203</u>
Total long-term liabilities	<u>58,280</u>	<u>263,203</u>
Total Liabilities	<u>2,733,518</u>	<u>830,993</u>
Members' equity	<u>2,004,351</u>	<u>2,157,477</u>
Total liabilities and members' equity	<u><u>\$ 4,737,869</u></u>	<u><u>\$ 2,988,470</u></u>

Security Franchisors, LLC
Statement of Income and Changes in Members' Equity
For the years ended December 31,

	<u>2021</u>	<u>2020</u>
Revenues:		
Royalties	\$ 5,685,899	\$ 4,592,229
Investment income	100	1,904
New franchise fees	-	109,000
Other Income	-	10,030
Management fees	<u>64,000</u>	<u>84,000</u>
 Total revenues	 <u>5,749,999</u>	 <u>4,797,163</u>
Expenses:		
General and administrative expense	<u>4,536,852</u>	<u>2,344,045</u>
 Total expenses	 <u>4,536,852</u>	 <u>2,344,045</u>
 Net income	 1,213,147	 2,453,118
 Members' equity, beginning of year	 2,157,477	 2,868,359
 Capital contributions	 2,227,428	 -
Distributions to members	<u>(3,593,701)</u>	<u>(3,164,000)</u>
 Members' equity, end of year	 <u>\$ 2,004,351</u>	 <u>\$ 2,157,477</u>

Security Franchisors, LLC
Statement of Cash Flows
For the year ended December 31,

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Net income	\$ 1,213,147	\$ 2,453,118
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Depreciation and amortization	2,740	2,740
(Increase) decrease in:		
Accounts receivable	(32,520)	272,097
Prepaid expenses	118,319	37
Security deposits	-	981
Increase (decrease) in:		
Accounts payable	1,218	4,655
Rebates due to customers	27	(10,000)
Accrued expenses	2,246,055	35,802
Deferred revenue	-	77,500
Due to affiliate	-	240,470
Net cash provided (used) by operating activities	<u>3,548,986</u>	<u>3,077,400</u>
Cash flows from investing activities:		
Purchase of leasehold improvements	-	(41,094)
Net cash provided (used) by investing activities	<u>-</u>	<u>(41,094)</u>
Cash flows from financing activities:		
Notes receivable - affiliate	(159,245)	178,839
Loans receivable - affiliate	173,249	(108,283)
Member contributions	2,227,428	-
Member distributions	(3,593,701)	(3,164,000)
Net cash provided (used) by financing activities	<u>(1,352,269)</u>	<u>(3,093,444)</u>
Net increase (decrease) in cash	2,196,717	(57,138)
Cash, Beginning of year	<u>269,105</u>	<u>326,243</u>
Cash, End of year	<u><u>\$ 2,465,822</u></u>	<u><u>\$ 269,105</u></u>

SECURITY FRANCHISORS, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - Organization

Security Franchisors, LLC (The "Company") was organized on July 2, 2007, under the laws of the State of Georgia and subsequently transferred to Delaware in 2012. The company sells franchises for the operation of a business that will provide sales, engineering, installation and monitoring of electronic access control, closed circuit television, intrusion detection, and fire systems for commercial enterprises under the name "Security 101."

NOTE B – Summary of significant accounting policies

Revenue recognition

Franchisees pay an initial franchise fee for a license to operate a Security 101 franchise at a specific site within a protected geographic territory. Payment must be made in a lump sum at the time of signing the agreement and is considered earned and nonrefundable at that time. The initial term of the franchise is for ten years with an additional renewable term of ten years if the franchise is in good standing. Pursuant to the various franchise agreements, franchisees are required to pay the Company royalties based on a percentage of sales ranging from 3 percent to 6 percent. The monthly minimum royalty ranges from \$2,000 to \$8,000. Royalties are based on a percentage of each franchisee's gross sales and are included in accounts receivable. These are recognized when earned, on a monthly basis. Franchise fees are recorded as income upon completion of all significant obligations of the Company under the franchise license agreement. These obligations consist principally of distributing franchise material and training franchisee personnel.

Intangible assets

Generally accepted accounting principles require that the unamortized value of intangible assets be evaluated annually to determine whether the amount reflected on the balance sheet as an asset has been impaired. In management's opinion, there has been no impairment to the value of intangible assets during the year ended December 31, 2021.

Cash and cash equivalents

For purposes of the statement of cash flows, the Company defines cash and cash equivalents as cash and all short-term investments with an original maturity of three months or less.

Property and equipment

Property and equipment are recorded at cost. Major renewals and betterments are capitalized while maintenance, repairs, and minor renewals are charged to expense as incurred. Depreciation is provided over the estimated useful economic lives of the assets, ranging from three to ten years, and is computed on the straight-line method. Leasehold improvements are amortized over the shorter of the life of the improvement or the term of the lease including extensions. Upon sale or retirement of depreciable property, the related cost and accumulated depreciation are removed from the accounts and resulting gains or losses are charged to operations.

SECURITY FRANCHISORS, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

Pervasiveness of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising and marketing

The Company expenses advertising and marketing costs the first time the advertising and marketing occurs and as a result had \$95,137 of advertising and marketing costs for the year ended December 31, 2021 and \$72,898 for the year ended December 31, 2020.

Income taxes

The Company is organized as a limited liability company and has elected to be taxed as a partnership under the provisions of the Internal Revenue Code section whereby the members report their proportionate share of the Company's income, losses and tax credits on their individual tax returns. Due to the change in control mentioned in the following paragraph, the Company will file its final tax return for the period ended December 29, 2021 as a limited liability company taxed as a partnership.

On December 29, 2021, the Company's assets were purchased by another entity resulting in a change of control. The acquiring entity is a C corporation and will include the Company's financial activities within its consolidated financial statements and consolidated tax return beginning with the period of December 30 through December 31, 2021. For C corporations, the footnotes normally would include tax provision information, but due to the minimal amount, no provision is being provided.

The Company's income tax returns are subject to examination by the Internal Revenue Service for a period of three years from the date they are required to be filed. The Company's tax returns for the years ended December 31, 2019 through 2021 remain subject to examination by major tax jurisdictions.

NOTE C – Concentrations of risk

The Company maintains its bank accounts at financial institutions and their balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. Throughout the year, the bank balances in financial institutions may exceed the \$250,000 insurance limit. Management believes the Company is not exposed to any significant credit risk related to cash.

The Company has concentrations of credit risk as a result of royalties from significant franchisees. Royalties from five franchisees amounted to 36% of total royalty income in the year ended December 31, 2021, and 37% of the total royalty income in the year ended December 31, 2020. Approximately 29% of accounts receivable at December 31, 2021, and 18% of accounts receivable at December 31, 2020 were from these franchisees.

SECURITY FRANCHISORS, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE D – Property and equipment

Property and equipment consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$41,094	\$41,094
Less: accumulated depreciation	(5,480)	(2,740)
Total property and equipment, net	<u>\$35,615</u>	<u>\$38,354</u>

NOTE E – Accounts receivable

Accounts receivable consist of balances due from franchisees for royalties and marketing fees and are reflected at their net realizable value. Management closely monitors outstanding accounts receivable and charges off to expense any balances that are determined to be uncollectible. Management determines the allowance for doubtful accounts by evaluating individual customer accounts by considering the customer's financial condition, credit history and the current economic conditions. At December 31, 2021 and December 31, 2020, the allowance for doubtful accounts was \$0. Bad debt expense for the years ended December 31, 2020 and 2021 was \$0.

NOTE F – Loans receivable – affiliate

The Company makes advances from time to time to its various affiliates. The advances used to fund working capital needs of the affiliate and are unsecured and non-interest bearing with no predetermined maturity dates.

	<u>2021</u>	<u>2020</u>
Beginning	\$ 178,283	\$ 70,000
Current year activity	(173,249)	108,283
Ending	<u>\$ 5,034</u>	<u>\$ 178,283</u>

NOTE G – Franchises

The Company's activity regarding its franchises for the years ended December 31, 2020 and 2021 is as follows:

Franchises in operation, beginning of year, 2020	36
Franchises sold in 2020	<u>3</u>
Franchises transferred to existing franchisees in 2020	(2)
Franchises in operation, beginning of year, 2021	37
Franchises sold in 2021	0
Franchises whose business closed in 2021	(2)
Franchises in operation, end of year, 2021	<u>35</u>

NOTE H – Leases

The Company leases office space that is shared with affiliated companies. The lease agreement was effective March 1, 2019 and ends on March 31, 2023. Net rent expense for the Company was \$181,917 for the year ended December 31, 2021 and \$132,245 for the year ended December 31, 2020.

SECURITY FRANCHISORS, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

The future lease commitment is as follows:

Lease Period	Lease Commitment
2022	234,604
2023	58,938
Total Lease Commitment	\$ 293,542

The above information is the total liability for the lease for The Company. There is no reduction in the amount of obligation by the amount allocated to the affiliates.

NOTE I – Intangible assets

The Company purchased the trade name and trademark of 'Security 101' from a related party for \$111,600. In management's opinion, there has been no impairment to the value of intangible assets during the years ended December 31, 2021 and 2020.

NOTE J – Accrued expenses

The accrued expenses totaling \$2,286,548 for the period ended December 31, 2021 include accrued bonuses of \$2,227,425. The bonuses were paid out on January 12, 2022. These one-time special bonuses were paid to key management personnel that contributed to the growth of the company.

NOTE K – Related parties

During the years ended December 31, 2021 and 2020, the Company had transactions with entities related through common ownership and also with its members. Following is a summary of transactions with these related entities:

1. Multiple franchises were owned by related parties and its members. Royalties earned from these entities were \$1,097,580 in 2021 and \$886,421 in 2020.
2. The Company has annual consulting agreements with related parties. Payments made under these agreements were \$366,000 in 2021 and \$365,500 in 2020.
3. The Company charges monthly management fees to related parties for the cost of accounting and related work totaling \$64,000 for 2021, and \$84,000 for 2020.
4. The Company occupies office space and shares the space under its lease with affiliated companies. The Company's total lease obligation was \$242,556 under the lease for the year ended December 31, 2021. The Company's total lease obligation was reduced by \$60,639 for the amounts allocated to its affiliates for their portion of the rent, resulting in an actual rent expense of \$181,917 for 2021. Rent expense for 2020 was \$132,245. Rent expense is allocated among the affiliated companies based on the number of employees of each affiliate.
5. The Company shares payroll costs for certain employees and these expenses are allocated between the affiliated companies. The payroll expense is allocated by accounting and is reviewed on a yearly basis.

SECURITY FRANCHISORS, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

6. The Company has made non-interest-bearing loans to related parties. The balances due of the loans receivable from affiliates at December 31, 2021 was \$5,034 and \$178,203 at December 31, 2020.

NOTE L – Impact of COVID-19

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency due to a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

The ultimate impact of the COVID-19 pandemic on the Company's operations is uncertain and will depend on future developments, which cannot be predicted with confidence. These include the duration of the COVID-19 outbreak, new information which may emerge concerning the severity of the COVID-19 pandemic, and any additional preventative and protective actions that governments, or the Company, may direct, which may result in an extended period of operational disruption. Any resulting financial impact cannot be reasonably estimated at this time but could be anticipated to have a material adverse impact on the Association's business operation, balance sheet, and results of operations for fiscal year 2022.

NOTE M – Subsequent events

Management has evaluated events and transactions subsequent to the date of the financial statements and through the date of this audit report. Management has determined that there is a material event that would require recognition or disclosure and is discussed below.

Change in control of the Company

On December 29, 2021, the Company's assets were purchased by another entity resulting in a change of control. The acquiring entity is a C corporation and will include the Company's financial activities within its consolidated financial statements and consolidated tax return beginning with the period of December 30 through December 31, 2021. The Company will file its final tax return for the short-year ended December 29, 2021.

SUPPLEMENTARY INFORMATION

Security Franchisors, LLC
General and Administrative Expenses
For the year ended December 31,

	<u>2021</u>	<u>2020</u>
General and administrative expenses:		
Advertising and marketing	\$ 95,137	\$ 72,898
Automobile expense	29,580	24,725
Bank fees	789	777
Commissions	18,995	9,305
Consulting	366,000	365,500
Depreciation expense	2,740	2,740
Dues and subscriptions	7,021	21,526
Employee benefits	81,674	92,969
Franchise development	4,774	87,045
Marketing payroll	239,740	253,418
Meals and entertainment	15,708	27,864
Meetings expense	4,149	14,716
Office expense	19,034	27,007
Operations payroll	765,608	920,782
Professional fees	111,166	28,636
Rent	181,917	132,245
Repairs and maintenance	525	28
Software and IT consulting expenses	112,478	109,569
Taxes and licenses	73,496	87,621
Telecommunications	57,925	16,878
Training education	(712)	10,239
Travel expenses	41,934	35,398
Utilities	2,429	2,160
Bonus expense	<u>2,304,745</u>	<u>-</u>
Total general and administrative expenses	<u>\$ 4,536,852</u>	<u>\$ 2,344,045</u>

SECURITY FRANCHISORS, LLC

**FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANTS' AUDIT REPORT
DECEMBER 31, 2020 AND DECEMBER 31, 2019**

TABLE OF CONTENTS

	<u>Page</u>
Independent accountants' audit report	1
Financial statements	
Balance sheets	2
Statements of income and changes in members' equity	3
Statements of cash flows	4
Notes to financial statements	5-9
Supplementary information	10
General and administrative expenses	11



**DISALVO &
ASSOCIATES, PLLC**

CERTIFIED PUBLIC ACCOUNTANTS - BUSINESS ADVISORS

1760 N. Jog Road, Suite 150
West Palm Beach, FL 33411
Phone: (561) 659-1177
Fax: (561) 659-1197
www.d-acpa.com

INDEPENDENT ACCOUNTANTS' AUDIT REPORT

To the Members
Security Franchisors, LLC

We have audited the accompanying financial statements of Security Franchisors, LLC (a Delaware limited liability company), which comprise the balance sheets as of December 31, 2020 and December 31, 2019 and the related statements of income and changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Security Franchisors, LLC as of December 31, 2020 and December 31, 2019, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information in the Schedule of General and Administrative Expenses is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

DiSalvo & Associates, PLLC
West Palm Beach, FL 33411
March 30, 2021

Security Franchisors, LLC
Balance Sheet
As of December 31,

	<u>2020</u>	<u>2019</u>
Assets		
Current assets:		
Cash	\$ 269,105	\$ 326,243
Accounts receivable, net	1,768,180	2,040,277
Loans receivable - affiliate	178,283	70,000
Total current assets	<u>2,215,568</u>	<u>2,436,520</u>
Property and equipment, net	<u>38,354</u>	<u>-</u>
Other assets		
Intangible assets	111,600	111,600
Note receivable - affiliate	-	178,839
Prepaid expenses	118,319	118,355
Security deposits	38,403	39,384
Lease asset	466,226	663,890
Total other assets	<u>734,548</u>	<u>1,112,068</u>
Total assets	<u>\$ 2,988,470</u>	<u>\$ 3,548,588</u>
Liabilities and members' equity		
Current liabilities		
Accounts payable	\$ 5,384	\$ 730
Rebates due to customers	918	10,918
Accrued expenses	40,493	4,691
Due to affiliate	240,470	-
Deferred revenue	77,500	-
Lease liability - current	203,023	181,857
Total current liabilities	<u>567,789</u>	<u>198,196</u>
Long-term liabilities		
Lease liability - long-term	<u>263,203</u>	<u>482,033</u>
Total long-term liabilities	<u>263,203</u>	<u>482,033</u>
Total Liabilities	<u>830,992</u>	<u>680,229</u>
Members' equity	<u>2,157,477</u>	<u>2,868,359</u>
Total liabilities and members' equity	<u>\$ 2,988,470</u>	<u>\$ 3,548,588</u>

Security Franchisors, LLC
Statement of Income and Changes in Members' Equity
For the years ended December 31,

	<u>2020</u>	<u>2019</u>
Revenues:		
Royalties	\$ 4,592,229	\$ 4,594,105
Investment income	1,904	4,343
New franchise fees	109,000	406,550
Other Income	10,030	-
Management fees	<u>84,000</u>	<u>115,500</u>
Total revenues	<u>4,797,163</u>	<u>5,120,498</u>
Expenses:		
General and administrative expense	<u>2,344,045</u>	<u>2,955,389</u>
Total expenses	<u>2,344,045</u>	<u>2,955,389</u>
Net income	<u>2,453,118</u>	<u>2,165,109</u>
Members' equity, beginning of year	2,868,359	2,903,250
Distributions to members	<u>(3,164,000)</u>	<u>(2,200,000)</u>
Members' equity, end of year	<u><u>\$ 2,157,477</u></u>	<u><u>\$ 2,868,359</u></u>

Security Franchisors, LLC
Statement of Cash Flows
For the year ended December 31,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Net income	\$ 2,453,118	\$ 2,165,109
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Depreciation and amortization	2,740	-
(Increase) decrease in:		
Accounts receivable	272,097	(196,093)
Prepaid expenses	37	10,673
Security deposits	981	(35,674)
Increase (decrease) in:		
Accounts payable	4,655	(20,296)
Rebates due to customers	(10,000)	10,918
Accrued expenses	35,802	4,691
Deferred revenue	77,500	-
Due to affiliate	240,470	-
Net cash provided (used) by operating activities	<u>3,077,400</u>	<u>1,939,328</u>
Cash flows from investing activities:		
(Increase) decrease in:		
Purchase of leasehold improvements	(41,094)	-
Net cash provided (used) by investing activities	<u>(41,094)</u>	<u>-</u>
Cash flows from financing activities:		
(Increase) decrease in:		
Notes receivable - affiliate	178,839	13,085
Loans receivable - affiliate	(108,283)	128,599
Member distributions	(3,164,000)	(2,200,000)
Net cash provided (used) by financing activities	<u>(3,093,444)</u>	<u>(2,058,316)</u>
Net increase (decrease) in cash	(57,138)	(118,988)
Cash, Beginning of year	<u>326,243</u>	<u>445,231</u>
Cash, End of year	<u><u>\$ 269,105</u></u>	<u><u>\$ 326,243</u></u>

SECURITY FRANCHISORS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE A - Organization

Security Franchisors, LLC (The "Company") was organized on July 2, 2007, under the laws of the State of Georgia and subsequently transferred to Delaware in 2012. The company sells franchises for the operation of a business that will provide sales, engineering, installation and monitoring of electronic access control, closed circuit television, intrusion detection, and fire systems for commercial enterprises under the name "Security 101."

NOTE B – Summary of significant accounting policies

1. **Revenue recognition**

Franchisees pay an initial franchise fee for a license to operate a Security 101 franchise at a specific site within a protected geographic territory. Payment must be made in a lump sum at the time of signing the agreement and is considered earned and nonrefundable at that time. The initial term of the franchise is for ten years with an additional renewable term of ten years if the franchise is in good standing. Pursuant to the various franchise agreements, franchisees are required to pay the Company royalties based on a percentage of sales ranging from 3 percent to 6 percent. The monthly minimum royalty ranges from \$2,000 to \$8,000. Royalties are based on a percentage of each franchisee's gross sales and are included in accounts receivable. These are recognized when earned, on a monthly basis. Franchise fees are recorded as income upon completion of all significant obligations of the Company under the franchise license agreement. These obligations consist principally of distributing franchise material and training franchisee personnel.

2. **Intangible assets**

Generally accepted accounting principles require that the unamortized value of intangible assets be evaluated annually to determine whether the amount reflected on the balance sheet as an asset has been impaired. In management's opinion, there has been no impairment to the value of intangible assets during the year ended December 31, 2020.

3. **Cash and cash equivalents**

For purposes of the statement of cash flows, the Company defines cash and cash equivalents as cash and all short-term investments with an original maturity of three months or less.

4. **Property and equipment**

Property and equipment are recorded at cost. Major renewals and betterments are capitalized while maintenance, repairs, and minor renewals are charged to expense as incurred. Depreciation is provided over the estimated useful economic lives of the assets, ranging from three to ten years, and is computed on the straight-line method. Leasehold improvements are amortized over the shorter of the life of the improvement or the term of the lease including extensions. Upon sale or retirement of depreciable property, the related cost and accumulated depreciation are removed from the accounts and resulting gains or losses are charged to operations.

5. **Pervasiveness of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

6. **Advertising and marketing**

The Company expenses advertising and marketing costs the first time the advertising and marketing occurs and as a result had \$72,898 of advertising and marketing costs for the year ended December 31, 2020 and \$143,279 for the year ended December 31, 2019.

7. **Income taxes**

The Company is organized as a limited liability company and has elected to be taxed as a partnership under the provisions of the Internal Revenue Code section whereby the members report their proportionate share of the Company's income, losses and tax credits on their individual tax returns. Therefore, the accompanying financial statements do not provide for federal or state income taxes.

The Company's income tax returns are subject to examination by the Internal Revenue Service for a period of three years from the date they are required to be filed. The Company's tax returns for the years ended December 31, 2018 through 2020 remain subject to examination by major tax jurisdictions.

NOTE C – Concentrations of risk

The Company maintains its bank accounts at financial institutions and their balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. Throughout the year, the bank balances in financial institutions exceed the \$250,000 insurance limit at various times. Management believes the Company is not exposed to any significant credit risk related to cash.

The Company has concentrations of credit risk as a result of royalties from significant franchisees. Royalties from five franchisees amounted to 37% of total royalty income in the year ended December 31, 2020, and 42% of the total royalty income in the year ended December 31, 2019. Approximately 18% of accounts receivable at December 31, 2020, and 44% of accounts receivable at December 31, 2019 were from these franchisees.

NOTE D – Property and equipment

Property and equipment consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	<u>\$41,094</u>	<u>\$0</u>
Less: accumulated depreciation	<u>(2,740)</u>	<u>0</u>
Total property and equipment, net	<u>\$38,354</u>	<u>\$0</u>

NOTE E – Accounts receivable

Accounts receivable consist of balances due from franchisees for royalties and marketing fees and are reflected at their net realizable value. Management closely monitors outstanding accounts receivable and charges off to expense any balances that are determined to be uncollectible. Management determines the allowance for doubtful accounts by evaluating individual customer accounts by considering the customer's financial condition, credit history and the current economic conditions. At December 31, 2020 and December 31, 2019, the allowance for doubtful accounts was \$0. Bad debt expense for the year ended December 31, 2020 was \$0 and \$ 67,614 for the year ended December 31, 2019.

NOTE F – Loans receivable – affiliate

The Company makes advances from time to time to its various affiliates. The advances used to fund working capital needs of the affiliate and are unsecured and non-interest bearing with no predetermined maturity dates.

	2020	2019
Beginning	\$ 70,000	\$ 198,599
Current year activity	108,203	(128,599)
Ending	<u>\$ 178,283</u>	<u>\$ 70,000</u>

NOTE G - Franchises

The Company's activity regarding its franchises for the year ended December 31, 2020 is as follows:

Franchises in operation, beginning of year, 2019	27
Franchises sold in 2019	<u>9</u>
Franchises in operation, beginning of year, 2020	36
Franchises sold in 2020	3
Franchises transferred to existing franchisees in 2020	<u>(2)</u>
Franchises in operation, end of year, 2020	<u>37</u>

NOTE H - Leases

The Company leases office space that is shared with affiliated companies. The lease agreement was effective March 1, 2019 and ends on March 31, 2023. Net rent expense for the Company was \$132,245 for the year ended December 31, 2020 and \$152,306 for the year ended December 31, 2019.

The future lease commitment is as follows:

Lease Period	Lease Commitment
2021	227,756
2022	234,604
2023	58,938
Total Lease Commitment	<u>\$ 521,298</u>

The above information is the total liability for the lease for The Company. There is no reduction in the amount of obligation by the amount allocated to the affiliates.

NOTE I – Intangible assets

The Company purchased the trade name and trademark of 'Security 101' from a related party for \$111,600. In management's opinion, there has been no impairment to the value of intangible assets during the years ended December 31, 2020 and 2019.

NOTE J – Related parties

During the years ended December 31, 2020 and 2019, the Company had transactions with entities related through common ownership and also with its members. Following is a summary of transactions with these related entities:

1. Multiple franchises were owned by related parties and its members. Royalties earned from these entities were \$886,421 in 2020 and \$704,709 in 2019.
2. The Company has annual consulting agreements with related parties. Payments made under these agreements were \$365,500 in 2020 and \$366,000 in 2019.
3. The Company charges monthly management fees to related parties for the cost of accounting and related work totaling \$84,000 for 2020, and \$115,500 for 2019.
4. The Company occupies office space and shares the space under its lease with affiliated companies. The Company's total lease obligation was \$191,411 under the lease for the year ended December 31, 2020. The Company's total lease obligation was reduced by \$59,166, resulting in an actual rent expense of \$132,245 for 2020. The reduction of rent in the amount of \$59,166 was due to an affiliated company paying the Company's portion of rent expense for three months in 2020.

Rent expense for 2019 was \$152,306. Rent expense is allocated among the affiliated companies based on the number of employees of each affiliate.

5. The Company shares payroll costs for certain employees and these expenses are allocated by the affiliated companies. The payroll expense is allocated by accounting and is reviewed on a yearly basis.
6. The Company has made non-interest bearing loans to related parties. The balances due of the loans receivable from affiliates at December 31, 2020 was \$178,283 and \$70,000 at December 31, 2019.
7. The Company has made interest bearing loans to related parties. The balance due at December 31, 2020 was \$0 and \$178,839 at December 31, 2019.

NOTE K – Subsequent events

Management has evaluated events and transactions subsequent to the date of the financial statements and through the date of this audit report. Management has determined that there are no material events that would require recognition or disclosure in the financial statements.

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (COVID-19) originating in Wuhan, China and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic. In addition, multiple jurisdictions including the State of Florida and the federal government have declared a state of emergency. It is anticipated that these impacts will continue for some time. Management has assessed the impact to its operations and has made adjustments accordingly in order to minimize the financial impact of the COVID-19 outbreak.

SUPPLEMENTARY INFORMATION

Security Franchisors, LLC
General and Administrative Expenses
For the year ended December 31,

	<u>2020</u>	<u>2019</u>
General and administrative expenses:		
Advertising and marketing	\$ 72,898	\$ 143,279
Automobile expense	24,725	44,904
Bad debt expense	-	67,614
Bank fees	777	1,390
Commissions	9,305	24,850
Consulting	365,500	366,000
Depreciation expense	2,740	-
Dues and subscriptions	21,526	15,686
Employee benefits	92,969	76,462
Franchise development	87,045	266,518
Marketing payroll	253,418	349,080
Meals and entertainment	27,864	45,336
Meetings expense	14,716	89,097
Office expense	27,007	47,915
Operations payroll	920,782	812,793
Professional fees	28,636	38,844
Rent	132,245	152,306
Repairs and maintenance	28	1,622
Software and IT consulting expenses	109,569	125,195
Taxes and licenses	87,621	86,976
Telecommunications	16,878	18,081
Training education	10,239	48,276
Travel expenses	35,398	129,398
Utilities	2,160	3,767
	<u> </u>	<u> </u>
Total general and administrative expenses	<u>\$ 2,344,045</u>	<u>\$ 2,955,389</u>

EXHIBIT B TO THE FRANCHISE DISCLOSURE DOCUMENT

**SCHEDULE OF STATE ADMINISTRATORS AND
AGENTS FOR SERVICE OF PROCESS**

SCHEDULE OF STATE AGENCIES

List of State Agencies and Agents for Service of Process

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	Department of Financial Protection & Innovation 1 Sansome, Suite 600 San Francisco, CA 94104 (415) 972-8559	Commissioner of Financial Protection & Innovation 320 West 4th Street, Ste. 750 Los Angeles, CA 90013-2344 1-866-275-2677
ILLINOIS	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-1090	Illinois Attorney General Same Address
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner Same Address
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Attention: Franchise Section G. Mennen Williams Building, First Floor 525 W. Ottawa Street Lansing, MI 48933 (517) 373-7117	Michigan Department of Commerce Corporations and Securities Bureau Same Address
MINNESOTA	Minnesota Department of Commerce 85 Seventh Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1627	Minnesota Commissioner of Commerce Same Address
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005-1495 (212) 416-8222 Phone (212) 416-8816 Fax	Attention: New York Secretary of State New York Department of State One Commerce Plaza, 99 Washington Avenue, 6 th Floor Albany, NY 12231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Ave. State Capitol, Fifth Floor Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner Same Address

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 S. Euclid Ave., Suite 104 Pierre, SD 57501 (605) 773-3563	Director of Division of Insurance Securities Regulation Same Address
WASHINGTON	Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8762	Director, Dept. of Financial Institutions, Securities Division Same Address
WISCONSIN	Department of Financial Institutions Securities Division 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 266-0448	Commissioner of Securities Same Address

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT
STATE ADDENDA

CALIFORNIA ADDENDUM TO
FRANCHISE DISCLOSURE DOCUMENT

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.

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 a provision that is inconsistent with the law, the law will control.

- A. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
- B. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
- C. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
- D. The franchise agreement requires binding arbitration. The arbitration will occur at Los Angeles County, California with the costs being borne by the non-prevailing party.
- E. The franchise agreement requires application of the laws of California law.

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.

- a) Section 31125 of the Franchise Investment Law requires us to give to you a Disclosure Document approved by the Commissioner of Financial Protection & Innovation before we ask you to consider a material modification of your franchise agreement.
- b) You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 Through 31516). Business and Professions Code Section 20010 Voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

Our website has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any compliance concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at www.dfpi.ca.gov.

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.

ADDENDUM TO THE FRANCHISE AGREEMENT
REQUIRED FOR CALIFORNIA FRANCHISEES

This Addendum to the Franchise Agreement (“Franchise Agreement”) dated _____ between Security Franchisors, LLC (“Franchisor”) and _____ (“Franchisee”) is entered into simultaneously with the execution of the Franchise Agreement.

1. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee’s investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

2. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISOR:
Security Franchisors, LLC

By: _____

Printed Name: _____

Title: _____

Date: _____

FRANCHISEE:

By: _____

Printed Name: _____

Title: _____

Date: _____

ILLINOIS ADDENDUM TO
FRANCHISE DISCLOSURE DOCUMENT

Item 17, Additional Disclosures. The following statement is added to Item 17:

The conditions under which your franchise can be terminated and your rights upon nonrenewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void.” To the extent that any provision in the Agreement is inconsistent with Illinois law, Illinois law will control.

The Illinois Franchise Disclosure Act shall govern the Franchise Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement which designates jurisdiction or venue in a forum outside of Illinois is void, provided that the Franchise Agreement may provide for arbitration in a forum outside of Illinois.

Except for those cases in which Franchisor is entitled to the entry of temporary and permanent injunctions and orders of specific performance in accordance with the terms of the Franchise Agreement and claims of promissory fraud, all disputes must be arbitrated in the county in which Franchisor’s principal offices are located at the time the demand for arbitration is filed.

ADDENDUM TO THE FRANCHISE AGREEMENT
REQUIRED FOR ILLINOIS FRANCHISEES

This Addendum to the Franchise Agreement (“Franchise Agreement”) dated _____ between Security Franchisors, LLC (“Franchisor”) and _____ (“Franchisee”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being signed because: (a) the offer or sale of the franchise to Franchisee was made in the State of Illinois; (b) Franchisee is a resident of the State of Illinois; and/or (c) the Franchised Business will be located or operated in the State of Illinois.
2. The following sentence is added to the end of Section 15.I:

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement which designates jurisdiction or venue in a forum outside of Illinois is void, provided that the Franchise Agreement may provide for arbitration in a forum outside of Illinois.
3. The last sentence of Section 15.H.1 is modified to include the following:

The Illinois Franchise Disclosure Act shall govern the Franchise Agreement.
4. Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void.” To the extent that any provision in the Franchise Agreement is inconsistent with Illinois law, Illinois law will control.
5. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
6. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISOR:
Security Franchisors, LLC

By: _____

Printed Name: _____

Title: _____

Date: _____

FRANCHISEE:

By: _____

Printed Name: _____

Title: _____

Date: _____

MARYLAND ADDENDUM TO
FRANCHISE DISCLOSURE DOCUMENT

Item 1, Additional Disclosures. The following statements are added to Item 1:

The general release required as a condition of renewal shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Item 17, Additional Disclosures. The following statements are added to Item 17:

The general release required as a condition of renewal shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

The “Summary” column of Item 17(H) of the Disclosure Document, pertaining to “Cause defined – defaults that cannot be cured” is supplemented to state that any provision in the Franchise Agreement which terminates the franchise upon the bankruptcy of the Franchisee may not be enforceable under federal bankruptcy law.

Franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law, provided that the Franchise Agreement may provide for arbitration in a forum outside of Maryland.

Section 14-227(e) of the Maryland Franchise Registration and Disclosure Law requires that any claims arising under that Law be brought within 3 years after the grant of the franchise.

Item 22, Additional Disclosures. The following statements are added to Item 22:

Item 22 of the Disclosure Document is supplemented to state that the form of general release referred to in Items 17.c. and 17.m is attached to this Disclosure Document pursuant to Maryland Franchise Registration and Disclosure Law.

ADDENDUM TO THE FRANCHISE AGREEMENT
REQUIRED FOR MARYLAND FRANCHISEES

This Addendum to Franchise Agreement (“Franchise Agreement”) dated _____ between Security Franchisors, LLC (“Franchisor”) and _____ (“Franchisee”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being signed because: (a) the offer or sale of the franchise to Franchisee was made in the State of Maryland; (b) Franchisee is a resident of the State of Maryland; and/or (c) the Franchised Business will be located or operated in the State of Maryland.
2. The following sentence is added to the end of Section 1:

Representations in the Franchise Agreement are not intended to, nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
3. The following sentence is added to the end of Sections 4.B and 11.D:

The general release required as a condition of renewal or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
4. The following sentence is added to the end of Section 15.I:

Franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law, provided that the Franchise Agreement may provide for arbitration in a forum outside of Maryland.
5. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
6. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISOR:
Security Franchisors, LLC

By: _____

Printed Name: _____

Title: _____

Date: _____

FRANCHISEE:

By: _____

Printed Name: _____

Title: _____

Date: _____

MINNESOTA ADDENDUM TO
FRANCHISE DISCLOSURE DOCUMENT

Item 13, Additional Disclosure: The following statement is added to Item 13:

We will protect your right to use the Marks or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name to the extent required by Minn. Stat. Sec. 80C.12, Subd.1(g).

Item 17, Notice of Termination: The following statement is added to Item 17:

With respect to franchises governed by Minnesota law, Franchisor will comply with Minnesota Statute § 80C.14, subdivisions 3, 4, and 5 which requires, except in certain specified cases, that you be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement.

Item 17, Governing Law, Jurisdiction and Venue and Choice of Forum: The following statement is added to the cover page and Item 17:

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

Item 17, General Release: The following statement is added to Item 17:

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§80C.01 – 80C.22.

ADDENDUM TO THE FRANCHISE AGREEMENT
REQUIRED FOR MINNESOTA FRANCHISEES

This Addendum to the Franchise Agreement (“Franchise Agreement”) dated _____ between Security Franchisors, LLC (“Franchisor”) and _____ (“Franchisee”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This addendum is being signed because: (a) the offer or sale of the franchise to Franchisee was made in the State of Minnesota; (b) Franchisee is a resident of the State of Minnesota; and/or (c) the Franchised Business will be located or operated in the State of Minnesota.

2. The following sentence is added to the end of Section 13.B.1:

With respect to franchises governed by Minnesota law, Franchisor will comply with Minnesota Statute § 80C.14, subdivision 3, 4, and 5 which requires, except in certain cases, that Franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for nonrenewal of the Franchise Agreement.

3. The following sentence is added to the end of Sections 4.B and 11.D:

Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.

4. Section 12.C is deleted and replaced with the following:

Franchisor shall be entitled to the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to: (1) Franchisee’s use of the Trademarks; (2) the construction and equipping of the Franchised Business; (3) the obligations of Franchisee upon termination or expiration of this Agreement; (4) a Transfer of this Agreement, any ownership interest therein or in the lease for the Franchised Business; and (5) as necessary to prohibit any act or omission by Franchisee or its employees that would constitute a violation of any applicable law, ordinance, or regulation, or which is dishonest or misleading to Franchisor and/or Franchisor’s other licensees.

5. The following sentences are added to the end of Sections 15.H.1 and 15.I

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit Franchisor from requiring arbitration or litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or the Franchise Agreement can abrogate or reduce any of Licensee’s rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

6. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
7. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISOR:
Security Franchisors, LLC

FRANCHISEE:

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

**NEW YORK ADDENDUM TO
FRANCHISE DISCLOSURE DOCUMENT**

Item 3, Additional Disclosure. The last sentence in Item 3 is deleted and replaced with the following:

Except as described above, neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has any administrative, criminal, or a material civil or arbitration action pending against him alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegations.

Except as described above, neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has been convicted of a felony or pleaded nolo contendere to any other felony charge or, during the ten-year period immediately preceding the application for registration, been convicted of a misdemeanor or pleaded nolo contendere to any misdemeanor charge or been found liable in an arbitration proceeding or a civil action by final judgment, or been the subject of any other material complaint or legal or arbitration proceeding if such misdemeanor conviction or charge, civil action, complaint, or other such proceeding involved a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegation.

Except as described above, neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, is subject to any currently effective injunctive or restrictive order or decree relating to franchises, or under any federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

Accordingly, other than the three actions described above, no litigation is required to be disclosed in this Disclosure Document.

Item 4, Additional Disclosure. Item 4 is deleted and replaced with the following:

Neither we nor any of our predecessors, affiliates, or officers, during the 10-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the franchisor held this position in the company or partnership.

Item 17, Additional Disclosures. The following statements are added to Item 17:

Franchisor will not assign its rights under the Franchise Agreement except to an assignee who in Franchisor's good faith and judgment is willing and able to assume Franchisor's obligations under the Franchise Agreement.

The New York Franchises Law requires that New York law govern any cause of action which arises under the New York Franchises Law.

The New York General Business Law, Article 33, Sections 680 through 695 may supersede any provision of the Franchise Agreement inconsistent with that law.

ADDENDUM TO THE FRANCHISE AGREEMENT
REQUIRED FOR NEW YORK FRANCHISEES

This Addendum to the Franchise Agreement ("Franchise Agreement") dated _____ between Security Franchisors, LLC ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being signed because: (a) the offer or sale of the franchise to Franchisee was made in the State of New York; (b) Franchisee is a resident of the State of New York; and/or (c) the Franchised Business will be located or operated in the State of New York.
2. Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Section 680 - 695 may not be enforceable.
3. The following sentence is added to the end of Sections 4.B and 11.D:

Any provision in the Franchise Agreement requiring Franchisee to sign a general release of claims against Franchisor does not release any claim Franchisee may have under New York General Business Law, Article 33, Sections 680-695.
4. The following sentence is added at the end of Section 11.G:

Franchisor will not assign its rights under the Franchise Agreement except to an assignee who in Franchisor's good faith and judgment is willing and able to assume Franchisor's obligations under the Franchise Agreement.
5. The following sentence is added to the end of Section 15.H.1:

New York Franchises Law shall govern any claim arising under that law.
6. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
7. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISOR:
Security Franchisors, LLC

FRANCHISEE:

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

NORTH DAKOTA ADDENDUM TO
FRANCHISE DISCLOSURE DOCUMENT

Item 17, Additional Disclosures. The following statements are added to Item 17:

Pursuant to the North Dakota Franchise Investment Law, any provision requiring franchisees to consent to the jurisdiction of courts outside North Dakota or to consent to the application of laws of a state other than North Dakota is void. Any mediation or arbitration will be held at a site agreeable to all parties. The laws of the State of North Dakota will govern any dispute.

Any general release the franchisee is required to assent to is not intended to nor shall it act as a release, estoppel or waiver of any liability Security Franchisors, LLC may have incurred under the North Dakota Franchise Investment Law.

Covenants not to compete upon termination or expiration of the franchise agreement are generally not enforceable in the State of North Dakota, except in certain instances as provided by law.

The Franchise Agreement includes a waiver of exemplary and punitive damages. That requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Disclosure Document and Franchise Agreement.

The Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by Security Franchisors, LLC in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

The Franchise Agreement requires the franchisee to consent to a waiver of trial by jury. That requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Disclosure Document and Franchise Agreement.

The Franchise Disclosure Document, Franchise Agreement and Area Development Agreement state that franchisee must consent to the jurisdiction of courts in the state of Delaware. That requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Disclosure Document, Franchise Agreement and Area Development Agreement.

The Franchise Disclosure Document and Franchise Agreement may require franchisees to consent to termination or liquidated damages. The Commissioner has determined this to be unfair, unjust and inequitable within the intent of the North Dakota Franchise Investment Law. This requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Disclosure Document and Franchise Agreement.

The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. That requirement will not apply to North Dakota franchisees and, instead the statute of limitations under North Dakota law will apply.

ADDENDUM TO THE FRANCHISE AGREEMENT
REQUIRED FOR NORTH DAKOTA FRANCHISEES

This Addendum to the Franchise Agreement (“Franchise Agreement”) dated _____ between Security Franchisors, LLC (“Franchisor”) and _____ (“Franchisee”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being signed because: (a) the offer or sale of the franchise to Franchisee was made in the State of North Dakota; (b) Franchisee is a resident of the State of North Dakota; and/or (c) the Franchised Business will be located or operated in the State of North Dakota.
2. Any release signed in connection with the Franchise Agreement shall not apply to any claims that may arise under the North Dakota Franchise Investment Law.
3. Covenants not to compete are generally considered unenforceable in the State of North Dakota.
4. The choice of law other than the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. The laws of the State of North Dakota will govern any dispute.
5. The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law. This requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Franchise Agreement.
6. The waiver of trial by jury may not be enforceable under the North Dakota Franchise Investment Law. This requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Franchise Agreement.
7. The requirement that mediation or arbitration be held in Delaware may not be enforceable under the North Dakota Franchise Investment Law. Any mediation or arbitration will be held at a site agreeable to all parties.
8. The requirement that a franchisee consent to termination or liquidated damages has been determined by the Commissioner to be unfair, unjust and inequitable within the intent of the North Dakota Franchise Investment Law. This requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Franchise Agreement.
9. The Franchise Agreement states that franchisee must consent to the jurisdiction of courts in the state of Delaware. That requirement will not apply to North Dakota franchisees and is deemed deleted in each place it appears in the Franchise Agreement.
10. The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. That requirement will not apply to North Dakota franchisees and, instead, the statute of limitations under North Dakota law will apply.
11. The Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by Security Franchisors, LLC in enforcing the agreement. For North Dakota

franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

FRANCHISOR:
Security Franchisors, LLC

FRANCHISEE:

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

WASHINGTON ADDENDUM TO
FRANCHISE DISCLOSURE DOCUMENT

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

ADDENDUM TO THE FRANCHISE AGREEMENT
REQUIRED FOR WASHINGTON FRANCHISEES

This Addendum to the Franchise Agreement (“Franchise Agreement”) dated _____ between Security Franchisors, LLC (“Franchisor”) and _____ (“Franchisee”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being signed because: (a) the offer or sale of the franchise to Franchisee was made in the State of Washington; (b) Franchisee is a resident of the State of Washington; and/or (c) the Franchised Business will be located or operated in the State of Washington.
2. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
3. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
4. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
5. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. Transfer fees are collectable to the extent that they reflect the franchisor’s reasonable estimated or actual costs in effecting a transfer.
7. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee’s earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor’s earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
8. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting

or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

9. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
10. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISOR:
Security Franchisors, LLC

By: _____

Printed Name: _____

Title: _____

Date: _____

FRANCHISEE:

By: _____

Printed Name: _____

Title: _____

Date: _____

EXHIBIT D TO THE FRANCHISE DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT

SECURITY 101® Franchise Agreement

Security Franchisors, LLC
1450 Centrepark Boulevard, Suite 210
West Palm Beach, Florida 33401

--TABLE OF CONTENTS--

SECURITY 101® FRANCHISE AGREEMENT

<u>SECTION</u>	<u>PAGE</u>
RECITALS	1
1. DEFINITIONS.....	1
2. GRANT OF LICENSE	2
3. TRADEMARK STANDARDS AND REQUIREMENTS.....	5
4. TERM AND RENEWAL	7
5. FACILITY STANDARDS AND MAINTENANCE	8
6. PRODUCTS AND OPERATIONS STANDARDS AND REQUIREMENTS.....	10
7. PERSONNEL AND SUPERVISION STANDARDS.....	16
8. MARKETING.....	18
9. FEES, REPORTING AND AUDIT RIGHTS	19
10. YOUR OTHER OBLIGATIONS; NONCOMPETE COVENANTS	24
11. TRANSFER OF FRANCHISE.....	27
12. DISPUTE RESOLUTION	31
13. DEFAULT AND TERMINATION.....	32
14. POST-TERM OBLIGATIONS	34
15. GENERAL PROVISIONS	37

SCHEDULES

- A. Data Sheet
- B. Trademarks
- C. Addendum to Lease
- D. Electronic Transfer of Funds Authorization

Personal Guarantee

Acknowledgement Addendum

SECURITY 101® FRANCHISE AGREEMENT

This Franchise Agreement (the “Agreement”) is made this ____ day of _____, 20__ between Security Franchisors, LLC, a Delaware limited liability company with its principal business located at 1450 Centrepark Boulevard, Suite 210, West Palm Beach, Florida 33401 (“we” or “us”), and “Franchisee” or “you” as identified on the Data Sheet attached as Schedule A (the “Data Sheet”). If the franchisee is a corporation, partnership, limited liability company or other legal entity, certain provisions to this Agreement also apply to its owners.

RECITALS

A. We have developed a system for opening and operating a business providing sales, engineering, installation and monitoring of electronic access control; closed circuit television; and intrusion detection systems for commercial enterprises pursuant to certain standards and specifications (a “Commercial Security Business”);

B. We own the SECURITY 101 Trademark and other trademarks used in connection with the operation of a SECURITY 101 Commercial Security Business;

C. You desire to develop and operate a SECURITY 101 Commercial Security Business; and

D. We have agreed to grant you a franchise subject to the terms and conditions of this Agreement.

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

DEFINITIONS

1. For purposes of this Agreement, the terms below have the following definitions:

A. “Commercial Security Business” means the SECURITY 101 Commercial Security Business you develop and operate pursuant to this Agreement.

B. “Cross Sale” means the sale of services by you (the “Originating Franchisee”) to a customer located inside or outside your Protected Territory, which services will be performed inside another SECURITY 101 franchisee’s protected territory or a territory serviced by us or our affiliates (the “Local Business”), provided the customer is not a National Account (as defined below).

C. “Gross Billings” includes the total amount billed by your Commercial Security Business from the sale of all products or services

sold in your Commercial Security Business whether under any of the Trademarks or otherwise. Gross Billings excludes sales taxes.

D. “Manuals” or “Operations Manuals” means our Operations Manual, Policies and Procedures Manual, Site Selection and Build Out Manual, 101 Ware Training Manual and any other collection of written, video, audio and/or software media (including materials distributed electronically), regardless of title and consisting of various subparts and separate components, all of which we or our agents produce and which contain specifications, standards, policies, procedures and recommendations for your SECURITY 101 Commercial Security Business, all of which we may change from time to time.

E. “National Account” means any corporate headquarters customer who conducts a business in three (3) or more states or other designation that we use from time to time.

F. “System” or “System Standards” means the SECURITY 101 System, which consists of certain products and services offered and sold in a setting of distinctive exterior and interior layout, design and color scheme, signage, furnishings and materials and using certain distinctive types of facilities, equipment, supplies, business techniques, methods and procedures together with sales promotion programs, all of which we may modify and change from time to time.

G. “Trademarks” means the SECURITY 101 Trademark and the trademarks, service marks and trade names set forth on Schedule B, as we may modify and change from time to time, and the trade dress and other commercial symbols used in the Commercial Security Business. Trademarks also means the trade dress, which includes the designs, color schemes and image we authorize you to use in the operation of the Commercial Security Business from time to time.

GRANT OF LICENSE

2. The following provisions control with respect to the license granted hereunder:

A. Authorized Location. We grant to you the right and license to establish and operate a Commercial Security Business identified by the SECURITY 101 Trademarks or such other marks as we may direct at the location identified on the Data Sheet, which location must be designated within 60 days from the date of this Agreement (the “Authorized Location”). When a location has been designated and approved by you and us, it will become part of this Agreement as if originally stated. If a site has not been agreed upon within 60 days following the signing of this Agreement, we may terminate this Agreement or grant you an extension of

time to locate a site if we believe (in our sole judgment) that you are working diligently to find a site and open. You accept the license and undertake the obligation to operate the Commercial Security Business at the Authorized Location using the Trademarks and the System in compliance with the terms and conditions of this Agreement.

B. Opening. You agree that the Commercial Security Business will be open and operating in accordance with the requirements of subparagraph 5.A within 180 days after the signing of this Agreement. If you fail to open your Commercial Security Business within 180 days after the signing of this Agreement, we will have the right to terminate this Agreement or grant you an extension of time to open your Commercial Security Business.

C. Protected Territory. Except as noted below, the license is limited to the right to develop and operate one Commercial Security Business at the Authorized Location within the area described on the Data Sheet (the "Protected Territory"). Your Protected Territory will be designated on the Data Sheet as an "A," "B" or "C" market based on the population of your Protected Territory as of the Effective Date of this Agreement. If your Protected Territory is designated as an "A" market, you will be required to open a second Authorized Location to service your Protected Territory by the fifth anniversary of the opening of your first Authorized Location. The second Authorized Location must be approved by us and will become part of this Agreement as if originally stated.

During the term of this Agreement and provided you are in compliance with the terms and conditions of this Agreement, we will not (i) modify the Protected Territory without your written permission, (ii) locate either a company-owned or franchised SECURITY 101 commercial security business within the Protected Territory, or (iii) establish a company-owned or another franchised business in the Protected Territory under the Trademarks or other trademarks that offers the same products and services as your SECURITY 101 Commercial Security Business, except for Merger/Acquisition Activity (as defined and described below). The license granted to you herein does not, however, include (i) any right to sell products or services at any location other than the Authorized Location, (ii) any right to sell products or services to any person or entity for resale or further distribution, except as we may designate in writing, or (iii) any right to exclude, control or impose conditions on our development of future franchised, company or affiliate owned commercial security businesses at any time or at any location outside the Protected Territory.

Except as expressly stated in this Agreement, you may market and serve only those customers located in your Protected Territory. You may not, unless in connection with other SECURITY 101 franchisees, market or

advertise in telephone or similar directories that target areas outside of your Protected Territory or establish a mailing address for your Commercial Security Business or make other representations to potential clients that would lead others to believe that you have facilities or authorization to operate outside the Protected Territory. You may, however, after receiving approval from the Local Business, engage in a Cross Sale. A Cross Sale occurs when the customer requesting service is located inside or outside your Protected Territory, but the installation will occur in another SECURITY 101 franchisee's protected territory or in a territory that is serviced by us or our affiliates, provided the customer is not a National Account. You may not perform installations inside the protected territory granted to another SECURITY 101 franchisee or those that are serviced by us or our affiliates without first securing their or our permission. In most Cross Sales you will be required to utilize installation labor from the Local Business, and pay the Local Business a Cross Sales Fee as described in Section 9.E. Any contract requiring installation of products or completion of services in multiple territories must be approved by us prior to signing.

If neither we nor a franchisee operates in a neighboring territory, we may permit you to service clients located outside of your Protected Territory. In such instances, we reserve the right to require you to cease servicing those clients located outside your Protected Territory, and you must work diligently to assist in transferring the service needs of those clients immediately to the entity (whether us or a franchisee) that will continue to service those clients. We or the new franchisee will assume the obligations associated with those clients.

D. Our Reservation of Rights. We retain all rights that are not expressly granted to you under this Agreement. Further, we may, among other things, on any terms and conditions we deem advisable, without compensation to any franchisee, and without granting you any rights therein:

(i) establish and/or license others to establish franchised or company-owned SECURITY 101 businesses at any location outside the Protected Territory regardless of the proximity of such business to your Protected Territory;

(ii) merge with, acquire or become associated with ("Merger/Acquisition Activity") any businesses of any kind under other systems and/or other marks, which businesses may convert to or operate under the SECURITY 101 Trademarks or other trademarks and may offer or sell products and services that are the same as or similar to the products and services offered at or from your Commercial Security Business, and which may be located anywhere within or outside the Protected Territory; and

(iii) sell and distribute for ourselves and/or license others to sell and distribute through alternate channels of distribution, including the Internet, within and outside the Protected Territory, products or services the same as or different from the products and services offered from your Commercial Security Business, and which are offered and distributed under marks the same as or different than the Trademarks.

Additionally, we or our affiliates have the right to sell and enter into agreements with National Accounts, both inside and outside your Protected Territory. If a National Account requests installation services inside your Protected Territory, we or our affiliate will provide you with the option to provide the installation services. We or our affiliate will bill the National Account. You must follow our policies and procedures as set forth in the Operations Manuals in connection with servicing a National Account, all of which we may amend from time to time. 30 days after we or our affiliate receive payment from the National Account you service we or our affiliate will pay you 100% of the Gross Billings, less the Royalty and Marketing and Advertising Fees you are required to pay to us on Gross Billings (See Sections 9.C and 9.D). If you choose not to provide the installation services for a National Account, we, our affiliate or any third party we designated (which may be another SECURITY 101 franchisee) will have the right to enter your Protected Territory and complete the installation services, without paying you any compensation. We reserve the right to require you to transfer a customer who was not initially a National Account but later qualifies as a National Account to us or our affiliate.

TRADEMARK STANDARDS AND REQUIREMENTS

3. You acknowledge and agree that the Trademarks are our property and we have licensed the use of the Trademarks to you and others. You further acknowledge that your right to use the Trademarks is specifically conditioned upon the following:

A. Trademark Ownership. The Trademarks are our valuable property, and we are the owner of all right, title and interest in and to the Trademarks and all past, present or future goodwill of the Commercial Security Business and of the business conducted at the Authorized Location that is associated with or attributable to the Trademarks. Your use of the Trademarks will inure to our benefit. You may not, during or after the term of this Agreement, engage in any conduct directly or indirectly that would infringe upon, harm or contest our rights in any of the Trademarks or the goodwill associated with the Trademarks, including any use of the Trademarks in a derogatory, negative, or other inappropriate manner in any media, including but not limited to print or electronic media.

B. Trademark Use. You may not use, or permit the use of, any trademarks, trade names or service marks in connection with the Commercial Security Business except those set forth in Schedule B or except as we otherwise direct in writing. You may use the Trademarks only in connection with such products and services as we specify and only in the form and manner we prescribe in writing. You must comply with all trademark, trade name and service mark notice marking requirements. You may use the Trademarks only in association with products and services approved by us and that meet our standards or requirements with respect to quality, production, installation and sale.

C. Business Identification. You must use the name SECURITY 101 as the trade name of the Commercial Security Business and you may not use any other mark or words to identify the Commercial Security Business without our prior written consent. You may not use the words “SECURITY 101” or any of the other Trademarks as part of the name of your corporation, partnership, limited liability company or other similar entity. You may use the Trademarks on various materials, such as business cards, stationery and checks, provided you (i) accurately depict the Trademarks on the materials as we describe, (ii) include a statement on the materials indicating that the business is independently owned and operated by you, (iii) do not use the Trademarks in connection with any other trademarks, trade names or service marks unless we specifically approve in writing prior to such use, and (iv) make available to us, upon our request, a copy of any materials depicting the Trademarks. You must post a prominent sign in the Commercial Security Business identifying you as a SECURITY 101 franchisee in a format we deem reasonably acceptable, including an acknowledgment that you independently own and operate the Commercial Security Business and that the SECURITY 101 Trademark is owned by us and your use is under a license we have issued to you.

D. Litigation. In the event any person or entity improperly uses or infringes the Trademarks or challenges your use or our use or ownership of the Trademarks, we will control all litigation and we have the right to determine whether suit will be instituted, prosecuted or settled, the terms of settlement and whether any other action will be taken. You must promptly notify us of any such use or infringement of which you are aware or any challenge or claim arising out of your use of any Trademark. You must take reasonable steps, without compensation, to assist us with any action we undertake. We will be responsible for our fees and expenses with any such action, unless the challenge or claim results from your misuse of the Trademarks in violation of this Agreement, in which case you must pay us for our costs and expenses.

E. Changes. You may not make any changes or substitutions to the Trademarks unless we direct in writing. We reserve the right to

change the Trademarks at any time. If we decide to change the Trademarks or determine that a trademark infringement action requires changes or substitutions to the Trademarks, we will reimburse you for your tangible costs of compliance that have been pre-approved by us in excess of \$5,000, but we will not reimburse you for any costs exceeding \$8,000.

F. Creative Works. All ideas, concepts, techniques, or materials concerning the SECURITY 101 commercial security business, whether or not protectable intellectual property and whether created by or for you or one of your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System, and works made-for-hire for us. To the extent any item does not qualify as a “work made-for-hire” for us, you must assign ownership of that item, and all related rights to that item, to us and must take whatever action (including signing an assignment agreement or other documents) we request to show our ownership or to help us obtain intellectual property rights in the item.

TERM AND RENEWAL

4. The following provisions control with respect to the term and renewal of this Agreement:

A. Term. The initial term of this Agreement is 10 years. The initial term commences upon the Effective Date (as defined in Section 16.Q) of this Agreement.

B. Renewal Term and Conditions of Renewal. You may renew your license for additional terms of 10 years, provided that with respect to the renewal: (i) you have given us written notice of your decision to renew at least 90 days but not more than 180 days prior to the end of the expiring term; (ii) you sign our then-current form of franchise agreement (modified to reflect that the agreement relates to the grant of a renewal), the terms of which may differ from this Agreement, including higher fees; (iii) you have complied with the provisions of subparagraph 5.E regarding modernization; (iv) you are not in default of this Agreement or any other agreement pertaining to the franchise granted, have satisfied all monetary and material obligations on a timely basis during the term and are in good standing; (v) if leasing the Commercial Security Business premises, you have renewed the lease and have provided written proof of your ability to remain in possession of the premises throughout the renewal period; (vi) you comply with our then-current training requirements; (vii) you pay us a renewal fee in the amount of 10% of our then-current initial franchise fee; and (viii) you and your guarantors execute a general release of claims in a form we prescribe.

C. Interim Period. If you do not exercise your right to renew this Franchise Agreement prior to the expiration of this Agreement and you continue to accept the benefits of this Agreement after the expiration of this Agreement, then at our option, this Agreement may be treated either as (i) expired as of the date of expiration with you then operating a franchise without the right to do so and in violation of our rights; or (ii) continued on a month-to-month basis (“Interim Period”) until one party provides the other with written notice of such party’s intent to terminate the Interim Period, in which case the Interim Period will terminate thirty (30) days after receipt of the notice to terminate the Interim Period. In the latter case, all of your obligations shall remain in full force and effect during the Interim Period as if this Agreement had not expired, and all obligations and restrictions imposed on you upon expiration of this Agreement shall be deemed to take effect upon termination of the Interim Period.

FACILITY STANDARDS AND MAINTENANCE

5. You acknowledge and agree that we have the right to establish, from time to time, quality standards regarding the business operations of SECURITY 101 commercial security businesses to protect the distinction, goodwill and uniformity symbolized by the Trademarks and the System. Accordingly, you agree to maintain and comply with our quality standards and agree to the following terms and conditions:

A. Business Facility; Lease. You are responsible for purchasing or leasing a site that meets our site selection guidelines. We must consent to the site in writing. We do not select the site for your Commercial Security Business, but we will provide you with our Site Selection and Build Out Manual and will assist you in selecting a site for your Commercial Security Business. We will provide you with site selection training over the telephone or you may visit us for a one-day class on site selection. We will notify you of our approval or disapproval of your proposed site within 20 days of your submission. You may not use the Commercial Security Business premises or Authorized Location for any purpose other than the operation of a SECURITY 101 Commercial Security Business during the term of this Agreement or any Interim Period. We make no guarantees concerning the success of the Commercial Security Business located at any site to which we consent.

You may not open your Commercial Security Business for business until we have consented to your opening date and have notified you in writing that you have satisfied your pre-opening obligations as set forth in subparagraphs 5.A and 5.B and we have approved your opening date. We are not responsible or liable for any of your pre-opening obligations, losses or expenses you might incur for your failure to comply with these obligations or your failure to open by a particular date. We also

are entitled to injunctive relief or specific performance under subparagraph 12.B for your failure to comply with your obligations.

In the event that you enter into any type of lease for the Commercial Security Business premises, you must execute with the landlord a copy of the Lease Addendum attached as Schedule C. You must provide us a signed copy of the lease and Lease Addendum within 5 days of their execution.

B. Construction; Future Alteration. You must construct and equip the Commercial Security Business in accordance with our current approved specifications and standards pertaining to equipment, inventory, signage, fixtures, accessory features and design and layout of the building. You may not commence construction of the Commercial Security Business until you have received our written consent to your building plans.

Any change to the building plans or any replacement, reconstruction, addition or modification in the building, interior or exterior decor or image, equipment or signage of the Commercial Security Business to be made after our consent is granted for the initial plans, whether at the request of you, us or a third party can be made only with our prior written consent. You may not commence such replacement, reconstruction, addition or modification until you have received our written consent to your revised plans.

C. Maintenance. The building, equipment, fixtures, furnishings, signage and trade dress (including the interior and exterior appearance) employed in the operation of your Commercial Security Business must be maintained and refreshed in accordance with our requirements established periodically.

D. Relocation. If you need to relocate your Commercial Security Business, we will grant you authority to do so at a site acceptable to us; provided that the relocation of your Commercial Security Business does not interrupt the services you provide to customers and the new location is not located in another franchisee's protected territory. You must pay the costs of any relocation, and we reserve the right to charge you for any reasonable costs that we incur.

You do not have the right to relocate in the event you lose the right to occupy the Commercial Security Business premises because of the cancellation of your lease due to your breach, rather the cancellation of your lease due to your breach is grounds for immediate termination under subparagraph 13.B.2.

E. Modernization or Replacement. From time to time as we require, you must effect items of modernization and/or replacement of the building, premises, trade dress, equipment and grounds as may be necessary for your Commercial Security Business to conform to the standards for similarly situated new SECURITY 101 commercial security businesses. Furthermore, in addition to performing general, continued maintenance and refreshing of the Commercial Security Business premises whenever necessary as set forth in subparagraph 5.C, you must effect any required expenditures for equipment or leasehold improvements necessary to prepare new product offerings. Each and every transfer of any interest in this Agreement or your business governed by Paragraph 11 or renewal covered by Paragraph 4 is expressly conditioned upon your compliance with these modernization or replacement requirements at the time of transfer or renewal.

You acknowledge and agree that the requirements of this subparagraph 5.E are both reasonable and necessary to ensure continued public acceptance and patronage of SECURITY 101 commercial security businesses and to avoid deterioration in connection with the operation of the Commercial Security Business. If you fail to make any improvement or perform the maintenance listed above, we may, in addition to our other rights in this Agreement, effect such improvement or maintenance and you must reimburse us for the costs we incur.

F. Signage. The outdoor signage at your Commercial Security Business must comply with our specifications as outlined in the operations manual, which we may modify and change from time to time due to modifications to the System, including changes to the Trademarks. You must make such changes to the outdoor signage as we require.

PRODUCTS AND OPERATIONS STANDARDS AND REQUIREMENTS

6. You must implement and abide by our requirements and recommendations directed to enhancing substantial System uniformity. The following provisions control with respect to products and operations:

A. Authorized Products and Supplies. You must use in the operation of the Commercial Security Business and in the offer and sale of the products and services we approve only the techniques, equipment, procedures and supplies we specify in writing. You acknowledge and agree that we may change any of our requirements periodically and that you are obligated to conform to the requirements. All customer service materials and promotional items of all descriptions and types must meet our standards of uniformity and quality. You acknowledge that the Commercial Security Business must at all times maintain an inventory of products, material and supplies that will permit operation of the Commercial Security Business at sufficient capacity.

B. Approved Supplies and Suppliers. We will furnish to you from time to time lists of approved supplies or approved suppliers. You must only use approved products, inventory, equipment, fixtures, furnishings, signs, advertising materials, and other items (collectively, “approved supplies”) in the Commercial Security Business as set forth in the approved supplies and approved suppliers lists, as we may amend from time to time. We will develop and research new products as we determine necessary. Although we do not do so for every item, we have the right to approve the supplier of approved supplies. You acknowledge and agree that certain approved supplies may only be available from one approved supplier source, and we or our affiliates may be that source. For example, you must obtain your computer management software (“101 Ware”) from our affiliate, 101 Ware, LLC. You will pay the then-current price in effect for approved product and supplies you purchase from us or our affiliates. All inventory, products, materials and other items and supplies used in the operation of the Commercial Security Business that are not included in the approved supplies or approved suppliers lists must conform to the specifications and standards we establish from time to time. **ALTHOUGH APPROVED BY US, WE AND OUR AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO PRODUCTS, EQUIPMENT (INCLUDING WITHOUT LIMITATION AND ANY REQUIRED COMPUTER SYSTEMS), SUPPLIES, FIXTURES, FURNISHINGS OR OTHER APPROVED ITEMS.**

C. Computer System. You must purchase a computer system, including all future updates, supplements and modifications (the “Computer System”) that meets our standards and requirements. The Computer System will be used to develop a database of your prospects and clients, schedule your appointments, generate bids and proposals, maintain communications over the Internet, and produce your accounting records. You will license 101 Ware from our affiliate and pay our affiliate a monthly software fee as described further in Section 9.B. You may be required to license additional proprietary software from us, an affiliate, or a third party and you also may be required to pay an additional software licensing or user fee in connection with your use of the proprietary software. All right, title and interest in the software will remain with the licensor of the software. You shall not use or download any software on your computer unless it has been authorized by us in writing. In the event that you use or download any unauthorized software, you shall be liable for all damages and problems caused by the unauthorized software in addition to the other remedies provided under this Agreement. You acknowledge and agree that we will have full and complete access to the information and data entered and produced by the Computer System. You must have at the Authorized Location Internet access with a form of high speed connection as we require and you must maintain a separate email

account for the Commercial Security Business. It is your responsibility to make sure that you are in compliance with all laws that are applicable to the Computer System or other technology used in the operation of your Commercial Security Business, including all data protection or security laws as well as payment card industry compliance.

D. Promotional Items. All sales promotion materials, customer goodwill items and signage used in the sales promotion, sale and distribution of products or services covered by this Agreement are subject to our approval and must, where practicable, contain one or more of the Trademarks. You must purchase these items from our approved suppliers, as outlined in the operations manual.

E. Evaluations. We or our authorized representative have the right to enter your Commercial Security Business at all reasonable times during the business day for the purpose of making periodic evaluations and to ascertain if the provisions of this Agreement are being observed by you, to inspect and evaluate your building, land and equipment, and to test, sample, inspect and evaluate your supplies and products. Any failure of an inspection is a default under Section 13.A of this Agreement. Further, if we determine that any condition in the Commercial Security Business presents a threat to customers or public health or safety, we may take whatever measures we deem necessary, including requiring you to immediately close the Commercial Security Business until the situation is remedied to our satisfaction. Our inspections and evaluations may include a “mystery shopper” program from time to time. If you fail any inspection or evaluation, you must pay the costs and expenses of subsequent “mystery shopper” visits. Any evaluation or inspection we conduct is not intended to exercise, and does not constitute, control over your day-to-day operation of the Commercial Security Business or to assume any responsibility for your obligations under this Agreement.

F. Period of Operation. Subject to any contrary requirements of local law, your Commercial Security Business must be open to the public and operating during the days and times set forth in the Operations Manuals. You acknowledge and agree that if your Commercial Security Business is closed for a period of more than 14 consecutive days in any 12-month period without our prior written consent, such closure constitutes your voluntary abandonment of the franchise and business and we have the right, in addition to other remedies provided for herein, to terminate this Agreement. Acts of God, war, strikes, riots or other force majeure cause preventing you temporarily from complying with the foregoing will suspend compliance for the duration of such interference.

G. Operating Procedures. We will lend you a copy of our Operations Manuals. You must adopt and use as your continuing operational routine the required standards, service style, procedures,

techniques and management systems described in our Operations Manuals or other written materials relating to product installation, uniforms, financial management, equipment and facility requirements. We will revise the Operations Manuals and these standards, procedures, techniques and management systems periodically to meet changing conditions in the best interest of the commercial security businesses operating under the Trademarks. Any required standards exist to protect our interests in the System and the Trademarks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you.

The Operations Manuals also will include guidelines or recommendations in addition to required standards. In some instances, the required standards will include recommendations or guidelines to meet the required standards. You may follow the recommendations or guidelines or some other suitable alternative, provided you meet and comply with the required standards. In other instances, no suitable alternative may exist. In order to protect our interests in the System and Trademarks, we reserve the right to determine if you are meeting a required standard and whether an alternative is suitable to any recommendations or guidelines.

You acknowledge having received one copy of the Operations Manuals on loan from us for the term of this Agreement. The Operations Manuals are at all times our sole property. You must at all times treat the Operations Manuals, and the information they contain, as secret and confidential, and must use all reasonable efforts to maintain such information as secret and confidential. We may from time to time revise the contents of the Operations Manuals and you expressly agree to comply with each new or changed requirement. You must at all times ensure that your copy of the Operations Manuals is kept current and up to date, and in the event of any dispute as to the contents of said Operations Manuals, the terms of the master copy of the Operations Manuals that we maintain are controlling. We will notify you of any updates or modifications to the Operations Manuals and you acknowledge and agree that in the future the Operations Manuals and other system communications may only be available on the Internet or other online or computer communications.

H. Confidential Information. You and your manager may not, during the term of this Agreement or thereafter, communicate, divulge or use for the benefit of any other person or entity any Confidential Information, except to such employees as must have access to it in order to operate the Commercial Security Business. For purposes of this Agreement, "Confidential Information" means proprietary information contained in the Operations Manuals or otherwise communicated to you in writing, verbally or through the Internet or other online or computer communications, any sales techniques and installation procedures and processes and any other knowledge or know-how concerning the methods of operation of the Commercial Security Business. Any and all

Confidential Information, including, without limitation, Customer Information (as defined below), methods, procedures, suggested pricing, specifications, processes, materials, techniques and other data, may not be used for any purpose other than operating the Commercial Security Business. We may require that you obtain nondisclosure and confidentiality agreements in a form satisfactory to us from any persons owning a minority interest in the franchisee, your manager and other key employees. You must provide executed copies of these agreements to us upon our request.

I. Compliance with Law; Licenses and Permits. You must at all times maintain your premises and conduct your Commercial Security Business operations in compliance with all applicable laws, regulations, codes and ordinances. You must secure and maintain in force all required licenses, permits and certificates relating to your Commercial Security Business.

You acknowledge that you are an independent business and responsible for control and management of your Commercial Security Business, including, but not limited to, the hiring and discharging of your employees and setting and paying wages and benefits of your employees. No employee of yours will be deemed to be an employee of ours for any purpose whatsoever, and nothing in any aspect of the System or the Trademarks in any way shifts any employee or employment related responsibility from you to us. You acknowledge that we have no power, responsibility or liability in respect to the hiring, discharging, setting and paying of wages or related matters.

You acknowledge that as between us and you, you are solely responsible for the safety and well-being of your employees and the customers of your Commercial Security Business.

You must immediately notify us in writing of any claim, litigation or proceeding that arises from or affects the operation or financial condition of your Commercial Security Business.

J. Participation in Internet Websites or Other Online Communications. We may require you, at your expense, to participate in our SECURITY 101 website on the Internet, our intranet or extranet system or other online communications as we may require. We have the right to determine the content and use of our website and intranet or extranet system and will establish the rules under which franchisees may or must participate. We will post your Commercial Security Business's contact information on our website. You may not separately register any domain name containing any of the Trademarks or operate a website for your Commercial Security Business. We reserve the right to establish rules, procedures and policies relating to any website you create for the

operation of your Commercial Security Business. We may immediately terminate this Agreement if you register any domain name containing any of the Trademarks. We retain all rights relating to our website and intranet system and may alter or terminate our website, extranet system or intranet system. Your general conduct on our website and intranet or extranet system or other online communications and specifically your use of the Trademarks or any advertising is subject to the provisions of this Agreement. You acknowledge that certain information related to your participation in our website, extranet system or intranet system may be considered Confidential Information, including access codes and identification codes. Your right to participate in our website and intranet or extranet system, or otherwise use the Trademarks or System on the Internet or other online communications, will terminate when this Agreement expires or terminates.

K. System Modifications. You acknowledge and agree that we have the right to modify, add to or rescind any requirement, standard or specification that we prescribe under this Agreement to adapt the System to changing conditions, competitive circumstances, business strategies, business practices and technological innovations and other changes as we deem appropriate. You must comply with these modifications, additions or rescissions at your expense, subject to the requirements of subparagraph 5.E and any other express limitations set forth in this Agreement.

L. Pricing of Products and Services. You generally have the right to establish prices for the products and services you sell, except for National Accounts and the prices we establish for National Accounts. We may, from time to time, suggest prices for the products and services. We do, however, have the right to modify our System Standards to give us the right to establish prices, both minimum and maximum. Any such modification will be in writing. Unless we so modify our System Standards, any list or schedule of prices we furnish to you is a recommendation only and any decision you make to accept or reject the suggestion will not affect the relationship between us.

K. Customer Information. You may only use Customer Information (as defined below) to the extent necessary to perform your obligations under this Agreement during the term hereof and subject to such restrictions as we may from time to time impose and in compliance with all data privacy, security and other applicable laws. "Customer Information" means any contact information (including name, address, phone and fax numbers, and e-mail addresses), sales and payment history, and all other information about any customer. We own all Customer Information and may use the Consumer Information as we deem appropriate, including sharing it with our affiliates.

Without limiting the foregoing, you agree to comply with applicable law in connection with your collection, storage and your use and our use of such Customer Information, including, if required under applicable law, obtaining consents from customers to our and our affiliates' use of the Customer Information. You must comply with all laws and regulations relating to data protection, privacy and security, including data breach response requirements ("Privacy Laws"), as well as data privacy and security policies, procedures and other requirements We may periodically establish. You must notify us immediately of any suspected data breach at or in connection with the Commercial Security Business or the business operated at the Commercial Security Business. You must fully cooperate with us and our counsel in determining the most effective way to meet our standards and policies pertaining to Privacy Laws within the bounds of applicable law. You are responsible for any financial losses you incur or remedial actions that you must take as a result of breach of security or unauthorized access to Customer Information in your control or possession.

PERSONNEL AND SUPERVISION STANDARDS

7. The following provisions and conditions control with respect to personnel, training and supervision:

A. Supervision. You may hire a manager to assist you in managing the day-to-day operations of the Commercial Security Business. Any manager you may hire need not have any interest in Franchisee. The use of a manager in no way relieves you of your obligations to comply with this Agreement and to ensure that the Commercial Security Business is properly operated.

B. Training. You must comply with all of the training requirements we prescribe for the Commercial Security Business to be developed under this Agreement. You (or if Franchisee is a legal entity, one of your owners) or any general manager that will oversee the day-to-day operations of your Commercial Security Business must attend our initial training program and complete the training program to our satisfaction within 30 days of hire or engagement. We will not charge you a fee for up to two persons to attend our initial training program. You, however, are responsible for paying all costs and expenses, including hotel and transportation costs, for these 2 people to attend our initial training program. If you would like us to train more than the 2 people noted above, or if it becomes necessary to re-train a certain individual, we will charge you our then-current training fee. You also will be responsible for paying all costs and other daily expenses for any additional person who attends our initial training program. The training requirements may vary depending on your experience and the experience of any manager you hire or other factors specific to the Commercial Security Business. In the

event you are given notice of default as set forth in subparagraphs 13.A or 13.B and the default relates, in whole or in part, to your failure to meet any operational standards, we have the right to require as a condition of curing the default that you and your manager, at your expense, comply with the additional training requirements we prescribe. Any new manager you hire must comply with our training requirements within a reasonable time as we specify. The training of new managers generally occurs at one of our corporate training facility located in West Palm Beach, Florida, but we may schedule your training at another site. Under no circumstances may you permit management of the Commercial Security Business's operations on a regular basis by a person who has not successfully completed to our reasonable satisfaction all applicable training we require.

C. Ongoing Training. We may require you, your manager and other key employees of the Commercial Security Business to attend ongoing training at our training facility, the Authorized Location or other location we designate. If you request training in addition to the initial training program identified above, you must pay to us our then-current daily training fee, plus expenses. We will provide you with telephone assistance and support regarding the operation of your Commercial Security Business. We also will provide you with ongoing training and assistance with respect to any new products, services or developments relating to the operation of your Commercial Security Business. Any training provided by us to any of your workers will be limited to training or guidance regarding the delivery of approved services to clients in a manner that reflects the customer and client service standards of the System. You are, and will remain, the sole employer of your employees at all times, including during all training programs, and you are solely responsible for all employment decisions and actions related to your workers. You are solely responsible for ensuring that your workers receive adequate training.

D. Staffing. You will employ a sufficient number of competent and trained employees to ensure efficient service to your customers. No employee of yours will be deemed to be an employee of ours for any purpose whatsoever.

E. Attendance at Meetings. You must attend, at your expense, all annual franchise conventions we may hold or sponsor and all meetings relating to new products, new operational procedures or programs, training, business management, sales or sales promotion, or similar topics, including any systemwide teleconferences or web-conferences. We reserve the right to charge you a fee to attend any annual franchise conventions, meetings, programs or other trainings we require. If you are not able to attend a meeting or convention, you must so notify us prior to the meeting and must have a substitute person acceptable to us attend the meeting.

MARKETING

8. You agree to actively promote your Commercial Security Business, to abide by all of our advertising requirements and to comply with the following provisions:

A. Advertising Fund. Upon receiving 90 days advance written notice from us, you must pay to us a Marketing and Advertising Fee as set forth in subparagraph 9.D. All Marketing and Advertising Fees will be placed in an Advertising Fund that we own and manage. On behalf of our company and affiliate owned commercial security businesses, we will pay the same Marketing and Advertising Fee as similarly situated franchised commercial security businesses (based on age and type of location) in the same local marketing area. The Advertising Fund is not a trust or escrow account, and we have no fiduciary obligation to franchisees with respect to the Advertising Fund; provided, however, we will make a good faith effort to expend such fees in a manner that we determine is in the general best interests of the System. We have the right to determine the expenditures of the amounts collected and the methods of marketing, advertising, media employed and contents, terms and conditions of marketing campaigns and promotional programs. Because of the methods used, we are not required to spend a prorated amount on each commercial security business or in each advertising market. We have the right to make disbursements from the Advertising Fund for expenses incurred in connection with the cost of formulating, developing and implementing marketing, advertising and promotional campaigns. The disbursements may include payments to us for the expense of administering the Advertising Fund, including accounting expenses and salaries and benefits paid to our employees engaged in the advertising functions. If requested, we will provide you an annual unaudited statement of the financial condition of the Advertising Fund.

B. Required Local Expenditures, Approved Materials. You must use your best efforts to promote and advertise your Commercial Security Business and participate in any local marketing and promotional programs we establish from time to time. In addition to the Marketing and Advertising Fee, you must spend at least 2% of your monthly Gross Billings on approved local marketing and promotion in your own market. Upon our request you must provide us with itemization and proof of marketing and an accounting of the monies that you have spent for approved local marketing. If you fail to make the required expenditure, we have the right to collect and contribute the deficiency to the Advertising Fund (once established). You must use only such marketing materials as we furnish, approve or make available, and the materials must be used only in a manner that we prescribe. We may, from time-to-time, provide sample advertising and marketing materials for your use and we reserve the right to charge you a fee for any additional copies of these

advertising and marketing materials that you request. Furthermore, any promotional activities you conduct in the Commercial Security Business or on its premises are subject to our approval. We will not unreasonably withhold approval of any sales promotion materials and activities; provided that they are current, in good condition, in good taste and accurately depict the Trademarks.

C. Gift Cards, Certificates and Checks. You may be required to use and honor only system-wide gift cards, certificates and checks that we designate. Furthermore, you may be required to obtain all certificates, cards or checks from an approved supplier

FEES, REPORTING AND AUDIT RIGHTS

9. You must pay the fees described below and comply with the following provisions:

A. Initial Franchise Fee. You must pay to us an Initial Franchise Fee of \$59,500. The Initial Franchise Fee must be paid at the time this Agreement is signed. The Initial Franchise Fee is earned upon receipt and is nonrefundable.

We reserve the right to waive payment of the Initial Franchise Fee for any second or subsequent franchises sold to our first sixteen (16) SECURITY 101 franchisees. This waiver will be granted based on the availability of suitable territory; our review of the financial and management capabilities of franchisee; and our evaluation that the franchisee's existing commercial security business is in full compliance with the franchise agreement.

B. Management Software Fee. For each Commercial Security Business you operate, you must license 101 Ware from our affiliate, 101 Ware, LLC. You will pay 101 Ware, LLC a \$500 per month Software Fee for each Commercial Security Business your operate. The Software Fee will be due on the last business day of each month after you open your Commercial Security Business.

C. Royalty. In addition to the Initial Franchise Fee, during the full term of this Agreement, or any Interim Period, and in consideration of the rights granted to you, you must pay to us a monthly Royalty Fee (the "Monthly Royalty Fee") calculated as follows:

Monthly Gross Billings	Royalty Calculation
For your first \$0 to \$166,667 of Gross Billings	6%
For your next \$166,668 to \$333,334 of Gross Billings	5%
For any remaining Gross Billings of \$333,335 or more	4%

The Monthly Royalty Report is due on the last day of the month which details all job invoicing for the month. The Monthly Royalty Fee is due 60 days following the Monthly Royalty Report.

Beginning on the 13th month following the opening date of your Commercial Security Business, a minimum monthly royalty obligation (the “Monthly Minimum Payment”) will commence. The amount of your Monthly Minimum Payment will depend on whether your Protected Territory is designated as an “A,” “B” or “C” market. If your Monthly Royalty Fee is less than the Monthly Minimum Payment noted below, we will have the right to withdraw from your bank account an amount equal to the greater of the Monthly Minimum Payment as outlined in the table below and the actual Monthly Royalty Fee you paid.

Market Type	Monthly Minimum Payment
“A”	\$8,000
“B”	\$4,000
“C”	\$2,000

D. Marketing Fee. Upon 90 days advance written notice from us, you must begin paying to us a monthly Marketing and Advertising Fee in an amount up to 0.5% of Gross Billings. The fees are not held by us in trust and become our property to be spent in accordance with Paragraph 8 of this Agreement.

E. Cross Sales Fee. If you are the Originating Franchisee of a Cross Sale, you must complete a proposal for the project, including a detailed description of the installation and estimated cost and contact the Local Business for approval. Upon receipt the Local Business will review the proposal and, if agreeable to the installation, accept and approve the proposal. The Local Business will perform the installation and the Originating Franchisee will bill the customer. The Local Business will receive its portion of the Cross Sale on the last business day of the month in which the Cross Sale installation is complete. If you are the Originating Franchisee of a Cross Sale, you must pay the Local Business 70% of the total Gross Billings of the Cross Sale (“Cross Sale Percentage”). The

Local Business will not pay any Royalty Fees or Marketing and Advertising Fees on a Cross Sale. The Originating Franchisee will pay us Royalty Fees and Marketing and Advertising Fees on the total Gross Billings of the Cross Sale consistent with Sections 9.C and 9.D above. We reserve the right to change the 70% Cross Sale Percentage at any time on 60 days' advance written notice.

F. National Accounts. If a National Account requests installation services inside your Protected Territory, we or our affiliate will provide you with the option to provide the installation services. You must comply with our policies and procedures regarding National Accounts as set forth in the Operations Manuals, all of which we may modify from time to time. We or our affiliate will bill the National Account. 30 days after we or our affiliate receive payment from the National Account, we or our affiliate will pay you 100% of the Gross Billings for the National Account, less Royalty Fees and Marketing and Advertising Fees consistent with Section 9.C and 9.D above. If you choose not to provide the installation services for a National Account, we, our affiliate or a third party we designate (which may be another SECURITY 101 franchisee) will have the right to enter your Protected Territory and complete the installation services, without paying you any compensation.

G. Computations and Remittances. Except for the Initial Franchise Fee, you must compute all amounts due and owing on Gross Billings within 10 days after the end of each month and remit payment to us for these amounts on or before the last business day of the third month following the month in which the job is billed. You must certify the computation of the amounts in the manner and form we specify, and you must supply to us any supporting or supplementary materials as we reasonably require to verify the accuracy of remittances. You waive any and all existing and future claims and offsets against any amounts due under this Agreement, which amounts you must pay when due. We have the right to apply or cause to be applied against amounts due to us or any of our affiliates any amounts that we or our affiliates may hold from time to time on your behalf or that we or our affiliates owe to you.

H. Electronic Transfer of Funds. You must sign an electronic transfer of funds authorization, attached as Schedule D, to authorize and direct your bank or financial institution to transfer electronically, on the last business day of each month, directly to our account or our affiliate's account and to charge to your account all amounts due to us or our affiliates. You must maintain a balance in your account sufficient to allow us and our affiliates to collect the amounts owed when due. You are responsible for any penalties, fines or other similar expenses associated with the transfer of funds described in this subparagraph.

I. Interest Charges; Late Fees. Any and all amounts that you owe to us or our affiliates will bear interest at the rate of 18% per annum or the maximum contract rate of interest permitted by governing law, whichever is less, from and after the date of accrual. In addition to interest charges on late Royalty Fee and Marketing and Advertising Fee payments, you must pay to us a service charge of \$50 for each delinquent report or payment that you owe to us under this Agreement. A payment is delinquent for any of the following reasons: (i) we do not receive the payment on or before the date due; or (ii) there are insufficient funds in your bank account to collect the payment by a transfer of funds on or after the date due. The service charge is not interest or a penalty, it is only to compensate us for increased administrative and management costs due to late payment.

J. Financial Planning and Management. You must keep books and records and submit reports as we periodically require, including but not limited to a monthly profit plan, monthly balance sheet and monthly statement of profit and loss, records of prices and special sales, check registers, purchase records, invoices, sales summaries and inventories, sales tax records and returns, payroll records, cash disbursement journals and general ledgers, all of which accurately reflect the operations and condition of your Commercial Security Business operations. You must compile, keep and submit to us the books, records and reports to us on the forms and using the methods of bookkeeping and accounting as we periodically may prescribe. The records that you are required to keep for your Commercial Security Business must include detailed daily sales, cost of sales, and other relevant records or information maintained in an electronic media format and methodology we approve. You must provide this information to us according to reporting formats, methodologies and time schedules that we establish from time to time. You also must preserve and retain the books, records and reports for not less than 36 months. You must allow us electronic and manual access to any and all records relating to your Commercial Security Business.

K. Reports and Audit. Within 10 days after the end of each month, you must submit to us a report of your Gross Billings with respect to the preceding month in the form and content as we periodically prescribe. The report must include, but not be limited to, the following information for the preceding month: (i) amount of Gross Billings and gross receipts of the Commercial Security Business, amount of sales tax and the computation of the Royalty and the Marketing and Advertising Fee; (ii) quantities of products and services purchased and the sources from which each were obtained; (iii) copies of your most recent sales tax return, sales summary and balance sheet and statement of profit and loss, including a summary of your costs for utilities, labor, rent and other material cost items (iv) if requested by us to verify your Gross Billings, all such books and records as we may require under our audit policies

published from time to time. You also must, at your expense, submit to us within 90 days after the end of each fiscal year a detailed balance sheet, profit and loss statement and statement of cash flows for such fiscal year. We may require that the annual financial statements be reviewed by a certified public accountant. You must certify all reports to be true and correct. You acknowledge and agree that we have the right to impose these requirements on you regardless of whether we impose the same requirement on our other franchisees.

We or our authorized representative have the right at all times during the business day to enter the premises where your books and records relative to the Commercial Security Business are kept and to evaluate, copy and audit such books and records. We also have the right to request information from your suppliers and vendors. In the event that any such evaluation or audit reveals an understatement of 3% or more of your Gross Billings, you must pay for the audit, and in addition to any other rights we may have, we have the right to conduct further periodic audits and evaluations of your books and records as we reasonably deem necessary for up to 2 years thereafter and any further audits and evaluations will be at your sole expense, including, without limitation, professional fees, travel, and room and board expenses directly related thereto. Furthermore, if you intentionally understate or underreport Gross Billings at any time, or if a subsequent audit or evaluation conducted within the 2-year period reveals any understatement of your Gross Billings of 3% or more, in addition to any other remedies provided for in this Agreement, at law or in equity, we have the right to terminate this Agreement immediately. In order to verify the information that you supply, we have the right to reconstruct your sales through the inventory extension method or any other reasonable method of analyzing and reconstructing sales. You agree to accept any such reconstruction of sales unless you provide evidence in a form satisfactory to us of your sales within a period of 14 days from the date of notice of understatement or variance.

We will keep your financial books, records and reports confidential, unless the information is requested by tax authorities or used as part of a legal proceeding or in a manner as set forth in subparagraph 11.D.8 or where your information is grouped with similar information from other commercial security businesses to produce shared results like high-low ranges or average gross sales or expenses on a system-wide or regional basis.

YOUR OTHER OBLIGATIONS; NONCOMPETE COVENANTS

10. You agree to comply with the following terms and conditions:

A. Payment of Debts. You agree to pay promptly when due: (i) all payments, obligations, assessments and taxes due and payable to us and our affiliates, vendors, suppliers, lessors, federal, state or local governments, or creditors in connection with your business; (ii) all liens and encumbrances of every kind and character created or placed upon or against any of the property used in connection with the Commercial Security Business or business; and (iii) all accounts and other indebtedness of every kind incurred by you in the conduct of the Commercial Security Business or business. In the event you default in making any such payment, we are authorized, but not required, to pay the same on your behalf and you agree promptly to reimburse us on demand for any such payment.

You also will pay all state and local taxes, including, without limitation, taxes denominated as income or franchise taxes, that may be imposed on us as the result of our receipt or accrual of the Initial Franchise Fee, the Royalty Fee, the Marketing and Advertising Fees, or other fees that are referenced in this Agreement, whether assessed against you through withholding or other means or whether paid by us directly. In either case, you shall pay us (and to the appropriate governmental authority) such additional amounts as are necessary to provide us, after taking such taxes into account (including any additional taxes imposed on such additional amounts), with the same amounts that we would have received or accrued had such withholding or other payment, whether by you or by us, not been required.

B. Indemnification. You waive all claims against us for damages to property or injuries to persons arising out of the operation of your Commercial Security Business. You must fully protect, indemnify and hold us and our owners, directors, officers, successors and assigns and our affiliates harmless from and against any and all claims, demands, damages and liabilities of any nature whatsoever arising in any manner, directly or indirectly, out of or in connection with or incidental to the operation of your Commercial Security Business (regardless of cause or any concurrent or contributing fault or negligence of us or our affiliates) or any breach by you or your failure to comply with the terms and conditions of this Agreement. We also reserve the right to select our own legal counsel to represent our interests, and you must reimburse us for our costs and attorneys' fees immediately upon our request as they are incurred.

It is the intention of the parties to this Agreement that we shall not be deemed a joint employer with you for any reason; however, if we incur any cost, liability, loss or damage as a result of any actions or omissions of

you or your employees, including any that relate to any party making a finding of any joint employer status, you will fully indemnify us for any such cost, liability, loss and damage.

We waive all claims against you for damages to property or injuries to persons arising out of the operation of our company or affiliate owned commercial security businesses. We must fully protect, indemnify and defend you and your affiliates and hold you and them harmless from and against any and all claims, demands, damages and liabilities of any nature whatsoever arising in any manner, directly or indirectly, out of or in connection with or incidental to the operation of our company or affiliate owned commercial security businesses (regardless of cause or any concurrent or contributing fault or negligence of you) or any breach by us or our failure to comply with the terms and conditions of this Agreement.

C. Insurance. You must purchase and maintain in full force and effect, at your expense and from a company we accept, insurance that insures both you and us, our affiliates, and any other persons we designate by name. The insurance policies must include, at a minimum: (i) commercial general liability insurance covering claims for personal injuries and property damage with minimum limits of \$1,000,000 per occurrence, \$2,000,000 general aggregate, \$2,000,000 products/completed operations aggregate, and \$1,000,000 for Errors and Omissions; (ii) coverage for property and fire legal liability with minimum limits of \$50,000 and medical expense of at least \$5,000; (iii) workers' compensation and employers liability insurance with minimum limits of \$500,000 for bodily injury caused by accident or disease, or the minimum required by state law (whichever is greater) (iv) business interruption insurance covering a minimum 12 months loss of income, including coverage for our Royalty Fees with us named as a loss payee with respect to those fees; (v) vehicle liability for owner, leased, hired and non-owned vehicles with minimum limits of \$1,000,000 combined single limit for bodily injury and property damage per occurrence; (vi) "Per Location" aggregate limits when multiple business locations are insured under one comprehensive general liability policy; (vii) umbrella liability insurance with minimum limits of \$1,000,000; (viii) Security Franchisors, LLC and our affiliates named as additional insureds on all liability policies required by this subparagraph; and (ix) any other such insurance coverages or amounts as required by law or other agreement related to the Commercial Security Business.

The required insurance coverage must commence as of the date the building lease or building purchase agreement has been signed for your Authorized Location. You must deliver to us at commencement and annually or at our request a proper certificate evidencing the existence of such insurance coverage and your compliance with the provisions of this subparagraph. The insurance certificate must show our status as an

additional insured (as noted in (viii) above) and provide that we will be given 30 days' prior written notice of material change in or termination or cancellation of the policy. We also may request copies of all policies. We may modify the required minimum limits from time to time and by written notice to you, as conditions require, to reflect changes in relevant circumstances, industry standards, experiences in the SECURITY 101 system, standards of liability and higher damage awards. If you do not procure and maintain the insurance coverage required by this Agreement, we have the right, but not the obligation, to procure insurance coverage and to charge the same to you, together with a reasonable fee for the expenses we incur in doing so, payable by you immediately upon notice.

D. Noncompete Covenants. You agree that you will receive valuable training and Confidential Information that you otherwise would not receive or have access to but for the rights licensed to you under this Agreement. You therefore agree to the following noncompetition covenants:

1. Unless otherwise specified, the term "you" as used in this subparagraph 10.D includes, collectively and individually, all guarantors, officers, directors, members, managers, partners, as the case may be, and holders of any ownership interest in you. We may require you to obtain from your manager and other individuals identified in the preceding sentence a signed non-compete agreement in a form satisfactory to us that contains the non-compete provisions of this subparagraph 10.D.

2. You covenant that during the term of this Agreement, or during any Interim Period, you will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, own, manage, operate, maintain, engage in, consult with or have any interest in any Competitive Business (as defined below) other than one authorized by this Agreement or any other agreement between us and you.

3. You covenant that you will not, for a period of two years after the expiration or termination of this Agreement, or after the expiration of any Interim Period, regardless of the cause of termination, or within two years of the sale of the Commercial Security Business or any interest in you, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, own, manage, operate, maintain, engage in, consult with or have any interest in a Competitive Business (as defined below):

- a. At the premises of the former Commercial Security Business;

- b. Within a 50-mile radius of the outer boundary of the Protected Territory; or
- c. Inside the protected territory of another SECURITY 101 business, whether franchised or owned by us or our affiliates.

For purposes of this Section 10.D, a “Competitive Business” includes any business where 10% or more of its sales include the sale of commercial security products or services.

4. You agree that the length of time in subpart (3) will be tolled for any period during which you are in breach of the covenants or any other period during which we seek to enforce this Agreement. The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement.

TRANSFER OF FRANCHISE

11. You agree that the following provisions govern any transfer or proposed transfer:

A. Transfers. We have entered into this Agreement with specific reliance upon your financial qualifications, experience, skills and managerial qualifications as being essential to the satisfactory operation of the Commercial Security Business. Consequently, neither your interest in this Agreement nor in the Commercial Security Business may be transferred or assigned to or assumed by any other person or entity (the “assignee”), in whole or in part, unless you have first tendered to us the right of first refusal to acquire this Agreement in accordance with subparagraph 11.F, and if we do not exercise such right, unless our prior written consent is obtained, the transfer fee provided for in subparagraph 11.C is paid, and the transfer conditions described in subparagraph 11.D are satisfied. Any sale (including installment sale), lease, pledge, management agreement, contract for deed, option agreement, assignment, bequest, gift or otherwise, or any arrangement pursuant to which you turn over all or part of the daily operation of the business to a person or entity who shares in the losses or profits of the business in a manner other than as an employee will be considered a transfer for purposes of this Agreement. Specifically, but without limiting the generality of the foregoing, the following events constitute a transfer and you must comply with the right of first refusal, consent, transfer fee, and other transfer conditions in this Paragraph 11:

- 1. Any 20% or more change in the ownership percentage of the franchisee entity; or

2. Any change in the general partner of a franchisee that is a general, limited or other partnership entity.

In the event of your insolvency or the filing of any petition by or against you under any provisions of any bankruptcy or insolvency law, if your legal representative, successor, receiver or trustee desires to succeed to your interest in this Agreement or the business conducted hereunder, such person first must notify us, tender the right of first refusal provided for in subparagraph 11.F, and if we do not exercise such right, must apply for and obtain our consent to the transfer, pay the transfer fee provided for in subparagraph 11.C, and satisfy the transfer conditions described in subparagraph 11.D. In addition, you or the assignee must pay the attorneys' fees and costs that we incur in any bankruptcy or insolvency proceeding pertaining to you.

You may not place in, on or upon the location of the Commercial Security Business, or in any communication media or any form of advertising, any information relating to the sale of the Commercial Security Business or the rights under this Agreement, without our prior written consent.

B. Consent to Transfer. We will not unreasonably withhold our consent to transfer, provided we determine that all of the conditions described in this Paragraph 11 have been satisfied. Application for our consent to a transfer and tender of the right of first refusal provided for in subparagraph 11.F must be made by submission on our form of application for consent to transfer, which must be accompanied by the documents (including a copy of the proposed purchase or other transfer agreement) or other required information. The application must indicate whether you or an owner proposes to retain a security interest in the property to be transferred. No security interest may be retained or created, however, without our prior written consent and except upon conditions acceptable to us. Any agreement used in connection with a transfer shall be subject to our prior written approval, which approval will not be withheld unreasonably. You immediately must notify us of any proposed transfer and must submit promptly to us the application for consent to transfer. Any attempted transfer by you without our prior written consent or otherwise not in compliance with the terms of this Agreement will be void and will provide us with the right to elect either to default and terminate this Agreement or to collect from you and the guarantors a transfer fee equal to two times the transfer fee provided for in subparagraph 11.C.

C. Transfer Fee. You must pay to us a transfer fee in the amount of 25% of our then-current initial franchise fee. The transfer fee is nonrefundable even if, for any reason, the proposed transfer does not occur.

D. Conditions of Transfer. We condition our consent to any proposed transfer, whether to an individual, a corporation, a partnership or any other entity upon the following:

1. Assignee Requirements. The assignee must meet all of our then-current requirements for our SECURITY 101 franchise program we are offering at the time of the proposed transfer and sign our then-current form of franchise agreement, modified to reflect the term remaining under this Agreement.

2. Payment of Amounts Owed. All amounts owed by you to us, or any of our affiliates, your suppliers or any landlord for the Commercial Security Business premises and Authorized Location, or upon which we or our affiliates have any contingent liability, must be paid in full.

3. Reports. You must have provided all required reports to us in accordance with subparagraphs 9.H and I.

4. Modernization. You must have complied with the provisions of subparagraph 5.E.

5. Guarantee. In the case of an installment sale for which we have consented to you or any owner retaining a security interest or other financial interest in this Agreement or the business operated thereunder, you or such owner, and the guarantors, are obligated to guarantee the performance under this Agreement until the final close of the installment sale or the termination of such interest, as the case may be.

6. General Release. You and each guarantor must sign a general release of all claims arising out of or relating to this Agreement, your Commercial Security Business or the parties' business relationship, in the form we designate, releasing us and our affiliates.

7. Training. The assignee must, at your or assignee's expense, comply with the training requirements of subparagraph 8.B.

8. Financial Reports and Data. We have the right to require you to prepare and furnish to assignee and/or us such financial reports and other data relating to the Commercial Security Business and its operations as we deem reasonably necessary or appropriate for assignee and/or us to evaluate the Commercial Security Business and the proposed transfer. You agree that we have the right to confer with proposed assignees and furnish them with information concerning the Commercial

Security Business and proposed transfer without being held liable to you, except for intentional misstatements made to an assignee. Any information furnished by us to proposed assignees is for the sole purpose of permitting the assignees to evaluate the Commercial Security Business and proposed transfer and must not be construed in any manner or form whatsoever as earnings claims or claims of success or failure.

9. Other Conditions. You must have complied with any other conditions that we reasonably require from time to time as part of our transfer policies.

E. Death, Disability or Incapacity. If the event of a death, disability or incapacity of Franchisee (or, if Franchisee is a legal entity of Franchisee's principal owner) and the decedent's or disabled or incapacitated person's heir or successor-in-interest wishes to continue as the Franchisee or the principal owner of Franchisee, such person or entity must apply for our consent under subparagraph 11.B, pay the applicable transfer fee under subparagraph 11.C, and satisfy the transfer conditions under subparagraph 11.D, as in any other case of a proposed transfer, all within 120 days of the death or event of disability or incapacity. During any transition period to an heir or successor-in-interest, the Commercial Security Business still must be operated in accordance with the terms and conditions of this Agreement. If the assignee of the decedent or disabled or incapacitated person is the spouse or child of such person, no transfer fee will be payable to us and we will not have a right of first refusal as set forth in subparagraph 11.F.

F. Right of First Refusal. If you propose to transfer or assign this Agreement or your interest herein or in the business, in whole or in part, to any third party, including, without limitation, any transfer contemplated by subparagraph 11.E or any transfer described in subparagraph 11.A, you first must offer to sell to us your interest. In the event of a bona fide offer from such third party, you must obtain from the third-party offeror and deliver to us a statement in writing, signed by the offeror and by you, of the terms of the offer. We then have 10 days from our receipt of the statement setting forth the third-party offer and other requested information to accept the offer by delivering written notice of acceptance to you. We will have an additional 45 days to complete the purchase if we elect to exercise our right of first refusal. Our acceptance of any right of first refusal will be on the same price and terms set forth in the statement delivered to us; provided, however, we have the right to substitute equivalent cash for any noncash consideration included in the offer. If we fail to accept the offer within the 10-day period, you will be free for 60 days after such period to effect the disposition described in the statement delivered to us provided such transfer is in accordance with this Paragraph 11. You may effect no other sale or assignment of you, this

Agreement or the business without first offering the same to us in accordance with this subparagraph 11.F.

G. Transfer by Us. We have the right to sell or assign, in whole or in part, our interest in this Agreement.

DISPUTE RESOLUTION

12. The following provisions apply with respect to dispute resolution:

A. Mediation. Before any party may bring an action in court or against the other, or commence an arbitration proceeding (except as noted in Section 12.C below), the parties must first meet to mediate the dispute. The mediation will be held in the city in which our headquarters are located at the time of the mediation. Any such mediation shall be non-binding and shall be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. The mediator will be appointed in accordance with the Rules and Regulations of the American Arbitration Association unless the parties agree on a mediator in writing within ten (10) days after either party gives written notice of mediation. The mediation hearing will be held within twenty (20) days after the mediator has been appointed.

B. Arbitration. Except as qualified below, any dispute between you and us or any of our or your affiliates arising under, out of, in connection with or in relation to this Agreement, the parties' relationship, or your Commercial Security Business or Authorized Location must be submitted to binding arbitration under the authority of the Federal Arbitration Act and must be determined by arbitration administered by the American Arbitration Association pursuant to its then-current commercial arbitration rules and procedures. Any arbitration must be on an individual basis and the parties and the arbitrator will have no authority or power to proceed with any claim as a class action or otherwise to join or consolidate any claim with any other claim or any other proceeding involving third parties. In the event a court determines that this limitation on joinder of or class action certification of claims is unenforceable, then this entire commitment to arbitrate shall become null and void and the parties shall submit all claims to the jurisdiction of the courts. The arbitration must take place in the city where our headquarters is located at the time of the dispute. The arbitrator must follow the law and not disregard the terms of this Agreement. The arbitrator must have at least 5 years of significant experience in franchise law. A judgment may be entered upon the arbitration award by any state or federal court in the state where we maintain our headquarters or the state where your Commercial Security Business is located. The decision of the arbitrator will be final and binding on all parties to the dispute; however, the arbitrator may not under any circumstances: (1) stay the effectiveness of

any pending termination of this Agreement; (2) assess punitive or exemplary damages; or (3) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance that we set.

C. Injunctive Relief. Notwithstanding subparagraphs 12.A-B above, you recognize that your Commercial Security Business is one of a several businesses identified by the Trademarks and similarly situated and selling to the public similar services, and the failure on the part of a single franchisee to comply with the terms of its agreement could cause irreparable damage to us and/or to some or all of our other franchisees. Therefore, it is mutually agreed that in the event of a breach or threatened breach of any of the terms of this Agreement by you, we will forthwith be entitled to an injunction restraining such breach or to a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining said equitable relief, until such time as a final and binding determination is made by the arbitrators. Similarly, it is mutually agreed that in the event of our breach or threatened breach of any of the terms of this Agreement, you will forthwith be entitled to an injunction restraining such breach or to a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining said equitable relief, until such time as a final and binding determination is made by the arbitrators. The foregoing equitable remedies are in addition to, and not in lieu of, all other remedies or rights that the parties might otherwise have by virtue of any breach of this Agreement by the other party. Finally, we and our affiliates have the right to commence a civil action against you or take other appropriate action for the following reasons: to collect sums of money due to us; to compel your compliance with trademark standards and requirements to protect the goodwill of the Trademarks; to compel you to compile and submit required reports to us; or to permit evaluations or audits authorized by this Agreement.

D. Attorneys' Fees. The prevailing party in any action or proceeding arising under, out of, in connection with, or in relation to this Agreement, any lease or sublease for the Commercial Security Business or Authorized Location, or the business will be entitled to recover its reasonable attorneys' fees and costs.

DEFAULT AND TERMINATION

13. The following provisions apply with respect to default and termination:

A. Defaults. You are in default if we determine that you or any guarantor has breached any of the terms of this Agreement or any

other agreement between you and us or our affiliates, which without limiting the generality of the foregoing includes making any false report to us, intentionally understating or underreporting or failure to pay when due any amounts required to be paid to us or any of our affiliates, conviction of you or a guarantor of (or pleading no contest to) any misdemeanor that brings or tends to bring any of the Trademarks into disrepute or impairs or tends to impair your reputation or the goodwill of any of the Trademarks or the Commercial Security Business or any felony, filing of tax or other liens that may affect this Agreement, voluntary or involuntary bankruptcy by or against you or any guarantor, insolvency, making an assignment for the benefit of creditors or any similar voluntary or involuntary arrangement for the disposition of assets for the benefit of creditors.

B. Termination by Us. We have the right to terminate this Agreement in accordance with the following provisions:

1. Termination After Opportunity to Cure. Except as otherwise provided in this subparagraph 13.B: (i) you will have 30 days from the date of our issuance of a written notice of default to cure any default under this Agreement, other than a failure to pay amounts due or submit required reports, in which case you will have 10 days to cure those defaults; (ii) your failure to cure a default within the 30-day or 10-day period will provide us with good cause to terminate this Agreement; (iii) the termination will be accomplished by mailing or delivering to you written notice of termination that will identify the grounds for the termination; and (iv) the termination will be effective immediately upon our issuance of the written notice of termination.

2. Immediate Termination With No Opportunity to Cure. In the event any of the following defaults occur, you will have no right or opportunity to cure the default and this Agreement will terminate effective immediately on our issuance of written notice of termination: any material misrepresentation or omission in your franchise application, your voluntary abandonment of this Agreement or the Authorized Location, the loss of your lease, the failure to timely cure a default under the lease, the loss of your right of possession or failure to reopen or relocate under subparagraph 5.D, the closing of the Commercial Security Business by any state or local authorities for health or public safety reasons, you register any domain name containing our Trademarks, any unauthorized use of the Confidential Information, insolvency of you or guarantor, you or a guarantor making an assignment or entering into any similar arrangement for the benefit of creditors, conviction of you or any guarantor of (or pleading no contest to) any misdemeanor that brings or tends to bring any of the Trademarks into disrepute or impairs or tends to impair your

reputation or the goodwill of the Trademarks or the Commercial Security Business or any felony, intentionally understating or underreporting Gross Billings, Royalty Fees or Marketing Fees or any understatement or 3% variance on a subsequent audit within a 2-year period under subparagraph 9.K, any unauthorized transfer or assignment in violation of Paragraph 11 or any default by you that is the second default of any type within any 12-month consecutive period.

3. Immediate Termination After No More than 24 Hours to Cure. In the event that a default under this Agreement occurs that materially impairs the goodwill associated with any of the Trademarks, violates any health safety or sanitation law or regulation, violates any system standard as to cleanliness, health and sanitation, or if the operation of the Commercial Security Business presents a health or safety hazard to the public: (i) you will have no more than 24 hours after we provide written notice of the default to cure the default; and (ii) this Agreement will terminate effective immediately on our issuance of written notice of termination.

4. Effect of Other Laws. The provisions of any valid, applicable law or regulation prescribing permissible grounds, cure rights or minimum periods of notice for termination of this franchise supersede any provision of this Agreement that is less favorable to you.

C. Termination by You. You may terminate this Agreement as a result of a breach by us of a material provision of this Agreement provided that: (i) you provide us with written notice of the breach that identifies the grounds for the breach; and (ii) we fail to cure the breach within 30 days after our receipt of the written notice. If we fail to cure the breach, the termination will be effective 60 days after our receipt of your written notice of breach. Your termination of this Agreement under this Paragraph will not release or modify your Post-Term Obligations under Paragraph 14 of this Agreement.

POST-TERM OBLIGATIONS

14. Upon the expiration or termination of this Agreement, or the expiration of any Interim Period:

A. Reversion of Rights; Discontinuation of Trademark Use. All of your rights to the use of the Trademarks and all other rights and licenses granted herein and the right and license to conduct business under the Trademarks at the Authorized Location will revert to us without further act or deed of any party. All of your right, title and interest in, to

and under this Agreement will become our property. Upon our demand, you must assign to us or our assignee your remaining interest in any lease then in effect for the Commercial Security Business (although we will not assume any past due obligations). You must immediately comply with the post-term noncompete obligations under subparagraph 10.D, cease all use and display of the Trademarks and of any proprietary material (including the Operations Manuals) and of all or any portion of point-of-sale materials furnished or approved by us, assign all right, title and interest in the telephone numbers for the Commercial Security Business and cancel or assign, at our option, any assumed name rights or equivalent registrations filed with authorities. You must pay all sums due to us, our affiliates or designees and all sums you owe to third parties that have been guaranteed by us or any of our affiliates. You must immediately return to us, at your expense, all copies of the Operations Manuals, customer lists and ongoing contracts then in your possession or control or previously disseminated to your employees and continue to comply with the confidentiality provisions of subparagraph 6.J. You must promptly at your expense and subject to subparagraph 14.B, remove or obliterate all Commercial Security Business signage, displays or other materials in your possession at the Authorized Location or elsewhere that bear any of the Trademarks or names or material confusingly similar to the Trademarks and so alter the appearance of the Commercial Security Business as to differentiate the Commercial Security Business unmistakably from duly licensed commercial security businesses identified by the Trademarks. If, however, you refuse to comply with the provisions of the preceding sentence within 30 days, we have the right to enter the Authorized Location and remove all Commercial Security Business signage, displays or other materials in your possession at the Authorized Location or elsewhere that bear any of the Trademarks or names or material confusingly similar to the Trademarks, and you must reimburse us for our costs incurred. Notwithstanding the foregoing, in the event of expiration or termination of this Agreement (or the expiration of any Interim Period), you will remain liable for your obligations pursuant to this Agreement or any other agreement between you and us or our affiliates that expressly or by their nature survive the expiration or termination of this Agreement.

B. Purchase Option. We have the right to purchase or designate a third party that will purchase all or any portion of the assets of your Commercial Security Business that are owned by you or any of your affiliates including, without limitation, the land, building, equipment, fixtures, signage, furnishings, supplies, leasehold improvements and inventory of the Commercial Security Business at a price determined by a qualified appraiser (or qualified appraisers if one party believes it is better to have a real estate appraiser appraise the value of the land and building and a business appraiser appraise the Commercial Security Business's other assets) selected with the consent of both parties, provided we give you written notice of our preliminary intent to exercise our purchase rights

under this Paragraph within 30 days after the date of the expiration or termination of this Agreement, or the expiration of any Interim Period. If the parties cannot agree upon the selection of an appraiser(s), one or both will be appointed by a Judge of the United States District Court for the District in which the Authorized Location is located upon petition of either party. The price determined by the appraiser(s) will be the reasonable fair market value of the assets based on their continuing use in, as, and for the operation of a SECURITY 101 Commercial Security Business and the appraiser will designate a price for each category of asset (e.g., land, building, equipment, fixtures, etc.), but shall not include the value of any goodwill of the business, as the goodwill of the business is attributable to the Trademarks and the System.

Within 45 days after our receipt of the appraisal report, we or our designated purchaser will identify the assets, if any, that we intend to purchase at the price designated for those assets in the appraisal report. We or our designated purchaser and you will then proceed to complete and close the purchase of the identified assets, and to prepare and execute purchase and sale documents customary for the assets being purchased, in a commercially reasonable time and manner. We and you will each pay one-half of the appraiser's fees and expenses. Our interest in the assets of the Commercial Security Business that are owned by you or your affiliates will constitute a lien thereon and may not be impaired or terminated by the sale or other transfer of any of those assets to a third party. Upon our or our designated purchaser's exercise of the purchase option and tender of payment, you agree to sell and deliver, and cause your affiliates to sell and deliver, the purchased assets to us or our designated purchaser, free and clear of all encumbrances, and to execute and deliver, and cause your affiliates to execute and deliver, to us or our designated purchaser a bill of sale therefor and such other documents as may be commercially reasonable and customary to effectuate the sale and transfer of the assets being purchased.

If we do not exercise our option to purchase under this subparagraph, you may sell or lease the Commercial Security Business premises to a third party purchaser, provided that your agreement with the purchaser includes a covenant by the purchaser, which is expressly enforceable by us as a third party beneficiary, pursuant to which the purchaser agrees, for a period of 2 years after the expiration or termination of this Agreement, or the expiration of any Interim Period, not to use the premises for the operation of a retail business that has products or method of operation similar to that employed by our company-owned or franchised commercial security businesses.

C. Claims. You and your Principal Owners and guarantors may not assert any claim or cause of action against us or our affiliates relating to this Agreement or your SECURITY 101 Commercial Security

Business after the shorter period of the applicable statute of limitations or one year following the effective date of termination of this Agreement; provided that where the one-year limitation of time is prohibited or invalid by or under any applicable law, then and in that event no suit or action may be commenced or maintained unless commenced within the applicable statute of limitations.

GENERAL PROVISIONS

15. The parties agree to the following provisions:

A. Severability. Should one or more clauses of this Agreement be held void or unenforceable for any reason by any court of competent jurisdiction, such clause or clauses will be deemed to be separable in such jurisdiction and the remainder of this Agreement is valid and in full force and effect and the terms of this Agreement must be equitably adjusted so as to compensate the appropriate party for any consideration lost because of the elimination of such clause or clauses. It is the intent and expectation of each of the parties that each provision of this Agreement will be honored, carried out and enforced as written. Consequently, each of the parties agrees that any provision of this Agreement sought to be enforced in any proceeding must, at the election of the party seeking enforcement and notwithstanding the availability of an adequate remedy at law, be enforced by specific performance or any other equitable remedy.

B. Waiver/Integration. No waiver by us of any breach by you, nor any delay or failure by us to enforce any provision of this Agreement, may be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce our rights with respect to that or any other or subsequent breach. Subject to our rights to modify the Operations Manuals and/or standards and as otherwise provided herein, this Agreement may not be waived, altered or rescinded, in whole or in part, except by a writing signed by you and us. This Agreement together with the addenda and appendices hereto and the application form executed by you requesting us to enter into this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the Disclosure Document we furnished to you. You acknowledge that you are entering into this Agreement as a result of your own independent investigation of our franchised business and not as a result of any representations about us made by our shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to you pursuant to applicable law.

C. Notices. Except as otherwise provided in this Agreement, any notice, demand or communication provided for herein must be in writing and signed by the party serving the same and either delivered personally or by a reputable overnight service or deposited in the United States mail, service or postage prepaid, and if such notice is a notice of default or of termination, by registered or certified mail, and addressed as follows:

If intended for us, addressed to Security Franchisors, LLC, 1450 Centrepark Boulevard, Suite 210, West Palm Beach, Florida 33401;

If intended for you, addressed to you at the address set forth on the Data Sheet or at the Authorized Location; or,

in either case, to such other address as may have been designated by notice to the other party. Notices for purposes of this Agreement will be deemed to have been received if mailed or delivered as provided in this subparagraph.

D. Authority. Any modification, consent, approval, authorization or waiver granted hereunder required to be effective by signature will be valid only if in writing executed by you or, if on behalf of us, in writing executed by our President or one of our authorized Vice Presidents.

E. References. If the franchisee is 2 or more individuals, the individuals are jointly and severally liable, and references to you in this Agreement includes all of the individuals. Headings and captions contained herein are for convenience of reference and may not be taken into account in construing or interpreting this Agreement.

F. Guarantee. All persons having a 5% or more ownership interest in a franchisee that is a corporation, partnership, limited liability company or partnership or other legal entity must execute the form of undertaking and guarantee at the end of this Agreement. Any person or entity that at any time after the date of this Agreement becomes an owner pursuant to the provisions of Paragraph 11 or otherwise must execute the form of undertaking and guarantee at the end of this Agreement.

G. Successors/Assigns. Subject to the terms of Paragraph 11 hereof, this Agreement is binding upon and inures to the benefit of the administrators, executors, heirs, successors and assigns of the parties.

H. Interpretation of Rights and Obligations. The following provisions apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement, and the relationship between the parties:

1. Applicable Law and Waiver. Subject to our rights under federal trademark laws and the parties' rights under the Federal Arbitration Act in accordance with Paragraph 12 of this Agreement, the parties' rights under this Agreement, and the relationship between the parties is governed by, and will be interpreted in accordance with, the laws (statutory and otherwise) of the state of Florida.

2. Our Rights. Whenever this Agreement provides that we have a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement, although this right does not modify the requirements of subparagraph 5.E and other express limitations set forth in this Agreement.

3. Our Reasonable Business Judgment. Whenever we reserve discretion in a particular area or where we agree to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise Reasonable Business Judgment in making our decision or exercising our rights. Our decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes our financial or other individual interest. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Trademarks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System.

I. Venue. Any cause of action, claim, suit or demand allegedly arising from or related to the terms of this Agreement or the relationship of the parties that is not subject to arbitration under Paragraph 12, must be brought in the state or federal district court located in the county or district encompassing our headquarters. Both parties hereto irrevocably submit themselves to, and consent to, the jurisdiction of said courts. The provisions of this subparagraph will survive the termination of

this Agreement. You are aware of the business purposes and needs underlying the language of this subparagraph, and with a complete understanding thereof, agree to be bound in the manner set forth.

J. Jury Waiver. ALL PARTIES HEREBY WAIVE ANY AND ALL RIGHTS TO A TRIAL BY JURY IN CONNECTION WITH THE ENFORCEMENT OR INTERPRETATION BY JUDICIAL PROCESS OF ANY PROVISION OF THIS AGREEMENT, AND IN CONNECTION WITH ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION OR SIMILAR CAUSES OF ACTION OR ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES FOR BREACH OF THIS AGREEMENT.

K. Waiver of Punitive Damages. YOU AND US AND OUR AFFILIATES AGREE TO WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF ANY DISPUTE BETWEEN THEM, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED.

L. Relationship of the Parties. You and we are independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venturer or employee of the other. Neither party may obligate the other or represent any right to do so. This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence.

M. Force Majeure. In the event of any failure of performance of this Agreement according to its terms by any party the same will not be deemed a breach of this Agreement if it arose from a cause beyond the control of and without the negligence of said party. Such causes include, but are not limited to, strikes, wars, riots and acts of government except as may be specifically provided for elsewhere in this Agreement.

N. Adaptations and Variances. Complete and detailed uniformity under many varying conditions may not always be possible, practical, or in the best interest of the System. Accordingly, we have the right to vary the standards, specifications, and requirements for any franchised business or franchisee based upon the customs or circumstances of a particular franchise or operating agreement, site or location, population density, business potential, trade area population, existing business practice, competitive circumstance or any other condition that we deem to be of importance to the operation of such business, franchisee's business or the System. We are not required to grant to you a like or other variation as a result of any variation from

standard inventory items, specifications or requirements granted to any other franchisee. You acknowledge that you are aware that our other franchisees operate under a number of different forms of agreement that were entered into at different times and that, consequently, the obligations and rights of the parties to other agreements may differ materially in certain instances from your rights and obligations under this Agreement.

O. Notice of Potential Profit. We and/or our affiliates may from time to time make available to you goods, products and/or services for use in your Commercial Security Business on the sale of which we and/or our affiliates may make a profit. Further, we and/or our affiliates may from time to time receive consideration from suppliers and/or manufacturers in respect to sales of goods, products or services to you or in consideration of services rendered or rights licensed to such persons. You agree that we and/or our affiliates are entitled to said profits and/or consideration.

P. Effective Date. We will designate the “Effective Date” of this Agreement in the space provided on the Data Sheet. If no Effective Date is designated on the Data Sheet, the Effective Date is the date when we sign this Agreement. However, as described in subparagraph 5.A, you do not have the right to, and may not, open and commence operation of a Commercial Security Business at the Authorized Location until we notify you that you have satisfied all of the pre-opening conditions set forth in this Agreement.

IN WITNESS WHEREOF, the parties have executed this Franchise Agreement as of the dates written below.

FRANCHISEE: (For an Entity)

Date: _____

_____,
a _____
(Please type or print name and type of entity)

By: _____
(Signature of person signing on behalf of entity)

(Please type or print name of person
signing on behalf of entity)

Its: _____
(Please type or print title of person
signing on behalf of entity)

Witness: _____
(Please type or print)

Signature: _____

FRANCHISEE: (For an Individual)

Date: _____

Name: _____
(Please type or print)

Signature: _____

Witness: _____
(Please type or print)

Signature: _____

Date: _____

Name: _____
(Please type or print)

Signature: _____

Witness: _____
(Please type or print)

Signature: _____

US: SECURITY FRANCHISORS, LLC

Date: _____

By: _____

Its: _____

Schedule A to the Franchise Agreement

Data Sheet

1. **Franchisee:** _____

2. **Owners.** You represent and warrant to us that the following persons are the only owners of Franchisee:

Name	Home Address	Percentage of Ownership

3. **Authorized Location.** As stated in subparagraph 2.A of the Franchise Agreement, the Authorized Location is: _____

4. **Protected Territory.** As stated in subparagraph 2.C of the Franchise Agreement, and subject to the terms and conditions of the Franchise Agreement, the Protected Territory under this Agreement is as follows: _____

5. **Market Designation.** As stated in subparagraph 2.C of the Franchise Agreement, Franchisee's Protected Territory is a "_____" market.

6. **Effective Date:** _____

YOU: _____

WE: SECURITY FRANCHISORS, LLC

By _____
Its _____

By _____
Its _____

Schedule B to the Franchise Agreement

Trademarks

You have the right to use the following Trademarks in accordance with the terms of the Franchise Agreement:

Trademark	Registration Number	Registration Date
SECURITY 101	3,425,346	May 13, 2008

We may amend this Schedule B from time to time in order to make available additional Trademarks or to delete those Trademarks that become unavailable. You agree to use only those Trademarks that are then currently authorized.

The Trademarks must be used only in the manner that we specify. No deviations will be permitted.

Schedule C to the Franchise Agreement

Addendum to Lease

This Addendum to Lease ("Addendum"), dated _____, 20____, is entered into between _____ ("Landlord") and _____ ("Tenant").

R E C I T A L S

The parties have entered into a Lease Agreement, dated _____, 20____ (the "Lease"), pertaining to the premises located at _____ (the "Premises").

The Landlord acknowledges that Tenant intends to operate a SECURITY 101 commercial security business ("Commercial Security Business") from the Premises pursuant to Tenant's Franchise Agreement with Security Franchisors, LLC ("Franchisor") dated _____ (the "Franchise Agreement"), whereby Tenant will utilize the SECURITY 101 name and the SECURITY 101 Marks as Franchisor may designate in the operation of the Commercial Security Business at the Premises.

Landlord further acknowledges that Franchisor has approved Tenant's request to locate its Commercial Security Business on the Premises that is the subject of the Lease, provided that the conditions and agreements set forth in this Addendum are made a part of the Lease.

A G R E E M E N T S

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree to amend the Lease as follows:

1. Remodeling and Decor. Landlord agrees that Tenant has the right to remodel, equip, paint and decorate the interior of the Premises and to display such Marks and signs on the interior and exterior of the Premises as Tenant is reasonably required to do pursuant to the Franchise Agreement and any successor Franchise Agreement under which Tenant may operate a Commercial Security Business on the Premises. Any remodel of the building and/or its signs shall be subject to Landlord's prior and reasonable approval.

2. Assignment By Tenant.

(a) Tenant does not have the right to sublease or assign the Lease to any third party without Landlord's and Franchisor's written approval.

(b) So long as Tenant is in good standing under the Lease, Tenant has the right to assign all of its right, title and interest in the Lease to Franchisor or its affiliates during the term of the Lease, including any extensions or renewals, without first obtaining Landlord's consent. No assignment will be effective, however, until Franchisor or its designated affiliate gives Landlord written notice of its acceptance of the assignment. Franchisor will be responsible for the Lease obligations incurred after the effective date of the assignment.

(c) If Franchisor elects to assume the Lease, Franchisor shall not be required to begin paying rent until Landlord delivers possession of the Premises to the Franchisor. At any time until the Landlord delivers possession of the Premises, Franchisor shall have the right to rescind the election to assume by written notice to Landlord.

3. Default and Notices to Franchisor.

(a) Landlord shall send Franchisor copies of all notices of default under the Lease at the same time it provides Tenant with such notice. If Tenant fails to cure any defaults within the period specified in the Lease, Landlord shall promptly give Franchisor written notice thereof, specifying the defaults that Tenant has failed to cure. Franchisor has the right to unilaterally assume the Lease if Tenant fails to cure. Franchisor shall have 15 days from the date Franchisor receives such notice to exercise, by written notice to Landlord and Tenant, its right for Franchisor or its affiliate designee ("Franchisor Entity"), to assume the Lease. Franchisor shall have an additional 30 days from the expiration of Tenant's cure period in which to cure the default or violation.

(b) If Franchisor elects to assume the Lease, the Franchisor Entity shall not be required to cure defaults and/or to begin paying rent until Landlord delivers possession of the Premises to the Franchisor Entity. At any time until Landlord delivers possession of the Premises, Franchisor shall have the right to rescind the election to assume by written notice to Landlord.

4. Termination of Franchise Agreement; Expiration or Non-Renewal of Lease.

(a) If the Franchise Agreement is terminated for any reason during the term of the Lease or any renewal or extension thereof, and if Franchisor desires to assume the Lease, Franchisor shall promptly give Landlord written notice thereof. Within 30 days after receipt of such notice, Landlord shall give Franchisor written notice specifying any defaults of Tenant under the Lease. If Franchisor elects to assume the Lease, Franchisor must cure said defaults consistent with paragraph 3 above.

(b) If the Lease contains term renewal or extension right(s) and if Tenant allows the term to expire without exercising said right(s), Landlord shall give Franchisor written notice thereof, and a Franchisor Entity shall have the option, for 30 days after receipt of said notice, to exercise the Tenant's renewal or extension right(s) on the same terms and conditions as are contained in the Lease. If a Franchisor Entity elects to exercise such right(s), it shall so notify Landlord in writing, whereupon Landlord and the Franchisor Entity shall promptly execute and deliver an agreement whereby the Franchisor Entity assumes the Lease, effective at the commencement of the extension or renewal term.

5. Access to Premises Following Expiration or Termination of Lease. Upon the expiration or termination of the Lease, Landlord will cooperate with and assist Franchisor in gaining possession of the Premises and, if the Franchisor Entity does not elect to assume the Lease for the Premises consistent with subparagraphs 3(a) or 4(b) above, Landlord will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Landlord except for any damages caused by Franchisor's willful misconduct or gross negligence, to remove all signs and all other items identifying the Premises as a SECURITY 101 Commercial Security Business and to make such other modifications (such as repainting) as are reasonably necessary to protect the SECURITY 101 marks and system, and to distinguish the Premises from SECURITY 101 commercial security businesses. In the event Franchisor exercises its option to purchase assets of Tenant, Landlord must permit Franchisor to remove all such assets being purchased by Franchisor.

6. Assumption and Subsequent Assignment By Franchisor. If Franchisor elects to assume the Lease under paragraph 2, or unilaterally assumes the Lease as provided for in paragraphs 3 or 4, Landlord and Tenant agree that:

(a) Tenant will remain liable for the responsibilities and obligations, including amounts owed to Landlord, prior to the date of assignment and assumption. Further, Tenant shall be and remain liable to Landlord for all of its obligations under the Lease, notwithstanding any assignment or assumption of the Lease by Franchisor. Franchisor shall be entitled to recover from Tenant all amounts it pays to Landlord to cure Tenant's defaults under the Lease, including interest and reasonable collection costs.

(b) Franchisor, upon taking possession of the Premises, shall cure any default specified by Landlord within the timeframes noted herein and shall execute and deliver to Landlord its assumption of Tenant's rights and obligations under the Lease. Franchisor shall pay, perform and be bound by all the duties and obligations of the Lease applicable to Tenant, except that the Franchisor may elect not to assume or be bound by the terms of any Amendment to the Lease executed by Tenant without obtaining Franchisor's prior written approval, which shall not be unreasonably withheld or delayed.

(c) At or after the time Franchisor assumes Tenant's interests under the Lease, the Franchisor may, at any time, assign such interests or sublet the Premises to a SECURITY 101 franchisee. Any such assignment shall be subject to the prior written consent of the Landlord, which Landlord shall not unreasonably withhold as it relates to a creditworthy franchisee who otherwise meets Franchisor's then-current standards and requirements for franchisees and agrees to operate the Commercial Security Business as a SECURITY 101 Commercial Security Business pursuant to a Franchise Agreement with Franchisor. Upon receipt by Landlord of an assumption agreement pursuant to which the assignee agrees to assume the Lease and to observe the terms, conditions and agreements on the part of Tenant to be performed under the Lease, the Franchisor shall thereupon be released from all liability as tenant under the Lease from and after the date of assignment, without any need of a written acknowledgement of such release by Landlord.

7. Access to Premises During Lease. As provided in the Franchise Agreement, Franchisor shall have the right to access the Premises during continuance of the Lease to ensure compliance by Tenant with its obligations under the Franchise Agreement.

8. Additional Provisions.

(a) Landlord hereby acknowledges that the provisions of this Addendum to Lease are required pursuant to the Franchise Agreement under which Tenant plans to operate its business and the Tenant would not lease the Premises without this Addendum.

(b) Landlord further acknowledges that Tenant is not an agent or employee of Franchisor and the Tenant has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Landlord has entered into this Addendum to Lease with full understanding that it creates no duties, obligations or liability of or against Franchisor or any affiliate of Franchisor, unless and until the Lease is assigned to, and accepted in writing by, Franchisor.

(c) All notices to Franchisor required by this Addendum must be in writing and sent by registered or certified mail, postage prepaid, to the following address:

Security Franchisors, LLC
1450 Centrepark Boulevard, Suite 210
West Palm Beach, Florida 33401

Franchisor may change its address for receiving notices by giving Landlord written notice of the new address. Landlord agrees that it will notify both Tenant and Franchisor of any change in Landlord's mailing address to which notices should be sent.

9. Sales Reports. If requested by Franchisor, Landlord will provide Franchisor with whatever information Landlord has regarding Tenant's sales from the Commercial Security Business.

10. Confirmation of Lease Commencement Terms. Within 20 days after the commencement date of the term of the Lease, Landlord and Tenant shall execute a Lease Commencement Agreement substantially in the form attached hereto as Exhibit 1 to this Addendum, a signed copy of which shall be delivered to Landlord, Tenant and Company within 10 days following full execution.

11. Conflicts. In the event of a conflict between the terms of the Lease and the terms set forth in this Addendum, the terms set forth herein shall govern. In the event of a conflict between notices provided to Landlord by Tenant and Franchisor, the notices of Franchisor shall prevail.

12. Miscellaneous. Any waiver excusing or reducing any obligation imposed by this Addendum shall be in writing and executed by the party who is charged with making the waiver and shall be effective only to the extent specifically allowed in such writing. The language used in this Addendum shall in all cases be construed simply according to its fair meaning and not strictly for or against any party. Nothing in this Addendum is intended, nor shall it be deemed, to confer any rights or remedies upon any person or entity not a party hereto. This Addendum shall be binding upon, and shall inure to the benefit of, the successors, assigns, heirs, and personal representatives of the parties hereto. This Addendum sets forth the entire agreement with regard to the rights of Franchisor, fully superseding any and all prior agreements or understandings between the parties pertaining to the subject matter of this Addendum. This Addendum may only be amended by written agreement duly executed by each party.

[Signature page follows]

IN WITNESS WHEREOF, this Addendum is made and entered into by the undersigned parties as
of _____, _____.

LANDLORD: _____

By: _____

Print Name: _____

Title: _____

FRANCHISEE: _____

By: _____

Print Name: _____

Title: _____

Schedule D to the Franchise Agreement

Electronic Transfer of Funds Authorization

Franchisee: _____

Location: _____

Date: _____

NEW	CHANGE

Attention: Bookkeeping Department

The undersigned hereby authorizes Security Franchisors, LLC or any affiliated entity (collectively, “Franchisor”) to initiate weekly ACH debit entries against the account of the undersigned with you in payment of amounts for Royalty Fees, Marketing and Advertising Fees or other amounts that become payable by the undersigned to Franchisor. The dollar amount to be debited per payment will vary.

Subject to the provisions of this letter of authorization, you are hereby directed to honor any such ACH debit entry initiated by Franchisor.

This authorization is binding and will remain in full force and effect until 90 days prior written notice has been given to you by the undersigned. The undersigned is responsible for, and must pay on demand, all costs or charges relating to the handling of ACH debit entries pursuant to this letter of authorization.

Please honor ACH debit entries initiated in accordance with the terms of this letter of authorization, subject to there being sufficient funds in the undersigned’s account to cover such ACH debit entries.

Sincerely yours,

*** We also need a VOIDED Check ***

Account Name

Bank Name

Street Address

Branch

City

State

Zip Code

Street Address

Telephone Number

City

State

Zip Code

By _____

Its _____

Bank Telephone Number

Date _____

Bank’s Account Number

Customer’s Account Number

PERSONAL GUARANTEE AND AGREEMENT TO BE BOUND
PERSONALLY BY THE TERMS AND CONDITIONS
OF THE FRANCHISE AGREEMENT

In consideration of the execution of the Franchise Agreement by us, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in the Franchise Agreement, to be paid, kept and performed by the franchisee, including without limitation the arbitration and other dispute resolution provisions of the Agreement.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Franchise Agreement, including but not limited to the non-compete provisions in subparagraph 10.D, and agree that this Personal Guarantee will be construed as though the undersigned and each of them executed a Franchise Agreement containing the identical terms and conditions of this Franchise Agreement.

The undersigned waives: (1) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; and (3) any right he/she may have to require that an action be brought against the franchisee or any other person as a condition of liability.

In addition, the undersigned consents and agrees that: (1) the undersigned's liability will not be contingent or conditioned upon our pursuit of any remedies against the franchisee or any other person; and (2) such liability will not be diminished, relieved or otherwise affected by franchisee's insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Franchise Agreement, or the amendment or extension of the Franchise Agreement with or without notice to the undersigned.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Guarantee will inure to the benefit of our successors and assigns.

FRANCHISEE: _____

PERSONAL GUARANTORS:

Individually		

Print Name		

Address		
_____	_____	_____
City	State	Zip Code

Telephone		

Individually		

Print Name		

Address		
_____	_____	_____
City	State	Zip Code

Telephone		

Individually		
Print Name		
Address		
City	State	Zip Code
Telephone		

Individually		
Print Name		
Address		
City	State	Zip Code
Telephone		

ACKNOWLEDGMENT ADDENDUM TO SECURITY 101 FRANCHISE AGREEMENT

As you know, you and we are entering into a Franchise Agreement for the operation of a SECURITY 101 franchise. The purpose of this Acknowledgment Addendum is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of your business. Please review each of the following questions carefully and provide honest responses to each question.

Acknowledgments and Representations.

1. Did you receive a copy of our Disclosure Document (and all exhibits and attachments) at least fourteen calendar days prior to signing the Franchise Agreement? Check one: ☐ Yes ☐ No. If no, please comment: _____

2. Have you studied and reviewed carefully our Disclosure Document and Franchise Agreement? Check one: ☐ Yes ☐ No. If no, please comment: _____

3. Did you understand all the information contained in both the Disclosure Document and Franchise Agreement? Check one ☐ Yes ☐ No. If no, please comment: _____

4. Was any oral, written or visual claim or representation made to you which contradicted the disclosures in the Disclosure Document? Check one: ☐ No ☐ Yes. If yes, please state in detail the oral, written or visual claim or representation: _____

5. Except as stated in Item 19 of the Disclosure Document, did any employee or other person speaking on behalf of Security Franchisors, LLC make any oral, written or visual claim, statement, promise or representation to you that stated, suggested, predicted or projected sales, revenues, expenses, earnings, income or profit levels at any SECURITY 101 location or business, or the likelihood of success at your franchised business? Check one: ☐ No ☐ Yes. If yes, please state in detail the oral, written or visual claim or representation: _____

6. Did any employee or other person speaking on behalf of Security Franchisors, LLC make any statement or promise regarding the costs involved in operating a franchise that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document? Check one: ☐ Yes ☐ No. If yes, please comment: _____

7. Do you understand that that the franchise granted is for the right to operate a Commercial Security Business at the authorized location within the Protected Territory only and that we and our affiliates have the right to issue franchises or operate competing businesses for or at locations, as we determine, outside your Protected Territory and engage in certain activities inside your Protected Territory? Check one: ☐ Yes ☐ No. If no, please comment: _____
8. Do you understand that the Franchise Agreement and Disclosure Document contain the entire agreement between you and us concerning the franchise for the Commercial Security Business, meaning that any prior oral or written statements not set out in the Franchise Agreement or Disclosure Document will not be binding? Check one: ☐ Yes ☐ No. If no, please comment: _____
9. Do you understand that you are bound by the non-compete covenants (both in-term and post-term) listed in Subparagraph 10.D and that an injunction is an appropriate remedy to protect the interest of the SECURITY 101 system if you violate the covenant(s)? Further, do you understand that the term “you” for purposes of the non-compete covenants is defined broadly in subparagraph 10.D, such that any actions in violation of the covenants by those holding any interest in the franchisee entity may result in an injunction, default and termination of the Franchise Agreement? Check one ☐ Yes ☐ No. If no, please comment: _____
10. Do you understand that any training, support, guidance or tools we provide to you as part of the franchise are for the purpose of protecting the SECURITY 101 brand and trademarks and to assist you in the operation of your business and not for the purpose of controlling or in any way intended to exercise or exert control over your decisions or day-to-day operations of your business, including your sole responsibility for the hiring, wages and other compensation (including benefits), training, supervision and termination of your employees and all other employment and employee related matters? Check one ☐ Yes ☐ No. If no, please comment: _____.
11. On the receipt pages of your Disclosure Document you identified _____
as the franchise sellers involved in this franchise sales process. Are the franchise sellers identified above the only franchise sellers involved with this transaction? Check one ☐ Yes ☐ No. If no, please identify any additional franchise sellers involved with this transaction: _____

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS ADDENDUM, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED

TRUTHFULLY TO THE ABOVE QUESTIONS. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.

NOTE: IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.

Signed: _____
Print Name: _____
Date: _____

Signed: _____
Print Name: _____
Date: _____

APPROVED ON BEHALF OF SECURITY
FRANCHISORS, LLC

Signed _____
Print Name: _____
Date: _____

By: _____
Title: _____
Date: _____

EXHIBIT E TO THE FRANCHISE DISCLOSURE DOCUMENT
OPERATIONS MANUAL TABLE OF CONTENTS



OPERATIONS MANUAL
Table of Contents

These manuals currently encompass approximately 325 pages

Tab		Page
1	Introduction and Overview	A1
	The SECURITY 101 Philosophy	AI
	Early Franchise Structure	AI
	Plans for the Future	A2
	How to Use this Manual	A3
	When You Receive It	A3
	Restricted Use Explained	A3
	Use the Manual Effectively	A3
	Manual Updates	A3
	Lost or Stolen Manuals	A3
	Disclaimer	A4
2	Entrepreneurship and Your Franchise	B1
	The Franchisee - Franchisor Relationship	B1
	Your Responsibilities	B1
	Problem Resolution	B2
	The System at Work	B3
	The SECURITY 101 System Works	B3
	Attention to Detail	B3
	Your Focus	B3
	Getting Started	B4
	The Value	B4
	The Foundation	B4
	Preparation	B4
	Using the SECURITY 101 Name	B5
	Proper Name Usage	B5
	Fictitious Name	B5

Business Mailing Address	B5
Zoning Permits	B6
Forms of Business Organizations	B7
Proprietorships	B7
Partnerships	B7
Limited Partnerships	B8
Corporations	B8
Subchapter S	B9
Limited Liability Companies	B9
Additional Resources	B10
Licenses & Tax Compliance	B11
Business Licenses	B11
Federal Tax ID	B11
Sales Tax Numbers	B11
Minutes	B11
Engaging Professional Advisors	B12
Engaging an Attorney	B12
Finding an Accountant	B12
Building a Banking Relationship	B13
Necessary Information	B14
Obtaining Credit	B15
Credit Cards	B15
Insurance Requirements	B16
Insurance Agent	B16
Workers Compensation	B16
Comprehensive General Liability	B16
Product Liability	B16
Vehicle Insurance	B16
Umbrella	B17
SECURITY 101 as Co-Insured	B17
Engaging a Payroll Service	B18
Options	B18
Trademark Usage and Protection	B19
It is a Trademark	B19
How to Display It	B19
Be Consistent	B19
Mark Infringement	B19
Example of Correctly Displaying the Logo	B20
Using the Correct Logo	B20
The SECURITY 101 Logo	B20
Using the Correct Colors	B20
Maintaining Confidentiality	B21
Confidential Trade Secrets	B21
Protection Policies	B21
On-Going Training	B23
Franchise Management School	B23

	Prerequisites	B23
	Who May Attend	B23
	Fees	B23
	Repeating Schools	B23
	School Scheduling	B23
	Training Schedule	B24
	SECURITY 101 Meetings	B25
	The Benefits to You	B25
	Annual National Convention	B25
	Quarterly Regional Meetings	B25
	Facilities	C1
	Setting Up Your Office	C1
	Space & Layout	C1
	Site Selection	C2
	Lease Negotiation	C2
	Telephone Features	C2
	Utilities	C2
4	Profit Centers	D1
	Your Profit Center List	D1
	Revenue Distribution	D1
	Procurement	D1
	Industry Trends	D1
	Guarantees	D2
5	Equipment	E1
	Office Equipment	E1
	Vehicles	E1
	Inventory	E1
	Financing	E1
	Internet Service Provider	E1
	Computers	E2
	Additional Hardware	E2
	Software Requirements	E2
	Recommended Software	E2
6	Human Resources	F1
	Defining Your Needs	F1
	Recognizing the Signs	F1
	Independent Contractors	F1
	Employer Responsibilities	F1
	Employee Files	F2
	Selection Pointers	F2
	Recruiting & Selection	F3
	Soliciting Applicants	F3
	Advertising	F3

	Maintaining Your Staff	F4
	Policies	F4
	Employee Input	F4
	Motivation	F4
	Performance Evaluations	F4
	Tips for Retaining Quality Employees	F6
7	Marketing	G1
	The Four “P’s” of Marketing	GI
	Product	G1
	Price	G1
	Place	G2
	Promotion	G2
	The Opportunity	G2
	Marketing Basics	G3
	Creating Brand Awareness	G3
	Name Recognition	G3
	Elements of the SECURITY 101 Brand	G3
	Advertising Tools	G3
	Yellow Pages	G3
	Newspapers	G4
	Direct Mail	G4
	Newsletters	G4
	Business Periodicals	G5
	Trade Shows	G5
	Other Media	G5
	Direct Sales Calls	G5
	Signage	G5
	Web Site	G5
	Public Relations	G6
	Vehicles	G6
	Tear Sheets & Flyers	G6
	Marketing Partners	G6
	Introductory Offers	G7
	Trade Show Booth Promotions	G8
	The Dynamics of Trade Show Marketing	G8
	Eight Steps for Working in the Exhibit	G8
	Two Critical Don’ts	G8
	Set Your Objectives	G8
	Prepare Your Presentation for a Two-Minute Delivery	G9
	Gain the Attention of Visitors by Stressing Benefit Statements	GI 0
	Qualify Your Visitors	G 10
	Record Their Qualifying Information	G11
	Be Sure the Prospect Understands WIIFM	G11
	Get Agreement from Your Visitor Who and How You Will Follow-Up	G12

	Critique Yourself as You Go	G12
	Lead Sheet Form	G13
	Lead Sheet Instructions	G14
	Spreading the Word	G15
	Maximize Your Return	G15
	Referrals	G15
	Testimonials	G 15
8	Prospecting for Clients	H1
	Prospecting Tools	H1
	Organizing & Managing Your Leads	H2
	Prospecting Tips	H2
9	Sales	
	Fundamentals	
	Perform a Needs Assessment & Determine Expectations	
	Know Your Services	
	Classify Your Prospect	11
	Maintain Professionalism	12
	Your Sales Presentation	12
	Follow Up	13
	Sales Tips & Tools	14
	How to Grow Your Franchise	15
	Increase the Number of Customers You Serve	15
	Increase Your Average Sale	15
	Sales Training Suggestions	IS
10	Business Controls	J1
	Operations Manual	J1
	Profit Projections	J1
	Periodic Reports	J1
	Credit Terms	J1
	Monthly Royalty Report	J2
	Reports Required by Government Agencies	J5
	Other SECURITY 101 Reports	J5
	Ad Call Report	J5
	Customer Roster Print Out	J5
	Customer Satisfaction Report	J5
	Managing For Profits	J6
	Cost of Sales	J6
	Equipment	J6
	Finance & Accounting Basics	J7
	The Balance Sheet	J7
	Assets	J8
	Liabilities	J8
	The Profit and Loss Statement	310

	Understanding Key Business Ratios	J 12
	Watching for Financial Warning Signs	J14
	Preparing Your Budget & Business Plan	J15
	Principles of Preparing a Successful Budget	J 15
	Mission	J 15
	Objective	J16
	Strategies	J 16
	Type	J16
	Sample Franchise Profit & Loss Budget	J17
	Maintaining Your Financial Records	J 18
	Record Retention & Audit Requirements	J18
	Accounting	J18
	Incorporation Papers	J18
	Chart of Accounts	18 J19
	Balance Sheet Accounts	J23
	Income Statement Accounts	J27
11	Computing with SECURITY 101	K1
	BlueBridge Management Software	K1
	QuickBooks	IC1
	New Product Approval	K2
12	Success as an Entrepreneur	L1
	Time Commitment for Success	L1
	The Benefits to You	L I
	Exclusivity of Your Time Commitment	L1
	Setting Priorities for Time Usage	L1
	Balance	L2
	Success is a Journey, Not a Destination	L2
	On-Going Education	L2
	The Balancing Act	L2
13	Franchise License Compliance Rules	Appendix
	Territory	A1
	SECURITY 101 Services	A1
	Franchise Management	A2
	Insurance	A2
	Royalties & Fees	A3
	Non-Competition Covenants	A4
	Post-Termination Obligations	A4
14	Government Forms & Documents	B1
	Helpful Government Publications	B4
	State Web Sites	B5
15	SECURITY 101 Forms	C1

SECURITY 101 Services List	C2
SECURITY 101 Approved Products List	C5
Typical Suggested Pricing	C6
Approved Vendors List	C7
Non-Disclosure & Non-Competition Provisions for General Managers	C8
Statement of Confidentiality & Acknowledgment of Receipt	C9
Employee Evaluation Form	C10
Customer Satisfaction Survey Form	C14
Sample Yellow Pages Ads	C15
Ad Call Log	C16

SECURITY 101's Site Selection & Build-Out Manual

Table of Contents

Tab		Page
1.	Finding Your Site	3
	The Elements of a Good Location	3
	Site Selection Research	4
	Using Outside Agents	4
	Critical Variables to Analyze	5
2.	Break-Even Point	6
	Cost Estimates	8
	How to Calculate Weekly Break Even	9
	Determining Who Manages the Property	10
	Initial Contact With the Property Manager	10
3.	Lease Negotiation Points	11
	Rent	11
	Term	12
	Construction Responsibilities	12
4.	The Leasing Process	13
	Required Paperwork	13
	Lease Negotiation	14
5.	Opening Time-Line	15
	Opening Time-Line Chart	17
6.	Financing	22
	Corporate Comments	23
7.	Start-Up Tips	24

Confidential Property of Security Franchisors, LLC, West Palm Beach, Florida
Do Not Copy Please Report Infractions to: **800 261-2041** Copyright 8/07

EXHIBIT F TO THE FRANCHISE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES

LIST OF FRANCHISEES

(as of December 31, 2021)

ALABAMA

Security 101 – Birmingham
J&R Systems Integrators
705 Oak Circle Dr. W #91209
Mobile, AL 36691
(205) 945-8514

Security 101 – Mobile
J&R Systems Integrators
705 Oak Circle Dr. W #91209
Mobile, AL 36691
(251) 471-4323

ARIZONA

Security 101 - Phoenix
Security 101 Phoenix, LLC
2338 West Royal Palm Road, Suite I
Phoenix, AZ 85021
(480) 398-8290

CALIFORNIA

Security 101 – Los Angeles
Key Security, Inc.
9340 Hazard Way, Suite D1
San Diego, CA 92123
(888) 870-6404

Security 101 – San Diego
Key Security, Inc.
9340 Hazard Way, Suite D1
San Diego, CA 92123
(888) 870-6404

Security 101 Sacramento
True Security Inc.
6640 Owens Drive
Pleasanton, CA 94588
916-526-7075

Security 101 East Bay
True Security Inc.
6640 Owens Drive
Pleasanton, CA 94588
925-951-0444

COLORADO

Security 101 – Denver
Mountainview Integration, LLC
12687 West Cedar Dr., Suite 200
Lakewood, CO 80228
(720) 403-9700

CONNECTICUT

Security 101 – Hartford
Advanced Security Integration, LLC
158 North Main Street
Southington, CT 06489
(800) 991-4170

DISTRICT OF COLUMBIA

Security 101 – Washington DC
Protection Systems, Inc.
16701 Melford Blvd, Suite 400
Bowie, MD 20715
(844) 900-1101

ILLINOIS

Security 101 –Chicago (North)
Ritland Holdings LLC
704 Florsheim Drive, Suite 11
Libertyville, IL 60048
(847) 325-5450

Security 101 – Chicago (South)
Chicago Security Integrators, Inc.
100 Illinois St., Suite 200
St. Charles, IL 60174
708-400-9084

INDIANA

Security 101 Indianapolis
NBT Security LLC
201 N Delaware
Indianapolis, IN 466204
463-201-0984

LOUISIANA

Security 101 – New Orleans
J&R Systems Integrators
705 Oak Circle Dr. W #91209
Mobile, AL 36691
985-645-3999

MAINE

Security 101 – Portland
Advanced Security Integration, LLC
67 Forest Street, Suite 292
Marlborough, MA 01752
(800) 991-4170

MASSACHUSETTS

Security 101 – Boston
Advanced Security Integration, LLC
67 Forest Street, Suite 292
Marlborough, MA 01752
(800) 991-4170

MICHIGAN

Security 101 – Detroit
Infinity Technology Group, Inc.
7767 Ronda Drive
Canton, MI 48187
(734) 237-8317

Security 101 – Saginaw
Infinity Technology Group, Inc.
3260 Meridian Rd.
Merrill, MI 48601
844-768-9021

MINNESOTA

Security 101 – Minneapolis
Beartooth Corporation
11670 Fountains Drive, Suite 200
Maple Grove, MN 55369
612-283-5919

MISSOURI

Security 101 – St Louis
Kopp Security, LLC
2 City Place Drive
St Louis, MO 63141
(314) 406-8704

NEVADA

Security 101 – Las Vegas
Aura Operations, Inc.
3229 W. Tompkins Ave.
Las Vegas, NV 89103
725-205-4159

NEW JERSEY

Security 101 – NY Metro & NJ
ISP, Inc.
446 Highway 35, Bldg C – Ste 3
Eatontown, NJ 07724
(888) 678-7101

NEW YORK

Security 101 – Manhattan
ISP, Inc.
31 West 34th Street
New York, NY 10001
(888) 678-7101

Security 101 Rochester
Blue Marble Technologies, Inc.
4050 West Ridge Road, Suite 110
Rochester, NY 14626
888-990-2088

NORTH CAROLINA

Security 101 – Raleigh
A&B Integrators, Inc.
3739 National Drive, Suite 129
Raleigh, NC 27612
(855) YOUR-101

OHIO

Security 101 - Cleveland
Protectiontech Inc.
24381 Aurora Road, Unit B7
Bedford Heights, OH 44146
(888) 810-0101

Security 101 – Dayton
Security 101 Ohio, LLC
3966 Brown Park Drive, Suite E
Hillard, OH 43026
(855) 415-2101

Security 101 – Columbus
Security 101 Ohio, LLC
3966 Brown Park Drive, Suite E
Hilliard, OH 43026
(855) 415-2101

PENNSYLVANIA

Security 101 – Philadelphia
Dorian Properties
930 Old Harmony Road, Suite C
Newark, DE 19713
(484) 369-7101

Security101 – Pittsburgh
EMDESCO, Inc.
55 Old Clairton Road, Suite 105
Pittsburgh, PA 15236
(844) 4101-TECH

TENNESSEE

Security 101 – Nashville
DEI Security Solutions, LLC
11205 Lebanon Rd., Suite 101
Mount Juliet, TN 37122
(615) 953-0101

TEXAS

Security 101 -Austin
Chameleon Security Integrations, LLC
3007 Longhorn Blvd., Suite 103
Austin, TX 78758
(512) 633-6872

Security 101 - Houston
JAC Security Inc
204 W. Heritage
Friendswood, TX 77546
(832) 404-6800

Security 101 – Dallas
North Texas Integration, Inc.
8708 N. Royal Lane
Irving, TX 75063
(972) 434-9000

Security 101 - San Antonio
JY Security, Inc
401 Isom Rd., Suite 370
San Antonio, TX 78216
210-339-8988

UTAH

Security 101 – Salt Lake City
Ford Industries, Inc.
986 West Atherton, Suite 140
Taylorsville, UT 84123
(866) 747-9101

VIRGINIA

Security 101 – Hampton Roads
Silent Securities, Inc.
3301 Colley Ave, Suite 101
Norfolk, VA 23508
(757) 961-3373

Security 101 – Richmond
RVA Security Integrators, Inc.
425 Southlake Blvd. Suite 2B
Richmond, VA 23236
(804) 977-1768

WASHINGTON

Security 101- Seattle
Stewart Investments, Inc
1158 Industry Drive
Tukwila, WA 98188
425-638-2383

LIST OF TRANSFERS AS OF DECEMBER 31, 2021

Each of these is now a corporate/affiliate owned location as of December 31, 2021:

FLORIDA

Security 101- Jacksonville
TNTSI, Inc.
8110 Cypress Plaza Dr., Suite 304
Jacksonville, FL 32256
(904) 260-9101

Security 101 – Miami
AVI Integrators, Inc.
2400 W. 84th Street, Suite 15
Miami, FL 33016
(305) 715-7282

Security 101 – Orlando
R3 Security, Inc.
12001 Science Drive, Suite 135
Orlando, FL 32826
(407) 425-4101

Security101 – Fort Lauderdale
AVI Integrators, Inc.
1520 N. Powerline Rd.
Pompano Beach, FL 33069
(954) 984-4282

Security 101 – Tampa
AVI Integrators, Inc.
6708 Benjamin Road, Suite 100
Tampa, FL 33634
(888) 909-4101

Security 101 – Atlanta
Security 101 Holdings
3002 Kingston Court, Suite B
Marietta, GA 30067
(770) 644-1890

Security 101 – Savannah
TNTSI, Inc.
100 Bull Street, Suite 216
Savannah, GA 31401
(904) 260-9101

NORTH CAROLINA

Security 101 – Charlotte
Affinity Systems, Inc.
9731-G Southern Pine Boulevard
Charlotte, NC 28273
(704) 561-3169

SOUTH CAROLINA

Security 101 – Columbia
TNTSI, Inc.
1320 Main S, Unit 2
Columbia, SC 29201
(843) 763-8150

Security 101 – Charleston
TNTSI, Inc.
9481 Industrial Center Sr., Unit 2
Ladson, SC 29456
(843) 763-8150

Below is a list of franchisees that had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during our most recently completed fiscal year.

CALIFORNIA

Security 101 Sacramento
Smith Security Inc.
1024 Iron Point Road
Folsom, CA 95630
(916) 526-7075
(transferred business to an existing franchisee on
January 1, 2021)

NEW YORK

Security 101 – Hudson Valley
LYN Systems Inc.
75 South Broadway Suite 400
White Plains, NY 10601
(914) 770-7419
(closed the business on June 30, 2021)

Below is a list of signed franchise agreements, but outlets not opened as of December 31, 2021 (EACH OF THESE FRANCHISEES SIGNED A FRANCHISE AGREEMENT IN 2020, BUT THE OUTLET REMAINS UNOPEN AS OF DECEMBER 31, 2021):

CALIFORNIA

Security 101 - San Francisco (Metro)

True Security Inc,
1280 Boulevard Way #204
Walnut Creek, CA 94595
925-951-0444

Security 101- San Jose

True Security Inc,
1280 Boulevard Way #204
Walnut Creek, CA 94595
925-951-0444

EXHIBIT G TO THE FRANCHISE DISCLOSURE DOCUMENT

SAMPLE RELEASE

RELEASE OF CLAIMS

For and in consideration of the Agreements and covenants described below, Security Franchisors, LLC (“Franchisor”) and _____ (“Franchisee”) enter into this Release of Claims (“Agreement”).

RECITALS

A. Franchisor and Franchisee entered into a Franchise Agreement dated _____, ____.

B. **[NOTE: Describe the circumstances relating to the release.]**

C. Subject to and as addressed with greater specificity in the terms and conditions noted below, Franchisor and Franchisee now desire to settle any and all disputes that may exist between them relating to the Franchise Agreement.

AGREEMENTS

1. **Consideration. [NOTE: Describe the consideration paid.]**

2-3. **[NOTE: Detail other terms and conditions of the release.]**

4. **Release of Claims by Franchisor. [NOTE: Only included in the event of a termination or transfer.]** Except as provided below and in consideration of, and only upon full payment of \$_____ to Franchisor, and the other terms and conditions of this Agreement, the receipt and sufficiency of which is hereby acknowledged, Franchisor, for itself and for each of its affiliated corporations, subsidiaries, divisions, insurers, indemnitors, attorneys, successors, and assigns, together with all of its past and present directors, officers, employees, attorneys, agents, assigns and representatives does hereby release and forever discharge Franchisee and each of his heirs, executors, successors, and assigns of and from any and all actions, suits, proceedings, claims (including, but not limited to, claims for attorney’s fees), complaints, judgments, executions, whether liquidated or unliquidated, known or unknown, asserted or unasserted, absolute or contingent, accrued or not accrued, disclosed or undisclosed, related to the Franchise Agreement. This release does not release Franchisee for any post-termination obligations, including any indemnification, confidentiality or covenant not to compete obligations contained in the Franchise Agreement. Further, this release does not release Franchisee from any obligations he may have under this Agreement.

5. **Release of Claims by Franchisee.** In consideration of the other terms and conditions of this Agreement, the receipt and sufficiency of which is hereby acknowledged, Franchisee, for himself and for each of his heirs, executors, administrators, insurers, attorneys, agents, representatives, successors, and assigns, does hereby release and forever discharge Franchisor and each of its respective affiliated corporations, subsidiaries, divisions, insurers, indemnitors, attorneys, successors, and assigns, together with all of their past and present directors, officers, employees, attorneys, agents, assigns and representatives in their capacities as such, of and from any and all actions, suits, proceedings, claims (including, but not limited to, claims for attorney’s fees), complaints, charges, judgments, executions, whether liquidated or unliquidated, known or unknown, asserted or unasserted, absolute or contingent, accrued or not accrued, related to the Franchise Agreement.

6. **Reservation of Claims Against Non-Settling Parties.** Franchisor and Franchisee expressly reserve their right and claims against any non-settling persons, firms, corporations, or other entities for whatever portion or percentage their damages are found to be attributable to the wrongful conduct of said non-settling parties.

7. **Entire Agreement.** This Agreement constitutes the entire agreement between the parties relative to the subject matter contained herein, and all prior understandings, representations and agreements made by and between the parties relative to the contents contained in this Agreement are merged into this Agreement.

8. **Voluntary Nature of Agreement.** The parties acknowledge and agree that they have entered into this Agreement voluntarily and without any coercion. The parties further represent that they have had the opportunity to consult with an attorney of their own choice, that they have read the terms of this Agreement, and that they fully understand and voluntarily accept the terms.

9. **Governing Law and Jurisdiction.** This Agreement will be construed and enforced in accordance with the law of the state of _____.

10. **Attorneys' Fees.** All rights and remedies under this Agreement shall be cumulative and none shall exclude any other right or remedy allowed by law. In the event of a breach of this Agreement that requires one of the parties to enforce the terms and conditions of this Agreement, the non-prevailing party shall pay the prevailing party's attorneys' fees and costs incurred by reason of the breach.

Dated: _____, 2021

SECURITY FRANCHISORS, LLC

By _____

Its _____

Dated: _____, 2021

FRANCHISEE: _____

By _____

EXHIBIT H TO THE FRANCHISE DISCLOSURE DOCUMENT

STATE EFFECTIVE DATES

STATE EFFECTIVE DATES

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

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

<u>STATE</u>	<u>EFFECTIVE DATE</u>
CALIFORNIA	[PENDING]
ILLINOIS	April 25, 2022
INDIANA	[PENDING]
MARYLAND	[PENDING]
MICHIGAN	[PENDING]
MINNESOTA	May 16, 2022
NEW YORK	[PENDING]
NORTH DAKOTA	May 3, 2022
SOUTH DAKOTA	[PENDING]
WASHINGTON	[PENDING]
WISCONSIN	April 21, 2022

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

EXHIBIT I TO THE FRANCHISE DISCLOSURE DOCUMENT

RECEIPTS

RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Security Franchisors, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that Security Franchisors, LLC gives you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Iowa and Michigan require that Security Franchisors, LLC gives 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 Security Franchisors, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit A.

The franchisor is Security Franchisors, LLC, 1450 Centrepark Boulevard, Suite 210, West Palm Beach, Florida 33401. Its telephone number is (800) 261-2041.

Issuance Date: April 15, 2022

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

- ☐ Steve Crespo, 1450 Centrepark Boulevard, Suite 210, West Palm Beach, Florida 33401, (800) 261-2041
- ☐ Steve Parsons, 1450 Centrepark Boulevard, Suite 210, West Palm Beach, Florida 33401, (800) 261-2041

Security Franchisors, LLC authorizes the respective state agencies identified on Exhibit B and the agent for service of process identified in Item 1 to receive service of process for it.

I have received a Franchise Disclosure Document dated April 15, 2022, that includes the following Exhibits: A) Financial Statements, B) Schedule of State Agencies, C) State Addenda, D) Franchise Agreement with Addenda, E) Operations Manual – Table of Contents, F) List of Franchisees, G) Sample Release, H) State Effective Dates, and I) Receipts.

Date: _____

Signed: _____

Print Name: _____

Address: _____

City: _____ State _____

Phone () _____ Zip _____

Date: _____

Signed: _____

Print Name: _____

Address: _____

City: _____ State _____

Phone () _____ Zip _____

Copy for Franchisee

RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Security Franchisors, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that Security Franchisors, LLC gives you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Iowa and Michigan require that Security Franchisors, LLC gives 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 Security Franchisors, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit A.

The franchisor is Security Franchisors, LLC, 1450 Centrepark Boulevard, Suite 210, West Palm Beach, Florida 33401. Its telephone number is (800) 261-2041.

Issuance Date: April 15, 2022

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

- ☐ Steve Crespo, 1450 Centrepark Boulevard, Suite 210, West Palm Beach, Florida 33401, (800) 261-2041
☐ Steve Parsons, 1450 Centrepark Boulevard, Suite 210, West Palm Beach, Florida 33401, (800) 261-2041

Security Franchisors, LLC authorizes the respective state agencies identified on Exhibit B and the agent for service of process identified in Item 1 to receive service of process for it.

I have received a Franchise Disclosure Document dated April 15, 2022, that includes the following Exhibits: A) Financial Statements, B) Schedule of State Agencies, C) State Addenda, D) Franchise Agreement with Addenda, E) Operations Manual – Table of Contents, F) List of Franchisees, G) Sample Release, H) State Effective Dates, and I) Receipts.

Date: _____

Signed: _____

Print Name: _____

Address: _____

City: _____ State _____

Phone () _____ Zip _____

Date: _____

Signed: _____

Print Name: _____

Address: _____

City: _____ State _____

Phone () _____ Zip _____

Copy for Security Franchisors, LLC