FRANCHISE DISCLOSURE DOCUMENT

SDS FRANCHISING, LLC

A Louisiana limited liability company
421 North Florida Street
Covington, LA 70433
(985) 327-7980
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The Security Data Supply® Businesses are product and service distribution businesses that sell security products and other, low voltage Cat 5E, Cat 6, fiber optic networking, fire alarm systems, complete audio, video, CCTV, Central VAC, access control and related products and services to licensed installers/re-sellers who service commercial or residential customers. The franchises offered are for the operation of new and existing (Company-Owned or affiliate-owned) single Security Data Supply® Businesses.

The total initial investment necessary to begin operation of a new Security Data Supply® Business ranges from $433,200 to $2,393,500. This includes $60,000 that must be paid to the franchisor or an affiliate as an initial fee.

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 payments to, the franchisor or an affiliate in connection with the proposed franchise sale. **NOTE, HOWEVER, THAT NO GOVERNMENT AGENCY HAS VERIFIED THE INFORMATION CONTAINED IN THIS DOCUMENT.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the Franchise Administration Department, Attn: Ronald F. Broussard, Jr., 421 North Florida Street, Covington, LA 70433, (985) 327-7980; ron@securitydatasupply.com.

The terms of your Franchise Agreement, including all exhibits and addenda to your Franchise Agreement, will govern your franchise relationship. Do not rely on this disclosure document alone to understand your Franchise Agreement. Read all of your Franchise Agreement carefully. Show your Franchise Agreement 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, N.W., Washington, D.C. 20580. You can also visit the FTC's home page at *www.ftc.gov* for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

ISSUANCE DATE: July 28, 2025

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
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 Exhibits D and E.
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 C 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 Data Supply 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 Data Supply franchisee?	Item 20 or Exhibits D and E 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 G.

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 litigation only in St. Tammany Parish, Louisiana. 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 Louisiana than in your own state.

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

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Exhibit F	Table of Contents of Operating Manual
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APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT AND MIGHT REQUIRE A RIDER TO THE FRANCHISE AGREEMENT. THESE ADDITIONAL DISCLOSURES, IF ANY, APPEAR IN AN ADDENDUM OR RIDER.

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

The Franchisor.

SDS FRANCHISING, LLC ("**we**," "**us**," or "**our**") is the Franchisor and maintains its principal place of business at 421 North Florida Street, Covington, Louisiana 70433. We are a Louisiana limited liability company formed on November 12, 2010. We are a franchising company that promotes and sells franchises for Security Data Supply® Businesses. Our phone number is (985) 327-7980 and our website is www.SecurityDataSupply.com.

We refer to a person who acquires a franchise from us as "**you**" or "**your**". If you are a corporation, partnership or other entity, your owners must sign our "**Principal Owners Guaranty**", guaranteeing your performance and binding themselves individually to provisions of the Franchise Agreement. Our agent in Louisiana for service of process is Arena Law Firm, 442 Fremaux Avenue, Slidell, LA 70458, and if different in another state is, if applicable, disclosed in Exhibit "G."

We conduct business under our corporate name "SDS Franchising, LLC" and were formed for the purpose of offering and selling franchises for Security Data Supply® Businesses. We do own or operate businesses of the types franchised (Security Data Supply® Businesses), and we reserve the right to do so. Yin Yang Holdings, LLC members Ron Broussard and Chris Lamb wholly own Tefco Holdings, LLC, which wholly owns SDS Kansas City, LLC, a Security Data Supply Business located in Riverside, MO, and SDS of Greater NOLA, LLC, a Security Data Supply Business located in Metairie, LA. We also engage in the sale of products and services to Security Data Supply Businesses. We began offering franchises for Security Data Supply® Businesses as of November 12, 2010, and do not engage in other business activities and have not offered franchises in other lines of business.

Our Parent.

Our parent is Yin Yang Holdings, LLC ("**Holdings**"), a Louisiana limited liability company whose address and phone number is 421 N. Florida Street, Covington, LA 70433, (985) 327-7980. Holdings was formed on May 1, 2019. On May 1, 2019, Holdings acquired all of the ownership interests in us, as well as in our affiliates, Security Data Supply, LLC and Dealer's Choice Products, LLC. 1088 Investments, LLC, a Louisiana limited liability company whose address is 421 N. Florida Street, Covington, LA 70433, owns sixty percent (60%) of the equity in Holdings. Christopher James, LLC, a Mississippi limited liability company whose address is 117 Lineage Lane, Flowood, MS 39232, owns forty percent (40%) of the equity in Holdings.

Our Affiliates.

Our affiliate, Security Data Supply, LLC, is a Louisiana limited liability company and was formed on October 24, 2003, and Security Data Supply, LLC has conducted business in the security products industry since that time. Security Data Supply, LLC's address is the same as ours, and its phone number is also the same. It operates www.SecurityDataSupply.com and assigned to Holdings certain intellectual property it developed as the creator of our system, as well as certain trademarks and copyrights that we use in the operation and franchising of Security Data

Supply businesses. It may also sell certain assets and customer accounts to our franchisees who purchase "Company-Owned Units". Security Data Supply, LLC serves as a provider of products and services to Security Data Supply Businesses. Security Data Supply, LLC also sells products to independent non-Security Data Supply branded distributors ("**Distributors**"), that are the same or similar to those as offered by our Security Data Supply® Businesses.

Our affiliate, Dealer's Choice Products, LLC, is a Louisiana limited liability company formed on August 6, 2018 ("**Dealer's Choice**"). Its current address is 421 N. Florida Street, Covington, LA 70433 and phone number is (985) 327-7980. Dealer's Choice sells inventory products and sells services to us and to our franchisees.

Each of our current or future predecessor(s) and affiliate(s) may engage in the supply of products and services to the franchise system and is, or may, be an "**Approved Supplier**". See Item 8 of this Disclosure Document for discussion of Approved Suppliers.

Except as disclosed above, our parents, predecessors and affiliates have not offered franchises in this or any other lines of business.

The Franchises Offered

"**Security Data Supply® Businesses**," are product and service distribution businesses offering security products and services and other, low voltage, Cat 5E, Cat 6, fiber optic networking, fire alarm systems, complete audio and video, CCTV, central VAC, and access control products and services we designate or approve (the "**Security Data Supply Products**" and/or the "**Security Data Supply Services**") in accordance with our standards, specifications, processes, rules and procedures, know-how, and methods (the "**System**"). Security Data Supply® Businesses primarily sell the Security Data Supply Products and Services to licensed installers/re-sellers. The System also includes marketing and sales, our distribution and supply channels, distinctive designs, layouts, color schemes and signs; standards and specifications for operations, products, inventory, and suppliers; product and service mix; rules; training and assistance; and other methods and procedures relating to the establishment and operation of a Security Data Supply® Business.

We refer to the right to acquire a franchise to operate an individual Security Data Supply® Business as our "**Security Data Supply® Business Program**." Under the Security Data Supply® Business Program, we grant to persons or entities who meet our qualifications, and who are willing to undertake the required investment and effort, the right to operate a Security Data Supply® Business. The Security Data Supply® Business granted to you under the Franchise Agreement is sometimes referred to as "**your Business**" or "**the Business**".

If we approve you to own and operate a Security Data Supply® Business, you will be required to sign our then current Franchise Agreement.

We use, promote and license in the operation of Security Data Supply® Businesses certain trademarks, service marks and other commercial symbols, including the trade and service marks "Security Data Supply®" and other assorted associated logos, designs, and commercial symbols (collectively, the "**Marks**"). We also use, promote and license in the operation of Security Data Supply® Businesses certain information capable of being rendered into tangible form that we claim as our copyrights, including spreadsheets, pro forma documents, forms, marketing materials,

manuals, pricing lists, vendor lists, menus, advertisements, our website, and any other written materials, marketing materials or advertisements, (including the look, compilation, feel and content of them) (collectively, the "**Copyrights**"). Both new and Company-Owned type Security Data Supply® Businesses use the same Marks, Copyrights and System. In this Franchise Disclosure Document, we often refer to both Company-Owned and new Security Data Supply® Businesses as simply "**Security Data Supply® Businesses**."

Each Security Data Supply® Business operates from a specified location (the "**Headquarters**") from which it must provide within the geographic area we designate (the "**Marketing Area**") only the Security Data Supply Products and Services we designate or approve in accordance with our System and using our Marks and Copyrights. But, within that Marketing Area, each Security Data Supply® Business is also granted an area in which we grant certain exclusive rights as described more fully in Item 12 of this Disclosure Document (the "**Primary Area**"). We may allow a Security Data Supply® Business to operate on a mobile basis to make deliveries to locations within its Primary Area and Marketing Area. But, if part of that Marketing Area is later granted as the Primary Area of another franchisee, the Security Data Supply® Business's right to operate or make deliveries in that part of the Marketing Area granted to the third-party ceases.

Website Activities/Alternative Channels of Distribution.

We or our affiliates operate or may from time to time operate one or more websites or portals for the purposes of facilitating sales by our Security Data Supply® Businesses, or to sell them items for resale (the "**Distribution Website**"). If we use the Distribution Website to directly sell items to you, you will pay to us or our affiliate the purchase price we designate, which will include a mark-up. This mark-up may vary from time to time in our sole discretion. Currently it is approximately 5% or greater but may vary between 4% and 6%.

Competition.

Security and low voltage technology related products and service sales is a moderately well-developed market in some areas and is undeveloped in others. You will compete with other manufacturers and distributors of these products. Your Security Data Supply Products and Services will be offered to industry identifiable types of customers we designate or approve, which currently only includes licensed or legally authorized installers or similar business types we designate.

Regulations.

There are no regulations specific to the distribution industry in which Security Data Supply® Businesses operate, although you will be required to comply with all local, state and federal laws that apply to Security Data Supply® Businesses' operations. In addition, certain states may have certification and registration requirements for such businesses that are engaged in the installation of electrical or security products. You should investigate whether any of these certification or registration requirements will apply to your Business. You must comply with federal and state truth in advertising laws and regulations. Additionally, every state has enacted laws, rules, regulations and ordinances which may apply to the operation of a Security Data

Supply® Business, including those which: (a) establish general standards, specifications and requirements for the construction, design and maintenance of the premises; (b) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for your establishment, restrictions on smoking, and availability of and requirements for public accommodations, including restrooms; (c) set standards pertaining to employee health and safety; and (d) set standards and requirements for fire safety and general emergency preparedness. You must comply with laws regulating sexual harassment and discrimination, as well as federal, state and local regulations concerning retail business practices. You will also be required to comply with immigration and social security laws regarding the personnel you hire. You should investigate your local laws.

The "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001" (the "**USA Patriot Act**") will apply to your franchise operations. We are required to comply with the USA Patriot Act. To help us comply with the USA Patriot Act, we require you to confirm for us that neither you nor your directors, officers, shareholders, partners, members, employees, or agents are suspected terrorists or persons associated with suspected terrorists or are under investigation by the U.S. government for criminal activity. You may review the USA Patriot Act and related regulations at: http://www.treasury.gov/offices/enforcement/ofac/sdn.

Referral of Prospects.

We may establish programs to compensate franchisees for referring prospective franchisees to us. If we authorize you to refer prospects to us under a referral program, we will provide you with copies of our applicable Federal Disclosure Document in electronic form. The sale of franchises is governed by rules enacted by the Federal Trade Commission ("**FTC**"), 16 C.F.R. §§ 436.1 et seq. (the "**FTC Rule**"). If you refer franchise prospects to us, you must comply with the disclosure requirements required by the FTC Rule and states which have laws regulating the offer and sale of franchises.

ITEM 2
BUSINESS EXPERIENCE

Chief Execute Officer, President and Director/Member: Ronald F. Broussard. Ronald F. Broussard has served as our President and Director and a Member since our inception in November 2010. He has served as our CEO since May 2019. He has served as CEO and Manager for Yin Yang Holdings, LLC in Covington, LA since May 2019. He is a member (owner) and manager of Yin Yang Holdings, LLC. He has served as the President of our predecessor and affiliate, Security Data Supply, LLC in Mandeville, Louisiana since its inception in November 2003. The offices for each of these companies have moved to Covington, Louisiana. Mr. Broussard has served as the Manager of SDS Houston Operations, LLC in Houston, Texas since September 2015. Mr. Broussard has been a Member and the Manager of Security Data Supply of Dallas, LLC in Dallas, Texas from January 2016 to June 2018. He is a member and the manager of 1088 Investments, LLC, which is the member that owns his interests in Holdings. He has served as the Member/Manager, Present and CEO for Dealer's Choice Products, LLC in Covington, LA since

its inception in August 2018. Dealer's Choice Products, LLC was acquired by Holdings in May 2019. He serves in all positions with us, our parent and affiliates in Covington, LA.

Manager and Chief Financial Officer: Christopher Lamb: Chris has served as our Chief Financial Officer and one of our managers since January 2019 in Covington, LA and as the Vice Present and a manger of Holdings since May 2019. He served as the Profit Center Manager for Consolidated Electrical Distributors, Inc. d/b/a Sefco Electric Supply from October 2015 to March 2018; and was their Operations Manager from March 2018 to December 2018 in Jackson, MS.

Chief Operations Officer: Michael D. Capulli: Mike originally came to Security Data Supply in 2018 as Vice president of Vendor Relations. In 2022, he was elevated to the role of Chief Operations Officer. Mike has been in the security products and services industry for over 40 years. He was an original owner of Tri-ed Distribution Inc. in 1981 until the company was sold in 1995. He then held various management positions with Tyco (VP of Global Sales), Samsung (VP of Sales), and comCables, an Anixter Company (VP of Sales). As a result, Mike has experience in distribution, system integration, and manufacturing.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

IF YOU ARE LOCATED IN THE STATE OF CALIFORNIA, PLEASE SEE THE CALIFORNIA APPENDIX CONTAINED IN EXHIBIT B TO THIS DISCLOSURE DOCUMENT.

ITEM 4
BANKRUPTCY

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

ITEM 5
INITIAL FEES

Your "initial franchise fees" are those monies you may be required to pay to us or our affiliates prior to the commencement of your Security Data Supply® Business' operations. Your total initial fees for a single Security Data Supply® Business is $60,000.

Franchise Fee.

If you purchase a Security Data Supply® Business from us, you must pay us, as part of the initial franchise fees, an up-front, non-refundable "Franchise Fee" in the amount of $50,000 (the "**Franchise Fee**"); provided that our affiliates that purchase or own a Security Data Supply® Business are not obligated to pay the Franchise Fee .

You must pay the Franchise Fee when you sign the Franchise Agreement, unless your state requires that we defer initial franchise fees until we and our affiliates have completed all pre-opening obligations under the Franchise Agreement (See State Specific Addendums at Exhibit "B"). The Franchise Fee is due in lump sum and is fully earned and non-refundable upon payment.

Establishment Package.

When you pay the Franchise Fee, you must also pay us an up-front, non-refundable fee (the "**Establishment Package Fee**") in the amount of $10,000 as your payment for marketing and display items; business operation tools and equipment; and certain other materials we designate (collectively, the "**Establishment Package**"); provided that our affiliates that purchase or own a Security Data Supply® Business are not obligated to pay the Establishment Package Fee.

The exact contents and quantities in your Establishment Package will be listed as an Exhibit to your Franchise Agreement. We or our affiliate(s) will deliver the Establishment Package at no additional costs.

Initial Training.

Included in the Franchise Fee for each type of Security Data Supply® Business is our Initial Training Program consisting of "Owners Training" for up to 2 persons (your owners) for 3 to 8 days of classroom training and 5 to 12 days of on-the-job training, as well as our "Employee Training" for up to 5 persons for up to 30 days.

Fee Deferrals

In some states, we are required to defer collection of your initial Franchise Fee until you commence operations (See State Addendums attached as Exhibit "B"). You are considered by us as able to commence operations after you attend training, and we send you notice that our pre-opening obligations have been fulfilled. If you are subject to a fee deferral, your initial Franchise Fee will be due within 10 days of that notice.

Except as described in this Item 5 above, there are no other fees required to be paid to us or purchases required to be made from us or our affiliates, prior to your beginning operations of your Security Data Supply® Business.

ITEM 6
OTHER FEES

SECURITY DATA SUPPLY® BUSINESS PROGRAM			
Name of Fee[1]	**Amount[5]**	**Due Date**	**Remarks[4]**
Product Purchases by You	Varies: Based on your sales/purchases. We earn profits on all sales we make to you by marking up these sales by 4% to 6% of the price we sell to you. If you fail to meet or achieve your monthly minimum sales level (your "**MSL**"), we may require you to pay a fee in the amount that varies from $1,500 to $5,000 per month, depending on negotiations and your Marketing Area/Primary Area.	Prior to Shipment	We or our affiliates (Security Data Supply, LLC) earn profits on sales made to you. We have the right to charge mark-ups on such sales at 4% to 6% over our cost, inclusive of our shipping, handling and tax costs. For your MPL (minimum purchase level), we expressly require you to maintain an inventory of at least $150,000 to $500,000 in Security Data Supply Products, including $2,500 to $10,000 of Dealer's Choice Products, at all times and for your MSL (minimum sales level) we require you to sell at least $300,000 to $900,000 Security Data Supply Products per quarter and $750 to $5,000 in Dealer's Choice Products per calendar quarter.
System Fund Fee	Up to two (2%) percent of your Gross Sales.[(2)]	On the Payment Day[(5)] following the end of each Calendar Year quarter, in the event that we establish the System Development Fund.	If we establish the System Development Fund, this fee will go into the System Development Fund, which would be used by us in an attempt to maximize recognition of the Marks and patronage of Security Data Supply Businesses, such as by developing advertising and marketing materials and programs to benefit all Security Data Supply Businesses. If the System Development Fund is established, we may defer or reduce the System Fund Fees upon 30 days' prior written notice to you but will not increase the System Fund Fee during the first two (2) years of the Term..
Ops Team Member Fee	$6,000 per month, plus expenses	As incurred, within 15 days of billing.	Compensates us if we are requested to provide, or if we require you to use the services of, our On-Site Operational Support personnel (l person) in excess of the 1 month Ops Support Period. Included with the Franchise Fee, we provide 1 On-Site Operational Support Person ("**Ops Team Member**") for 1 month (the "**Ops Support Period**") who will assist you at your Site.
Software Hosting Fee	Varies: Currently $330 per month per user.	Monthly as incurred, within 5 days of billing.	The Software Hosting Fee is charged by our designee to enable your use of the POS/Inventory Control System. We may collect this fee automatically via the Computer System.

SECURITY DATA SUPPLY® BUSINESS PROGRAM			
Name of Fee[1]	**Amount[5]**	**Due Date**	**Remarks[4]**
Additional Training or Assistance	Our then current per diem fee not to exceed $500 per day per trainee, plus travel costs and expenses.	15 days after billing.	Included with the Franchise Fee is the Initial Training detailed in Item 11. We charge the Additional Training Fee if we require or you request, and we agree to provide, additional on-site training or opening team training. Additional Training or assistance fees incurred prior to their Opening Date are not due until 15 days following their Opening Date.
Additional Headquarters visit fees	$1,000 per additional visit for Headquarters approval.	We include 1 Headquarters visit in the Franchise Fee and $1,000 extra for each additional Headquarters approval visit.	Generally due prior to approval of the Headquarters or the additional visit. But none are due until 15 days after you commence operations.
Bookkeeping Oversight Fee	$5,000 + per year.	On demand, as incurred.	This is payable to us or our designee. We may collect this fee and forward it to our designee. It is the service fee for the accounting or brokerage fee we designate to monitor your cash, inventory and accounts payable, accounts receivable levels. See Item 11.
Audit	Cost of attorneys and independent accountants and the travel expenses, room and board and compensation of our employees. You also must pay any shortfall in the amounts you owe us, including late fees and interest.	Within fifteen (15) days of the completion of our audit.	Payable only if you fail to furnish reports, supporting records or other required information or you under report Gross Sales by two percent (2%) or greater.
Administrative Fee	15% of any amount we pay on your behalf.	On Demand.	We reserve the right to charge you this fee if you fail to pay any required costs (insurance, expenses, etc.) and we decide to pay them on your behalf. You must also reimburse us for any amounts advanced on your behalf.
Interest	Lesser of 18% per year or highest contract rate of interest allowed by law.	Within 15 days after billing.	Payable on all overdue amounts.
Late Payment Penalties	Up to 18% of the late amount.	Due on payment of late amount.	Payable on all late payments including interest.
Costs and Attorneys' Fees	Our actual costs.	As incurred.	Payable if your default under any agreement with us causes us to incur legal fees and costs.
Indemnification	Our actual costs; will vary according to loss.	On demand.	You must indemnify us if your actions result in a loss to us.

SECURITY DATA SUPPLY® BUSINESS PROGRAM			
Name of Fee[1]	**Amount[5]**	**Due Date**	**Remarks[4]**
Headquarters Relocation Fee and Relocation Expenses	$2,000 plus our costs of relocation.	Within 15 days after billing.	This covers the cost we incur if you want to relocate the Business. We and our affiliates are not obligated to pay any Headquarters Relocation Fee on the same basis as Franchise owners for any Security Data Supply® Business we or our affiliates own and operate.
Business Management Fee	Up to 15% of your Gross Sales or $7,500 per month, plus expenses.	Paid on the applicable Payment Date.	This only applies if we operate/ manage your Security Data Supply® Business if you fail to meet your MSL or MPL or become disabled or deceased.
Transfer Fee	$5,000 plus costs and expenses of training the transferee.	The Transfer Fee is due at the time of the Transfer. The Training costs and expenses are due as incurred.	Payable by you or the transferee if we approve the transfer of your Business. In addition to the Transfer Fee, you must pay any costs and expenses associated with Training the Transferee, including all travel and living expenses.
			Payable when a 51% or more interest in you is transferred.
Fee For Breaching Non-Competition Covenants	Greater of (a) $300,000 or (b) actual and consequential damages and costs and attorneys' fees.	On demand.	Payable as liquidated damages if you breach the non-competition covenants or confidentiality obligations contained in the Security Data Supply® Business Agreement. (Note 6)
Local Advertising Cooperative[5]	Participation is voluntary.	Determined by the cooperative	See Item 11. Only applies if an Advertising Cooperative is formed.

Explanatory Notes.

1. Unless otherwise indicated, all fees in this table are imposed by and payable to us, our predecessor or our affiliate; provided that our affiliates that purchase and/or own a franchise may not be obligated to pay certain fees. We reserve the right to vary these fees among franchisees if, in our sole discretion, we choose to do so. All fees in this table are non-refundable..

2. "**Gross Sales**" are defined in the Franchise Agreement as all revenue you derive from operating the Security Data Supply® Business, including, but not limited to, all amounts you receive at or away from the Headquarters from any activities or services whatsoever including any that are in any way associated with the sale of Security Data Supply Products or Security Data Supply Services and/or in any way associated with the Marks, Copyrights or System, and whether from cash, check, barter, credit or debit card or credit transactions; but excluding (1) all federal, state or municipal sales, use or service taxes collected from customers and paid to the appropriate taxing authority and (2) customer refunds, adjustments, credits and allowances authorized by us that are actually made by the business.

3. We will designate the day of the month (the "**Payment Day**") the payments are due to us under the Franchise Agreement. The markup fees must be paid, at the latest, on the date that the related product invoices are due. We may require you to pay all payments due us by electronic funds transfer. You agree to comply with the procedures we specify in our Manuals and perform such acts and sign and deliver such documents as may be necessary to accomplish payment by this

method. On the Payment Day, you will report to us by telephone, internet, intranet or electronic means or on written form, as we direct, your Business's true and correct Gross Sales for the immediately preceding month. You will give us authorization, in a form that we designate or approve, to initiate debit entries or credit correction entries to the Business's bank operating account (the "**Account**") for payments of any fees due us and other amounts due under the Franchise Agreement, including any applicable interest charges. Since the form may vary by your or our banking institution, we do not have a standard form of electronic delivery transfer document for you to sign in all instances to make electronic funds transfers from your Account. You will make the funds available in the Account for withdrawal by electronic transfer no later than the Payment Day.

4. All fixed dollar amounts used in the Franchise Agreement or any Addenda may be adjusted as of January 1 of each year in proportion to changes in the Consumer Price Index (U.S. Average, all items) maintained by the U.S. Department of Labor between January of the prior year and January of the then current year. Each Adjustment will be made effective as of January 1 based on the January Index, but the first adjustment will not be made until the second January following the Agreement Date.

5. Currently, there are no advertising or purchasing cooperatives which you must join. But see our discussion of the System Development Fund, which we have the right, but not the obligation, to establish.

6. This fee is due if you breach any of the non-competition covenants contained in the Franchise Agreement. These liquidated damages relate to your breach of the confidentiality and non-competition covenants only and are not the only damages, costs or remedies we may seek and are in addition to our right to damages, costs, attorneys' fees, or injunctive relief arising out of anything other than the breach of the confidentiality and non-competition covenants

ITEM 7
ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT

New Security Data Supply® Businesses.

Type of Expenditure (footnote 1)	Amount		Method Of Payment	When Due	To Whom Payment is To Be Made
	Low	High			
Franchise Fee –Single Unit (footnote 2)	$50,000		Lump Sum	Signing Franchise Agreement	Us
Establishment Package Fee (footnote 3)	$10,000		Lump Sum	Signing the Franchise Agreement	Us
Additional Headquarters Visit Fees (footnote 4)	$0	$1,000	Lump Sum	As incurred, but not earlier than 15 days after opening.	Us
Approved/Designated Bookkeeper Fees (footnote 4)	$1,000	$5,000	As Incurred	As incurred, but not earlier than 15 days after billing.	Us or our designee

Type of Expenditure (footnote 1)	Amount		Method Of Payment	When Due	To Whom Payment is To Be Made
	Low	High			
Initial Training (5)	Included as part of Franchise Fee	Included as part of Franchise Fee	Lump Sum	Signing of the Franchise Agreement	Us
Additional Training Fees	$0	$20,000	Lump Sum	As Incurred, but not earlier than 15 days after billing.	Us and Third Parties
Utility Deposits	$500	$1,500	Lump Sum	As Incurred	Third Parties
Construction, Improvements and other build-out not included with Establishment Package (footnote 6)	$5,000	$150,000	As Agreed	By agreement with provider	Lessors, Contractors, Subs
Professional Fees (lawyer, accountant, etc.) (footnote 7)	$2,000	$10,000	As Agreed	By agreement with provider	Third Parties
Rent – 3 months (footnote 8)	$5,000	$22,500	As Agreed	By Agreement with Landlord	Third Parties
Security Deposits (footnote 9)	$2,000	$16,000	Lump Sum	As Incurred	Third Parties
Inventory, Equipment and Start-Up Supplies (footnote 10)	$105,000	$1,500,000	Lump Sum	As Incurred	Third Parties and Suppliers
Insurance (premium for first year) (footnote 11)	$2,500	$5,000	Lump Sum	As Incurred	Third Parties
State and local business licenses, permits, filing fees, etc.	$100	$1,000	As Required	Before opening your Security Data Supply® Business.	Third Parties
Signage (footnote 12)	$100	$1,500	As Agreed	Before opening your Security Data Supply® Business.	Third parties
Additional Funds - 3 months (footnote 13 and14)	$250,000	$600,000	As Incurred	As Incurred	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT UNDER THE SECURITY DATA SUPPLY® BUSINESS PROGRAM (EXCLUDING REAL ESTATE AND/OR BUILDING PURCHASE COSTS)	**$433,200**	**$2,393,500**			

Explanatory Notes.

1. Unless otherwise stated in Items 5 or 6, all payments and fees due us or our affiliates in this Item are non-refundable. Payments to third parties may be refundable if you and the third party agree to allow for a refund. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing for third parties will depend on factors such as the availability of financing generally, your creditworthiness, collateral you may have and lending policies of financial institutions from which you may request a loan.

2. The Franchise Fee is due when you sign the Franchise Agreement and is not refundable.

3. The Establishment Package Fee is due when you sign the Franchise Agreement. The Establishment Package includes the items we designate in Exhibit B to your Franchise Agreement, like marketing items, display items and promotional items and supplies we designate. See Item 5. The content and quantities of the Establishment Package will be listed as an Exhibit to your Franchise Agreement. The Establishment Package Fee is uniform among franchisees and is not refundable. See Item 5.

4. You must use the services of a bookkeeper/accountant designed by or approved by us. See Item 6.

5. See Item 6. The low end assumes no additional Headquarters Visit Fees. The high end of the Additional Headquarters visit expense for Security Data Supply® Businesses assumes 2 additional visits. The Company-owned or affiliate-owned Security Data Supply® Businesses will have no additional Headquarter Site visit fees. See Items 5 and 6. The estimate of initial Training and Additional Training Fees includes your and your trainees' travel and living costs and on the high end of the estimate, one (1) Additional Training Fee ($500). These fees are not due until after you commence operations.

6. This is the estimated cost of work requiring permits or that is otherwise necessary to bring the Headquarters into accordance with our System Standards before the installation of the build-out and any items that may be included in the Establishment Package that may require installation (See Item 5 for a sample of the build-out items included in the Establishment Package). You will need to purchase or lease and install or make sure your Headquarters is equipped with all lighting switches, racks, warehouse facility fixtures and equipment. Neither we nor our affiliate provides or arranges for any work requiring permitting or any work necessary to install and set up the build-out of the Headquarters. For example, you will be responsible for any necessary electrical, plumbing, exterior and interior painting and construction work, if any, which are needed to meet our System Standards. These fees will vary significantly depending on the condition, location, size and FF&E included with the Headquarters.

7. This is the estimated cost to establish an entity and have the franchise documents reviewed. You may incur additional costs for professional services, the costs of which may vary.

8. A Headquarters will typically be in a light industrial complex, or the like. The size of a Headquarters is estimated to be approximately 1,500 to 5,000 square feet of air-conditioned space and 2,000 to 6,000 square feet of warehouse space. Our business model suggests franchisees seek to obtain rental rates of $8 to $18 per square foot, triple net, but rental rates vary by local market condition, geographic location, size, site profile, accessibility and other factors. It is also possible that you might choose to buy, rather than rent, real estate on which a building suitable for a Security Data Supply® Business already is constructed or could be constructed; however, we expect that you will lease space rather that own real estate and construct a building. Because of the numerous variables that affect the value of a particular piece of real estate, this estimated initial investment table does not reflect the costs of purchasing land and erecting a building. Assuming rent is paid in advance, the rental estimate of $5,000 to $22,500 reflects an estimate of your total leasing expenses for the time commencing on the Agreement Date to 1 month following your Opening Date (a total of 1 to 4 months). The rental estimate includes first and last month's rent (as a deposit) plus 1 month's rent (a total of 3 months' rent).

9. This estimate is for your rental/security deposits for your lease of the Headquarters. We do not anticipate that you will purchase your real estate. If you are converting an existing business and

intend to remain at the same site, we do not anticipate that you will have to pay any additional rental/security deposits. Rent is typically not refundable, except for the security deposit, which may be refundable if you comply with the terms of the lease.

10. You will receive certain equipment as part of the Establishment Package (See Item 5 for the items in a typical Establishment Package). However, you will be responsible for making sure your Business has a computer, fax machine, telephones, one or more forklifts ($20,000 to $30,000 each), shelving ($5,000 to $20,000), miscellaneous warehouse equipment, and other standard business equipment that meets our System Standards (See Item 11). The low end of the range assumes you already have such equipment; the high end of the range assumes that all new equipment is purchased. You will need to establish ACH/merchant account capabilities meeting our System Standards.

11. You must obtain and maintain, at your own expense, insurance coverage that meets our minimum requirements. We must be named as an additional insured on these policies. Insurance costs vary based on policy limits, types of policies, nature of physical assets, gross revenues, claims history, number of employees, square footage, location, business, contacts and other factors. See Item 8 of the Franchise Agreement for additional information on Insurance.

12. You will need to, at your expense, acquire and install signage that meets our System Standards. Company-Owned Units may already have adequate signage.

13. This estimates additional funds you might need during the initial startup of your Business. You will need sufficient funds to handle the float of your inventory purchases between the time of order and payment by customers. It also includes any monthly or per person/per workstation software license fees to us, our affiliates or third parties. If we or our affiliate determine that you are not able to make timely payments for inventory, your trade credit, if any, will not be offered and you will need to purchase C.O.D. We or our affiliate(s) do not have to offer you any trade credit on inventory purchases. We expect this may be necessary if you are unable to ramp up sales quickly enough to cover these costs. It does not include additional Headquarters Visit/evaluation fees or any additional Ops Team Member fees, or additional Ops Team Member costs. It includes the price and living costs of the Ops Team Member during the initial Ops Support Period. See Item 6. The Initial Investment Period – three (3) months- begins on the Agreement date and ends three (3) months thereafter. These expenses include payroll costs. These figures are estimates, and we cannot guarantee that you will not have additional or higher expenses and costs in starting the Business. Your costs will also depend on factors such as: how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and the sales level reached during the initial period. The initial period used in this Item 7 is not intended to imply or represent that you will "break-even" or begin to see positive cash flow at any particular time. We relied on the experience of our predecessor's and affiliate's management experience to compile these estimates (See Item 1). You should review these figures carefully with a business advisor before making any decision to purchase the franchise. These estimates may vary for many reasons, including the capabilities of your management team.

14. The high end of the range of additional funds needed is likely the greatest for New Security Data Supply® Businesses compared to Company-owned or affiliate-owned Security Data Supply® Businesses. These include necessary inventory purchases and operating funds to carry operations while you collect accounts receivables. These figures are estimates, and we cannot guarantee that you will not have additional or increased expenses and costs in starting a Business(s). You should

review these figures carefully with a business advisor and speak with our existing franchisees before making any decision to purchase the franchise.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Purchase Restrictions.

You must develop and operate your Business according to our system standards ("**System Standards**"). Our System Standards may regulate all of the purchases or expenditures made by your Business. Our System Standards regulate the Security Data Supply Products and Services and, among other things, required, authorized, unauthorized and prohibited inventory, bookkeeping/accounting/ oversight services, fixtures, furnishings, equipment, other services, signs, marketing materials, and accessories to be used in establishing and operating the Business, as well as the designated or approved suppliers of such items (which may be limited to or include us or our affiliates).

Purchase from Us or our Affiliates.

Other than the Establishment Package (See Item 5) and any additional initial inventory we designate, or you choose to purchase prior to opening, you will also have to purchase nearly all of the goods or services you offer and sell from us, our predecessor or our affiliates relating to the establishment and operation of your Security Data Supply® Business.

You are currently required to purchase from or through us or our affiliate Security Data Supply, LLC, all of the Security Data Supply Products and Services, supplies, goods and inventory you will use and/or sell in the operation of your Business. (See Item 5). We may require that all orders for Security Data Supply Products and Services are placed directly via Security Data Supply, LLC's website through our/its online customer center or Official Website. But we may require you to purchase directly from other suppliers we designate, and we may receive commissions on those purchases. You also must purchase the Establishment Package from us. You will order all Security Data Supply Products and Services from us, Security Data Supply, LLC or our designees online. We may designate other required purchases from us, our affiliate(s) or designees from time to time. We may also designate other approved suppliers of such products and require you to purchase them directly from another designated supplier.

Approved Suppliers.

In order to maintain the quality of the goods and services sold by Security Data Supply® Businesses and the reputation of the franchise network, to the extent we designate, you are obligated to purchase or lease fixtures, equipment and supplies, furnishings, and installation products as well as all inventory, supplies and other goods, services or equipment used to operate your Businesses and related items that meet our minimum standards and specifications and which are from suppliers we approve. As described above, we may, or our affiliates may, be the only Approved Supplier for them. We will notify you in our Manuals or other communications of our standards and specifications with respect to Approved Suppliers, including situations in which we may revoke approval. We include these requirements in our System Standards. We also currently require you to obtain bookkeeping/oversight type services from our designated supplier, who currently is Moyles & Associates, of Slidell, Louisiana.

The majority of equipment, inventory, supplies and services you purchase for your Business must be purchased from suppliers we designate or approve and according to our System Standards. We or our affiliate may negotiate contracts with equipment, services inventory and installation products and services suppliers who serve as exclusive or Approved Suppliers to Security Data Supply® Businesses. We may require you to purchase from us or our affiliates all of the goods and services we require you to use, and we or our affiliates may purchase such items from others and require you to purchase them from us. We and our affiliates may earn monies on these sales. We do not currently derive any revenue from your purchases from Approved Suppliers other than us, or our affiliates; but we may in the future. See "Rebates" below.

Suppliers in Which Our Officers Hold Interests

Both Security Data Supply, LLC and Dealer's Choice Products, LLC serve as or may serve as a supplier to our franchise system, and our officers Ronald F. Broussard and Christopher James have a direct or indirect ownership interest in both of these entities. Specifically, Yin Yang Holdings, LLC, which owns us, Security Data Supply, LLC, and Dealer's Choice Products, LLC, is owned by 1088 Investments, LLC and Christopher James, LLC. Our officer Ronald F. Broussard has an ownership interest in 1088 Investments, LLC, and our officer Christopher Lamb owns Christopher James, LLC.

During 2023, Security Data Supply, LLC received $33,008,508 in revenues from the sale of products or services to franchised Security Data Supply® Businesses (other than those described in Item 5) amounting to 99.6% of Security Data Supply, LLC's total revenues of $33,131,437. Security Data Supply, LLC's data is based on its unaudited financial statements. During 2023, Dealer's Choice Products, LLC received $55,461.73 in revenues from the sale of products or services to franchised Security Data Supply® Businesses (other than those described in Item 5) amounting to 100% of Dealer's Choice Products, LLC's total revenues of $55,461.73. Dealer's Choice Products, LLC's data is based on its unaudited financial statements. Security Data Supply, LLC obtains a mark-up on sales of Security Data Supply Products and Services sold to our franchisees.

Changes of Suppliers.

If you want to use any item that does not comply with System Standards or is to be purchased from a supplier that has not yet been approved or seek an alternative supplier to be an Approved Supplier, you must first submit sufficient information, specifications and samples for our determination whether the item complies with System Standards or the supplier meets Approved Supplier criteria. We have the right to approve or reject a supplier in our sole discretion for any reason whatsoever. We will use reasonable efforts to notify you of our decision within ninety (90) days of receiving the supplier information from you, and if no notice is given such supplier shall be deemed to have been rejected. We have the right to charge you our expenses incurred in making this determination and will, within a reasonable time of your request, notify you of our decision. We will, from time to time, establish procedures for submitting requests for approval of items and suppliers and may impose limits on the number of approved items and suppliers.

Approval or our revoking approval of a supplier may be conditioned on requirements relating to product quality, frequency of delivery, standards of service and concentration of purchases with one or more suppliers in order to obtain better prices and service and may be temporary, pending our further evaluation of the supplier. Our criteria for approving suppliers may be treated by us as a trade secret and not shared with our franchisees. In other instances, we may share these criteria with you by placing it in the Manual or communicating it directly to you. We do not permit you to contract with alternative suppliers who have not been approved by us in writing, even if such alternative suppliers meet our supplier criteria. . We can revoke our approval of a supplier at any time upon immediate notice to you.

Percentage of Purchases.

Collectively, the purchases described above in this Item 8 (purchases from us, our affiliates, approved or designated suppliers, or in accordance with our System Standards) are 100% of your overall purchases of products necessary to establish and operate a Security Data Supply® Business. These percentages are estimates and are subject to change.

Headquarters.

We must approve the site for the location of your Business. You must locate and obtain our approval of the Headquarters within 60 days after the date the Franchise Agreement is signed. We will approve or disapprove of a Headquarters proposed within 30 days of your providing the materials we request for approving a Headquarters. The Headquarters must be ready to open for customers (to service customers from it and have functioning warehouse and distribution capabilities) within the earlier of 30 days of the date it is approved, or 90 days following the Agreement Date.

The Headquarters must meet our criteria for population density and income characteristics, traffic patterns, parking, character of neighborhood, competition from and proximity to other businesses and other Security Data Supply® Businesses, the nature of other businesses in proximity to the Headquarters and other commercial and aesthetic characteristics. For example, some of our current guidelines for sites include: traffic patterns of consistent volume level, a sufficient warehouse space; proximity to commercial corridors; sufficient population within proximity to the Business; and lack of competitors in close proximity. We include one Headquarters selection trip of up to three days with the Franchise Fee. We may charge additional fees for additional Headquarters selection trips and we are also not obligated to conduct them if we choose not to charge those fees (See Item 5 and Item 6). If you and we fail to agree on a Headquarters within the time we permit, we may terminate the Franchise Agreement. The Business must be built out, equipped and decorated in accordance with our System Standards.

The terms we require that you include in your lease also allow us to take possession of the Headquarters if you violate the lease or any obligation to us under the Franchise Agreement or any other agreement with us. You still will be responsible for all lease obligations covering the time before we take over. If you and the landlord for the Headquarters are or become related in ownership or control, and we eventually take over the site, any lease will be amended to be the same length as the Franchise Agreement, to be consistent with commercially reasonable “triple-

net" leases being signed in your metropolitan area and to reflect the site's fair market rental value in your metropolitan area.

Computer Hardware and Software.

We require you to have a computer system for the operation of your Business. We may require you to install and utilize computer hardware and software that we may designate for the computer system. In general, the computer hardware and software include a CPU unit, monitor, color printer/fax/copier/scanner and internet modem capabilities, as well as office and business software. We require use of Remote Desktop or Small Business Office (See Item 11). We will have continuous access to your computer system. You must pay us a Software Hosting Fee of $330 per month per user (See Item 6).

Insurance.

You must obtain and maintain, at your own expense, such insurance coverage that we require from time to time and meet the other insurance-related obligations in the Franchise Agreement. The cost of this coverage will vary depending on the insurance carrier's charges, terms of payment and your history. You must send us copies of all insurance policies and each of them must name us as an additional insured party. If the Headquarters is destroyed, you must rebuild it or move to another Headquarters in accordance with your obligations under the Franchise Agreement. The Franchise Agreement does not terminate by virtue of casualty to the Headquarters.

Rebates.

We and our affiliates have instituted a formal rebate program or "Preferred Vendor" agreement with Approved Suppliers to franchised Security Data Supply® Businesses which ranges from 1% to 10% of the purchase price of the item. These rebates are paid to and kept by us and our affiliates. We and our affiliates also make a profit/mark-up on the items you purchase through us. See Item 6. We or our affiliates may negotiate with suppliers and manufacturers to receive rebates on certain items you must purchase. Our rebate programs may vary depending on the supplier and the nature of the product or service. Not every supplier will pay rebates to us. Certain suppliers and manufacturers may pay us a rebate based on the amount of products ordered that may vary. We may require you to enter into agreements with approved or designated suppliers or distributors. We reserve the right to use such rebate monies or remuneration in any way we choose. Also, our affiliates earn profits on the sale of goods and services to us, and to you. Our or our affiliates' obtaining rebate monies or remuneration from suppliers compensates us or our affiliates for their efforts to establish and maintain relationship with suppliers and distributors. While we may seek to establish supply relationships based on lowest, lower price, or other considerations, such as strategic marketing, strength of supplier, competitive pressures, and the like may influence our decisions to use and negotiate with those suppliers.

Purchasing or Distribution Cooperatives

There are currently no purchasing or distribution cooperatives. We may negotiate purchase arrangements with suppliers (including price items), for the benefit of the franchise systems.

Miscellaneous.

We do not provide material benefits to you (for example, renewing or granting additional franchises) based on your purchase of particular products or services or use of particular suppliers. However, if you do not use Approved Suppliers or follow our System Standards, we may terminate the Franchise Agreement. If you do not meet the minimum sales requirements in the Franchise Agreement, we can charge you fees or terminate your franchise rights.

ITEM 9
FRANCHISEE'S OBLIGATIONS

These tables list your principal obligations under the Franchise Agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.

Obligation	Section in Agreement	Item in Disclosure Document
(a) Headquarters selection and acquisition/ lease	Franchise Agreement ("**FA**"): Sections 2.1, 4, 5.1, 6.5, 17.5, and Exhibit A to the FA	Items 7, 11 and 12
(b) Pre-opening purchases/leases	FA: Sections 4, 5.3, 5.4, 5.10, 6.5, 11.7, 19.1, 19.2, 19.3, and Exhibit B to the FA	Items 5, 6, 7, 8, 11 and 16
(c) Headquarters development and other pre-opening requirements	FA: Sections 2.1, 4, 5, 7, 11.2, 11.4 11.7, 19.1, 19.2, 19.3, Exhibit B to the FA, Exhibit E to the FA, and Exhibit I to the FA	Items 6, 7 and 11
(d) Initial and ongoing training	FA: Sections 6.6, 6.7, 7, 11.2, 11.11, and 11.12	Item 11
(e) Opening	FA: Sections 5.1, 5.2, 5.3, 5.9, 5.10, 7, and 12	Item 11
(f) Fees	FA: Sections 4.1, 4.2, 5.1, 5.3, 6, 7.2, 7.3, 11.7, 12.1,15.3, 15.6 and Exhibit B to the FA	Items 5, 6 and 7
(g) Compliance with standards and policies/Operating Manuals	FA: Sections 1.2, 1.3, 1.5, 2.1, 2.4, 2.5, 4, 5, 6.3, 7.4, 8, 9.1, 9.3, 11, 12 13, 16.2, and 19	Item 11
(h) Trademarks and proprietary information	FA: Sections 1.1, 2.6, 5.7, 8, 9, 10, 11.1, 11.2, 12.8, 12.9, 15.3, 17.2, 17.3, 17.5, 20.5, 20.7, Exhibit E to the FA, and Exhibit J to the FA	Items 13 and 14
(i) Restrictions on products/ services offered	FA: Sections 2.4, 2.5, 5.4, 5.5, 5.6, 5.7, 5.8, 10, 11.1, 11.2, 11.7, 11.9, 11.10 12.5, 12.8, and 12.9	Items 11 and 16
(j) Warranty and customer service requirements	FA: Sections 5.7, 5.8, 7.4, 11.2, 14.1, and 18.1	None
(k) Territorial development and sales quotas	FA: Sections 2, 4.1, 4.2, 11.2, 11.13, 11.14, 12.7, and Exhibit B to the FA	Item 12
(l) On-going product/service purchases	FA: Sections 5.4, 5.5, 5.6, 6.2, 6.3, 11, 12, 13.1, and Exhibit A to the FA	Item 8
(m) Maintenance, appearance and remodeling requirements	FA: Sections 3.1, 3.2, 4.1, 4.2, 5.1, 5.2, 5.4, 5.7, 5.10, 7.4, 11.2, 11.3, 11.4, and 11.5	Items 11 and 17

Obligation	Section in Agreement	Item in Disclosure Document
(n) Insurance	FA: Sections 5.7, 5.10, 11.2 and 19	Items 7 and 8
(o) Advertising	FA: Sections 2.1, 2.6, 5.4, 5.7, 7.4, 8.1, 8.2, 8.6, 9.1, 11.2, 11.3, 12, 18.1, and Exhibit A to the FA	Items 6, 7 and 11
(p) Indemnification	FA: Sections 18.4, 19.3, 20.5, and 20.6; Exhibit I to the FA, Exhibit E to the FA Conditional Assignment of Telephone Numbers and Listings ("**CATNL**"): Section 4.	Item 6
(q) Owner's participation/ management/staffing	FA: Sections 1.5, 5.10, 7, 11.1, 11.2, 11.12, 11.13, 16.2, 18.1,Exhibit F to the FA, and Exhibit G to the FA	Items 11 and 15
(r) Records and reports	FA: Sections 6.3, 7.4, 8.3, 8.5, 8.6, 11.2, 11.6, 11.7,, 12.5, 12.8, 13, 15.8, 16.2, and 19.4	Item 11
(s) Inspections and audits	FA: Sections 13.3, 14 and 19.4	Items 6 and 11
(t) Transfer	FA: Sections 1.5, 8.2, 15, 16.2, 17.5, Exhibit D to the FA (if applicable), and Exhibit H to the FA	Items 6 and 17
(u) Renewal	FA: Section 3 and Exhibit H to the FA	Items 6 and 17
(v) Post-termination obligations	FA: Sections 8.1, 9.3, 17, and 18.4	Item 17
(w)Non-competition covenants	FA: Sections 1.5, 10, 15.3, and 17.3, 17.4, 17.5 and 17.6, Exhibit D to the FA (if applicable), and Exhibit J to the FA	Item 17
(x) Dispute resolution	FA: Section 20	Item 17

ITEM 10
FINANCING

We do not offer financing arrangements of any kind to you. Without limiting the foregoing, we do not offer direct or indirect financing, do not guarantee your notes, leases or obligations, and do not have any intent to sell, assign, or discount to a third party all or any part of any of your financing arrangements. We do not know whether you will be able to obtain third-party financing for all or part of your investment and, if so, the terms of that financing. Except as described above, we do not receive direct or indirect payment for placing financing.

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

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

Pre-Opening Obligations: Before you open your Business, we will:

1. If you and we have not already agreed upon a location for your Business before signing the Franchise Agreement, we will provide you with assistance in selecting a Headquarters. In general, we expect that most franchisees will lease, and not own their Headquarters. We approve an area in which you select a Headquarters and grant our approval of it. We will provide one site selection trip lasting up to three days to review your proposed Headquarters site. The Headquarters

must meet our criteria for population density and income characteristics, traffic patterns, parking, character of neighborhood, competition from and proximity to other Security Data Supply® Businesses, the nature of other stores in proximity to the Headquarters and other commercial characteristics, and the size, appearance and other physical characteristics of the proposed Headquarters. If you have not done so prior to signing the Franchise Agreement, you must select a Headquarters that we have approved within 60 days of signing the Franchise Agreement. We will approve or disapprove a Headquarters you propose within 30 days after we receive the materials we request regarding your preferred location. If you and us are unable to agree on a location for your Headquarters within 60 days of signing the Franchise Agreement, we may select the location of your Headquarters in our sole discretion.

2. We or our affiliate Security Data Supply, LLC will sell and deliver the items in your Establishment Package. The Establishment Package will contain your initial inventory of certain Security Data Supply Products and Services, related accessories, and certain equipment and build-out materials listed as an Exhibit to your Franchise Agreement. You are responsible for installation. (See Item 5 for the categories of materials and typical contents of an Establishment Package). The items in the Establishment Package will be delivered to your Business by our affiliates or designees. We or our affiliates will be responsible for shipment and delivery of the Establishment Package. You are responsible for delivery costs. We are not responsible for hiring your employees. (Franchise Agreement, Sections 5.3 and 6.1).

3. Identify any other fixtures, equipment (including facsimile machines, telephones, and computer hardware and software), music (including a satellite radio subscription), and any miscellaneous office supplies, equipment or materials necessary for your Business to begin operations, and the minimum standards and specifications that must be satisfied and the suppliers from whom these items may be purchased or leased (including us and/or our affiliates). We provide this information in writing and through verbal instruction in Initial Training. (Franchise Agreement, Section 5).

4. Provide you with the current form of our Franchise Operation Manual (the "**Manual**"), including by making a copy of those Manual(s) accessible to you on-line via Internet, Intranet or electronic media. (Franchise Agreement, Section 11.1).

5. Provide to you the Initial Training described in detail later in this Item. (Franchise Agreement, Section 7.1).

6. Provide to you the Ops Team Member for the Ops Support Period, and the Opening Team for such time period as we may designate (Franchise Agreement, Sections 6.6 and 7.3).

7. Provide you with a list of Approved Suppliers and, if applicable, Preferred Vendors (Franchise Agreement, Section 5.5).

8. License to you the software we designate (Franchise Agreement, Section 11.7).

9. Designate the initial Security Data Supply Products and Services you may offer to your customers.

Time To Opening.

We estimate that there will be an interval of approximately 1 to 12 months between the signing of the Franchise Agreement and the opening of your Business, but the interval may vary based upon such factors as the location and condition of the Headquarters, the extent to which an existing location must be upgraded or remodeled, the delivery schedule for equipment and supplies, delays in securing financing arrangements and completing training and your compliance with local laws and regulations.

You may not open your Business for business until: (1) we approve your Business as developed according to our specifications and standards; (2) Initial Training of you and your personnel has been completed to our satisfaction; (3) the Franchise Fee, the Establishment Package Fee, and all other amounts then due to us have been paid; (4) we have approved the manager of your Business and you have demonstrated that the conditions of Section 1.5 (e) of the Franchise Agreement have been met; (5) an Owner's Guaranty shall have been duly executed by each of your Principal Owners; (6) we have been furnished with copies of all required insurance policies, or such other evidence of insurance coverage and payment of premiums as we request; (7) we have received signed counterparts of all required documents pertaining to your acquisition or lease of the Headquarters, if any; and (8) you have obtained the minimum inventory we designate. You cannot open your Business until we are satisfied that you have completed all necessary steps to open. While we may terminate the Franchise Agreement if you fail to open in the time required, we may, in our sole discretion, grant you extensions if your delay is due to your engaging in efforts to comply with laws and regulations.

Post-Opening Obligations: During your operation of your Business, we will:

1. Advise you from time to time regarding the operation of your Business based on reports you submit or inspections we make. In addition, we will provide guidance to you on (a) Security Data Supply Products and Services procurement, marketing, sales, installation, customer service and warranty; (b) standards, specifications and operating procedures and methods utilized by Security Data Supply® Businesses; (c) purchasing required fixtures, furnishings, equipment, signs, products, materials and supplies; (d) Product and Service inventory practices and purchasing practices; (e) use of suppliers, approved products, and supplies; (f) sales, pricing policies and the like; (g) employee and management training; (h) administrative, bookkeeping and accounting procedures; and (i) use of our designated websites. Our guidance will also include our continuing to designate the Security Data Supply Products and Services you may offer to your customers, which designations may vary from our initial designation of the Security Data Supply Products and Services you may offer to your customers. This guidance will, at our discretion, be furnished in our Manual, bulletins or other written materials and/or during telephone consultations and/or consultations at our office or the Business. (Franchise Agreement, Section 7.4)

2. Establish our bookkeeping and accounting policies via our System Standards. (Franchise Agreement, Sections 11 and 13)

3. Provide you with access to any updated Manual(s) . The Manual(s) may contain mandatory and suggested specifications, standards, operating procedures and rules ("**System Standards**") that we prescribe from time to time for operation of a Security Data Supply®

Business and information relating to your other obligations under the Franchise Agreement and related agreements. In addition to our Manual(s), our System Standards will be communicated to you through miscellaneous e-mails, training and other communications. If created, the most recent on-line (or electronic format) version of the Manual(s) will control any disputes involving the Manual(s). The Manual(s) may be modified, updated and revised periodically to reflect changes in System Standards. You are responsible for routinely monitoring any on-line version (or electronic format) of the Manual(s) for changes to it. Our System Standards may designate how you establish and maintain administrative, bookkeeping, accounting, and inventory control procedures. (Franchise Agreement, Section 11.1)

4. Issue, modify and supplement System Standards for Security Data Supply® Businesses. These may regulate any one or more of the following with respect to your Business: (a) procurement, sales, marketing, installation, warranty and customer service equipment, products, services methods, procedures and processes; (b) all aspects relating to the utilization of websites and electronic media; (c) design, layout, decor, appearance and lighting; periodic maintenance, cleaning and sanitation; periodic remodeling; replacement of obsolete or worn-out leasehold improvements, fixtures, furnishings, equipment and signs; periodic painting; and use of interior and exterior signs, emblems, lettering and logos, and illumination; (e) required inventory and inventory levels; (f) designated or Approved Suppliers of fixtures, furnishings, equipment, Security Data Supply Products and Services, Operating Assets, Business Materials and other items we require for the operation of your Business; (g) terms and conditions of the sale and delivery of, and terms and methods of payment for, products, materials, supplies and services, that you obtain from us, our affiliates or unaffiliated suppliers; (h) sales, marketing, advertising and promotional programs and materials that are required or approved for use by your Business; (i) use and display of the Marks and Copyrights; (j) staffing levels for Security Data Supply® Businesses, and qualifications, training, dress and appearance of employees; (k) days and hours of operation of Security Data Supply® Businesses; (l) acceptance of credit cards, gift certificates, coupons, frequent customer programs, and payment systems and check verification services; (m) bookkeeping, accounting, data processing and record keeping systems, including software, and forms; methods, formats, content and frequency of reports to us of sales, revenue, financial performance and condition; and furnishing tax returns and other operating and financial information to us; (n) types, amounts, terms and conditions of insurance coverage required to be carried for the Security Data Supply® Business and standards for underwriters of policies providing required insurance coverage; our protection and rights under such policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage that must be furnished to us; our right to obtain insurance coverage for your Business at your expense if you fail to obtain required coverage; our right to defend claims; and similar matters relating to insured and uninsured claims; (o) complying with applicable laws; obtaining required licenses and permits; adhering to good business practices; observing high standards of honesty, integrity, fair dealing and ethical business conduct in all dealings with customers, suppliers and us; and notifying us if any action, suit or proceeding is commenced against you or your Business; and (p) regulation of such other aspects of the operation and maintenance of your Business that we determine from time-to-time in our sole discretion to be useful to preserve or enhance the efficient operation, image or goodwill of the Marks and Security Data Supply® Businesses.. We may periodically modify System Standards, which may accommodate regional or local variations as we determine or to comply with applicable laws, rules and regulations, and these modifications may obligate you to invest additional capital

in the Business and/or incur higher operating costs. However, these modifications will not alter your fundamental status and rights under the Franchise Agreement. (Franchise Agreement, Sections 11.2 and 11.3)

5. Provide and be responsible for the hosting and maintenance of the official www.SecurityDataSupply.com website or such other website as we may designate ("**Official Website**"). Your Business will be listed on the Official Website in the manner we designate. We are entitled to retain any and all advertising revenue, transaction fee revenue and any type of revenue that is not tied directly to the sale of a product that is generated by the Official Website.

6. As may be permitted by law, inspect and observe, photograph and videotape the operations of Security Data Supply® Businesses, remove samples of any products, materials or supplies for testing and analysis, interview Security Data Supply® Businesses' customers and personnel, and inspect and copy any books, records and documents relating to the operation of your Security Data Supply® Business from time to time to assist you in complying with the Franchise Agreement and all System Standards. (Franchise Agreement, Section 14.1)

7. Provide ongoing training as described later in this Item, which will assist you in training your employees. (But we do not assist you with hiring your employees) (Franchise Agreement, Section 7)

8. Provide to you the Ops Team Member for the Ops Support Period. (Franchise Agreement, Section 6.6)

Contemplated System Development Fund.

We have the right, but not the obligation, to establish a System Development Fund. In such event, you may be required to pay to the System Development Fund the System Fund Fees designated in Item 6 in the amount of up to 2% of your Gross Sales. If the System Development Fund is established, we will direct all programs financed by the System Development Fund, with sole discretion over the creative concepts, materials and endorsements used and the geographic, market and media placement and allocation of the programs. The System Development Fund, if established, may be used to pay the costs of preparing audio and written advertising and marketing materials; developing and servicing corporate accounts; engaging in research and development; administering regional and multi-regional advertising programs; purchasing e-commerce rights, products or services, direct mail and other media advertising; maintaining or paying third parties to maintain on-line ordering and fulfillment systems, the Business Management System and the like; supporting public relations and market research; establishing, developing, maintaining, modifying, servicing or hosting Websites or other e-commerce programs, and other advertising, promotion and marketing activities. The System Development Fund, if established, may, at our option, use an in-house advertising department or any local, national or regional advertising agency we choose. If established, the System Development Fund may periodically furnish you with samples of advertising, marketing and promotional formats and materials at its cost. (Franchise Agreement, Sections 6.4 and 12)

The System Development Fund, if established, will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for such

reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the System Development Fund and its programs, including, without limitation, conducting market research, preparing advertising, promotion and marketing materials and collecting and accounting for contributions to the System Development Fund. If the System Development Fund is established, we may spend, on behalf of the System Development Fund, in any fiscal year an amount greater or less than the aggregate contribution of all Security Data Supply® Businesses to the System Development Fund in that year, and the System Development Fund may borrow from us or others to cover deficits or invest any surplus for future use. If the System Development Fund is established, in addition to the System Fund Fees, we may assess you, and you must pay to the System Development Fund, such additional System Fund Fees as we or the Fund deems necessary in our sole discretion to address any deficits or special needs of the System Development Fund. All interest earned on monies contributed to the System Development Fund, if established, will be used to pay advertising costs before other assets of the System Development Fund are expended. If the system Development Fund is established, we will prepare an annual statement of monies collected and costs incurred by the System Development Fund and furnish the statement to you upon written request. We will not use any monies from the System Development Fund, if established, for the preparation of materials intended to be used solely for franchise sales solicitations. We have the right to cause the System Development Fund, if established, to be incorporated or operated through a separate entity at such time as it deems appropriate, and the successor entity will have all of the rights and duties described in the Franchise Agreement. (Franchise Agreement, Section 12.3)

The System Development Fund, if established, would be intended to maximize recognition of the Marks and patronage of Security Data Supply® Businesses. Although we will endeavor to utilize the System Development Fund, if established, to develop advertising and marketing materials and programs and to place advertising that will benefit all Security Data Supply® Businesses, we will undertake no obligation to ensure that expenditures by the System Development Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the System Development Fund by Security Data Supply® Businesses operating in that geographic area or that any Security Data Supply® Business will benefit directly or in proportion to its contribution to the System Development Fund from the development of advertising and marketing materials or the placement of advertising. We will assume no other direct or indirect liability or obligation to you with respect to collecting amounts due to, or establishing, maintaining, directing or administering, the System Development Fund. We do not have sufficient data to disclose what percentage of the System Fund Fees, if the System Development Fund were established, would be used for direct franchise sales. (Franchise Agreement, Section 12.2-12.4)

If the System Development Fund is established, we will reserve the right to defer or reduce contributions of a franchisee to the System Development Fund ("**System Fund Fees**") and, upon 30 days' prior written notice to you, to reduce or suspend contributions to and operations of the System Development Fund for one or more periods of any length and to terminate (and, if terminated, to reinstate) the System Development Fund. If the System Development Fund is later terminated, all unspent monies on the date of termination will be distributed to franchisees in proportion to their respective contributions to the System Development Fund during the preceding 12-month period. (Franchise Agreement, Section 12.1-12.8) As it has not yet been established, we did not spend any money from the System Development Fund during the last fiscal year.

The System Development Fund is not audited.

Your Local Advertising.

Although it is currently not required, we recommend that you spend annually for local advertising and promotion of your Business between 0.25% and 0.5% of your Gross Sales per Calendar Year. You may need to spend more than our minimum recommended amount. We may review your books and records relating to your expenditures for such advertising and promotion. (Franchise Agreement, Section 12.7).

All advertising, promotion and marketing must be completely clear and factual and not misleading in any way and must conform to the highest standards of ethical marketing and the promotion policies which we prescribe from time to time in our sole discretion. Samples of all advertising, promotional and marketing materials that we have not prepared or previously approved must be submitted for approval before you use them. If you do not receive written approval within 30 days after we receive the materials, we will be deemed to have not approved the materials. You may not use any advertising or promotional materials that we have disapproved. (Franchise Agreement, Section 12.5).

Local Advertising Cooperative.

If a local advertising cooperative is established, your participation will be on a voluntary basis. (Franchise Agreement, Section 12.6).

Advertising Councils.

There currently are no franchisee advertising councils or advertising cooperatives that advise us on advertising policies. In our discretion, we reserve the right to establish an advisory council of franchisees that does advise us on advertising policies and other matters.

Computer Systems and POS/Inventory Control System.

You must buy and install, if you do not already have, the computer hardware, software, printers, and communications equipment and services we designate or approve (collectively the "**Computer System**"). You will have sole responsibility for the acquisition, operation, maintenance, and upgrading of the Computer System. You must use the Computer System for accessing our Official Website and other on-line reporting of sales, ordering supplies, keeping customer information, and reporting other information to us as required under the Franchise Agreement. Currently, for New Security Data Supply® Businesses, we do not include the Computer System in the Establishment Package. You must purchase it separately. For Company-Owned Security Data Supply® Businesses, we may allow them to use their personal computer or existing computers if it is compatible with our Computer System. However, you may also choose to acquire additional computer equipment or use current computer equipment which meets our System Standards to supplement the Computer System.

Our current suggested hardware and software requirements for the Computer System include the following: 2 to 10 current performance iMacs loaded with Office for Macs or greater, a 10/100 network card; and a toner/printer/fax/copier/scanner. The Computer System must contain,

and you must be reasonably proficient with, such computer software programs that we designate for use from time to time, including: database, spreadsheet, financial, word processing, communications, e-mail and calendaring programs. Required software includes Remote Desktop and Small Business Office. You must obtain and install a high-speed Internet connection (through DSL or cable modem) to your Computer System and telephones with a minimum speed of 50 Mbps down and 5 Mbps up. Operating software and license will be provided as well as an e-mail through our exchange server. You must also install a telephone system with a separate business line through our current provider (MongoTel) which will include extensions to all our franchises as well as on hold advertising. If you do not already have a computer system that satisfies these requirements, we estimate that the Computer System will cost between $2,000 and $4,000 per station. You will also incur fees for the telephone lines and high-speed Internet connection. Again, we currently do not include the Computer System in the Establishment Package.

We do not have any obligation to provide ongoing maintenance, repairs, upgrades or updates to the Computer System. Nor do we have any obligation to reimburse you for any Computer System costs. You must maintain your Computer System and keep it in good repair. You must update or upgrade the Computer System as we require at any time during the term of the franchise. There is no limitation on the number of updates or upgrades that we may require and there is no limitation on the cost of the updates or upgrades that you would incur. We estimate that the cost of optional or required maintenance, updating, upgrading or support contract will be between $1,000 and $1,500 per year. Although we provide an estimate of the annual cost of any maintenance, updating, upgrading, or support contracts, there is no contractual limit on the frequency or cost of your obligation to upgrade or update the Computer System. We have the right to independently access all information you collect, compile, store or generate at any time without first notifying you, and you must give us password access to your Computer System to enable us to obtain such data. There are no contractual limitations on our right to access or retrieve any information contained and/or utilized by your Computer System. (Franchise Agreement, Section 11.7).

You must purchase or license the POS/Inventory Control system from our designee. To obtain the POS/Inventory Control System, you must pay our designee a monthly "**Software Hosting Fee**" that is currently $330 per month. The amount and frequency of the Software Hosting Fee is, however, subject to change, and you must continue to pay such Software Hosting Fee regardless of any such changes. We are currently evaluating POS/Inventory Control Systems. If we decide to require Security Data Supply® Businesses to use a different proprietary, designated or approved POS/Inventory Control System, you will be required to purchase, use and maintain the designated POS/Inventory Control System which meets those requirements from us.

Table of Contents of Operating Manual.

The Table of Contents of our Manual is attached to this Disclosure Document as Exhibit "F". The total number of pages in the Manual as of the Effective Date of this Disclosure document is 58.

Training.

As of our most recent fiscal year end, we provided the following training:

TRAINING PROGRAM

ITEM 11 Initial Training Program			
(1) Subject	**(2) Hours of Classroom Training**	**(3) Hours of On the Job Training[1]**	**(4) Location**
Welcome, History and Orientation	2	0	Corporate Headquarters or other designated facility
Franchisee/Franchisor Relationship	2	0	Corporate Headquarters or other designated facility
Business Basics	2 to 5	0	Corporate Headquarters or other designated facility
Know Your Products	4 to 12	8 to 18	Corporate Headquarters or other designated facility
Regulations & Licensing in Our Industry	1 to 2	0	Corporate Headquarters or other designated facility
Establishing Business Relationships	2	0	Corporate Headquarters or other designated facility
Getting Your Location Set Up & Ready to Open: Showroom & Warehouse *	3 to 12	6 to 12	Corporate Headquarters or other designated facility
Product Sales 101	4 to 8	12 to 21	Corporate Headquarters or other designated facility
Marketing & Advertising	3	6	Corporate Headquarters or other designated facility
Human Resources	2	0	Corporate Headquarters or other designated facility
Grand Opening	2	0	Corporate Headquarters or other designated facility
Inventory Management	2 to 4	3 to 5	Corporate Headquarters or other designated facility
Reporting and Documentation	2	0	Corporate Headquarters or other designated facility
Accounting and Financial	2 to 4	0	Corporate Headquarters or other designated facility
TOTAL HOURS	31 to 62	42 to 92	
DAYS	3 to 8	5 to 12	

*For New Security Data Supply® Businesses, the focus of the "Getting your Location Set Up" Training is more focused on how to operate out of the home and stay motivated. At your option, you can conduct portions of the Initial Training via online or phone training as these programs may be developed by us.

Before the Business' opening, we will provide initial training to you and any person owning at least 20% of the Franchise that plans to be working in the Business at least 50% of the time. ("Owner Training"). The Franchise Fee includes the Initial Training Program for 2 persons. Up to 2 persons may complete the Initial Training. Training begins with a 1-hour pre-training online "Security Data Supply 101" course, which lasts about 1 hour and is followed by a test to help us determine how best to train you. After, we provide 3 to 8 days of classroom training and 5 to 12 days of on-the-job training. The classroom initial training is conducted at our headquarters in

Mandeville, Louisiana. The on-the-job initial training is provided during the end of its build-out phase and/or at an operating Security Data Supply® Business. (Franchise Agreement, Section 7).

You and trainee employees must complete the Initial Training to our satisfaction before opening your Business. You also must participate in all other activities required to operate Security Data Supply® Business. After you open for business, we provide, to the extent we designate, up to 30 days of training to up to 5 employees as part of our grand opening/training services ("Employee Training"). Employee Training is informal and there are no specific training materials or format at this time and may be conducted in the manner we designate, like in-person, via phone consultation, webinars or the like. Although there are no additional fees for the training, you are responsible for all travel, living and compensation expenses which you and your employees incur in connection with training. We offer additional mandatory training when needed and when we can schedule it approximately 2 to 3 times per year. We are constantly in the process of evaluating and improving our training programs so they may change at any time. You must pay to us any Training Expenses we incur on your behalf and you are responsible for any Training Expenses you incur. (Franchise Agreement, Section 7).

We plan to be flexible in scheduling training to accommodate our personnel, you and your personnel. There currently are no fixed (i.e., monthly or bi-monthly) training schedules. Training days may be up to 12 hours in length. The "hours of classroom" or "on the job" training overlap and the subjects are not distinctly separated during training. We may, in the future, loan to you a copy of the following training materials: the "**Manual(s)**" (if created) and, may in the future, provide a "**Training DVD**". During our past fiscal year ending December 31, 2021, 0% of franchisees (0) opted for optional training.

Our training is provided by Ronald Broussard and/or Chris Lamb.

Ronald Broussard has a combined 26 years of operational experience in business and sales as the Branch Manager for Rexel Data/Comm New Orleans and Territory Trainer for Design Marketing of Louisiana Inc. He also has a combined 21 years of training experience in Wholesale Distribution with Security Data Supply LLC. Ron has overseen the opening of 7 stores for Security Data Supply and trained management teams as well.

Chris Lamb has a combined 18 years of experience as wholesale distribution executive and 16 years of training experience in wholesale distribution operations.

For New Security Data Supply® Businesses, we also provide you, included with the Franchise Fee, an "**Opening Team**" for such time period as we may designate to assist you with your opening of your Business. An Opening Team is not provided for Company-Owned Security Data Supply® Businesses if you had prior work experience with us or our affiliate(s). Currently, the Opening Team is provided for up to 2 days with at least one trainer/Opening Team member. We may require additional Opening Team members or additional days, and if you request additional days or Opening Team members, we charge our then current Additional Opening Expenses. This Opening Team serves the dual role of assisting you and providing additional training. We require you to, at your expense, provide on-site meals and beverages for the Opening Team plus all of its travel and living expenses. We are not required to provide an Opening Team or other on-site training to you if you are a transferee of an existing Security Data Supply® Business. You are responsible for Additional Opening Team Expenses and Training Expenses.

Explanatory Notes to Training Chart.

1. Some states and municipalities also may require separate human resources or other training before permitting the Business to open. You should check your state and local laws.

2. You, your manager and/or previously trained and experienced managers must attend any periodic refresher training courses that we provide from time to time and pay the applicable fees. You also will have to pay us for training new managers hired after your Security Data Supply® Business's opening. The employee training program must be conducted by trainers that we have approved who have also satisfactorily completed our training. When training is onsite, you must provide an alternative training facility if we feel that construction or other distractions prevent us from satisfactorily performing the training on premises.

ITEM 12
TERRITORY

You will receive an exclusive sales territory as part of your Franchise (your ("**Primary Area**"), but your Primary Area may cease to be your exclusive sales territory if your Business fails to meet our monthly minimum sales level ("**MSL**") and purchase and maintain from us, our affiliates or our designee a minimum level of the Security Data Supply Products and Services we designate from time to time, to serve as inventory (the minimum purchase level or "**MPL**"). You will also receive as part of your Franchise a geographic area in which you are permitted to market the Security Data Supply® Products and Services (the "Marketing Area"), but the Marketing Area will not be exclusive for your Business and you may face competition in the Marketing Area from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

The franchise is granted for a specific location that first must be approved by us (the "**Headquarters**"). The Headquarters will be located in a Primary Area which itself is within a Marketing Area. Your territorial rights only apply to your Primary Areas, and not to your Marketing Area. Your Primary Area and Marketing Area are set forth in the Franchise Agreement (see Section 2.1 and Exhibit A of the Franchise Agreement).

As long as you are in compliance with the Franchise Agreement, including the MSL and MPL requirements, we will not grant a franchise for, nor ourselves operate, a Security Data Supply® Business from a fixed location or which is permitted to operate on a mobile basis within your Primary Area. We make no such offer for the Marketing Area. However, we limit your activities to within your Marketing Area. But we or our affiliates (currently Security Data Supply, LLC) may offer and sell to Distributors located anywhere products that are the same or similar to those offered by Security Data Supply® Businesses (even in your Primary Area).

Generally, the Marketing Area and Primary Area will be geographic areas that we designate. Marketing Areas and Primary Areas may range from a geographic area having at least one zip code or telephone area code to an area as large as a state. The exact configuration and boundaries of your Marketing Area and Primary Area are determined by mutual negotiations between you and us, and will be memorialized in the Franchise Agreement. Our System Standards generally confine your marketing activities to within your Marketing Area. We do not have an

established geographical formula for defining the Marketing Areas or Primary Areas. While we may use demographic and market analysis services to assist us, we base it on our sole judgment.

Factors that influence our grant of Marketing Areas and Primary Areas include zip codes, area codes, the proximity of the Headquarters to the industrial businesses, other security system retailers and installers, malls, shopping centers, general information relating to the number and size of businesses and potential customers in the Marketing Area or Primary Area, business centers, industrial parks, airports, traffic count, speed of traffic, access to the Headquarters, and competition in the Marketing Areas and Primary Areas, negotiations between the prospective franchisee and us, and competition for those areas, etc. We have no obligation whatsoever to provide you Marketing Areas and Primary Areas with a certain minimum number of people, but we generally do not agree to either, if it encompasses less than 50,000 persons.

We may establish other Security Data Supply® Businesses (franchised or owned by us) anywhere outside of your Primary Area (including inside of your Marketing Area) that may or may not compete with your location or the Security Data Supply Products and Services you offer within the Primary Area or Marketing Area. We may utilize any type of Internet, Intranet, e-mail, site or website or other means of electronic communication to offer or sell anywhere outside of the Primary Area (including inside your Marketing Area) products and services bearing the Marks or Copyrights without any compensation to you.

We retain the right (in our sole discretion) to sell products identified by the Marks and Copyrights through distribution channels other than Security Data Supply® Businesses (including mobile business, internet, intranet, catalog sales, websites, e-mail or other forms of e-commerce) ("**Alternative Channels of Distribution**"). You will not receive any other compensation for sales through Alternative Channels of Distribution unless we later establish a compensation program for doing so under our System Standards. We may change or modify these commission programs.

Continuing your Franchise or territorial rights depends on your achieving certain sales volumes and value. This criteria varies and is designated in your Franchise Agreement. For example, for your MPL we expressly require you to maintain an inventory of at least $150,000 to $500,000 in Security Data Supply Products, including $2,500 to $10,000 of Dealer's Choice Products, at all times and for your MSL we require you to sell at least $300,000 to $900,000 Security Data Supply Products per calendar quarter and $750 to $5,000 in Dealer's Choice Products per calendar quarter. The MSL and MPL may vary due to franchisee specific negotiations., and your specific MSL and MPL will be set forth in your Franchise Agreement and/or its exhibits. Except as described above for the MPL and MSL, continuing your franchise or territorial rights does not depend on your achieving certain sales value, market penetration, or other contingency (except, of course, your compliance with the Franchise Agreement, including the MSL and MPL described above). Other than your failure to meet the MPL or MSL, there are no circumstances that allow us to modify your territorial rights to the Primary Area during the initial term of your Franchise Agreement. However, in a renewal (successor Franchisee) or transfer situation, we may require you or the transferee to accept a different Primary Area or Marketing Area based on our then current policies.

Rights We Retain.

Under the Franchise Agreement, we (and our affiliates) retain the right in our sole discretion to:

A. Establish and grant to our franchises the right to establish Security Data Supply® Businesses anywhere outside the Primary Area and inside or outside the Marketing Area, on such terms and conditions as we deem appropriate (even immediately outside the border of the Primary Area);

B. Own, operate, and grant franchises to others to operate businesses, whether inside or outside the Marketing Area and Primary Area, specializing in the sale of products or provision of services, other than a Competitive Business, or which are offered, sold or provided to customers which are not Approved Customer Types (for which you are not authorized), using certain of the Marks or Copyrights and pursuant to such terms and conditions as we deem appropriate;

C. Own, operate, and grant franchises to others to operate businesses, whether inside or outside the Primary Area and Marketing Area, that do not use the Marks or Copyrights or which do not offer, sell or service SDS Products;

D. Market and sell, inside and outside of the Marketing Area and Primary Area, through Alternative Channels of Distribution (like mobile business, mail order, Internet or Intranet website) goods and services competitive with goods and serviced offered by Security Data Supply® Businesses under the Marks or under trade names, service marks, or trademarks other than Marks, without any compensation to you and in such amounts in such manner as we determine in our sole discretion; and

E. Engage in any act or exercise any right not expressly and exclusively provided to you under your Franchise Agreement with us and not otherwise precluded by applicable law.

We are not required to pay you if we exercise any of the rights described above inside of your Marketing Area or Primary Area. We do not restrict you from soliciting or accepting orders from persons outside of your Marketing Area for on-premises sales at your Business or within your Marketing Area. But we do confine your marketing to within your Marketing Area. You do not have the right to use Alternative Channels of Distribution to make sales where the products or services are provided at locations other than from/through your Headquarters or on an approved mobile basis within the Marketing Area (delivery and installations). Because we engage in alternative channels of distribution, we are required to inform you of the following:

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

You may not relocate your Security Data Supply® Business Headquarters without our previous written approval. We will grant approval in most instances if you are in full compliance with your franchise agreement, have paid all money owed to us and our affiliates (including the Headquarters Relocation Fee), and the proposed location meets our site selection criteria and you comply with the lease requirements in the Franchise Agreement. We may, if we wish, inspect

your proposed new location and, if we do so, you must pay our Headquarters Relocation Fee. If you obtain approval of the replacement Headquarters and lease in accordance with our then current Headquarters approval process, you must reopen the Business at the replacement Headquarters as soon as practicable, but in no event more than thirty (30) days after the closing of the original Headquarters.

Other Franchises Under Different Trademarks.

We and our affiliates do not operate and have not operated or franchised, and do not currently plan to operate or franchise other stores selling or leasing similar products or services under different trademarks.

ITEM 13
TRADEMARKS

Primary Trademark.

We grant you the right to use certain trademarks, service marks and other commercial symbols in operating a Security Data Supply® Business. The primary trademarks we use are the "SECURITY DATA SUPPLY" (wordmark and design mark) and other names, logos, symbols, and associated designs and trade dress (the "**Marks**"). You may use and we require you to use the Marks in operating your Security Data Supply® Business.

Trademark Registration.

The Marks are listed in the table below:

MARK	REGISTRATION NUMBER	REGISTRATION DATE
Security Data Supply	**4051029 (Supplemental Register)**	November 1, 2011
SECURITY DATA SUPPLY	**5564480**	September 18, 2018

Our Trademark "Security Data Supply" (Word Mark) was registered to Security Data Supply, LLC on the Supplemental Register of the United States Patent and Trademark Office (the "**USPTO**") in International Class 35 for "Distribution of low voltage electrical components, namely, security systems, data communications, cable, audio, video and home automation." This Trademark was assigned to us in 2022.

Our Trademark "Security Data Supply" (Word/Design Mark) was registered to Security Data Supply, LLC on the Principal Register of the United States Patent and Trademark Office (the "**USPTO**") in International Class 35 for "Distributorship services in the field of video surveillance equipment, security systems, access control systems, telecommunications equipment, power supply and power back up equipment, home automation equipment, audio, video and data cables, home theater equipment and speakers; Value-added reseller services, namely, distributorship services featuring video surveillance equipment, security systems, access control systems, telecommunications equipment, power supply and power back up equipment, home automation equipment, audio, video and data cables, home theater equipment and speakers; On-line retail store services featuring video surveillance equipment, security systems, access control systems, telecommunications equipment, power supply and power back up equipment, home automation equipment, audio, video and data cables, home theater equipment and speakers." We disclaimed the exclusive right to use the word "Access" apart from the mark as shown. This Trademark was assigned to us in 2022.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor are there any pending infringements, cancellation or opposition proceedings or material litigation, involving the Marks. Any and all affidavits and renewal applications, as applicable, have been filed. No affidavits or renewal applications are past due.

Use of the Marks.

We have full rights to use the Marks and to license you to use them. We also license the Marks to Security Data Supply, LLC. There are no material limitations on your use imposed by such license agreement or any relevant circumstances under which such license agreement may be modified in a manner material to the franchise.

You must follow our rules when you use the Marks. You cannot use any Mark as part of your corporate or legal business name or with modifying words, designs or symbols (except for those we license to you). You cannot use any Mark in connection with the performance or sale of any unauthorized services or products or in any other manner we have not expressly authorized in writing. Your right to use the Marks will be derived solely from the Franchise Agreement and limited to your operation of your Business at the Headquarters and on the mobile basis we designate or approve within the Marketing Area, pursuant to, and in compliance with, the Franchise Agreement and all System Standards we prescribe.

Infringements.

You must notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any claim by any person of any rights in any Mark, and you may not communicate with any person other than us, our attorneys and your attorneys in connection with any such infringement, challenge or claim. We have the right to control any administrative proceedings or litigation involving a trademark licensed by us to you. We have sole discretion to take any action (including no action) as we deem appropriate and the right to control exclusively any litigation, USPTO proceeding or any other administrative proceeding arising from such infringement, challenge or claim or otherwise relating to any Mark. You must sign any instruments and

documents, provide such assistance and take any action that, in the opinion of our attorneys, may be necessary or advisable to protect and maintain our interests in any litigation or USPTO or other proceeding or otherwise to protect and maintain our interests in the Marks. The Franchise Agreement generally requires us to defend the Marks or to participate in your defense and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed to you by us or if the proceeding is resolved unfavorably to you. You may, however, waive your right to seek indemnification from us if you fail to meet the notice requirements set forth in the Franchise Agreement or if you otherwise take actions that are inconsistent with the Franchise Agreement.

Changes to the Mark.

If it becomes advisable at any time in our sole discretion for us and/or you to modify or discontinue the use of any Mark and/or use one or more additional or substitute trade or service marks, you must comply with our directions within a reasonable time after receiving notice. If so, we will reimburse you for your reasonable direct expenses of changing the Business's signs. However, we will not be obligated to reimburse you for any loss of revenue attributable to any modified or discontinued Mark or for any expenditures you make to promote a modified or substitute trademark or service mark.

Other than as described above, we do not actually know of either superior prior rights or infringing uses that could materially affect your use of our principal trademarks in any state.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents that are material to the franchise that are owned or licensed by us. Neither we nor our affiliates have any pending patent applications that are material to the franchise.

We claim copyright protection and proprietary rights in all copyrightable aspects of the System, including our operations Manual, if created, our website, correspondence and communications with you or other franchisees relating to the System, training, advertising and promotional materials and other written materials used in operating a Security Data Supply® Business. We also consider aspects of our System to be trade secrets, including but not limited to the operations Manual and training program and materials.

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials. There are no agreements currently in effect that limit our right to use and/or authorize franchisees to use the copyrighted materials. There are no infringing uses actually known to us which could materially affect use of the copyrighted materials in any state. We are not required by any agreement to protect or defend copyrights or confidential information, although we intend to do so when in the best interest of the System. We are generally required, under the Franchise Agreement, to participate in your defense and/or indemnify you for damages or expenses in proceedings involving a copyright. You may, however, waive your right to seek indemnification from us if you fail to meet the notice requirements set forth in the Franchise Agreement or if you otherwise take actions that are inconsistent with the Franchise Agreement.

The operation Manual(s) (if created) and other materials and information we may give you access to contain our confidential information that we treat as trade secrets. This information includes, but is not limited to, methods, formats, specifications, standards, procedures, sales and marketing techniques, knowledge of and experience in developing and operating Security Data Supply® Businesses, knowledge of specifications for and suppliers of certain fixtures, equipment, materials and supplies, and knowledge of the operating results and financial performance of Security Data Supply® Businesses. You and your owners must not communicate or use our confidential information for the benefit of anyone else during the term of the Franchise Agreement. After the Franchise Agreement terminates or expires, you and your owners may no longer use the confidential information and must return it to us, and may no longer communicate or use our confidential information for any reason unless disclosure is required by law. We may require your employees, independent contractors or agents to sign a form of nondisclosure agreement and/or non-solicitation agreement. We may regulate the form of agreement that you use and may require that we be made a third-party beneficiary of that agreement with independent enforcement rights.

If you or your owners develop or learn of any new ideas, concepts, processes, techniques or improvements relating to the operation or promotion of your Security Data Supply® Business, you must promptly notify us and give us all necessary information about such ideas, concepts, processes, techniques or improvements, without compensation. These ideas, concepts, processes, techniques or improvements will be considered our property and part of the System and will be considered works made-for-hire for us. You and your owners must sign whatever documents we request to evidence our ownership or to assist us in securing intellectual property rights in such ideas, concepts, processes, techniques or improvements. We are not required to, and you may not require us to, provide you or any person you engage or employ with any form of compensation as a condition to executing such forms of intellectual property assignments or licenses we specify for any intellectual property you develop or modify for use in your Business.

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

You must at all times faithfully, honestly and diligently perform your obligations under any Franchise Agreement, continuously exert your best efforts to promote and enhance your Business, the Security Data Supply® brand, and the Security Data Supply® Products and Services and you must not engage in any other business or activity that conflicts with your obligations to operate your Security Data Supply® Business in compliance with the Franchise Agreement.

At all times, a Security Data Supply® Business must be managed by a full-time general manager (the "**Business Manager**"). The Business Manager may either be you, or, if you are a business organization (like a corporation, limited liability company or limited partnership)) (a "**Business Entity**"), one (1) of your principal owners (defined as a person with at least 20% ownership of your voting securities). Our current qualifications for Business Managers are that the Business Manager must: (i) have a sufficient amount of experience to demonstrate to us that he/she is capable of managing a Security Data Supply® Business; (ii) have management responsibility and authority over your Business on a day-to-day basis; (iii) be actively employed on a full-time basis to manage the Business' operations; (iv) be present at the Business for at least fifty percent (50%) of the hours your Business is open to the public for business; (v) be bound by our then-current form of Confidentiality Agreement (or other form satisfactory to us); and (vi) satisfactorily

complete our initial training program and any other training programs we request during the term of the Franchise Agreement.

Either you or a manager must be at the Headquarters at all times when your Security Data Supply® Business is open.

We require your owners and Business Manager to sign Confidentiality and Non-Solicitation and Non-Competition Agreements with you that lists us as a third-party entity. You will need to have these prepared by your attorney and insure that they impose the same restrictions as are provided under the Franchise Agreement.

If you are a Business Entity, your owners must not only personally guarantee your obligations under the Franchise Agreement, but also agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement. This includes both monetary obligations and obligations to take or refrain from taking specific actions or to engage in or refrain from engaging in specific activities. The form of "**Principal Owner's Guaranty**" is attached as an Exhibit to the Franchise Agreement. We require you to complete a "**Principal Owner's Statement**" in the form attached to the Franchise Agreement as an Exhibit, which describes all of your owners and their interests in you.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale all products, and perform all services, that we require from time to time for Security Data Supply® Businesses. You may not offer for sale any products or perform any services that we have not authorized. Our System Standards may regulate required or authorized products, product categories and supplies. We have the right to change the types of required and/or authorized goods and services from time to time. Other than limits imposed by applicable laws, rules and regulations relating to installation services, there are no limits on our right to do so.

We do not impose restrictions or limitations on your access to customers other than (1) marketing outside your Marketing Area and (2) selling products or services to customers located in the Primary Area of a different Security Data Supply® Business. We also prohibit or limit your use of Alternative Channels of Distribution. We may designate maximum and minimum retail prices to the extent permitted by governing law.

We will give you 90 days to comply with capital modifications we require if the costs exceed $10,000. You are obligated to comply with all modifications to System Standards, other than capital modifications, within the time period we specify. There is no limit in the cost of the sum of leasehold improvements and furniture, fixtures and equipment (see Item 7) during the term of the Franchise Agreement in connection with capital modifications or the number of capital modifications that we may require.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE

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

THE FRANCHISE RELATIONSHIP

Provisions	Section in Agreement	Summary
(a) Length of the Franchise Term	FA: Section 2.3	10 years
(b) Renewal or extension of the term	FA: Section 3	If you are in good standing, you can request a renewal of your Franchise Agreement for an additional 10 year term (a "**Successor Term**"). Whether or not to renew your Franchise will be determined by us in our sole discretion, except where precluded by applicable law.
(c) Requirements for you to renew or extend	FA: Section 3	A "renewal" for your Franchise means a successive 10-year term for your Franchise, although the terms of your renewal Franchise may vary from those of your current Franchise. To obtain a renewal of your Franchise, you must: (i) provide us with written notice of your request to renew this Agreement at least one (1) year prior to the conclusion of the Term, (ii) remain in compliance with all terms of the Franchise Agreement. Whether or not to renew your Franchise will be determined by us in our sole discretion, except where precluded by applicable law. To renew your Franchise, you may be required to sign a new agreement with provisions that vary materially from those contained in your current Franchise Agreement.
(d) Termination by you	FA: Section 16.1	If you and your owners are in compliance with this Agreement and we materially fail to comply with this Agreement and do not correct or commence correction of such failure within sixty (60) days after written notice of such material failure is delivered to us, you may terminate this Agreement effective sixty (60) days after delivery to us of written notice of termination.
(e) Termination by us without cause	None	None
(f) Termination by us with cause	FA: Section 16.2	We can terminate only if you commit one of several "cause" violations, each of which is listed in Section 16.2 of the Franchise Agreement.

Provisions	Section in Agreement	Summary
(g) "Cause" defined - defaults which can be cured	FA: Section 16.2	You have 5 days to cure discrimination, human rights, import/export, health, safety or sanitation law violations, 10 days to cure monetary defaults to us or approved suppliers, 30 days to cure noncompliance with any provision (other than Section 16.2) of the Franchise Agreement or the System Standards. You have ten (10) days to cure any failure to make payments of any amounts due to us or to Approved Suppliers of products or services, except for repeated defaults after notice or if we provide termination notice after your previous default which is not cured.
(h) "Cause" defined - non-curable defaults	FA: Section 16.2	Non-curable defaults include material misrepresentation or omission, failure to complete training, failure to commence construction of your Security Data Supply® Business within 3 months of the Agreement Date (if an extension for opening is given) or if you fail to open your Business within 3 months of the Agreement Date (unless an extension is granted), abandonment, unapproved transfers, conviction of or a plea of no contest to, a felony or other serious crime, dishonest or unethical conduct, unauthorized assignment of the Franchise Agreement or of an ownership interest in you or your Business, loss of the Headquarters, unauthorized use or disclosure of the Manual(s) (if created) or Confidential Information, failure to pay taxes, failure to submit required reports at least twice during one year or at least three times during the term of the Franchise Agreement, and an assignment for the benefit of creditors or written admission of insolvency or inability to pay debts as they become due.
(i) Your obligations on termination/ non-renewal	FA: Section 17	Obligations include payment of outstanding amounts, complete de-identification, return of confidential information and certain competitive restrictions (see (r) below).
(j) Assignment of contract by us	FA: Section 15.1	No restriction on our right to assign.
(k) "Transfer" by you-definition	FA: Section 15.2	Voluntary or involuntary, direct or indirect assignment, sale, gift or other disposition of any interest in the Franchise Agreement, you or the Business.
(l) Our approval of transfer by you	FA: Section 15.2, 15.3 and 15.4	All transfers must first be approved by us, except for transfers to a Business Entity controlled by you. Our approval is subject to several conditions, each of which is listed in Section 15.3 of the Franchise Agreement (also see (m) below).

Provisions	Section in Agreement	Summary
(m) Conditions for our approval of transfer	FA: Section 15.3	New franchisee has sufficient business experience, aptitude and financial resources to operate your Business, you have paid us all amounts due and have submitted all required reports and statements, transferee and its managerial employees shall have agreed to complete training, transferee shall have agreed to be bound by terms and conditions of Franchise Agreement, the $5,000 transfer fee shall have been paid to us, you and your owners shall have executed a general release in form satisfactory to us, we shall have approved the material terms and conditions of the transfer and shall have determined that the price and terms of payment will not adversely affect the transferee's operation of your Business, you shall have subordinated amounts due to you by the transferee, you shall have signed other documents we require - including non-competition covenants, and you and your transferring owners shall have you and they will not directly or indirectly at any time or in any manner (except with respect to other Security Data Supply® Businesses you own and operate) identify yourself or themselves or any business as a current or former Security Data Supply® Business.
(n) Our right of first refusal to acquire your business	FA: Section 15.8	We have the right to match any offer for an ownership interest in you, your Franchise Agreement or your Business provided that we may substitute cash for any form of payment at a discounted amount if an interest rate will be charged on any deferred payments, our credit will be deemed equal to that of any proposed purchaser, we will have no less than 60 days to prepare for closing, and we receive all customary representations and warranties, as we specify.
(o) Our option to purchase your business	FA: Sections 17.5, 17.8	We have the option to buy the Business, including leasehold rights to the Headquarters, either at an agreed upon price at fair market value (as defined in the Franchise Agreement) after our termination, or your termination without cause, of the agreement (but not expiration). We also have the right to purchase your business, upon the occurrence of specific triggering events listed in Section 17.8 of the Franchise Agreement, at a purchase price determined by a formula based on the lesser of (i) 3 times your EBIT or (ii) 2/3 of the multiple of EBIT we receive. Triggering events include our sale of our securities in a public offering, certain investments in us, and the like. These are described in detail in your Franchise Agreement.

Provisions	Section in Agreement	Summary
(p) Your death or disability	FA: Sections 15.5 and 15.6	Franchise or an ownership interest in you must be assigned to an approved buyer within 6 months and must be run by a trained manager during the period prior to the assignment. If we are required to appoint a manager, we may charge you a reasonable management fee during the period that our appointed Manager manages your Business, which will not exceed ten percent (10%) of your monthly Gross Sales. Assignment is subject to our right of first refusal.
(q) Non-competition covenants during the term of the franchise	FA: Section 10	No interest in a competitive business, no controlling ownership interest in, or performance of services for, a Competitive Business anywhere, no recruiting or hiring of any person who is our employee or an employee of any Security Data Supply® Business, and no performance of services for any other person or entity if your performance of services would interfere with your obligations under the Franchise Agreement. A competitive business means any business or facility owning, operating or managing or granting franchises or licenses to others to do so, any business, store or facility that features security products and other low voltage, Cat 5e, Cat 6, fiber optic networking, fire alarm systems, complete audio, video, CCTV, central VAC, access control products and services as well as related products and accessories, and related products and accessories that are the same or similar to the Security Data Supply Products and Services offered by Security Data Supply® Businesses. A Competitive Business also includes any business acting as an area representative, franchise broker, business broker, franchise seller, area representative or the like for any business franchising or licensing Competitive Businesses other than us.
(r) Non-competition covenants after the franchise is terminated or expires	FA: Section 17.4	No interest in any Competitive Business for 2 years at, or within 50 miles of, the Headquarters, Primary Area or Marketing Area, or within 50 miles of any other Security Data Supply® Business or its/their Headquarters, Marketing Area or Primary Area in operation or under construction (same restrictions apply after assignment), or via any means of electronic commerce or alternative channels of distribution (i.e., websites, mail order, catalogue). .
(s) Modification of the agreement	FA: Section 20.11	No modifications to the Franchise Agreement may be made except by written agreement, but Manual(s) (if created) and System Standards are subject to change.

Provisions	Section in Agreement	Summary
(t) Integration/merger clause	FA: Section 20.11	Only the terms of the Franchise Agreement, including the introduction, addenda and exhibits to it, are binding (subject to state law). Any other statements or promises not in the Franchise Agreement or its addenda or exhibits should not be relied upon and may not be enforceable. However, this provision of the Franchise Agreement does not limit your right to rely on this Disclosure Document (including the exhibits and addenda to this Disclosure Document).
(u) Dispute resolution by arbitration or mediation	None	Mediation or arbitration not required under the Franchise Agreement.
(v) Choice of forum	FA: Section 20.7	Litigation in St. Tammany Parish, Louisiana. (Subject to state law)
(w) Choice of law	FA: Section 20.7	Louisiana law applies. (Subject to state law)

(1) The Conditional Assignment of Telephone Numbers and Listings (the "**Conditional Assignment**" or "**CATNL**") is attached as an Exhibit to the Franchise Agreement. The Conditional Assignment requires you to transfer the phone number and listings for your Business to us if the Franchise Agreement terminates or expires.

IF YOU ARE LOCATED IN THE STATE OF CALIFORNIA, PLEASE SEE THE CALIFORNIA APPENDIX CONTAINED IN EXHIBIT B TO THIS DISCLOSURE DOCUMENT.

ITEM 18
PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make 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 Ron Broussard, 421 North Florida Street, Covington, LA 70433, ron@securitydatasupply.com, (985) 327-7980, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For Years 2022 to 2024
SECURITY DATA SUPPLY® BUSINESS

ITEM 20 **Table No. 1** **SECURITY DATA SUPPLY® BUSINESS**				
Column 1 **Outlet Type**	**Column 2** **Year**	**Column 3** **Outlets at the Start of the Year**	**Column 4** **Outlets at the End of the Year**	**Column 5** **Net Change**
Franchised	2022	8	9	+1
	2023	9	10	+1
	2024	10	11	+1
Company-Owned	2022	1	0	-1
	2023	0	2	+2
	2024	2	8	+6
Total Outlets	2022	9	9	0
	2023	9	13	+4
	2024	13	20	+7

Table No. 2
Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)
For Years 2022 to 2024
SECURITY DATA SUPPLY® BUSINESS

ITEM 20 **Table No. 2** **SECURITY DATA SUPPLY® BUSINESS**		
Column 1 **State**	**Column 2** **Year**	**Column 3** **Number of Transfers**
Alabama	2022	0
	2023	0
	2024	0
Arizona	2022	0
	2023	0
	2024	0
Louisiana	2022	0
	2023	0
	2024	0
Nevada	2022	0
	2023	0
	2024	0
Oklahoma	2022	0
	2023	0
	2024	0
Texas	2022	0
	2023	0
	2024	0
Total		0

Table No. 3
Status of Franchised Outlets
For Years 2021 to 2023
SECURITY DATA SUPPLY® BUSINESS

ITEM 20 Table No. 3 SECURITY DATA SUPPLY® BUSINESS								
Column 1 State	**Column 2 Year**	**Column 3 Outlets at Start of Year**	**Column 4 Outlets Opened**	**Column 5 Termina-tions**	**Column 6 Non-Renewals**	**Column 7 Reacquired by Franchisor**	**Column 8 Ceased Operations - Other Reasons**	**Column 9 Outlets at End of the Year**
Alabama	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Louisiana	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	1	0	3
	2024	3	1*	0	0	0	0	4
Texas	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
Arizona	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Oklahoma	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	1	0
Nevada	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Total	2022	8	0	0	0	0	0	8
	2023	8	2	0	0	1	0	9
	2024	9	2	0	0	0	1	10

* A company-owned franchise in Louisiana was transferred to a franchisee in 2024.

Table No. 4
Status of Company-Owned Outlets
For Years 2022 to 2024
SECURITY DATA SUPPLY® BUSINESS

Column 1 State	**Column 2 Year**	**Column 3 Outlets at Start of Year**	**Column 4 Outlets Opened**	**Column 5 Outlets Reacquired from Franchisees**	**Column 6 Outlets Closed**	**Column 7 Outlets Sold to Franchisees**	**Column 8 Outlets at End of the Year**
Idaho	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	1	0	0	0	1
Louisiana	2022	0	0	0	0	0	0

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisees	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisees	Column 8 Outlets at End of the Year
	2023	0	0	1	0	0	1
	2024	1	0	0	0	1	0
Texas	2022	1	0	0	0	1	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
New Mexico	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	1	0	0	0	1
North Carolina	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	1	0	0	0	1
Ohio	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	1	0	0	0	1
Oregon	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	1	0	0	0	1
Utah	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	1	0	0	0	1
Missouri	2022	0	0	0	0	0	0
	2023	0	1	0	0	0	1
	2024	1	0	0	0	0	1
Washington	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	1	0	0	0	1
Total	2022	1	0	0	0	1	0
	2023	0	1	1	0	0	2
	2024	2	7	0	0	1	8

Table No. 5
SECURITY DATA SUPPLY® BUSINESS
Projected Openings as of December 31, 2024
(and as of the date of this Disclosure Document)

ITEM 20 Table No. 5 SECURITY DATA SUPPLY® BUSINESS			
Column 1 State	**Column 2 Franchise Agreements Signed But Outlet Not Opened**	**Column 3 Projected New Franchised Outlets in the Next Fiscal Year (2025)**	**Column 4 Projected New Company-Owned Outlets** in the Next Fiscal Year (2024)**
Alabama	0	0	0
Alaska	0	0	0
Arizona	0	0	0

ITEM 20 Table No. 5 SECURITY DATA SUPPLY® BUSINESS			
Column 1 State	**Column 2 Franchise Agreements Signed But Outlet Not Opened**	**Column 3 Projected New Franchised Outlets in the Next Fiscal Year (2025)**	**Column 4 Projected New Company-Owned Outlets** in the Next Fiscal Year (2024)**
California	0	0	0
Colorado	0	0	0
Connecticut	0	0	0
Delaware	0	0	0
District of Columbia	0	0	0
Florida	0	0	0
Georgia	0	0	0
Hawaii	0	0	0
Idaho	0	0	0
Illinois	0	0	0
Indiana	0	0	0
Iowa	0	0	0
Kansas	0	0	0
Kentucky	0	0	0
Louisiana	0	0	0
Maine	0	0	0
Maryland	0	0	0
Massachusetts	0	0	0
Michigan	0	0	0
Minnesota	0	0	0
Mississippi	0	0	0
Missouri	0	0	0
Montana	0	0	0
Nebraska	0	0	0
Nevada	0	0	0
New Hampshire	0	0	0
New Jersey	0	0	0
New Mexico	0	0	0
New York	0	0	0
North Carolina	0	0	0
North Dakota	0	0	0
Ohio	0	0	0
Oklahoma	0	0	0
Oregon	0	0	0
Pennsylvania	0	0	0
Rhode Island	0	0	0
South Carolina	0	0	0
South Dakota	0	0	0
Tennessee	0	0	0
Texas	0	0	0
Utah	0	0	0
Vermont	0	0	0
Virginia	0	0	0
Washington	0	0	0
West Virginia	0	0	0
Wisconsin	0	0	0

ITEM 20 Table No. 5 SECURITY DATA SUPPLY® BUSINESS			
Column 1 State	**Column 2 Franchise Agreements Signed But Outlet Not Opened**	**Column 3 Projected New Franchised Outlets in the Next Fiscal Year (2025)**	**Column 4 Projected New Company-Owned Outlets** in the Next Fiscal Year (2024)**
Wyoming	0	0	0
TOTAL	0	0	0

**Company-Owned outlets means Security Data Supply® Businesses owned by us or our parent or affiliates, not Company-Owned Unit type franchises which are for sale or which have been sold to third parties.

The name, address and phone number of all current franchisees are set forth on Exhibit D attached hereto. The name, city and state and current business telephone number (or last known phone number) for every franchisee who had an outlet terminated or not renewed in 2023 are set forth on Exhibit E attached hereto.

During the last three fiscal years, we have not signed confidentiality clauses with current or former franchisees. But confidentiality agreements may be entered into as a part of a settlement of a dispute between us and a current or former franchisee. In some instances, current and former franchisees sign or will be asked to sign provisions restricting their ability to speak openly about their experience with SDS FRANCHISING, LLC and our Security Data Supply® Businesses. 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.

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

To the extent known, the names, addresses, telephone numbers, e-mail address and Web address of each trademark-specified franchisee organization associated with the franchise system being offered which we have created, sponsored or endorsed: NONE.

No independent franchisee organizations have asked to be included in this disclosure document.

ITEM 21
FINANCIAL STATEMENTS

Our audited financial statements as of December 31, 2022, December 31, 2023 and December 31, 2024 are attached as Exhibit "C" to this Disclosure Document. We do not have any Parent or Affiliates who guarantee our performance.

ITEM 22
CONTRACTS

Copies of all proposed agreements regarding the franchise offering are included as exhibits to this Disclosure Document. These include:

Exhibit A Franchise Agreement

Exhibit B	State Specific Addenda and Exhibits
Exhibit H	Franchise Compliance Certification
Exhibit I	Receipts

ITEM 23
RECEIPTS

You will find copies of a detachable receipt in Exhibit "I" at the very end of this disclosure document.

EXHIBIT A TO THE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

SDS FRANCHISING, LLC

FRANCHISE AGREEMENT

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I	Form of Electronic Funds Transfer Agreement
J	Confidentiality, Non-Solicitation and Non-Competition Agreement

SDS FRANCHISING, LLC
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "**Agreement**") is effective as of _____, 20____ (the "**Agreement Date**"). The parties to this Agreement are **SDS FRANCHISING, LLC**, a Louisiana limited liability company, with its principal business address at 421 North Florida Street, Covington, Louisiana 70433 (referred to in this Agreement as "**we**," "**us**," "**our**" or "**Franchisor**"), and _____, whose principal business address is _____ (referred to in this Agreement as "**you**," "**your**" or "**Franchisee**").

1. INTRODUCTION.

1.1 **Security Data Supply® Business System.** Through the expenditure of considerable time and effort, we and our affiliates have developed a distinctive system for the development and operation of businesses (the "**Security Data Supply® Business(es)**") that, using our System, Copyrights and Marks, sell a wide variety of security products and other, low voltage, Cat 5E, Cat 6, fiber optic networking, fire alarm systems, complete audio, video, CCTV, central VAC, access control products and services as well as related products and accessories we designate or approve (collectively, the "**Security Data Supply Products and Services**" or "**SDS Products**"). Security Data Supply® Businesses operate under and using distinctive sales and installation methods, business formats, methods, procedures, designs, layouts, signs, product and service requirements, standards, specifications, System Standards, all of which we may improve, further develop or otherwise modify from time-to-time (the "**System**"). We refer to Security Data Supply® Businesses collectively as "**Security Data Supply® Businesses**."

We use, promote and license certain trademarks, service marks and other commercial symbols in the operation of Security Data Supply® Businesses, including the trade and service marks "Security Data Supply" (wordmark and design mark), and other associated logos, designs, symbols and trade dress, which have gained and continue to gain public acceptance and goodwill, and we may create, use and license additional trademarks, service marks and commercial symbols in conjunction with the operation of Security Data Supply® Businesses (collectively, the "**Marks**").

We also use, promote and license in the operation of Security Data Supply® Businesses certain information capable of being rendered into tangible form that we claim as our copyrights, including but not limited to our or our affiliates' websites (functionality, source code, and object code, content and look and feel of the website), spreadsheets, pro forma documents, forms, marketing materials, manuals, pricing lists, vendor lists, modifications to software, our website, and any marketing materials, advertisements, TV ads, radio commercials and the like (including the look, compilation, feel and content) (collectively, the "**Copyrights**"). Such information shall be included in the term Copyrights" whether or not such information has been formally registered as a copyright under the laws of the United States or any other jurisdiction.

Pursuant to the terms of this Agreement, we grant, to persons who meet our qualifications and are willing to undertake the required investment, effort and obligations, a Franchise to own and under which you have the right to operate a Security Data Supply® Business offering the Security Data Supply Products and Services we authorize and approve and utilizing the Marks, Copyrights and System. We refer to the Security Data Supply® Business granted under this Agreement as your "**Business**" or the "**Business**."

You have applied for a franchise to own and operate a Security Data Supply® Business.

1.2 **Acknowledgments.** You acknowledge and agree that:

(a) you have read this Agreement and our Franchise Disclosure Document, including all exhibits and addenda to this Agreement and our Franchise Disclosure Document;

(b) you understand and accept the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain our high standards of quality and service and the uniformity of those standards at each Security Data Supply® Business and to protect and preserve the System, Copyrights and goodwill of the Marks;

(c) you have conducted an independent investigation of the business venture contemplated by this Agreement and recognize that, like any other business, the nature of the business conducted by a Security Data Supply® Business, including your Business, may evolve and change over time;

(d) an investment in a Franchise and a Security Data Supply® Business involves business risks and that your business abilities and efforts are vital to the success of the venture;

(e) any information you acquire from other Security Data Supply® Businesses relating to their sales, profits or cash flows does not constitute information obtained from us, nor do we make any representation as to the accuracy of any such information;

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

(g) we have advised you to have this Agreement reviewed and explained to you by an independent attorney of your choice.

1.3 **Representations.** You represent to us, as an inducement to our entry into this Agreement, that:

(a) all statements you have made and all materials you have submitted to us in connection with your purchase of a Franchise and a Security Data Supply® Business are accurate and complete and that you have made no misrepresentations or material omissions to us in obtaining the franchise;

(b) you will comply with and/or assist us to the fullest extent possible in our efforts to comply with Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war (the "**Anti-Terrorism Laws**");

(c) neither you nor any of your owners, employees, agents, property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that neither you nor they are otherwise in violation of any of the Anti-Terrorism Laws; and

(d) you have read, in their entirety, this Agreement and the Franchise Disclosure Document, including all exhibits and addenda to this Agreement and our Franchise Disclosure Document.

We have approved your request to purchase a Franchise and a Security Data Supply® Business in reliance on all of your representations.

1.4 **No Warranties.** We expressly disclaim the making of, and you acknowledge that you have not received or relied upon, any warranty or guaranty, express or implied, as to the revenues, sales, profits or success of the business venture contemplated by this Agreement or the extent to which we will continue to develop and expand the network of Franchises and/or Security Data Supply® Businesses, including your Business. You acknowledge and understand the following:

(a) any statements regarding the potential or probable revenues, sales or profits of the business venture contemplated by this Agreement are made solely in the Franchise Disclosure Document delivered to you prior to signing this Agreement;

(b) any statement regarding the potential or probable revenues, sales or profits of the business venture contemplated by this Agreement or statistical information regarding any existing Franchise and/or Security Data Supply® Business owned by us or our affiliates that is not contained in our Franchise Disclosure Document is unauthorized, unwarranted and unreliable and should be reported to us immediately; and

(c) you have not received or relied on any representations about us or our franchising program or policies made by us, or our officers, directors, employees or agents, that are contrary to the statements made in our Franchise Disclosure Document or to the terms of this Agreement. If there are any exceptions to any of the foregoing, you agree to: (i) immediately notify our President; and (ii) note such exceptions by attaching a statement of exceptions to this Agreement prior to signing it.

1.5 **Business Organization.** If you are, at any time, a business organization (such as a corporation, limited liability company or partnership) ("**Business Entity**"), you agree and represent that:

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

(b) the individuals signing this Agreement and all agreements contemplated by this Agreement on your behalf are duly and validly authorized by all necessary corporate approval to sign on your behalf and to bind you to this Agreement.

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

(d) the Principal Owner's Statement will completely and accurately describe all of your owners and their interests in you (a copy of our current form of Principal Owner's Statement is attached to the Franchise Disclosure Document);

(e) you and your owners agree to revise the Principal Owner's Statement, as may be necessary, to reflect any ownership changes and to furnish such other information about your

organization or formation as we may request (no ownership changes that reduce your ownership below fifty-one percent (51%) may be made without our approval);

(f) a "**Principal Owner**" of the Business Entity (defined as a person with at least a twenty percent (20%) ownership interest) must: (i) have management responsibility and authority over your "**Business**" (defined as your Business) on a day-to-day basis; (ii) be actively employed on a full-time basis to manage the Security Data Supply® Business' operations; (iii) be present at the Security Data Supply® Business for at least fifty percent (50%) of the hours the Security Data Supply® Business is open to the public for business; (iv) be bound by our then-current form of Confidentiality Agreement (or other form satisfactory to us); and (v) satisfactorily complete our initial training program and any other training programs we request during the Term (defined in Section 2.3); provided, however, that the requirements of this section 1.4 (f) shall not apply to the Principal Owners of our affiliates;

(g) each of your Principal Owners, during the term of this Agreement, will sign and deliver to us our standard form of Principal Owner's Guaranty ("**Owner's Guaranty**") undertaking to be bound jointly and severally by all provisions of this Agreement and any other agreements between you and us. A copy of our current form of Principal Owner's Guaranty is attached to the Franchise Disclosure Document; provided, however that the Principal Owners of our affiliates are not obligated to enter into an Owner's Guaranty; and.

(h) at our request, you will furnish true and correct copies of all documents and contracts governing the rights, obligations and powers of your owners and agents (like Articles of Incorporation or organization and partnership, operating or shareholder agreements).

2. GRANT AND TERM.

2.1 Headquarters/Marketing Area/Primary Area.

(a) You have applied for a Franchise to (i) own and operate the Business operating its fixed location activities only at a location approved by us (the "**Headquarters**"), and (ii) in conjunction with owning and operating the Business, market and sell the Security Data Supply® Products and Services to customers, for whom Security Data Supply® Products and Services will be installed or delivered, in any case only to locations and customers of the type we designate within the geographic area we designate or approve (the "**Marketing Area**"). The Headquarters and Marketing Area are designated in Exhibit "A" to this Agreement and made a part hereof by reference. You must operate your Business only from the Headquarters and you will not actively advertise, market or promote your Business outside of the Marketing Area.

(b) If you are a Security Data Supply® Business, we will designate a geographic area as your "**Primary Area**." The Primary Area will consist of the Headquarters and the geographic area designated in Exhibit "A" as your Primary Area. We may allow other Security Data Supply® Businesses to be physically located in or operate in your Marketing Area, but will not allow other Security Data Supply® Businesses to be physically located in your Primary Area as long as you meet the MSL and the MPL (each as defined in Sec. 11.13). However, if any part of your Marketing Area is later designated as the Primary Area of another Security Data Supply® Business, that area will no longer be part of your Marketing Area and you may be required to cease delivery and installation of SDS Products in that area.

(c) Under this Franchise Agreement, we prohibit or limit your sale of Security Data Supply Products and Services via kiosks, government procurement, mail order, catalogue, Internet

or Intranet website ("**Alternative Channels of Distribution**"). The grant of a Primary Area and Marketing Area shall not be construed to permit you to sell Security Data Supply Products and Services via Alternative Channels of Distribution within your Marketing Area or Primary Area.

2.2 **Grant.** Subject to the terms of, and upon the conditions contained in this Agreement, we grant you a franchise (the "**Franchise**") to: (a) operate your Business at the Headquarters, and at no other location (temporary or permanent); and (b) use the Marks, Copyrights and System solely in connection with operating your Business.

2.3 **Term.** The Term of the Franchise and this Agreement begins on the Agreement Date and expires ten (10) years from such date (the "**Term**"). This Agreement may be terminated before it expires in accordance with Section 16, in which case the "**Term**" will be the period of time running from the Agreement Date to the date on which this Agreement is terminated.

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

2.5 **Approved Customer Types.** Your Business will be authorized to market to, sell to or service only the industry identifiable types of customers we designate or approve, which currently only includes licensed or legally authorized installers or similar business types we designate ("**Approved Customer Types**"). We will define and identify Approved Customer Types in communications to you from time to time. You will not be permitted to market to, sell to or service any customers which are Customer Types which we have not previously approved for your Business.

2.6 **Rights We Reserve.** We (and our affiliates) retain the right in our sole discretion to:

(a) Establish and grant to our franchises the right to establish Security Data Supply® Businesses anywhere outside the Primary Area and inside or outside the Marketing Area, on such terms and conditions as we deem appropriate (even immediately outside the border of the Primary Area);

(b) Own, operate, and grant franchises to others to operate, businesses, whether inside or outside the Marketing Area and Primary Area, specializing in the sale of products or provision of services, other than a Competitive Business (defined in Section 10), or which are offered, sold or provided to customers which are not Approved Customer Types (for which you are not authorized), using certain of the Marks or Copyrights and pursuant to such terms and conditions as we deem appropriate;

(c) Own, operate, and grant franchises to others to operate, businesses, whether inside or outside the Primary Area and Marketing Area, that do not use the Marks or Copyrights or which do not offer, sell or service SDS Products;

(d) Market and sell, inside and outside of the Marketing Area and Primary Area, through Alternative Channels of Distribution goods and services competitive with goods and serviced offered by Security Data Supply® Businesses under the Marks or under trade names, service marks, or trademarks other than Marks, without any compensation to you except as

disclosed in this Agreement, and in such amounts in such manner as we determine in our sole discretion; and

(e) engage in any other acts and exercise any rights not expressly and exclusively granted to you under this Agreement and not otherwise precluded by applicable law.

3. **RENEWALS OF THIS AGREEMENT** If, at the conclusion of the Term, you wish to renew this Agreement for a subsequent ten (10) year term (a "**Successor Term**"), you must provide us with written notice of your request to renew this Agreement at least one (1) year prior to the conclusion of the Term. No later than one hundred eighty (180) days prior to the conclusion of the Term, we will provide you with written notice of our decision to renew, or not to renew, your Franchise for a Successor Term. Whether or not to renew your Franchise will be determined by us in our sole discretion, except where precluded by applicable law. To renew your Franchise, you may be required to sign a new agreement with provisions that vary materially from those contained in this Agreement. The provisions of this Section 3.1 shall apply to your first Term and any successive Successor Terms. For the avoidance of doubt, however, you will not be permitted to renew this Agreement if this Agreement is terminated pursuant to Section 16 of this Agreement.

Applicability of State-Specific Laws. Notwithstanding the provisions of Section 3.1, where the applicable and non-waivable laws of any jurisdiction in which your Business is located require specific actions by us and/or by you with respect to any renewal of your Franchise, or where such laws require that certain criteria be met for us to grant or deny a renewal of your Franchise, such laws shall be deemed controlling in every respect, and this Agreement shall be deemed amended to the extent necessary to fully comply with such laws.

4. **SITE SELECTION AND DEVELOPMENT**.

4.1 **Headquarters Selection.** If you have not done so prior to signing this Agreement, you (with or without our assistance) must, within sixty (60) days of signing this Agreement, locate a Headquarters for your Business that we have approved. The Headquarters must meet our criteria for population density and income characteristics, traffic patterns, parking, character of neighborhood, competition from and proximity to other stores and other Security Data Supply® Businesses, the nature of other stores in proximity to the site and the size, appearance and other physical and commercial characteristics of the proposed site. We will approve or disapprove a Headquarters you propose for a Security Data Supply® Business within thirty (30) days after we receive from you all of the materials we request concerning the proposed site. If you do not select, or we do not approve, the sites reviewed during the initial site selection trip, you must pay to us or our designee our then current Headquarters Selection Fee, as defined in Section 6.5. You acknowledge and agree that:

(a) our recommendation, approval, or selection of the Headquarters does not imply, guaranty, assure, warrant or predict profitability or success, express or implied;

(b) our recommendation, approval, or selection of the Headquarters indicate only that we believe that the Headquarters fall within the acceptable criteria for sites and premises that we have established as of the time of our recommendation or approval of the Headquarters;

(c) application of criteria that have appeared effective with respect to other sites and premises may not accurately reflect the potential for all sites and premises, and, after our approval of a Headquarters, factors included in or excluded from our criteria could change to alter the potential of a Headquarters and premises; and

(d) the uncertainty and instability of such criteria are beyond our control, and we will not be responsible for the failure of a Headquarters we have recommended or approved to meet expectations as to potential revenue or operational criteria.

You also acknowledge and agree that if we are unable to agree with you on a location for your Headquarters within 60 days of signing the Franchise Agreement, we may select the location of your Headquarters in our sole discretion.

4.2 **Relocation of the Headquarters.** You may not operate your Business from any location other than the Headquarters without our prior written consent. If the lease expires or terminates without expiration or termination being your fault, if the Headquarters is destroyed, condemned or otherwise rendered unusable as a Security Data Supply® Business in accordance with this Agreement, or if, in our sole judgment, there is a change in character of the location of the Headquarters sufficiently detrimental to its business potential to warrant your Business' relocation, we will permit you to relocate your Business to another location within the Marketing Area provided that you comply with all of our System Standards for a Headquarters relocation and such relocation Headquarters meets our then current Headquarters criteria for relocation Headquarters. Any relocation of the Headquarters will be at your sole expense and you must pay us all expenses we incur in connection with the relocation, plus a site relocation fee of Two Thousand and 00/100 Dollars ($2,000) ("**Headquarters Relocation Fee**"), plus our costs associated with the relocation of your Headquarters. If you obtain our approval of the replacement Headquarters and lease in accordance with our then current Headquarters approval process, you must reopen your Business at the replacement Headquarters as soon as practicable, but in no event more than thirty (30) days after the closing of the original Headquarters. You are not permitted to relocate your Business except pursuant to this Section. We and our affiliates are not obligated to pay any Headquarters Relocation Fee on the same basis as Franchise owners for any Security Data Supply® Business we or our affiliates own and operate.

4.3 **Lease of Headquarters.** The following provisions in this Section 4.3 apply if you own and operate your Business and do not use your personal residence as a Headquarters:

(a) **Lease Approval**: You agree to obtain our approval of the lease of the Headquarters before you sign it, or any renewal of it. You agree to deliver a copy of the signed lease to us within fifteen (15) days after its execution along with the Lease Assignment. You agree not to sign any lease or renewal of a lease unless you have also obtained the Lease Assignment signed by the lessor.

(b) **Sublease From Us**: We may, but are not obligated to, lease or sublease the Headquarters to you. If we do so, you agree to sign our then-current form of lease or sublease. If we sublease the Headquarters to you, we may charge a rent that exceeds the cost of rent we pay under our master lease agreement for the Headquarters.

(c) **Other Lease of Headquarters**: If you want to lease the Headquarters from someone other than us, you agree to deliver copies of the proposed lease agreement and related documents to us prior to signing them. You agree not to sign any lease agreement or related documents unless we have previously approved them. Additionally, we require that the lease or any renewal contain certain provisions, including the following type provisions:

(i) a provision that provides that during the term of the lease, the Headquarters may only be used for the operation of your Business and for no other purpose.

(ii) a provision which expressly permits the lessor of the Headquarters to provide us with all revenue and other information it may have related to the operation of your Business as we may request, and you will consent to the landlord providing such information to us;

(iii) a provision which evidences your right to display the Marks and Copyrights in accordance with the specifications required by the System (defined in Section 11.1), subject only to the provisions of applicable law;

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

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

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

(vii) a provision that provides that the landlord will give written notice to us (concurrently with the giving of such notice to you) of any default (a "**Lease Default**") by you under the lease by certified mail, return receipt requested, or by nationally recognized overnight courier service. This notice to us shall be a prerequisite for the landlord's exercise of any remedies resulting from a Lease Default. Such notice will grant us the right, but not the obligation, to cure any Lease Default, if you fail to do so, within fifteen (15) days after the expiration of the time period in which you may cure the Lease Default under the lease. Our election not to cure shall not be deemed an election to assume the lease, unless and until we expressly do so in writing.

(viii) a provision that provides that in the event of a Lease Default or your default of this Agreement, and upon written notice by us to have the lease assigned to us as lessee (the "**Assignment Notice**"), (1) we will become the lessee of the Headquarters and will be liable for all obligations under the lease arising after the date of the Assignment Notice and (2) the landlord will recognize us as the lessee of the Headquarters effective as of the date of the Assignment Notice.

(ix) a provision in which you and the landlord acknowledge that we are not a party to the lease, but that we are intended to be a third party beneficiary of the lease with an independent right to enforce its terms against the landlord and you.

(x) a provision that provides that provides that the Lease cannot be modified or canceled without our prior written approval.

(xi) If you and the landlord for the Headquarters are or become related in ownership or control, a provision that provides that if we eventually take over the Headquarters site, any lease will be amended to be the same length as the Franchise Agreement, to be consistent with commercially reasonable "triple-net" leases being signed

in your metropolitan area and to reflect the site's fair market rental value in your metropolitan area.

(d) **No Warranty**: You acknowledge that our approval of the lease for the Headquarters does not constitute a guarantee or warranty, express or implied, of the successful operation or profitability of a Security Data Supply® Business operated at the Headquarters. Such approval indicates only that we believe that the Headquarters and the terms of the lease fall within the acceptable criteria we have established as of the time of our approval. YOU FURTHER ACKNOWLEDGE THAT WE HAVE ADVISED YOU TO HAVE AN INDEPENDENT ATTORNEY OF YOUR OWN CHOOSING REVIEW AND EVALUATE THE LEASE.

4.4 **Ownership and Financing.** Instead of leasing a Headquarters, you may propose to purchase, construct, own and operate your Business on real property owned by you or through affiliates. The proposed location for the Business must meet the criteria listed in Section 4.1, as determined by us in our sole discretion. You must meet certain conditions if you or your affiliates own a Headquarters at the time of or at any time prior to acquisition, or subsequently, or if you or your affiliates propose to obtain any financing with respect to the Headquarters or for your Business or for any Operating Assets in which any of such items are pledged as collateral securing your performance. The form of any purchase contract with the seller of a Headquarters and any related documents, and the form of any loan agreement with or mortgage in favor of any lender and any related documents, must be approved by us before you sign them. Our consent to them may be conditioned upon the inclusion of various terms and conditions, including the following:

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

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

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

(d) your delivery to us of our standard form of Agreement to Lease which requires you, at our option, to lease the Headquarters to us if the Franchise Agreement is terminated, assigned, or transferred pursuant to our standard form of Lease Agreement.

5. <u>BUSINESS DEVELOPMENT, DECOR AND OPERATING ASSETS</u>.

5.1 **Development of Your Business.** You must locate and obtain our approval of the location of your Headquarters (the "**Site**") within 60 days of the Agreement Date. You must obtain our approval for and open your Business for business within the later of thirty (30) days of the date we approve the Headquarters or ninety days (90) of the date of execution of this Agreement (the "**Opening Date**"). In our sole discretion, if you have made full and complete applications for all building permits, and all other permits required to open your Business, within thirty (30) days of the date we approve the Headquarters and your lease for it, if any, we will grant to you up to three (3) thirty (30) day extensions to obtain all necessary permits, provided that the delay was due to causes beyond your reasonable control. However, we also reserve the right to, in our sole discretion, grant

you an extension of up to 12 months to secure a lease or purchase of the Site and have an Opening Date. We are not obligated to provide you this extension. You must submit documentation of the status of all applications necessary to operate your Business at least ten (10) days prior to the date of each thirty (30) day extension you request. You are solely responsible for complying with all applicable laws, ordinances, rules and regulations relating directly or indirectly to the construction and development of your Business, including, without limitation, the Americans With Disabilities Act and any other laws, rules or regulations regarding discrimination or public accommodations for persons with disabilities. Despite our providing the build-out, as between you and us and our affiliates, you are solely responsible, as between us (and our affiliates or other franchise owners) and you, for any and all claims, liabilities and costs relating to non-compliance or alleged non-compliance with any such laws, rules, ordinances or regulations, and you must remedy, at your expense, any such non-compliance or alleged non-compliance.

At all times, your Business must be managed by a full-time general manager (the "**Business Manager** "). The Business Manager may either be you, or, if you are a Business Entity, one (1) of your Principal Owners, and must meet our qualifications for Security Data Supply® Business Managers. Our current qualifications for Business Managers are that the Business Manager must: (i) have a sufficient amount of experience to demonstrate to us that he/she is capable of managing a Security Data Supply® Business; (ii) have management responsibility and authority over your Business on a day-to-day basis; (iii) be actively employed on a full-time basis to manage the Business' operations; (iv) be present at the Business for at least fifty percent (50%) of the hours your Business is open to the public for business; (v) be bound by our then-current form of Confidentiality Agreement (or other form satisfactory to us); and (vi) satisfactorily complete our initial training program and any other training programs we request during the term of the Franchise Agreement.

Without limiting your foregoing obligations, you agree, at your own expense, to do the following with respect to developing your Business at the Headquarters:

(a) secure and provide us proof of your securing all financing required to develop and operate your Business;

(b) obtain all building, utility, sign, health, sanitation, business and other permits and licenses required to construct, develop and operate your Business; and

(c) purchase from us (or our designees) the Establishment Package (the Establishment Package is included in the Franchise Fee).

5.2 **Décor.** You agree that all décor of your Business must be previously approved by us and must comply with our standards as described in communications to you, which may be periodically revised. We own all Copyrights in and to all forms of art or other visual media displayed in your Business (the "**Art**"), as well as all intellectual property rights in and to the Art. You will not, without our prior written permission, allow any of the Art to become a fixture to your Business and you will not display or use the Art in any Competitive Business or of any kind, nor will you display or use the Art in any business other than your Business(es). Your failure to maintain your Business' décor in compliance with our System and the standards described in our communications or Manual(s) (if issued) to you or otherwise constitutes a material breach of this Agreement.

5.3 **Establishment Package.** You must purchase from us, our affiliates or designees, certain products, supplies, equipment and services for use in developing and operating your Business (the "**Establishment Package**"). The contents of your Establishment Package are listed in Exhibit "B" and made a part hereof by reference. The Establishment Package items will be delivered by our

affiliates or designees. We do not provide any warranty or service guaranty of the installation services we, our affiliates or designees may provide. You must pay a fee for the Establishment Package (the "**Establishment Package Fee**") to us or our affiliate(s) in the amount set forth in Exhibit "B" at the time you purchase the Establishment Package. The Establishment Package Fee is not refundable under any circumstances. We have the right to require you to purchase the Establishment Package at the time you sign the Franchise Agreement. Upon your receipt of your Establishment Package, you must complete the Confirmation of Receiving Establishment Package attached as Exhibit "C" to this Agreement. We and our affiliates are not obligated to pay any Establishment Package Fee on the same basis as Franchise owners for any Security Data Supply® Business we or they own and operate.

5.4 **Operating Assets and Business Materials.** In addition to the Establishment Package, we will identify the other fixtures, furnishings, equipment (including facsimile machines, telephones, computer hardware and software), and services (like bookkeeping and inventory controls and payment processing) (the "**Operating Assets**"), warehouse equipment, shelving, inventory, wall, flooring and other surface products, SDS Products, materials, inventory, equipment, uniforms, apparel, supplies and signs, emblems, lettering, logos and display materials, advertising, and financial and accounting services, necessary for your Business to begin or sustain operations (collectively, the "**Business Materials**"), the minimum standards and specifications that must be satisfied and the suppliers from whom these items may be purchased or leased (including us and/or our affiliates). You agree to acquire all Business Materials and Operating Assets from us or from suppliers we have previously approved, which may include us or our affiliates or only us or our affiliates. If we do not designate or approve a supplier for the Operating Assets or Business Materials, you must purchase them in accordance with, and they must meet our System Standards. We may designate quantities, models, brands and inventory levels of Operating Assets and Business Materials. We may require you to purchase only from us or from designated suppliers Operating Assets or Business Materials which bear our Marks. We will only approve suppliers whose Business Materials and Operating Assets meet the quality standards that we establish from time-to-time. You agree to only place or display at the Headquarters (interior and exterior) such signs, emblems, lettering, logos and display materials that we periodically approve, in our sole discretion. While our affiliates or designees deliver and provide limited set-up for the items in the Establishment Package, you must remain responsible for the installation and set up, and you must pay for the cost of obtaining and installing any Business Materials and Operating Assets we require that is not contained in the Establishment Package. By this Agreement, you agree to grant to us, and will sign all documents necessary for us to obtain a guaranty agreement in all of your existing and after acquired inventory, furniture, fixtures and equipment, as well as your lease for the Headquarters. You agree to sign all financing statements and other documents necessary for us to perfect our security interests.

5.5 **Changes to Approved Suppliers.** You must comply with all of our System Standards for approval and use of, or contracting with third parties and suppliers:

(a) **Designation and Approval of Suppliers**: The reputation and goodwill of Security Data Supply® Businesses are based upon, and can be maintained and enhanced only by, the use of high-quality suppliers of services, materials and inventory. We will provide you with a list, that we may modify from time-to-time in our sole discretion, of approved manufacturers, suppliers, or distributors of Operating Assets and Business Materials. We may designate approved or designated suppliers, providers, distributors, or manufacturers for any types, models or brands of business materials, inventory, Operating Assets, payment processing, bookkeeping, accounting, inventory control, and other equipment and business services that we approve for Security Data Supply® Businesses or which we designate in communications to you (or our Manual(s), if issued) as relating to the establishment or operation of Security Data Supply® Businesses, which may

include us or our affiliates as one of, or the only approved or designated supplier for certain items or services (the "**Approved Suppliers**"). You agree that you will not, without our written approval, use or authorize any of your personnel or other employees to use any services, material, inventory, supplies or equipment and/or suppliers, distributors, manufacturers or service providers not authorized by us for your Business. You must utilize any ordering system that any of our Approved Suppliers (including us or our affiliates) designate. We may prohibit your customers from paying for inventory purchased with credit cards and may designate procedures to limit or control trade credit provided to customers.

(b) **Review Procedures**: Our approval of Operating Assets, Business Materials, and Approved Suppliers will be given in the form of specifications and standards designated in our communications to you (or our Manual(s), if issued) from time-to-time. In approving types, models, brands and suppliers, manufacturers, distributors or service providers, we may take into consideration such factors as quality, warranty and prices. We may approve one or a limited number of suppliers, manufacturers, distributors or service providers in order to obtain lower prices or materials of a more uniform and/or higher quality. If you wish to use any type, model, manufacturer or brand of materials, supplies or equipment, supplier, manufacturer or distributor of equipment, supplies or material, any service provider or any other brand, manufacturer, distributor or supplier of materials, supplies, services or equipment, which is not currently approved by us, you must: (i) notify us in writing; (ii) submit to us sufficient specifications, photographs, samples and/or other information requested by us concerning such type, model, brand, service, service provider and/or supplier, manufacturer or distributor. We will then determine, within a reasonable time but in our sole discretion, whether such type, model or brand, supplier, distributor, service provider or manufacturer complies with our specifications, and/or whether such supplier, manufacturer, distributor or service provider meets our criteria for approval. We may, from time-to-time and in our sole discretion, prescribe procedures for the submission of requests for approval of types, models, brands, manufacturers, distributors, service providers or suppliers and obligations which approved manufacturers, distributors, service providers or suppliers must assume.

(c) **Preferred Vendor Programs**: We may, in our sole discretion, develop certain programs and terms under which we, our affiliates or Security Data Supply® Businesses receive certain negotiated benefits or terms from Approved Suppliers ("**Preferred Vendor Programs**"). You must follow all of our policies and procedures which we designate from time-to-time for participation in or termination of Preferred Vendor Programs ("**Program Rules**"). We can, in our sole discretion, refuse or terminate your participation in Preferred Vendor Programs without terminating this Agreement. We may, in our sole discretion, designate one or more Approved Suppliers ("**Preferred Vendors**") as an exclusive supplier of types, models or brands of business materials, supplies, operating assets, consumer goods, fixtures or materials and business services that we approve for Security Data Supply® Businesses. We may receive compensation from Approved Suppliers, fees, rebates or other consideration for such purchases. Certain Preferred Vendors may require that you enter into agreements with them (subject to our approval) in connection with our designation or your use of them as a Preferred Vendor or participation in their Preferred Vendor Program ("**Preferred Vendor Agreements**"). You agree to do so. We may be a party to such Preferred Vendor Agreements. We may, but are not obligated to, contribute any such fees or rebates received by us from such agreements to the System Development Fund in the event we establish the System Development Fund. However, with respect to such contributions to the System Development Fund, if any, we will not be obligated to offset or reduce your obligation to pay to us System Fund Fees. If we permit you to receive any form of rebates, contributions or remunerations from Preferred Vendors, we may require that you provide to us accountings of such monies or other remuneration you receive, in the manner we designate in communications to you (or our Manual(s), if issued). We may charge you fees in the amount we may designate from time-

to-time for participating in Preferred Vendor Programs which we evaluate or for which we provide services. If we cancel your participation in any Preferred Vendor Program, we will direct the Preferred Vendor to stop doing business with you on the same terms as it does for other franchisees.

5.6 **Sale of the Security Data Supply Products and Services.** We may, in our sole discretion, require you and your customers to utilize our affiliates' websites (e.g., www.SecurityDataSupply.com) to place and fulfill orders for all products and services and any Operating Assets and/or Business Materials. In the sale of the SDS Products to consumers, you shall not distribute the SDS Products in any manner that we have not approved in writing, nor shall you combine the SDS Products or services with any other product or service without our prior written approval. Accordingly, you have no right to sell any of the Security Data Supply Products and Services or any other operating assets or Business Materials in wholesale, or by any other similar means, nor do you have the right to sell any of the Security Data Supply Products and Services of your Business through catalog sales, the internet, or by any means other than the Security Data Supply® Business. We may require you to purchase all or certain, to the extent we designate in our sole discretion, Security Data Supply Products or Services and/or other Operating Assets and Business Materials from us or our designees. At our request, you will be required to cooperate with us and follow all of our System Standards relating to the designation of our importer of record for products shipped into or out of the U.S., US Customs invoices, obtaining and providing exporter or importer designations of origin, dealing with Customs documents and procedures and the like. You shall not, except as expressly directed by us in writing, sell any Security Data Supply Products and Services via Alternative Channels of Distribution.

5.7 **Compliance with Laws and Good Business Practices.** You will secure and maintain in force in your name all required licenses, permits and certificates relating to the operation of your Business. You will operate your Business in full compliance with all applicable laws, ordinances and regulations, including, without limitation, all government regulations relating to occupational hazards and health, construction warranties, worker's compensation insurance, immigration, unemployment insurance, construction permitting, workplace safety, and withholding and payment of federal and state income taxes, social security taxes and sales taxes. You will, in all dealings with customers, suppliers, us and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice which may be injurious to our business and the goodwill associated with Security Data Supply® System, the Marks and other Security Data Supply® Businesses. You agree to execute any and all instruments, documents or other certifications, and render such assistance, and do such acts and things which are required or requested by us in order to obtain all governmental approvals necessary, in the reasonable opinion of our counsel, in order to comply with applicable law, rules and regulations, including without limitation obtaining work visas for your personnel and complying with labor laws in the Primary Area and Marketing Area.

5.8 **Customer Trade Credit and Security Agreements.** You must follow all of our policies and procedures for granting trade credit to customers, ensuring payment by customers, allowing us to place liens on inventory sold to you and for using our designated and Approved Suppliers for bookkeeping and auditing services.

5.9 **Business Management System.** You must use and follow all of the rules and regulations, specifications and System Standards for the Computer System, business management, Purchaser Order System (as defined below in this paragraph), scheduling, cost control, and accounting system we designate from time-to-time in our sole discretion (collectively, the "**Business Management System**"). You must utilize the Computer System, if any, which we may designate or approve in our sole discretion, in the manner we approve in your utilization of the Business

Management System. You must use our standard supplier or vendor agreements and other agreements related to the Business Management System that we designate from time-to-time. The Business Management System may or will incorporate and consist of such websites and functions as we designate from time-to-time in our sole discretion, which may include a mandatory purchase order system and related websites, as well as rules for participation and use of them, if any, which we may designate (the "**Purchase Order System**"). Through, and as part of, the Business Management System we may require that you establish an operating account with a bank or other financial institution that we designate or approve (the "**Operating Account**") in our sole discretion. We may require that the Operating Account be the sole bank account utilized by your Business and we may be granted a lien on the Account to secure inventory sold to you and the right to make automatic withdrawals of amounts due us. We in our sole judgment may designate one of our officers to have signature rights to the Operating Account. You must utilize the Operating Account in accordance with the System Standards as we designate (e.g. Business Management System rules) in our sole discretion. We may change, alter or amend the functions, components, System Standards, Computer System, Purchase Order System and any other aspect of the Business Management System from time-to-time.

5.10 **Security Data Supply® Business Opening.** You agree not to open your Business for business until:

(a) we approve your Business as developed in accordance with our specifications and standards;

(b) Initial Training has been completed to our satisfaction;

(c) the Franchise Fee and Establishment Package Fee have been paid;

(d) we have approved the Business Managers who will attend the Owner/Manager Training portion of Initial Training (defined in Section 7.1) of your Business and you have demonstrated to us that the conditions of Section 1.5 (e) have been fulfilled;

(e) an Owner's Guaranty shall have been duly executed by each of your Principal Owners (other than Principal Owners of our affiliates);

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

(g) we have received signed counterparts of all required documents pertaining to your acquisition of the Headquarters, if any; and

(h) you have obtained the minimum inventory we designate.

6. FEES.

6.1 **Franchise Fee and Establishment Package.** You agree to pay us a non-recurring and non-refundable Franchise Fee and the Establishment Package Fee in the amount indicated on Exhibit B. The Franchise Fee is fully earned and non-refundable when paid. The Franchise Fee and Establishment Package Fee are due in a lump sum payment on the Agreement Date.

6.2 **Product and Service Sales.** You must timely pay us, our affiliates and our suppliers for all items or services you purchase from us or them. You acknowledge and agree that

the inventory items we require you to purchase from us or our affiliate will be sold to you at a markup of 4% to 6% over our cost, inclusive of our shipping, handling and tax costs (the "Markup"). The Markup is currently 5% and may be changed upon 30 days' written notice from us to you; provided that the Markup will never be below 4% or above 6%. The Markup is on "our cost" (a) of the price we pay for the item as determined by the manufacturer or supplier price lists we periodically publish to you, plus (b) shipping, handling and tax costs, multiplied by 1.05. Hence, with a 5% Markup, if our supplier price lists an item for $100 and we incur $10 in shipping, handling and tax costs, the price we sell the item to you will be no more than $115.50. Currently, among the services you must purchase from us is our ongoing software license and support fee, the current amount of which is indicated in Exhibit A.

6.3 **Bookkeeping/Oversight/Software Hosting Fee.** You must contract with our Approved Supplier of bookkeeping, cash monitoring, accounts receivable, accounts payable, oversight service, and pay their then current fees for such services. These fees may exceed $5,000 per year. We may require this fee be paid to us for us to pay for such services or be paid directly to the Approved Supplier. You must also pay us or our designee a "**Software Hosting Fee**" that is currently $330.00 per month, provided, however, that the monthly Software Hosting Fee is subject to change from time to time. The Software Hosting Fee is described in more detail in Section 11.6.

6.4 **System Fund Fees.** In the event that we establish the System Development Fund, you must pay to us or our designee a fee in the amount we designate up to two (2%) percent of your Business' monthly Gross Sales as contributions to the System Development Fund (the "**System Fund Fee**"). The System Fund Fee is currently contemplated to be one percent (1%) of your Business' monthly Gross Sales, but we reserve the right to increase the System Fund Fee to up to two percent (2%) of your Gross Sales. The first System Fund Fee would be due on the Payment Day (as defined in Sec. 6.8) following the end of each Calendar Year quarter. If we establish the System Development Fund, any System Fund Fees paid to us will be fully earned and non-refundable when paid. We may defer or reduce any System Fund Fees, in our sole discretion, upon thirty (30) days' prior written notice to you. If we establish the System Development Fund, we will not increase the System Fund Fee during your first two (2) years of your Term.

6.5 **Headquarters Selection Approval Fee.** Included with the Franchise Fee is our cost of arranging for one site selection trip of up to three (3) days to assist you in connection with selecting a site for the Headquarters. If you do not select, or we do not approve, the site for the Headquarters during the initial site selection trip, we are not obligated to conduct another Headquarters selection trip. We may charge an additional fee of $1,000 if we choose to do so. Generally, these fees are due prior to our conducting the visit. However, no Headquarters Selection Fees will be due until 15 days after you commence operations.

6.6 **Additional Training Fees.** For Security Data Supply® Businesses, as part of the Franchise Fee, we provide the Initial Training described in Section 7. If we require, or if you request and we agree to provide, additional on-site training, you must pay our then current "**Additional Training Fees**", which will not exceed Five Hundred and No/Dollars ($500.00) per trainee per day of training. Additional Training Fees are due within fifteen (15) days of our invoice to you; except that if you are a Security Data Supply® Business, Additional Training Fees are not due until 15 days after your Opening Date. Along with the Initial Training, included with the Franchise Fee is our providing you a pre-opening and a member of our On-Site Operational Support personnel team (the "**Ops Team Member**") to assist you with your operations support for a period of 1 month: If you request and we provide, or if we require you to utilize, our Ops Team Member for more than the initial maximum 1 month (the initial "**Ops Support Period**"), you must pay to us our then current

Ops Team Member Fee (currently $6,000 per month), plus reimburse any travel and lodging expenses of that Ops Team Member.

6.7 **Training Expenses**. If we require, or if you request and we agree to provide, additional on-site training as described in Section 6.6 above or any Ops Team Member, you must pay to us, as reimbursement, all of the expenses we incur for travel, lodging, meals and other expenses and costs we incur associated with providing additional on-site training ("**Training Expenses**"). We will bill you for the Training Expenses, and you are responsible for payment to us within fifteen (15) days of the date of our invoice to you.

6.8 **Affiliate Exemption**. Notwithstanding any other provision of this Agreement, if you are affiliates of ours, or if your Principal Owners are affiliates of ours, you shall not be required to pay us the fees set forth in Sections 6.1, 6.3, 6.4, 6.5, 6.6, or 6.7 under this Agreement.

6.9 **Electronic Funds Transfer.** We may require you to pay all future payments of the amounts due under this Agreement to us by electronic funds transfer. If we do so, we will designate a specific date (the "**Payment Day**") by which the payments to us of amounts due under this Agreement must be paid to us. You agree to comply with the procedures we specify in our communications to you (or our Manual(s), if issued) and perform such acts and sign and deliver such documents as may be necessary to accomplish payment by this method. On the Payment Day, you will report to us by telephone, electronic means (e.g. facsimile transmission or via e-mail) or in written form, as we direct in our sole discretion, your Business' true and correct Gross Sales for the immediately preceding week. You will give us authorization, in a form that we designate or approve, to initiate debit entries or credit correction entries to your Business' bank operating account (the "**Account**") for payments of amounts due under this Agreement, including any applicable interest charges. You will make the funds available in the Account for withdrawal by electronic transfer no later than the Payment Day. Where applicable, the amount actually transferred from the Account to pay amounts due under this Agreement will be based on your Business' Gross Sales reported to us. If you have not reported your Business' Gross Sales to us for any reporting period, we will transfer from the Account an amount calculated in accordance with our reasonable estimate of your Business' Gross Sales during any such reporting period. If we determine at any time that you have under-reported Gross Sales or other amounts due to us, we will be authorized to immediately initiate a transfer from the Account in the appropriate amount in accordance with the foregoing procedures, including applicable interest and late charges. Any overpayment will be credited to the Account through a credit, effective as of the first (1st) reporting date after you and we determine that such credit is due.

6.10 **Definition of Gross Sales.** As used in this Agreement, the term "**Gross Sales**" means all revenue you derive from operating your Business, including, but not limited to, all amounts you receive at or away from the Headquarters from any activities or services whatsoever including any that are in any way associated with the Marks, Copyrights or System, and whether from cash, check, barter, credit or debit card or credit transactions, including the redemption value of gift certificates redeemed by you regardless of whether such gift certificates are issued by you or someone else; but excluding: (1) all federal, state or municipal sales, use or service taxes collected from customers and paid to the appropriate taxing authority; and (2) customer refunds, adjustments, credits and allowances actually made by your Business.

6.11 **Interest on Late Payments.** All amounts which you owe us or our affiliates will bear interest after their due date at the annual rate of eighteen percent (18%) or the highest contract rate of interest permitted by law, whichever is less. You acknowledge that we do not agree to accept any payments after they are due nor do we commit to extend credit to, or otherwise finance your

operation of, your Business. Your failure to pay all amounts when due constitutes grounds for termination of this Agreement, as provided in Section 16.

6.12 **Late Payment Fees.** All amounts due us or our affiliates, and any interest accrued thereon, and any other amounts which you owe us or our affiliates, are subject to a "**Late Payment Fee**" of between twelve percent (12%) and eighteen percent (18%) of the amount due. Currently, the Late Payment Penalty is fifteen percent (15%), but we reserve the right to raise the Late Payment Penalty at any time, up to eighteen percent (18%), upon thirty (30) days written notice to you. The Late Payment Fee is due immediately upon any delinquent payments and is in addition to any other fees due and payable to us. The provision in this Agreement concerning Late Payment Fees does not mean that we accept or condone late payments, nor does it indicate that we are willing to extend credit to, or otherwise finance the operation of, your Business.

6.13 **Application of Payments.** Notwithstanding any designation you might make, we have sole discretion to apply any of your payments to any of your past due indebtedness to us.

6.14 **Payment Offsets.** You acknowledge and agree that we have the right to set-off from any amounts that we may owe you or your owners or any amount that you owe to us, or our affiliates, for any reason whatsoever in our sole discretion. Thus, payments that we or our affiliates may make to you may be reduced, in our sole discretion, by amounts that you owe to us or our affiliates from time-to-time. We will notify you monthly if we elect to do so.

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

6.16 **Other Fees.** In addition to the fees and payments listed in this Section 6, we have listed other fees, payments and amounts due for services and other items elsewhere within this Agreement, and you agree to pay such fees, payments and amounts in accordance with the terms and conditions of the Sections in which they appear. Unless otherwise stated in this Agreement, all fees due us are due within fifteen (15) days of our invoice to you.

6.17 **Currency and Taxes.** All payments to be made hereunder to us or any of our affiliates shall be made in U.S. Dollars (U.S.D.). All fixed dollar amounts used in this Agreement or any Addenda may be adjusted as of January 1 of each year in proportion to changes in the Consumer Price Index (U.S. Average, all items) maintained by the U.S. Department of Labor between January of the prior year and January of the then current year (the "**January Index**"). Each Adjustment will be made effective as of January 1 based on the January Index but the first adjustment will not be made until the second January following the Agreement Date.

6.18 **Administrative Fee**. You are required to pay us an Administrative Fee of fifteen percent (15%) for any amount that we pay on your behalf to a third party, which third party may include one of our affiliates or one of our designees. All Administrative Fees are due within fifteen (15) days of our invoice to you.

7. <u>TRAINING AND ASSISTANCE</u>.

7.1 Initial Training.

(a) **<u>Owner/Manager Training</u>.** Before the Business' opening, we will provide initial training to you or any person owning at least 20% of the Franchise (or at least 20% of the Business

Entity that owns the Franchise) that plans to be working in the Business at least 50% of the time. ("**Owner Training**"). We will also provide the initial training to your Business Manager (the "**Manager Training**"). The Franchise Fee includes the Initial Training Program for 2 persons. Up to 2 persons may complete the Initial Training. Training begins with a 1 hour pre-training online "Security Data Supply 101" course. Then, we provide 3 to 8 days of classroom training furnished at our headquarters in Mandeville, Louisiana. We later provide 5 to 12 days of on-the-job initial training to Unit Franchises, which occurs at your location. The initial on-the-job training is provided during the end of its build-out phase and/or at an operating Security Data Supply® Business.

(b) **Employee Training.** You are otherwise responsible for training your staff. We require your personnel who attend staff training to complete staff training programs developed by us, from time to time and in our sole discretion, to our satisfaction. You are responsible for all costs of your staff attending the staff training program, including their wages during the staff training. You and trainee employees must complete the Initial Training to our satisfaction. You also must participate in all other activities required to operate a Security Data Supply® Business. After you open your Business for business, we provide up to 30 days of training to up to 5 employees as part of our grand opening/training services ("**Employee Training**"). Employee Training is informal and there are no specific training materials or format at this time. It may be conducted in the manner we may designate at your location, or via electronic media, phone consultations or webinars. Although there are no additional fees for the training, you are responsible for all travel, living and compensation expenses which you and your employees incur in connection with training. We offer additional mandatory training when needed and when we can schedule it approximately 2 to 3 times per year. We are constantly in the process of evaluating and improving our training programs so they may change at any time. You must pay to us any Training Expenses we incur on your behalf and you are responsible for any Training Expenses you incur. (See Item 5)

(c) **Completion of Training.** Successful completion of Initial Training, Employee Training and any additional or extended initial training we require is a condition to the opening of your Business.

7.2 **Additional Training.** We may require you (or your Business Manager and/or previously trained and experienced employees/staff) to attend periodic refresher training courses at such times and locations that we may designate in our sole discretion. If we require you, your Business Managers and/or any previously trained and experience employees to re-take or attend additional or extended initial training, or if, at any time after your Business opens, you hire additional management personnel or replace one or more of your Business Managers, the employees must satisfactorily complete our additional training program at your expense ("**Additional Training**"). Required Additional Training may include our requiring you to obtain industry specific certifications and the like (for example, Certified Retrofit Specialist).

7.3 **Ops Team Member and Opening Team**. In addition to the Ops Team Member for the Security Data Supply® Businesses, we will provide you with an "Opening Team" for such time period as we may designate in our sole discretion to assist you with the opening of your Business. The Opening Team is provided for up to two (2) days with at least one Opening Team Member we designate in our sole discretion. We may require additional Opening Team Members or additional days, and if you request additional days or Opening Team Members, we may charge Additional Training Fees and Additional Training Expenses. The Opening Team is generally provided contemporaneously with Employee Training.

7.4 **General Guidance.** We will advise you from time-to-time regarding the operation of your Business based on reports you submit to us or inspections we make. In addition, we will furnish guidance to you with respect to:

(a) Security Data Supply Products and Services procurement, marketing, sales, installation, customer service and warranty;

(b) standards, specifications and operating procedures and methods utilized by Security Data Supply® Businesses;

(c) purchasing required fixtures, furnishings, equipment, signs, products, materials and supplies;

(d) Product and Service inventory practices and purchasing practices;

(e) use of suppliers and approved products and supplies

(f) sales, pricing policies and the like;

(g) employee and management training;

(h) administrative, bookkeeping and accounting procedures; and

(i) use of our designated websites.

Such guidance will, at our discretion, be furnished to you in communications (or our Manual(s), if issued), bulletins or other written materials and/or during telephone consultations and/or consultations at our office or your Business.

At your request, we will furnish additional guidance and assistance. If your requests for additional or special training and guidance are, in our opinion, outside the scope of our general guidance, we may charge you a fee to cover expenses that we incur in connection with such training or guidance, including per diem charges and travel and living expenses for our personnel.

8. **MARKS**.

8.1 **Ownership and Goodwill of Marks.** Your right to use the Marks is derived solely from this Agreement and limited to your operation of your Business at the Headquarters and on the mobile basis we designate or approve within the Marketing Area, pursuant to, and in compliance with, this Agreement and all System Standards we prescribe from time-to-time during its term. This Agreement does not grant you any right to use the Marks following the termination or expiration of this Agreement. Your unauthorized use of the Marks will be a breach of this Agreement and an infringement of our rights in and to the Marks. You acknowledge and agree that your usage of the Marks and any goodwill established by such use will be exclusively for our benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate your Business in compliance with this Agreement). All provisions of this Agreement applicable to the Marks apply to any additional proprietary trade and service marks and commercial symbols we authorize you to use.

8.2 **Limitations on Your Use of Marks.** You agree to use the Marks as the sole identification of your Business, except that you agree to identify yourself as the independent owner

of your Business in the manner we prescribe in communications to you (or our Manual(s), if issued) or otherwise. We will place a conspicuous notice at a place we designate in your Business identifying you as its independent owner and operator. You agree not to remove, destroy, cover or alter that notice without our prior consent. If you do not comply, we may accomplish this task as we see fit and place the notice or identification anywhere we see fit, and you agree to reimburse us for doing so. You may not use any Mark as part of any corporate or legal business name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos we license to you), or in any modified form, nor may you use any Mark in connection with the performance or sale of any unauthorized services or products or in any other manner we have not expressly authorized in writing. No Mark may be used in any advertising concerning the transfer, sale or other disposition of your Business or an ownership interest in you. You agree to display the Marks prominently in the manner we prescribe at your Business, on supplies or materials we designate, and in connection with forms and advertising and marketing materials. You agree to give such notices of trade and service mark registrations as we specify and to obtain any fictitious or assumed name registrations required under applicable law.

8.3 **Notification of Infringements and Claims.** You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any claim by any person of any rights in any Mark, and you agree not to communicate with any person other than us, our attorneys and your attorneys in connection with any such infringement, challenge or claim. We have sole discretion to take such action as we deem appropriate and the right to control exclusively any litigation, U.S. Patent and Trademark Office proceeding or any other administrative proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark. You agree to sign any and all instruments and documents, render such assistance and do such acts and things as, in the exclusive opinion of our attorneys, may be necessary or advisable to protect and maintain our interests in any litigation or U.S. Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Marks.

8.4 **Discontinuance of Use of Marks.** If it becomes advisable at any time in our sole discretion for us and/or you to modify or discontinue the use of any Mark, and/or to use one or more additional or substitute trade or service marks, you agree to comply with our directions within a reasonable time after receiving notice. We are not required to reimburse you for your direct expenses of changing your Business' signs, and we are not obligated to reimburse you for any loss of revenue attributable to any modified or discontinued Mark or for any expenditures you make to promote a modified or substitute trademark or service mark.

8.5 **Filings**. We may, at our sole option, require you to file in your name with the applicable agency, regulatory body or department, for trademark or copyright protections for the Marks or other Copyrights, but to grant us our unlimited worldwide exclusive right to such Marks or Copyrights. Without limiting the foregoing, you must enter into, file, execute or produce any documents, and take all actions we designate to protect our and other affiliates' rights in and to the Marks. You may not file any trademark or copyright registrations which are the same as or are similar to our Marks or copyrights or Improvements that we have not previously approved.

8.6 **Copyrights**. You recognize that the various other materials we give you are subject to copyrights we own or license from others. Your right to use any Copyrights are derived solely from this Agreement and limited to your operation of your Business, and you agree that you will not use such information for any other purpose whatsoever during the term of this Agreement and will not use such information for any purpose whatsoever after the termination or expiration of this Agreement. Your, your agents', employees' and affiliates' unauthorized copying, transmission, use or derivative of the Copyrights in any manner will be a breach of this Agreement and constitute your and their

infringement of our rights in and to the Copyrights. This Agreement does not confer any rights to the Copyrights in you other than the right to use them in connection with the operation of your Business during the Term of this Agreement or any Successor Term. You must follow all of the policies and procedures we designate, from time-to-time and in our sole discretion, for the protection of any Copyrights and any other materials which could be subject to Copyright protection. All provisions of this Agreement applicable to your use of the Copyrights apply to any additional Copyrights we authorize you to use during the Term of this Agreement. You must place Copyright notices on all of the other materials that we designate, in the manner we require. You recognize that we will grant other franchisees the right to use the Copyrights as well. You agree to sign and deliver to us such forms of Copyright assignments or licenses we specify for any Copyrights you develop or modify for use in your Business and to cause all persons you engage or employ to do so also. We are not required to, and you may not require us to, provide you or any person you engage or employ with any form of compensation as a condition to executing such forms of Copyright assignments or licenses we specify for any Copyrights you develop or modify for use in your Business. We may, and you must assist us with our efforts to, file in our name and indicate our ownership in Copyright registrations on all copyrightable materials created or modified by you. We may, without notice to you, immediately suspend or terminate your access to or use of any services, Copyrights or other information or systems contemplated under this Agreement if we determine that you, your agents, employees or affiliates have violated our Copyrights or otherwise breached this Agreement with respect to protecting our Confidential Information (defined in Section 9.1).

8.7 **Copyright Infringements**. You must notify us immediately, in writing, of any apparent infringement of any of the Copyrights, or any challenge to your use of any of the Copyrights, or of any claim by any person of any rights in the Copyrights. You agree not to communicate with any person other than us, our attorneys and your attorneys in connection with any such infringement, challenge or claim. We have sole discretion to take such action as we deem appropriate. We have the right to control exclusively any dispute, litigation, U.S. Copyright Office proceeding or any other proceeding arising out of any such infringement, challenge or claim or otherwise relating to any of the Copyrights, including the right to direct any settlement of such claim. You will sign any and all instruments and documents, or render such assistance and do such acts and things as, in the opinion of our attorneys, may be necessary or advisable to protect and maintain our interests in any dispute, litigation or administrative proceeding involving the Copyrights or otherwise to protect and maintain our interests in the Copyrights. You may not at any time during the Term of this Agreement or thereafter, contest the validity or ownership of any of the Copyrights, or assist any person in contesting the validity of ownership of any of the Copyrights.

8.8 **Discontinuance**. You must immediately modify or discontinue the use of any Copyrights as we direct from time-to-time in our sole discretion. We will use commercially reasonable efforts to give you as much notice as possible before requiring you to stop use of any of the Copyrights. However, we have no liability or obligation to you for neglecting to do so.

8.9 **Marks and Copyright Indemnification**. We will indemnify and defend you against, and reimburse you for, all damages for which you are held liable to third parties in any proceeding arising out of your authorized use of any Mark or Copyright we develop, pursuant to and in compliance with this Agreement, resulting from claims by third parties that your use of the Marks or Copyrights we develop infringes their trademark rights or Copyrights, and for all costs you reasonably incur in the defense of any such claim in which you are named as a party, so long as you have timely notified us of the claim and have otherwise complied with the terms of this Agreement. We will not indemnify you against the consequences of your use of the Marks, or any Copyrights: (a) for any Marks or other Copyrights which you develop or submit to us (regardless if they become, or have become our property); (b) unless your use of such Marks or Copyrights we provide was and is in

accordance with all requirements of this Agreement; (c) you fail to provide written notice to us of any such claim within ten (10) days of your receipt of such notice; or (d) you fail to tender the defense of any such claim to us. We will have the right, but not the obligation, to defend any such claim and without limiting the foregoing sentence, if we do so, we will have no obligation to indemnify or reimburse you for any fees or disbursements of any attorney(s) retained by you. If we elect to defend the claim, we will have the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim. We are not responsible to you for any other claims of any nature arising out of or related to the Copyrights, regardless of whether the loss associated is by you, any of your customers or third parties.

9. CONFIDENTIAL INFORMATION.

9.1 **Types of Confidential Information.** We possess (and will continue to develop and acquire) certain confidential information (the "**Confidential Information**") relating to the development and operation of Security Data Supply® Businesses, which includes (without limitation):

(a) the System and the know-how related to its use;

(b) plans, specifications, size and physical characteristics of Security Data Supply® Businesses;

(c) site selection criteria, land use and zoning techniques and criteria;

(d) design of equipment, lighting fixtures, installation accessories and equipment, furniture, forms, materials and supplies;

(e) training for Security Data Supply® Businesses;

(f) methods, techniques, formats, specifications, procedures, information and systems related to and knowledge of and experience in the development, operation and franchising of Security Data Supply® Businesses;

(g) knowledge of specifications for certain Security Data Supply Products and Services, Operating Assets and Business Materials and Approved Suppliers of certain Products and Supplies;

(h) sales, marketing, installation, and delivery methods and serving techniques;

(i) knowledge of operating results and financial performance of Security Data Supply® Businesses other than those operated by you (or your affiliates);

(j) customer lists, website information, identities, e-mail address, phone numbers and the like; and

(k) franchisee and prospective franchisee or former information, e-mail addresses, identities, phone numbers and the like.

9.2 **Disclosure and Limitations on Use.** We will disclose much of the Confidential Information to you and personnel of your Business by providing training, guidance and assistance to you. In addition, in the course of the operation of your Business, you or your employees may

develop ideas, concepts, methods, techniques or improvements ("**Improvements**") relating to your Business, which you agree to disclose to us. We will be deemed to own the Improvements and may use them and authorize you and others to use them in the operation of Security Data Supply® Businesses. Improvements will then also constitute Confidential Information.

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

(a) will not use the Confidential Information in any other business or capacity;

(b) will maintain the absolute confidentiality of the Confidential Information during and after the Term or any Successor Term;

(c) will not make unauthorized copies of any portion of the Confidential Information disclosed via electronic medium, in written form or in other tangible form, including, for example, e-mails or other form of communication (or our Manual(s), if issued); and

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

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

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

(b) disclosure of the Confidential Information in judicial or administrative proceedings when and only to the extent you are legally compelled to disclose it, provided that you have first given us the opportunity to obtain an appropriate protective order or other assurance satisfactory to us that the information required to be disclosed will be treated confidentially.

10. EXCLUSIVE RELATIONSHIP.

You must at all times faithfully, honestly and diligently perform your obligations under any Franchise Agreement, continuously exert your best efforts to promote and enhance your Business, the Security Data Supply® brand, and the Security Data Supply® Products and Services and you must not engage in any other business or activity that conflicts with your obligations to operate your Security Data Supply® Business in compliance with the Franchise Agreement.

You acknowledge and agree that we would be unable to protect Confidential Information against unauthorized use or disclosure or to encourage a free exchange of ideas and information among Security Data Supply® Businesses if franchised owners of Security Data Supply® Businesses were permitted to

hold interests in or perform services for a Competitive Business. You also acknowledge that we have granted the Franchise to you in consideration of and reliance upon your agreement to deal exclusively with us. You agree that, during the term of this Agreement, neither you nor any of your owners (nor any of your or your owners' spouses or children) will:

(a) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business, other than your Business;

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

(c) perform services as a director, officer, Manager, employee, consultant, representative, agent or otherwise for a Competitive Business, wherever located;

(d) recruit or hire any person who is our employee or the employee of any affiliate of ours or any Security Data Supply® Business without obtaining the prior written permission of that person's employer; or

(e) on behalf of yourself or any other person, or as an employee, proprietor, owner, consultant, agent, contractor, employer, affiliate, partner, officer, director or associate, or stockholder of any other person or entity, or in any other capacity, engage in or conduct any other business if you have any significant operational or management responsibility or obligation regarding such business, if such other business would interfere with your obligations under this Agreement to develop and operate your Business or otherwise (other than Security Data Supply® Businesses operated under franchise agreements with us), unless your Business is managed by a Chief Operating Officer, approved by us, that has satisfactorily completed our training programs. This provision does not prohibit passive investments in other Security Data Supply® Businesses. However, an interest in a business in which your capacity is either a director, officer or majority stockholder (or any combination thereof) does not constitute a passive investment, and will be considered a breach of these provisions of this Agreement.

The words "**Competitive Business**" means, excluding your Business and any other Security Data Supply® Business, any business or facility owning, operating or managing or granting franchises or licenses to others to do so, any business, store or facility that features security products and other, low voltage, Cat 5E, Cat 6, fiber optic networking, fire alarm systems, complete audio, video, CCTV, central VAC, access control products and services as well as related products and accessories, and related products and accessories that are the same or similar to the Security Data Supply Products and Services offered by Security Data Supply® Businesses. A Competitive Business also includes any business acting as an area representative, franchise broker, business broker, franchise seller, area representative or the like for any business franchising or licensing Competitive Businesses other than us.

We may require your employees, independent contractors or agents to sign a form of nondisclosure agreement and/or non-solicitation agreement, in the form attached hereto as Exhibit J.

11. OPERATION AND SYSTEM STANDARDS.

11.1 **Operations Manuals.** Currently, we have a form of franchise operations Manual ("**Manual(s)**"). If a current form of Manual(s) is/are implemented (issued to you), we will provide you access to the Manual(s) for your review of the Manual(s) prior to your purchase of the Franchise. In addition to our Manual(s), our system standards are communicated to you through miscellaneous e-mails, training and other communications. The Manual(s), or other written

directives communicated to you in writing or other tangible form (if no Manual(s) have been created), may contain mandatory and suggested specifications, standards, operating procedures and rules ("**System Standards**") that we prescribe from time to time in our sole discretion for operation of a Security Data Supply® Business and information relating to your other obligations under the Franchise Agreement and related agreements. If created, the most recent on-line (or electronic format) version of the Manual(s) will control any disputes involving the Manual(s). The Manual(s) may be modified, updated and revised periodically, in our sole discretion, to reflect changes in System Standards. You are responsible for routinely monitoring any on-line version (or electronic format) of the Manual(s) for changes to it. Our System Standards may designate, in our sole discretion, how you establish and maintain administrative, bookkeeping, accounting, and inventory control procedures.

11.2 **Compliance with System Standards.** You acknowledge and agree that your operation and maintenance of your Business in accordance with System Standards are essential to preserve the goodwill of the Marks and all Security Data Supply® Businesses. Therefore, at all times during the term of this Agreement, you agree to operate and maintain your Business in accordance with each and every System Standard, as we periodically modify and supplement them in our sole discretion during the Term and any Successor Term. System Standards may regulate any one or more of the following with respect to your Business, in our sole discretion:

(a) procurement, sales, marketing, installation, warranty and customer service equipment, products, services methods, procedures and processes;

(b) all aspects relating to the utilization of websites and electronic media;

(c) design, layout, decor, appearance and lighting; periodic maintenance, cleaning and sanitation; periodic remodeling; replacement of obsolete or worn-out leasehold improvements, fixtures, furnishings, equipment and signs; periodic painting; and use of interior and exterior signs, emblems, lettering and logos, and illumination;

(d) quantities, types, models and brands of required Security Data Supply Products and Services, fixtures, furnishings, equipment, signs, materials and supplies used in establishing and operating the Security Data Supply® Business;

(e) required inventory and inventory levels;

(f) designated or Approved Suppliers of fixtures, furnishings, equipment, Security Data Supply Products and Services, Operating Assets, Business Materials and other items we require for the operation of your Business;

(g) terms and conditions of the sale and delivery of, and terms and methods of payment for, products, materials, supplies and services, that you obtain from us, our affiliates or unaffiliated suppliers;

(h) sales, marketing, advertising and promotional programs and materials that are required or approved for use by your Business;

(i) use and display of the Marks and Copyrights;

(j) staffing levels for Security Data Supply® Businesses, and qualifications, training, dress and appearance of employees;

(k) days and hours of operation of Security Data Supply® Businesses;

(l) acceptance of credit cards, gift certificates, coupons, frequent customer programs, and payment systems and check verification services;

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

(n) types, amounts, terms and conditions of insurance coverage required to be carried for the Security Data Supply® Business and standards for underwriters of policies providing required insurance coverage; our protection and rights under such policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage that must be furnished to us; our right to obtain insurance coverage for your Business at your expense if you fail to obtain required coverage; our right to defend claims; and similar matters relating to insured and uninsured claims;

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

(p) regulation of such other aspects of the operation and maintenance of your Business that we determine from time-to-time in our sole discretion to be useful to preserve or enhance the efficient operation, image or goodwill of the Marks and Security Data Supply® Businesses.

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

11.3 **Modification of System Standards.** We may periodically modify System Standards, which may accommodate regional or local variations as we determine in our sole discretion. Such modifications may obligate you to invest additional capital in your Business ("**Capital Modifications**") and/or incur higher operating costs. However, such modifications will not alter your fundamental status and rights under this Agreement. We will not obligate you to make any Capital Modifications when such investment cannot, in our reasonable judgment, be amortized during the remaining term of this Agreement, plus all eligible successor periods, unless we agree to extend the term of your Franchise so that such additional investment, in our reasonable judgment, may be amortized; unless such investment is necessary in order to comply with applicable laws. We agree to give you ninety (90) days to comply with Capital Modifications we require, if the cost exceeds $10,000. Otherwise, you must implement them within the time period specified in our notice to you. You are obligated to comply with all modifications to System Standards, including Capital Modifications, within the time period we specify.

11.4 **Interior and Exterior Upkeep.** You agree, at all times, to maintain your Business' interior and exterior and the surrounding area, as well as the appearance and operation of any vehicle you utilize in the highest degree of cleanliness, orderliness, operation and sanitation and comply with the requirements regarding the upkeep of your Business established in the Manual(s) (if created) or other communications to you and by federal, state and local laws.

11.5 **Hours of Operation.** You agree to operate your Business during the hours and on the days prescribed by us in the Manual(s) or other communications to you or otherwise approved in advance in writing by us.

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

11.7 **Computer System.** We require that you acquire and use in developing and operating your Business a Computer System consisting of the computer services, components, equipment, computer hardware, telecommunications equipment or services, the software used in connection with the Business Management System and other operating or communications software we designate or approve for use by Security Data Supply® Businesses (collectively, the "**Software**") that we may periodically specify in the manner we designate in our sole discretion (collectively, the "**Computer System**"). Your Computer System must be integrated into the POS System and Business Management System in the manner we designate in our sole discretion. You must purchase or license the POS/Inventory Control system from our designee. The POS/Inventory Control System helps us and you monitor your sales and your levels of inventory. To obtain the POS/Inventory Control System, you must pay our designee a monthly "**Software Hosting Fee**" that is currently $330 per month. The amount and frequency of the Software Hosting Fee is, however, subject to change, and you must continue to pay such Software Hosting Fee regardless of any such changes. We may require you to obtain specified computer and communications hardware, equipment, components or Software and services (like DSL, Frac, T-1, Cable Modem or ISP) and may modify specifications for and components of the Computer System from time-to-time in our sole discretion. We require you to acquire high speed internet capabilities (like DSL, Frac, T-1, Cable Modem or ISP). Our and our designees' modifications and specifications for components, equipment, services and operating or communications of the Computer System may require you to incur cost to purchase, lease or license new or modified Software or computer or communications hardware, equipment, components or Software and to obtain service and support for the Computer System during the Term and any Successor Term. You agree to incur such costs in connection with obtaining the computer hardware and Software comprising the Computer System (or additions or modifications) operating it in accordance with our System Standards and ensuring that it is compatible with, and capable of participation in and performing the functions we designate for, the Business Management System and engaging in any form of e-commerce we designate or approve, as long as the Computer System we specify for use is the same Computer System that we or our affiliates then currently use in Security Data Supply® Businesses that we or they own and operate, if any. The Computer System must be capable of connecting with our Computer System performing the functions we designate for the Business Management System, permitting us to review the results of your Business' operations, and engaging in any e-commerce activities that we designate or approve. We also have the right to charge you our then current systems fees for licensing software to you and for modifications of and enhancements made to any proprietary Software that we license to you and other maintenance and support services that we or our affiliates furnish to you related to the Computer System. From time-to-time, upon our notice to you, you must enter into the then current form of such Computer System or Software related agreements as we may designate. You must not use the Computer System for any purposes not authorized by us or our affiliates.

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

11.9 **Retail Prices.** Subject only to limitations imposed by applicable law, we may designate maximum or minimum retail prices for the Security Data Supply Products and Services you offer and sell.

11.10 **Approved Products.** You must only offer and sell the Security Data Supply Products and Services and other items we have designated or previously approved for sale at your Business. You agree to obtain such designated or approved Security Data Supply Products and Services from designated or Approved Suppliers, that may include only us or our affiliates. You agree not to sell, dispense, give away or otherwise offer or provide Security Data Supply Products and Services except by means of retail sales from the Headquarters. You agree to maintain an inventory of Security Data Supply Products and Services sufficient to meet the daily demands of your Business and as designated in our System Standards.

11.11 **Management**. You (or your Business Manager) must assume responsibility for your Business' day-to-day management and operation and supervision of your Business' personnel. During all hours of operations, your Business must be under the direct supervision of you (or your Business Manager we have approved). Each of those individuals must meet our qualifications for a Security Data Supply® Business Manager. You (or your Business Manager) and each of your managerial employees must sign and deliver our then-current form of Confidentiality Agreement, or other form satisfactory to us.

11.12 **Personnel**. You agree to hire, train and supervise your Business' employees in accordance with the specifications set forth in the Manual(s) (if created) or in communications to you. All personnel must meet every requirement imposed by applicable federal, state and local law as a condition to their employment.

11.13 **MSL/MPL**. Under this Agreement, we grant you the Franchise conditioned upon your agreement to achieve certain sales levels of Security Data Supply Products and Services and to use your best efforts to promote the sale of all Security Data Supply Products and Services. We will not ourselves operate or grant a license or franchise to another to operate a Security Data Supply® Business from a Headquarters located within the Primary Area during the Term, if you attain or surpass a monthly minimum sales level ("**MSL**") and purchase and maintain from us, our affiliates or our designee a minimum purchase level of the Security Data Supply Products and Services we designate from time to time, including a specified amount of Dealer's Choice Products, to serve as inventory (the "**MPL**"). The MSL and MPL will be as designated on Exhibit A.

11.14 **Failure to Meet the MSL/MPL**. If, as a Security Data Supply® Business, you no longer achieve the MSL or MPL during any calendar quarter during the Term, we, in our sole discretion, may: (i) require you to attend our then-current "Advanced Training" or other training we designate, at your expense, at such times and locations as we may designate; or (ii) require you to submit to and carry out a plan to improve your sales volume designated by us at your expense; or (iii)

send a trainer to your Headquarters for such periods of time as we may designate to assist you by training you in methods we believe may improve your sales of SDS Products, and which training will be at your expense; or (iv) continue this Agreement but terminate your exclusive rights in and to the Primary Area as described in this Agreement; or (v) terminate this Agreement and your Franchise; or (vi) select a Business Manager to manage your Business until such time that your Business achieves the MSL and the MPL for each month during two (2) consecutive calendar quarters. If we select a Business Manager to manage your Business, we may charge you a business management fee equal to the greater of $7,500 per month or 15% of your Gross Sales per month, for each month in which our selected Business Manager manages your Business. During any month(s) in which you fail to meet your MSL, we may also require you to pay us a fee in the amount that varies from $1,500 to $5,000 per month, depending on negotiations and your Marketing Area/Primary Area.

12. MARKETING AND PROMOTION.

12.1 **Contemplated Establishment of System Development Fund.** Recognizing the value of advertising and marketing to the goodwill and public image of Security Data Supply® Businesses, we have the right, but not the obligation, to establish a system-wide development, marketing and promotional fund (the "**System Development Fund**") for such advertising, marketing, public relations and system-wide benefit programs and materials we deem necessary or appropriate. The System Development Fund would be intended to maximize recognition of the Marks and patronage of Security Data Supply® Businesses and enhance the operations of Security Data Supply® Businesses. In the event that we establish the System Development Fund, you must pay to us, or our designee, the System Fund Fees we designate as set forth in Section 6.4. We will reserve the right to defer or reduce System Fund Fees of a Security Data Supply® Business and, upon thirty (30) days prior written notice to you, to reduce or suspend contributions to, and operations of, the System Development Fund for any period of any length and to terminate (and, if terminated, to reinstate) the System Development Fund. If the System Development Fund is later terminated, all unspent monies on the date of termination will be distributed to our franchisees in proportion to their respective contributions to the System Development Fund during the preceding twelve (12) month period, or in a manner we determine in our sole discretion. We and our affiliates shall not be obligated to contribute to the System Development Fund, if established, on the same basis as Franchise owners for any Security Data Supply® Business we or they own and operate.

12.2 **Use of the Funds.** In the event that we establish the System Development Fund, we or our designee will direct all programs financed by the System Development Fund, including the creative concepts, materials and endorsements, and the geographic, market and media placement and allocation. You agree that the System Development Fund, if established, may be used to pay the costs of, but not be limited to, developing, preparing and implementing audio or written advertising and marketing materials; developing and servicing corporate accounts; engaging in research and development; administering regional and multi-regional advertising programs; purchasing e-commerce rights, products or services, direct mail and other media advertising; maintaining or paying third parties to maintain on-line ordering and fulfillment systems, the Business Management System and the like; supporting public relations and market research; establishing, developing, maintaining, modifying, servicing or hosting Websites or other e-commerce programs, and other advertising, promotion and marketing activities. The System Development Fund, if established, may periodically furnish you with samples of advertising, marketing and promotional formats and materials at no cost. Multiple copies of such materials may be furnished to you at our direct cost of producing them, plus any related shipping, handling and storage charges.

12.3 **Accounting for the Fund.** The System Development Fund, if established, shall be unaudited. If established, the System Development Fund will be accounted for separately from

our other funds and will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the System Development Fund and its programs, including, without limitation, conducting market surveys, preparing advertising, promotion and marketing materials and collecting and accounting for contributions to the System Development Fund. If the System Development Fund is established, we may spend, on behalf of the System Development Fund, in any fiscal year an amount greater or less than the aggregate contribution of all Security Data Supply® Businesses to the System Development Fund in that year, and the System Development Fund may borrow from us or others to cover deficits or invest any surplus for future use. In addition to other System Fund Fees in the event that the System Development Fund is established, we may assess you, and you must pay to the System Development Fund such System Fund Fees as we or the Fund deems necessary in our sole discretion to address any deficits or special needs of the System Development Fund. All interest earned on monies contributed to the System Development Fund will be used to pay System Development costs before other assets of the System Development Fund are expended. If the System Development Fund is established, we will prepare an annual statement of monies collected and costs incurred by the System Development Fund and furnish the statement to you upon written request. We have the right to cause the System Development Fund, if established, to be incorporated or operated through a separate entity at such time as we deem appropriate, and such successor entity will have all of the rights and duties specified in this Agreement.

12.4 **System Development Fund Limitations.** The System Development Fund, if established, will be intended to maximize recognition of the Marks and patronage of Security Data Supply® Businesses. Although we will endeavor to utilize the System Development Fund, if established, to develop advertising and marketing materials and programs and to place advertising that will benefit all Security Data Supply® Businesses, we will undertake no obligation to ensure that expenditures by the System Development Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the System Development Fund by Security Data Supply® Businesses operating in that geographic area or that any Security Data Supply® Business will benefit directly or in proportion to its contribution to the System Development Fund from the development of advertising and marketing materials or the placement of advertising. Except as expressly provided in this section, we will assume no direct or indirect liability or obligation to you with respect to collecting amounts due to the System Development Fund.

12.5 **Advertising and Promotion.** You agree that any advertising, promotion and marketing you conduct will comply with all applicable laws, be completely clear and factual and not misleading in any way, and shall conform to the highest standards of ethical marketing and the promotion policies which we prescribe from time-to-time in our sole discretion. Samples of all advertising, promotional and marketing materials which we have not prepared or previously approved must be submitted to us for approval before you use them. If you do not receive written disapproval within thirty (30) days after our receipt of such materials, they will be deemed to have been given the required approval. You may not use any advertising or promotional materials that we have disapproved.

12.6 **Local Advertising Cooperatives.** If a local advertising cooperative is established for your market, your participation will be on a voluntary basis.

12.7 **Local Advertising Expenditures.** While it is currently not required, we recommend that you spend annually for local advertising and promotion of Security Data Supply® Business between 0.25% and 0.5% of your Gross Sales per Calendar Year. We may review your books and records relating to your expenditures for such advertising and promotion. We may permit

your local advertising cooperative contributions to count toward this local advertising expenditure requirement.

12.8 **Websites.** We have the right to control all use of URL's, domain names, websites, addresses, metatags, links, e-mail addresses and any other means of electronic identification or origin ("**e-names**"). We also have the right to designate, approve, control or limit all aspects of your use of the Internet, Intranet, World Wide Web, wireless technology, digital cable, use of e-names, e-mail, websites, home pages, bulletin boards, chat rooms, e-mail, linking, framing, on-line purchasing cooperatives, marketplaces, barter exchanges, and related technologies, methods, techniques, registrations, networking, and any electronic communication, commerce, computations, or any means of interactive electronic documents contained in a network of computers or similar devices linked by communications software (collectively, "**e-commerce**"). We have the right to monitor your and your employees' e-commerce activities and you agree to provide us access to any chat rooms or bulletin boards on which or through which you discuss our franchise system or your relationship with us. You must follow all of our policies and procedures for the use and regulation of e-commerce. We may restrict your use of e-commerce to a centralized website, portal or network or other form of e-commerce designated by us operated by us or our designee. You may not create a website for your Business and you may not advertise or sell Security Data Supply Products or Services using e-commerce, unless previously approved by us. We require that you provide information to us via e-commerce and order Products and Supplies via e-commerce. We may require you to coordinate your e-commerce activities with the Business Management System. You recognize and agree that between you and us, we own all rights to, and all interest in and to, any data collected via e-commerce related to the System or the Marks, including any customer data, click-stream data, cookies, user data, hits and the like: such information is agreed by us and you to be our Confidential Information. You must not use any Mark as part of any domain name, Internet or "E-mail" address, or any other identification of you in any electronic medium or with any prefix, suffix or other modifying words, terms, designs, or symbols, or in any modified form, without our written consent.

12.9 **Official Website.** We or our affiliates will provide and be responsible for the hosting and maintenance of the official Security Data Supply® Internet website ("**Official Website**"). Your Business will be listed on the Official Website, but you cannot host or operate a separate website for your Business or offer or sell any Security Data Supply Products or Services via e-commerce. We are entitled to retain any and all advertising revenue, transaction fee revenue and any type of revenue that is not tied directly to the sale of a product that is generated by the Official Website

13. RECORDS, REPORTS AND FINANCIAL STATEMENTS.

13.1 **Accounting System.** You agree to establish and maintain at your own expense a bookkeeping, accounting and recordkeeping system conforming to the requirements and formats we prescribe from time-to-time in our sole discretion. We may require you to use our designee, at your expense to do so. We may require you to use approved computer hardware and Software in order to maintain certain sales data and other information, including updating the Manual(s) (if any are created) and for communication purposes. You agree that we may have access to such sales data and other information through the Computer System at all times.

13.2 **Reports**. You agree to furnish to us, on such forms that we prescribe from time-to-time in our sole discretion, the following:

(a) on the fifth (5th) day of each calendar month: a report on your Business' Gross Sales during the immediately preceding calendar month;

(b) within fifteen (15) days after the end of each calendar quarter: (i) a profit and loss statement for your Business for the immediately preceding calendar month and year-to-date; and (ii) a balance sheet as of the end of such month;

(c) within thirty (30) days after the end of your Business' fiscal year: (i) annual profit and loss and source and use of funds statements; and (ii) a balance sheet for your Business as of the end of such fiscal year; and

(d) within ten (10) days after our request: (i) exact copies of federal and state income and other tax returns; and (ii) such other forms, records, books and other information we may periodically require.

13.3 **Access to Information.** You agree to verify and sign each report and financial statement in the manner we prescribe. We have the right to disclose data derived from such reports without identifying you or the location of your Business. We also have the right to require you to have reviewed or audited financial statements prepared on an annual basis if we reasonably believe that the reports are incorrect. Moreover, we have the right, as often as we deem appropriate (including on a daily basis), to access all computer registers and other Computer Systems that you are required to maintain in connection with the operation of your Business and to retrieve all information relating to your Business' operations.

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

14. INSPECTIONS AND AUDITS.

14.1 **Our Right to Inspect Your Business.** To determine whether you and your Business are complying with this Agreement and all System Standards, we and our designated agents have the right at any time during your regular business hours, and with five (5) days prior written notice to you (but without prior written notice if we have reason to believe your Business is not operating in compliance), to:

(a) inspect your Business;

(b) observe, photograph and videotape the operations of your Business for such consecutive or intermittent periods as we deem necessary;

(c) remove samples of any products, materials or supplies for testing and analysis;

(d) interview personnel and customers of your Business; and

(e) inspect and copy any books, records, websites, computers, electronic storage (or other forms of e-commerce) and documents relating to your operation of your Business.

You agree to cooperate with us fully in connection with any such inspections, observations, photographing, videotaping, product removal and interviews. You agree to present to your customers such evaluation forms that we periodically prescribe and to participate and/or request your customers to

participate in any surveys performed by us or on our behalf. You agree to correct or repair any unsatisfactory conditions we specify within five (5) days.

14.2 **Our Right to Audit.** We have the right at any time during your business hours, and with three (3) days prior written notice to you, to inspect and audit, or cause to be inspected and audited, your (if you are a Business Entity) and your Business' business, bookkeeping and accounting records, sales and income tax records and returns and other records in whatever form and wherever located. You agree to cooperate fully with our representatives and any independent accountants we may hire to conduct any such inspection or audit. If our inspection or audit is made necessary by your failure to furnish reports, supporting records or other information we require, or to furnish such items on a timely basis, or if the information is not accurate (i.e., your Gross Sales are understated by two percent (2%) or more), you agree to reimburse us for the cost of such inspection or audit, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board and compensation of our employees. You also must pay us any shortfall in the amounts you owe us, including late fees and interest, within ten (10) days of the completion of our audit. The foregoing remedies are in addition to our other remedies and rights under this Agreement and applicable law.

15. **TRANSFER**.

15.1 **By Us.** This Agreement is fully transferable by us, and inures to the benefit of any transferee or other legal successor to our interests, as long as such transferee or successor agrees to be bound by, and assumes all of our continuing obligations under, this Agreement.

15.2 **By You.** You understand and acknowledge that the rights and duties created by this Agreement are personal to you (or, if you are a Business Entity, to your owners) and that we have granted the Franchise to you in reliance upon our perceptions of your (or your owners') individual or collective character, skill, aptitude, attitude, business ability and financial capacity. Accordingly, neither this Agreement (or any interest in it) nor any ownership or other interest that would reduce your voting or equity interest to less than fifty-one percent (51%) in you or your Business may be transferred without our prior written approval. If you are a Business Entity, you agree to include provisions in your governing documents (including but not limited to your bylaws, company agreement, operating agreement, or partnership agreement, as applicable) forbidding the transfer without our approval of your voting or equity interests to any persons other than the Principal Owners as of the Agreement Date, where such transfer would have the effect of reducing the voting or equity interest of the current Principal Owners, collectively, to less than fifty-one percent (51%) in you. Any such transfer without our approval constitutes a breach of this Agreement and is void and of no effect. As used in this Agreement, the term "**transfer**" includes your (or your owners') voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition of any interest in: (a) this Agreement; (b) you; or (c) your Business.

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

(a) transfer of ownership of capital stock, membership interest, or a partnership interest;

(b) merger or consolidation or issuance of additional securities or interests representing an ownership interest in you;

(c) any issuance or sale of your stock or any security convertible to your stock;

(d) transfer of an interest in you, this Agreement or your Business in a divorce, insolvency or corporate or partnership dissolution proceeding or otherwise by operation of law;

(e) transfer of an interest in you, this Agreement or your Business, in the event of your death or the death of one of your owners, by will, declaration of or transfer in trust or under the laws of intestate succession; or

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

15.3 **Conditions for Approval of Transfer.** If you (and your owners) are in full compliance with this Agreement, then subject to the other provisions of this Section 15, we will approve a transfer that meets all the applicable requirements of this Section. The proposed transferee and its direct and indirect owners must be individuals of good character and otherwise meet our then applicable standards for Security Data Supply® Business franchisees. A transfer of ownership, possession or control of your Business may be made only in conjunction with a transfer of this Agreement. If the transfer is of this Agreement or a controlling interest in you, or is one of a series of transfers which in the aggregate constitute the transfer of this Agreement or a controlling interest in you, all of the following conditions must be met prior to or concurrently with the effective date of the transfer:

(a) the transferee has sufficient business experience, aptitude and financial resources to operate your Business;

(b) you have paid all fees, System Fund Fees, contributions, amounts owed for purchases from us and all other amounts owed to us or to third-party creditors and have submitted all required reports and statements;

(c) the transferee (or its Manager) and its managerial employee (if different from your Manager) have agreed to complete our standard training program and to pay us the lesser of: (i) our cost of training; or (ii) One Thousand Five Hundred Dollars ($1,500) per person;

(d) the transferee, and any owner of the transferee, has agreed to be bound by all of the terms and conditions of this Agreement;

(e) you or the transferee pay us a transfer fee in the amount of $5,000. You must also pay us the costs of training the transferee (or its Manager) and its managerial personnel not to exceed One Thousand Five Hundred Dollars ($1,500) per person, plus travel and living expenses to attend the training;

(f) you (and your transferring owners) have executed a general release, in form of the release attached hereto as Exhibit H, of any and all claims against us and our shareholders, officers, directors, employees and agents;

(g) we have approved the material terms and conditions of such transfer and determined that the price and terms of payment will not adversely affect the transferee's operation of your Business;

(h) if you or your owners finance any part of the sale price of the transferred interest, you and/or your owners have agreed that all of the transferee's obligations pursuant to any

promissory notes, agreements or security interests that you or your owners have reserved in your Business are subordinate to the transferee's obligation to pay fees, System Fund Fees, contributions and other amounts due to us and otherwise to comply with this Agreement;

(i) you and your transferring owners have executed a non-competition covenant in favor of us and the transferee agreeing to be bound, commencing on the effective date of the transfer, by the restrictions contained in Section 17.4 of this Agreement; and

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

If the proposed transfer is among your Principal Owners as of the Agreement Date, Section 15.3(e) will not apply, although the transferee is required to reimburse us for any administrative costs we incur in connection with the transfer.

15.4 **Transfer to a Business Entity**. Notwithstanding Section 15.3, if you are in full compliance with this Agreement, you may transfer this Agreement to a Business Entity that conducts no business other than your Business and, if applicable, other Security Data Supply® Businesses so long as you own, control and have the right to vote fifty-one percent (51%) or more of its issued and outstanding ownership interests (like stock or partnership interests) and you guarantee its performance under this Agreement. All other owners are subject to our approval. The organizational or governing documents of the Business Entity must recite that the issuance and transfer of any ownership interests in the Business Entity are restricted by the terms of this Agreement, are subject to our approval, and all certificates or other documents representing ownership interests in the Business Entity must bear a legend referring to the restrictions of this Agreement. As a condition of our approval of the issuance or transfer of ownership interests to any person other than you, we will require (in addition to the other requirements we have the right to impose) that the proposed owner execute an agreement, in a form provided or approved by us, agreeing to be bound jointly and severally by, to comply with, and to guarantee the performance of, all of the your obligations under this Agreement.

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

15.6 **Operation Upon Death or Disability.** If, upon your death or disability or the death or disability of the owner of a controlling interest in you, your Business is not being managed

by a trained Business Manager, your or such owner's executor, administrator, conservator, guardian or other personal representative must, within a reasonable time not to exceed fifteen (15) days from the date of death or disability, appoint a Business Manager to operate your Business. Such Business Manager will be required to complete training at your expense. Pending the appointment of a Business Manager as provided above or if, in our sole judgment, your Business is not being managed properly any time after your death or disability or after the death or disability of the owner of a controlling interest in you, we have the right, but not the obligation, to appoint a Business Manager for your Business. All funds from the operation of the Security Data Supply® Business during the management by our appointed Business Manager will be kept in a separate account, and all expenses of your Business, including compensation, other costs and travel and living expenses of our Business Manager, will be charged to this account. We also have the right to charge the Business Management Fee for each month that our appointed Business Manager manages your Business, which will not exceed the higher of (i) fifteen percent (15%) of your monthly Gross Sales and (ii) $7,500. Operation of the Security Data Supply® Business during any such period will be on your behalf, provided that we only have a duty to utilize our best efforts and will not be liable to you or your owners for any debts, losses or obligations incurred by your Business or to any of your creditors for any products, materials, supplies or services your Business purchases during any period it is managed by our appointed Business Manager.

15.7 **Effect of Consent to Transfer.** Our consent to a transfer of this Agreement and the Security Data Supply® Business or any interest in you does not constitute a representation as to the fairness of the terms of any contract between you and the transferee, a guarantee of the prospects of success of the Security Data Supply® Business or transferee, or a waiver of any claims we may have against you (or your owners) or of our right to demand the transferee's exact compliance with any of the terms or conditions of this Agreement.

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

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

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

(b) our credit will be deemed equal to the credit of any proposed purchaser;

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

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

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

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

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

If we exercise our right of first refusal, you and your selling owner(s) agree that, for a period of two (2) years commencing on the date of the closing, you and they will be bound by the non-competition covenant contained in Section 17.4 of this Agreement. You and your selling owner(s) further agree that you and they will, during this same time period, abide by the restrictions of Section 15.3(j) of this Agreement.

If we do not exercise our right of first refusal, you or your owners may complete the sale to such purchaser pursuant to and on the exact terms of such offer, subject to our approval of the transfer as provided in Sections 15.3 and 15.4, provided that, if the sale to such purchaser is not completed within one hundred twenty (120) days after delivery of such offer to us, or if there is a material change in the terms of the sale (which you agree promptly to communicate to us), we will have an additional right of first refusal during the thirty (30) day period following either the expiration of such one hundred twenty (120) day period or notice to us of the material change(s) in the terms of the sale, either on the terms originally offered or the modified terms, at our option.

16. TERMINATION OF AGREEMENT.

16.1 **By You.** If you and your owners are in compliance with this Agreement and we materially fail to comply with this Agreement and do not correct or commence correction of such failure within sixty (60) days after written notice of such material failure is delivered to us, you may terminate this Agreement effective sixty (60) days after delivery to us of written notice of termination. Your termination of this Agreement for any other reason or without such notice will be deemed a termination without cause.

16.2 **By Us.** We have the right to terminate this Agreement effective upon delivery of written notice of termination to you (a "**Termination with Cause**"), if you commit any one of the following violations, each of which shall constitute "**Cause**":

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

(b) you or the required number of your personnel fail to successfully complete initial training to our satisfaction or you have not fulfilled all of the conditions for management of your Business described in Section 1.5(e) and 7;

(c) you fail to open the Security Data Supply® Business contemplated by this Agreement within 3 months of the Agreement Date, or if an extension is given, fail to commence construction of the Business within six (6) months of the Agreement Date;

(d) you abandon or fail to actively operate your Business for two (2) or more consecutive business days, unless your Business has been closed for a purpose we have approved or because of casualty or government order;

(e) you surrender or transfer control of the operation of your Business without our prior written consent;

(f) you (or any of your owners) are or have been convicted by a trial court of, or plead or have pleaded no contest, or guilty, to, a felony or other serious crime or offense that is likely to adversely affect your reputation, our reputation or the reputation of any other Security Data Supply® Business;

(g) you (or any of your owners) engage in any dishonest or unethical conduct which may adversely affect the reputation of your Business or other Security Data Supply® Businesses or the goodwill associated with the Marks;

(h) you (or any of your owners) make an unauthorized assignment of this Agreement or of an ownership interest in you or your Business;

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

(j) you lose the right to possession of the Headquarters and do not replace it in a timely manner according to this Agreement;

(k) you (or any of your owners) make any unauthorized use or disclosure of any Confidential Information or use, duplicate or disclose any portion of the Manual(s), if created, in violation of this Agreement;

(l) you violate any discrimination, human rights, import/export, health, safety or sanitation law, ordinance or regulation and do not begin to cure the non-compliance or violation immediately, and correct such non-compliance or violation within five (5) days, after written notice is delivered to you;

(m) you fail to make payments of any amounts due to us and do not correct such failure within ten (10) days after written notice of such failure is delivered to you, except for repeated defaults after notice or if we provide termination notice after your previous default which is not cured (in which case there shall be no 10 day notice period).;

(n) you fail to make payments of any amounts due to approved suppliers of products or services and do not correct such failure within ten (10) days after written notice of such failure is delivered to you by such supplier, except for repeated defaults after notice or if we provide

termination notice after your previous default which is not cured (in which case there shall be no 10 day notice period);

(o) you fail to pay when due any federal or state income, service, sales or other taxes due on the operations of your Business, unless you are in good faith contesting your liability for such taxes;

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

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

(r) you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee or liquidator of all or the substantial part of your property; your Business is attached, seized, subjected to a writ or distress warrant or levied upon, unless such attachment, seizure, writ, warrant or levy is vacated within thirty (30) days; or any order appointing a receiver, trustee or liquidator of you or your Business is not vacated within thirty (30) days following the entry of such order.

17. RIGHTS AND OBLIGATIONS UPON TERMINATION.

17.1 **Payment of Amounts Owed To Us**. Without limiting our right to seek any other damages, including for lost future profits damages, you agree to pay us within fifteen (15) days after the effective date of termination or expiration of this Agreement, or on such later date that we determine amounts are due to us, all amounts due us, contributions, amounts owed for purchases from us, interest due on any of the foregoing, and any and all other amounts owed to us which are then unpaid. In the event we have any security agreements secured by your property at the Site, we may exercise our rights to possess that collateral and sell the collateral to allow us to apply proceeds to amounts owed to us by you. In addition, in the event we or our designee takes possession of your Headquarters following termination, we may take possession of all of your furniture, fixtures, and office equipment ("**FFOE**") and inventory at the Headquarters pending our determination if we will retain possession of the Headquarters, assign the Franchise to another, or permit you to retain your items at your expense and at a time convenient for us following your fulfilling all outstanding financial obligations to us.

17.2 **Marks**. Upon the termination or expiration of this Agreement, and at any time following the Term or any Successor Term, as applicable:

(a) you may not directly or indirectly at any time or in any manner (except with respect to other Security Data Supply® Businesses you own and operate) identify yourself or any business as a current

(b) or former Security Data Supply® Business, or as one of our licensees or franchisees, use any Mark, any colorable imitation of a Mark or other indicia of a Security Data Supply® Business in any manner or for any purpose or utilize for any purpose any trade name,

trade or service mark or other commercial symbol that indicates or suggests a connection or association with us;

(c) you agree to take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark;

(d) if we do not have or do not exercise an option to purchase your Business pursuant to Section 17.5, you agree to deliver to us within thirty (30) days after, as applicable, the effective date of expiration of this Agreement or the Notification Date (as defined in Section 17.5(a)), all signs, sign-faces, sign-cabinets, marketing materials, forms and other materials containing any Mark or otherwise identifying or relating to a Security Data Supply® Business and allow us, without liability to you or third parties, to remove all such items from your Business;

(e) if we do not have or do not exercise an option to purchase your Business pursuant to Section 17.5, you agree that after the effective date of expiration of this Agreement or the Notification Date (whichever is applicable), you will promptly and at your own expense make such alterations we specify to distinguish your Business clearly from its former appearance and from other Security Data Supply® Businesses so as to prevent confusion by the public;

(f) if we do not have or do not exercise an option to purchase your Business pursuant to Section 17.5 you agree that after the effective date of expiration of this Agreement or the Notification Date (whichever is applicable), you will notify the telephone company and all telephone directory publishers of the termination or expiration of your right to use any telephone, telecopy or other numbers and any regular, classified or other telephone directory listings associated with any Mark, authorize the transfer of such numbers and directory listings to us or at our direction and/or instruct the telephone company to forward all calls made to your telephone numbers to numbers we specify; and

(g) you agree to furnish us, within thirty (30) days after the effective date of expiration of this Agreement or the Notification Date (whichever is applicable), with evidence satisfactory to us of your compliance with the foregoing obligations.

17.3 **Confidential Information.** You agree that, upon termination or expiration of this Agreement, you will immediately cease to use any of our Confidential Information in any business or otherwise and return to us all copies of the Manual(s), if any are created and/or our System Standards communications, and any other confidential materials that we have loaned to you.

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

(a) at the Headquarters;

(b) within the Marketing Area and/or Primary Area;

(c) within fifty (50) miles of the Headquarters;

(d) within fifty (50) miles of the Marketing Area, Primary Area or Development Area;

(e) within fifty (50) miles of any other Security Data Supply® Business or Marketing Area in operation or under construction on the later of the effective date of the termination or expiration; or

(f) via any means of electronic commerce or Alternative Channels of Distribution (i.e., websites, mail order, catalogue).

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

You agree that if the restrictive covenants in this Section 17.4 are breached by you, the damages suffered by us may be difficult or impossible to calculate. Therefore, upon a breach of this Section 17.4 you agree that you shall owe us, as liquidated damages, the greater of (a) $300,000 or (b) the actual and consequential damages (including costs and attorneys' fees) that we are able to prove. You acknowledge and agree that this paragraph is not intended as a penalty.

17.5 **Our Right to Purchase.**

(a) **Exercise of Option**. We may terminate your agreement for cause and without purchasing your Business, elect to acquire your leasehold rights via the Conditional Assignment and Assumption of Lease, to acquire your telephone numbers and listings via the Conditional Assignment of Telephone Numbers and Listings and to execute any security agreement rights in and to your FFOE. In such event, we may also grant a new Franchise Agreement to another party for operation at your Site. However, upon our termination of this Agreement in accordance with its terms and conditions or your termination of this Agreement without cause, we also have the option but not the obligation, exercisable by giving written notice to you within sixty (60) days from the date of such termination, to purchase your Business from you, including the leasehold rights to the Headquarters. (The date on which we notify you whether or not we are exercising our option is referred to in this Agreement as the "**Notification Date**"). We have the unrestricted right to assign this option to purchase the Security Data Supply® Business from you. We will be entitled to all customary warranties and representations in connection with our asset purchase, including, without limitation, representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise.

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

(i) to assign your leasehold interest in the Headquarters to us;

(ii) to enter into a sublease for the remainder of the lease term on the same terms (including renewal options) as the prime lease; or

(iii) to lease to us if you own the Headquarters in accordance with the Agreement to Lease and our Standard Lease Agreement.

(c) **Purchase Price**. The purchase price for your Business will be as agreed to by you and us; provided, however, that if we and you are unable to agree on a purchase price, the purchase

price for your Business shall be its fair market value, determined in a manner consistent with reasonable depreciation of your Business' equipment, signs, inventory, materials and supplies; provided that your Business will be valued as an independent business and its value will not include any value for:

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

(ii) the Marks or Copyrights; or

(iii) participation in the network of Security Data Supply® Businesses.

Your Business' fair market value will include the goodwill you developed in the market of your Business that exists independent of the goodwill of the Marks and the System. The length of the remaining term of the lease for the Headquarters will also be considered in determining your Business' fair market value.

We may exclude from the assets purchased cash or its equivalent and any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to your Business' operation or that we have not approved as meeting standards for Security Data Supply® Businesses, and the purchase price will reflect such exclusions.

(d) **Appraisal**. If we and you are unable to agree on your Business' fair market value, its fair market value will be determined by three (3) independent appraisers who collectively will conduct one (1) appraisal. We will appoint one (1) appraiser, you will appoint one (1) appraiser and the two (2) party-appointed appraisers will appoint the third (3rd) appraiser. You and we agree to select our respective appraisers within fifteen (15) days after we notify you that we are exercising our option to purchase your Business, and the two (2) appraisers so chosen are obligated to appoint the third (3rd) appraiser within fifteen (15) days after the date on which the last of the two (2) party-appointed appraisers was appointed. You and we will bear the cost of our own appraisers and share equally the fees and expenses of the third (3rd) appraiser chosen by the two (2) party-appointed appraisers. The appraisers are obligated to complete their appraisal within thirty (30) days after the third (3rd) appraiser's appointment.

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

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

(ii) all licenses and permits of your Business which may be assigned or transferred; and

(iii) the leasehold interest and improvements in the Headquarters.

If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the closing of the sale will be accomplished through an escrow. You and your owners further agree to execute general releases, in form of the release attached hereto as

Exhibit H, of any and all claims against us and our shareholders, officers, directors, employees, agents, successors and assigns.

17.6 **Continuing Obligations.** All of our and your (and your owners' and affiliates') obligations which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire. Examples include indemnification, payment, identification and dispute resolution provisions.

17.7 **Sale of Collateral.** We may, upon termination of this Agreement, possess any collateral for which you have granted us a security Agreement and may sell or dispose of such collateral in the manner we deem appropriate and use the proceeds thereof to apply to amounts owed to us by you.

17.8 **Buyout Option**.

(a) **Triggering Event.** Notwithstanding any language to the contrary in this Agreement, we, or our designee, may purchase all of the rights and interests you or your owners have in you, your Business and under this Agreement, at our option, if we experience a Triggering Event (the "**Buyout**"). A "**Triggering Event**" means: (i) the sale of all or substantially all of our assets to an unaffiliated third party; (ii) the sale or exchange of more than 25% of our total issued and outstanding equity securities to an unaffiliated third party; (iii) a merger or consolidation of us with or into an unaffiliated third party in which neither we nor our affiliates obtain or maintain a controlling voting interest; (iv) any public offering, pursuant to a registration statement under the U.S. Securities Act of 1933 (or similar Canadian law), as amended, or successor statute (the "**Securities Act**"), of any of our capital stock or the effectiveness of a registration statement for the initial public offering of our equity securities (an "**IPO**"); or (v) the sale, conveyance, exchange or assignment by our shareholders in one transaction or series of related transactions, of 25% or more of our outstanding capital stock to persons who, prior to such sale, did not own more than 25% of our outstanding stock.

(b) **Our Rights on Triggering Event**. If we experience a Triggering Event or enter into a binding agreement to do so, we will have the right, at our option and election, to cause the Buyout. To exercise our option to cause the Buyout, we will notify you within 30 days of either the date of the agreement for a Triggering Event or the effective date of the IPO, to require you and your owners to sell, convey, exchange or assign all of his, her or its interest in you, your Business and this Agreement and the assets comprising them ("**Your Interest**"), to our transferee, in exchange for the same type of consideration, and upon the same terms, to be received by us in the Triggering Event. No partial assignment, conveyance or exchange of Your Interest will be permitted unless otherwise expressly agreed to in writing by us. The term "**Your Interest**" does not mean you or your owners' ownership of securities in the Business Entity.

(c) **Purchase Price Form**. If we exercise the Buyout for any Triggering Event other than an IPO, the purchase price will be paid to you or your owners, as applicable, in the same form or type of consideration, and upon the same terms, as we or our shareholders receive in the Triggering Event transaction. If the Triggering Event is an IPO, at our option, the purchase price will be paid to you or your owners either in cash or stock valued at the price underwritten and/or offered to the public in the IPO.

(d) **Purchase Price Amount**. The amount of the purchase price for Your Interest will be the amount equal to a multiple of Your EBIT determined by the formula described below. Your

multiple will be the lesser of (i) three (3) times your EBIT, or (ii) the amount equal to two-thirds (2/3) of the multiple offered to us for our interest in connection with the Triggering Event. "**Your EBIT**" means net income from your Business before interest and income taxes. "**Our EBIT**" means our net income before interest and income taxes. Your EBIT and Our EBIT will be determined by generally accepted accounting principles, based on the same trailing 12 month period preceding the purchase or sale agreement, underwriting agreement or other agreement regarding the Triggering Event. However, for this calculation, your income will exclude extraordinary items. If your Business has been open less than 12 months, at your request, we may suspend the Buyout until you have 12 months continuing operating history.

(e) **Examples of Purchase Price Calculations**. The following example demonstrates the calculation of the purchase price to be paid for Your Interest under a Buyout, assuming the sale is for 100% of Your Interest:

(i) Triggering Event - sale of all of our stock.

(ii) Purchase Price for all of our stock - $100,000,000.

(iii) Our EBIT for the previous 12 months: $5,000,000.

(iv) Purchase Price / Our EBIT = our multiple: $100mil. / $5mil.= 20.

(v) 2/3 of our multiple (20) = your multiple: 2/3 x 20=13.33.

(vi) Your EBIT for the previous 12 months: $500,000.

(vii) Your multiple (the lesser of 13.33 or 3) x Your EBIT ($500k)= your payment.

(viii) 13.33 x $500,000 = $6,666,667 = Your Interest or 3 x $500,000 = $1,500,000.

(ix) $1,500,000 < $6,666,667 = Your Interest = $1,500,000.

(f) **Election to Convert Shares**. If we undertake an IPO, we will have the right, at our option and election, to require you and your owners, and you and your owners will be obligated, to convert Your Interest into shares of the class of our capital stock (or any successor to us) which is the subject of such IPO ("**IPO Conversion**"). Your Interest will be converted into an equivalent value of our capital stock (or our successor's stock), on the following basis:

(i) Your Interest will be valued at a multiple of Your EBIT, such multiple to be equal to two-thirds (2/3) of the multiple that the valuation of 100% of our common stock on a pre-offering basis (as determined with reference to the proposed public offering price) bears to Our EBIT (Your EBIT shall be calculated on the same basis and for the same periods as are Our EBIT); and

(ii) the value of our capital stock, or our successor in interest, will be the proposed public offering price for such offering.

The shares of our capital stock that you receive upon conversion of Your Interest will not be registered in connection with the IPO and you are not granted any registration rights under this Agreement. Such shares

must be held indefinitely without any sale, transfer or other disposition unless either the shares are subsequently registered under the Securities Act, or in the opinion of our counsel, such registration is not required as a result of available exemptions under the Securities Act.

(g) **Example**. The following example demonstrates the calculation of the conversion of Your Interest into our capital stock pursuant to an IPO Conversion:

(i) Public offering of 1,000,000 shares of our common stock, such 100 shares, when issued, to represent 100% of our fully diluted outstanding common stock.

(ii) Proposed public offering price - $100 per share.

(iii) Equivalent value of 100% of our common stock = $100,000,000.

(iv) Our EBIT for previous 12 months - $5,000,000.

(v) Purchase Price / Our EBIT= our multiple: $100mil. / $5mil.=20.

(vi) 2/3 of our multiple = your multiple: 2/3 x 20 = 13.33.

(vii) 3 < 13.3 = your multiple = 3.

(viii) Your EBIT for the prior 12 months: $500,000.

(ix) Your multiple x Your EBIT= your calculated valuation for Your Interest.

(x) 3 x $500,000 =$1,500,000.

(xi) Number of shares of our common stock to be received by you: Stock equivalent of $6,666,667 based on the public offering price.

(xii) Number of shares of common stock to be received by you based on public offer price of $100 per share: 15,000 shares.

Your owners will determine how Your Interest will be divided among them. Upon such IPO Conversion, Your Interest shall be canceled, transferred or assigned in the manner we designate and we will succeed to all of your properties and assets (including, without limitation, all Security Data Supply® Businesses) and we will be the sole owner thereof. THE EXAMPLES OF THE BUYOUT CALCULATION PROVIDED ABOVE ARE NOT REPRESENTATIONS OF ANY KIND THAT YOU WILL OR ARE LIKELY TO OBTAIN ANY PARTICULAR INCOME OR REVENUES. THE "**YOUR EBIT**" FIGURES ARE PURELY HYPOTHETICAL AND ARE EXAMPLES ONLY TO ILLUSTRATE THE BUYOUT CALCULATION METHOD. DO NOT RELY ON THEM AS A REPRESENTATION OF YOUR ACTUAL OR POTENTIAL INCOME.

(h) **Procedural Aspects**. At our option, we will pay the purchase price in 2 installments. If so, we will pay an amount equal to the first installment in cash at a time within 15 days of our notice to you. The balance will be paid at closing. We must notify you of our intention to exercise our purchase option not later than 60 days following our entering into the definitive purchase and sale agreement or the underwriting agreement relating to the Triggering Event. Unless the Triggering Event is not completed or closed, in which case our notice and election to exercise the Buyout will not be effective, the closing for such acquisition will take place at the completion

or closing of the Triggering Event or, at our option, within 180 days thereafter. You will have all of your rights and benefits, and all of your obligations, under this Agreement until we (or our designee) have consummated the acquisition pursuant to the Buyout. The acquisition will be in the form of an assignment and relinquishment of your rights under this Agreement and we will not assume any of your obligations or liabilities whatsoever other than those we expressly agree to in writing or at the time of such acquisition. Moreover, we may require that your rights must be transferred to us free and clear of all liens, pledges, security interests and encumbrances.

We may require that we will be entitled to all customary representations and warranties in that regard, in such form and content as we reasonably require. You will cooperate with us in preparing for the sale of such rights, any transition in ownership, and to accurately calculate the purchase price. Through such acquisition we will take possession of all of your assets, including but not limited to cash, accounts receivable and capital assets. We will also assume liability for your real estate property lease, capital leases and any liabilities deemed by us to be a valid business liability of your Business. You must comply with any post acquisition restrictions, if any; on transfers of stock you receive.

(i) **Option to Include Franchises**. If we exercise the Buyout, we may also, at the time we notify you of our election, elect to include as part of the acquisition any or all franchise(s) owned or controlled by you or your affiliates, all of your or their rights and obligations under any related or Franchise Agreements and all related property leases and all assets used in connection with the operation of Security Data Supply® Businesses covered by the Franchise Agreements you have with us.

(j) **Priority**. The provisions of the Buyout will take precedence over all other provisions of this Agreement, notwithstanding any conflicting provisions. We will have the right to specific performance of a Buyout. You acknowledge and agree that we will not have an adequate remedy at law if you violate this Section 17, and we will be entitled to injunctive and equitable relief to enforce all our rights under it.

18. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.

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

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

or indirectly arising out of your Business' operation or the business you conduct pursuant to this Agreement.

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

18.4 **Indemnification.** You agree to indemnify, defend and hold harmless us, our affiliates, our parents, and our and our affiliates' and parents' respective shareholders, directors, officers, employees, agents, successors and assignees (the "**Indemnified Party(ies)**") against and to reimburse any one or more of the Indemnified Parties for all claims, obligations and damages described in this Section, any and all taxes described in Section 18.3 and any and all claims and liabilities directly or indirectly arising out of the Franchise or the operation of your Business (even if our negligence is alleged, but not proven) or your breach of this Agreement. For purposes of this indemnification, "**claims**" includes all obligations, damages (actual, consequential or otherwise) and costs reasonably incurred in the defense of any claim against any of the Indemnified Parties, including, without limitation, reasonable accountants', attorneys', paralegals' and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of litigation, or alternative dispute resolution and travel and living expenses. We have the right to defend any such claim against us. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

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

19. INSURANCE.

19.1 **Types Required.** During the term of this Agreement, you must maintain in force, at your expense and under policies of insurance issued by carriers approved by us, the following types of insurance coverage with limits no less than the minimum limits prescribed by us in writing from time to time:

(a) comprehensive, public and product liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of your Business;

(b) general casualty and property insurance including fire, flood, hurricane, vandalism and malicious mischief, and extended coverage insurance with a full replacement value of your inventory and contents of your Business, covering such risks as are covered in the Standard Extended Coverage Endorsement;

(c) comprehensive motor vehicle insurance (including personal injury protection, uninsured motorist protection, and "umbrella" coverage) for any motor vehicles operated by your Business;

(d) workers' compensation in the amounts required by applicable law for your Business;

(e) "umbrella" liability insurance;

(f) liability insurance against liability for personal services care and negligence;

(g) business interruption insurance;

(h) comprehensive crime and blanket employee dishonesty insurance;

(i) such other insurance as we may require; and

(j) as is required under any equipment lease agreement or any other lease or other financing document (if any) for your Business.

19.2 **Coverage Requirements.** You must maintain the insurance coverages in the minimum amounts we prescribe in our sole discretion from time-to-time in our System Standards. We may periodically increase or decrease the amounts of coverage required under these insurance policies and require different or additional kinds of insurance at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes and circumstances, all in our sole discretion.

19.3 **Policy Terms.** All insurance policies must:

(a) contain no provision which in any way limits or reduces coverage for us in the event of any claim by us or any of our affiliates, directors, officers or agents;

(b) extend to provide indemnity for all obligations assumed by you under this Agreement and all items for which you are required to indemnify us under the provisions of this Agreement or otherwise;

(c) name us and our affiliates as additional insureds;

(d) contain a waiver of the insurance company's right of subrogation against us;

(e) provide that the coverage afforded applies separately to each insured against whom a claim is brought as though a separate policy had been issued to each insured;

(f) provide that the insurance company will provide us with at least thirty (30) days' prior written notice of termination, expiration, cancellation or material modification of any policy; and

(g) provide that you cannot reduce the policy limits, restrict coverage, cancel or otherwise alter or amend the policies without our prior written consent.

19.4 **Evidence of Coverage.** Before the expiration of the term of each insurance policy, you must furnish us with a copy of each new, renewal or replacement policy you have obtained to extend your coverage, along with evidence of the premium payment. If you do not maintain the required insurance coverage, or do not furnish us with satisfactory evidence of insurance coverage and premium payments, we may obtain, at our option and in addition to our other rights and remedies under this Agreement, any required insurance coverage on your behalf. If we do so, you must fully cooperate with us in our effort to obtain the insurance policies and must promptly sign all forms required to obtain or maintain the insurance. You must also allow any inspections of your Business

required to obtain or maintain the insurance. Finally, you must pay us, on demand, any costs and premiums we incur in obtaining insurance on your behalf. Neither your obligation to maintain insurance coverage nor our maintenance of insurance on your behalf will reduce or absolve you of any obligations of indemnification described in this Agreement.

19.5 **Waiver of Subrogation**. You release us, and our agents and employees, from any liability for injury to any person or damage to property that is caused by or results from any risk insured against under any valid and collectible insurance policy carried by you which contains a waiver of subrogation by the insurer and is in force at the time of such injury or damage. You shall use reasonable efforts to cause each insurance policy obtained by you to provide that the insurer waives all right of recovery by way of subrogation against us and our agents and employees in connection with any injury or damage covered by such policy.

20. ENFORCEMENT.

20.1 **Severability; Substitution of Valid Provisions.** Except as otherwise stated in this Agreement, each term of this Agreement, and any portion of any term, are severable. The remainder of this Agreement will continue in full force and effect. To the extent that any provision restricting your competitive activities is deemed unenforceable, you and we agree that such provision will be enforced to the fullest extent permissible under governing law. This Agreement will be deemed automatically modified to comply with such governing law if any applicable law requires: (a) a greater prior notice of the termination of or refusal to renew this Agreement; (b) the taking of some other action not described in this Agreement; (c) if any System Standard is invalid or unenforceable; or (d) the taking of any action(s) (by you and/or by us) inconsistent with the terms of this Agreement. We may modify such invalid or unenforceable provision to the extent required to be valid and enforceable in your jurisdiction. In such event, you will be bound by the modified provisions. If you are located in a jurisdiction identified in the state-specific addenda attached as Exhibit D, the applicable law and regulations described in such addenda, and any additional non-waivable laws and regulations applicable in such jurisdiction, shall control over any inconsistent provisions of this Agreement. You represent to us that you have read the state-specific addenda attached to this Agreement.

20.2 **Waivers.** We will not be deemed to have waived our right to demand exact compliance with any of the terms of this Agreement, even if at any time: (a) we do not exercise a right or power available to us under this Agreement; (b) we do not insist on your strict compliance with the terms of this Agreement; (c) if there develops a custom or practice which is at variance with the terms of this Agreement; or (d) if we accept payments which are otherwise due to us under this Agreement. Similarly, our waiver of any particular breach or series of breaches under this Agreement or of any similar term in any other agreement between you and us or between us and any other franchise owner, will not affect our rights with respect to any later breach by you or anyone else. You waive the right to seek damages from, bring a claim against or otherwise assert liability against any of the individuals who are our owners, officers and directors, accountants and attorneys, except if such waiver is expressly prohibited by state or federal law or is otherwise an unfair or deceptive trade practice under such laws. In that event, this waiver shall be deemed modified to comply with such laws.

20.3 **Limitation of Liability.** Neither of the parties will be liable for loss or damage or deemed to be in breach of this Agreement if failure to perform obligations results from:

(a) compliance with any applicable law, ruling, order, regulation, requirement or instruction of any federal, state or municipal government or any department or agency thereof;

(b) force majeure or other acts of God; or

(c) acts or omissions of a similar event or cause.

However, such delays or events do not excuse payments of amounts owed at any time.

20.4 **Approval and Consents**. Whenever this Agreement requires our advance approval, agreement or consent, you agree to make a timely written request for it. Our approval or consent will not be valid unless it is in writing. Except where expressly stated otherwise in this Agreement, we have the absolute right to refuse any request by you or to withhold our approval of any action or omission by you. If we provide to you any waiver, approval, consent, or suggestion, or if we neglect or delay our response or deny any request for any of those, we will not be deemed to have made any warranties or guarantees which you may rely on, and will not assume any liability or obligation to you.

20.5 **Waiver of Punitive Damages**. EXCEPT FOR YOUR OBLIGATIONS TO INDEMNIFY US PURSUANT TO SECTION 18.4 OF THIS AGREEMENT AND CLAIMS BY US FOR UNAUTHORIZED USE OR DISCUSSION OF THE MARKS, COPYRIGHTS, CONFIDENTIAL INFORMATION, OUR TRADE SECRETS OR YOUR VIOLATION OF THE POST-TERMINATION OR IN-TERM COMPETITION COVENANTS IN THIS AGREEMENT, YOU AND WE EACH WAIVE TO THE FULL EXTENT PERMITTED BY LAW ANY RIGHT TO, OR CLAIM FOR, ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER. YOU AND WE ALSO AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN YOU AND US, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

20.6 **Limitations of Claims**. ANY AND ALL CLAIMS ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP AMONG YOU AND US MUST BE MADE BY WRITTEN NOTICE TO THE OTHER PARTY WITHIN ONE (1) YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM (REGARDLESS OF WHEN IT BECOMES KNOWN); EXCEPT FOR CLAIMS ARISING FROM: (A) UNDER-REPORTING OF GROSS REVENUES; (B) UNDER-PAYMENT OF AMOUNTS OWED TO US OR OUR AFFILIATES; (C) CLAIMS FOR INDEMNIFICATION; (D) UNAUTHORIZED USE, REPRODUCTION, OR DISCUSSION OF THE MARKS, COPYRIGHTS OR OUR CONFIDENTIAL INFORMATION OR TRADE SECRETS; AND/OR (E) YOUR OR YOUR OWNERS' VIOLATION OF SECTION 17.4 OR 10. HOWEVER, THIS PROVISION DOES NOT LIMIT THE RIGHT TO TERMINATE THIS AGREEMENT IN ANY WAY.

20.7 **Governing Law.**

(a) **EXCEPT TO THE EXTENT THIS AGREEMENT OR ANY PARTICULAR DISPUTE IS GOVERNED BY THE U.S. TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. 1051 AND THE SECTIONS FOLLOWING IT), OR OTHER U.S. LAW, OR TO THE EXTENT REQUIRED BY THE LAWS OF YOUR JURISDICTION, THIS AGREEMENT AND THE FRANCHISE ARE GOVERNED BY LOUISIANA LAW**. References to any law or regulation also refer to any successor laws or regulations and any implementing regulations for any statute, as in effect at the relevant time. References to a governmental agency also refer to any successor regulatory body that succeeds to the function of such agency.

(b) **Jurisdiction.** This Agreement shall be governed by and interpreted in accordance with the laws of the State of Louisiana, except where the laws of your jurisdiction require application of its own laws. The exclusive venue for any action to enforce or interpret this agreement shall be the 22nd Judicial District Court, for the Parish of St. Tammany, except where the laws of your jurisdiction require that venue be permitted or required in the courts of your jurisdiction. In the event that any part of the Agreement is deemed invalid, or unenforceable, then that portion shall be deleted and the remainder of the Agreement shall remain valid and enforceable. The prevailing party in any such proceeding shall be entitled to recover its expenses, including reasonable attorneys' fees and accounting fees, in addition to any other relief to which it is found entitled. The award shall indicate interest from the date of any damages incurred for any breach or other violation of this Agreement and from the date of the award until paid in full, at a rate to be fixed by the court, but in no event less than 12 percent (12%) or the highest rate permitted by law, whichever is less. Any proceeding shall be limited to controversies between you and your owners and us and shall not be expanded to include any other party.

(c) Prior to the initiation of litigation by either party pursuant to Section 20.7(b), the parties shall make a good faith effort to resolve any controversies between them by mediation in Mandeville or St. Tammany Parish, Louisiana, either through a mutually acceptable mediator or through an established mediation service. No litigation may be commenced until the earlier of sixty (60) days from written notice by one party to the other of a request to initiate mediation, or the mutual agreement by both parties that mediation has been unsuccessful in resolving the existing controversy. You and we shall share equally in the cost of any mediation.

(d) Nothing herein contained shall bar our right to seek injunctive relief without the posting of any bond or security to obtain the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to our: (i) ownership or use of the Marks; (ii) your obligations upon termination or expiration of the Agreement; (iii) assignment or proposed assignment of this Agreement, or any ownership interest in you; or (iv) actions covered by the termination and post-termination restrictive covenants and confidentiality obligations in the Agreement. We will also be able to seek injunctive relief to prohibit any act or omission by you or your employees, owners, officers or directors that constitutes a violation of any applicable law, is dishonest or misleading to your or our customer or to the public, or which may impair the goodwill associated with the Marks; and you agree to pay all costs and all legal fees incurred by us in obtaining such relief.

20.8 **Cumulative Remedies.** The rights and remedies provided in this Agreement are cumulative and neither you nor we will be prohibited from exercising any other right or remedy provided under this Agreement or permitted by law or equity. We have the right to injunctive relief to enforce our rights under this Agreement. You agree that monetary compensation available to us is not an adequate remedy at law or equity with respect to our rights to enforce restrictive covenants or intellectual property rights under this Agreement. You agree to a waiver of our posting any bond in connection with enforcement of our rights to injunctive relief.

20.9 **Costs and Attorneys' Fees.** If a claim for amounts owed by you to us or any of our affiliates is asserted in any legal proceeding or if either you or we are required to enforce this Agreement in a judicial proceeding, the party prevailing in such proceeding will be entitled to reimbursement of its costs and expenses, including reasonable accounting and attorneys' fees. Attorneys' fees will include, without limitation, reasonable legal fees charged by attorneys, paralegal fees, and costs and disbursements, whether incurred prior to, or in preparation for, or contemplation of, the filing of written demand or claim, action, hearing, or proceeding to enforce the obligations of the parties under this Agreement.

20.10 **Binding Effect.** This Agreement is binding on and will inure to the benefit of our successors and assigns. Except as otherwise provided in this Agreement, this Agreement will also be binding on your successors and assigns, and your heirs, executors and administrators.

20.11 **Entire Agreement.** This Agreement, including the introduction, addenda and exhibits to it, constitutes the entire agreement between you and us. There are no other oral or written understandings or agreements between you and us concerning the subject matter of this Agreement. Except as expressly provided otherwise in this Agreement, this Agreement may be modified only by written agreement signed by both you and us. However, nothing contained in this Section will limit your right to rely on statements made in our Franchise Disclosure Document.

20.12 **No Liability to Others; No Other Beneficiaries.** We will not, because of this Agreement or by virtue of any approvals, advice or services provided to you, be liable to any person or legal entity who is not a party to this Agreement. Except as specifically described in this Agreement, no other party has any rights because of this Agreement.

20.13 **Construction.** The headings of the sections are for convenience only. If two or more persons are at any time Franchise owners hereunder, whether or not as partners or joint venturers, their obligations and liabilities to us are joint and several. This Agreement may be signed in multiple copies, each of which will be an original. "**A or B**" means "**A**" or "**B**" or both.

20.14 **Certain Definitions.** The term "**family member**" refers to parents, spouses, offspring and siblings, and the parents and siblings of spouses. The term "**affiliate**" means any Business Entity directly or indirectly owned or controlled by a person, under common control with a person or controlled by a person. The terms "**franchisee**," "**franchise owner**," "**you**" and "**your**" are applicable to one or more persons, a Business Entity, as the case may be. The singular use of any pronoun also includes the plural and the masculine and neuter usages include the other and the feminine. The term "**person**" includes individuals and Business Entities. You and we are sometimes referred to individually as a "**party**" and collectively as "**parties**." The term "**section**" refers to a section or subsection of this Agreement. The word "**control**" means the power to direct or cause the direction of management and policies. The word "**owner**" means any person holding a direct or indirect, legal or beneficial ownership interest or voting rights in another person (or a transferee of this Agreement or an interest in you), including any person who has a direct or indirect interest in you or this Agreement and any person who has any other legal or equitable interest, or the power to vest in himself any legal or equitable interest, in the revenue, profits, rights or assets.

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

21. NOTICES AND PAYMENTS.

All written notices and reports permitted or required under this Agreement or by the Manual(s) (if created) will be deemed delivered:

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

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

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

If to Us: **SDS FRANCHISING, LLC**
421 North Florida Street
Covington, Louisiana 70433
Attention: Ron Broussard

If to You: _____
_____
_____
Attention: _____

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

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

"**US**":
SDS FRANCHISING, LLC

By: _____

Name: Ronald F. Broussard, Jr.
Title: President
Date: _____

"**YOU**":

_____
Name: _____
Date: _____

_____
Name: _____
Date: _____

_____
[*Business Entity Name*]

By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT "A"
TO THE
SDS FRANCHISING, LLC
FRANCHISE AGREEMENT
DATED _____
WITH

_____
(Name of Franchise Owner)

1. **Marketing Area.** The Marketing Area (as referenced in Section 2.1) is as follows:

_____

_____

_____

2. **Headquarters.** The address of your approved Headquarters is:

_____

_____

3. **Primary Area.** The Primary Area for your Business (as referenced in 2.1) is as follows:

_____

_____

_____

4. **Minimum Sales Level.** If you are a Security Data Supply® Business, your minimum sales level is $__ per calendar quarter. Included within your minimum sales level is a minimum of $750 worth of Dealer's Choice Products per quarter.

5. **Minimum Purchase Level.** If you are a Security Data Supply® Business, your minimum purchase level is $ ___ per calendar quarter. Your minimum inventory level is $_____. Included within your minimum inventory level is a minimum of $2,500 worth of Dealer's Choice Products.

_____
("YOU")

By:_____
Name:_____
Title:_____
Date:_____

SDS FRANCHISING, LLC
a Louisiana limited liability company

By:_____
Name: Ronald F. Broussard, Jr.
Title: President
Date:_____

EXHIBIT "B" TO THE
SDS FRANCHISING, LLC
FRANCHISE AGREEMENT
DATED _____
WITH

_____
(Name of Franchise Owner)

ESTABLISHMENT PACKAGE

1. **Security Data Supply® Business Fees:**

(a) Your Franchise Fee is $_____.

(b) Your Establishment Package Fee is $_____.

(c) The current System Fund Fee as of the Agreement Date is 1% of your Gross Sales.

(d) The current software lease and support fee is $330.00_ per month per user. It is due on or before the _10th__ the of each month. We may increase, decrease or otherwise modify this fee at any time.

2. Your Establishment Package shall consist of (see attached pages ☐).

(a) Security Data Supply® Business

SECURITY DATA SUPPLY® BUSINESS PROGRAM ESTABLISHMENT PACKAGE	
ITEM	**QUANTITY**
Operations Manual (electronic)	1

("YOU")

_____

By:_____
Name:_____
Title:_____
Date:_____

("US")

SDS FRANCHISING, LLC
a Louisiana limited liability company

By:_____
Name: Ronald F. Broussard, Jr.
Title: President
Date:_____

EXHIBIT "C" TO THE
SDS FRANCHISING, LLC
FRANCHISE AGREEMENT
DATED _____
WITH

_____
(Name of Franchise Owner)

CONFIRMATION OF RECEIVING ESTABLISHMENT PACKAGE

On _____, the above-named Franchisee and the above named Franchisor did a walk through/observed Franchisee's Security Data Supply® Business ("**Security Data Supply® Business Walk Through**"). Franchisee confirms by its signature below that it has received all of the contents of its Establishment Package as specified in Exhibit "B" to this Franchise Agreement. Franchisee also confirms by its signature below that it has inspected all of the items received as part of the Establishment Package, the contents of the Establishment Package have been fully and properly installed, and that there are no defects with any of the products supplied as part of the Establishment Package.

_____ _____
(Franchisee) (Date)

_____ _____
(Franchisor) (Date)

If Franchisee did not receive any of the contents of its Establishment Package as of the date of the Security Data Supply® Business Walk Through or something was not properly or fully installed, Franchisee has listed such item(s) or issues on the lines below ("**Remaining Items**"):

_____
_____
_____
_____

If there were any Remaining Items, Franchisee confirms by its signature below that as of _____, it has received all of the Remaining Items and/or all of the Remaining Items were corrected. Thus, by signing below, Franchisee hereby confirms that it has received all of the contents of its Establishment Package as specified in Exhibit "B" to this Franchise Agreement. Franchisee also confirms by its signature below that it has inspected all of the items received as part of the Establishment Package; the contents of the Establishment Package have been fully and properly installed; and that there are no defects with any of the products supplied as part of the Establishment Package.

_____ _____
(Franchisee) (Date)

_____ _____
(Franchisor) (Date)

EXHIBIT "D" TO THE
SDS FRANCHISING, LLC
FRANCHISE AGREEMENT
DATED _____
WITH

_____
(Name of Franchise Owner)

STATE SPECIFIC RIDERS AND ADDENDA

CALIFORNIA

APPENDIX

REGISTRATION OF THE OFFER OF FRANCHISE REFERENCED IN THE DISCLOSURE DOCUMENT AND THIS FRANCHISE AGREEMENT DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE COMMISSIONER OF THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION FOR THE STATE OF CALIFORNIA.

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.

In the Franchise Disclosure Document,

1. Item 3 is amended to include the following statement: "Neither we nor any person or franchise broker listed in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq*., suspending or expelling such persons from membership in that association or exchange."

2. Your initial franchise fee under Item 5 may vary. The following mathematical formula will allow you to calculate the specific dollar amount of the franchise fee:

$$\$50,000 + \$10,000 + (X-1)(\$40,000) = \text{Total initial franchise fees}$$

Where $50,000 is the cost of your up-front, non-refundable "Franchise Fee"; $10,000 is the cost of your "Establishment Package Fee"; X is the number of your franchised Security Data Supply® Businesses; and $40,000 is the cost of your second and subsequent franchised Security Data Supply® Businesses.

3. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or non-renewal of a franchise. If the Franchise Agreement contains provisions that are inconsistent with the law, the law will control.

4. 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.).

5. The Franchise Agreement contains covenants not to compete which extend beyond the termination of the franchise. These provisions may not be enforceable under California law.

6. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

7. The Franchise Agreement requires you to resolve disputes with us by litigation only in St. Tammany Parish, Louisiana. You 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.

8. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.

9. The Franchise Agreement requires application of the laws of the State of Louisiana. This provision may not be enforceable under California law.

10. You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

11. The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements are per se violations of the Cartwright Act.

OUR WEBSITE, www.securitydatasupply.com HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at http://www.dbo.ca.gov/.

IDAHO ADDENDUM TO THE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT

Under Idaho Code § 29-110, every stipulation or condition in a contract, by which any party thereto is restricted from enforcing his rights under the contract in Idaho tribunals, or which limits the time within which he may thus enforce his rights, is void as it is against the public policy of Idaho. Furthermore, under Idaho Code § 29-110, any condition, stipulation or provision in a franchise agreement is void to the extent it purports to waive, or has the effect of waiving, venue or jurisdiction of the state of Idaho's court system. Any condition, stipulation or provision in a franchise agreement, to the extent it purports to assert, or has the effect of asserting, the choice of law is enforceable.

ADDENDUM REQUIRED BY THE STATE OF WASHINGTON

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

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

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will either be 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 the 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, or rights and 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.

No statement, questionnaire, or acknowledgment signed or agreed to by a

franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The undersigned does hereby acknowledge receipt of this addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this ___ day of_____, 20_____.

FRANCHISOR: SDS Franchising, LLC

_____ _____

By: Ron Broussard, President Date

FRANCHISEE:

_____ _____

By:

EXHIBIT "E" TO THE
SDS FRANCHISING, LLC
FRANCHISE AGREEMENT
DATED _____
WITH

_____
(Name of Franchise Owner)

CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS

THIS CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS (this "**Assignment**") is effective as of _____, between SDS FRANCHISING, LLC, a Louisiana limited liability company, with its principal place of business at 421 North Florida Street, Covington, LA 70433 ("**we**," "**us**" or "**our**") and _____, whose current place of business is _____ ("**you**" or "**your**"). You and we are sometimes referred to collectively as the "parties" or individually as a "party".

BACKGROUND INFORMATION:

We have simultaneously entered into the certain Franchise Agreement (the "**Franchise Agreement**") dated as of _____ with you, pursuant to which you plan to own and operate a Security Data Supply® Business (the "**Business**"). Security Data Supply® Businesses ("**Unit Franchises**") use certain proprietary knowledge, procedures, formats, systems, forms, printed materials, applications, methods, specifications, standards and techniques authorized or developed by us (collectively the "**System**"). We identify Security Data Supply® Businesses and various components of the System by certain trademarks, trade names, service marks, trade dress and other commercial symbols (collectively the "**Marks**"). In order to protect our interest in the System and the Marks, we will have the right to control the telephone numbers and listings of the Business if the Franchise Agreement is terminated.

OPERATIVE TERMS:

You and we agree as follows:

1. **Background Information.** The background information is true and correct. This Assignment will be interpreted by reference to the background information. Terms not otherwise defined in this Assignment will have the meanings as defined in the Franchise Agreement.

2. **Conditional Assignment.** You assign to us, all of your right, title and interest in and to those certain telephone numbers and regular, classified or other telephone directory listings (collectively, the "**Numbers and Listings**") associated with the Marks and used from time to time in connection with the operation of the Business. We will have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless we notify the telephone company and/or the listing agencies with which you have placed telephone directory listings (collectively, the "**Telephone Company**") to effectuate the assignment of the Numbers and Listings to us. Upon termination or expiration of the Franchise Agreement we will have the right and authority to ownership of the Numbers and Listings. In such event, you will have no further right, title or interest in the Numbers and Listings and will remain liable to the Telephone Company for all past due fees owing to the Telephone Company on or before the date on which the assignment is effective. As between us and you, upon termination or expiration of the Franchise Agreement, we will have the sole right to and interest in the Numbers and Listings.

3. **Power of Attorney.** You irrevocably appoint us as your true and lawful attorney-in-fact to: (a) direct the Telephone Company to effectuate the assignment of the Numbers and Listings to us; and (b) sign on your behalf such documents and take such actions as may be necessary to effectuate the assignment. Notwithstanding anything else in the Assignment, however, you will immediately notify and instruct the Telephone Company to effectuate the assignment described in this Assignment to us when, and only when: (i) the Franchise Agreement is terminated or expires; and (ii) we instruct you to so notify the Telephone Company. If you fail to promptly direct the Telephone Company to effectuate the assignment of the Numbers and Listings to us, we will direct the Telephone Company to do so. The Telephone Company may accept our written direction, the Franchise Agreement or this Assignment as conclusive proof of our exclusive rights in and to the Numbers and Listings upon such termination or expiration. The assignment will become immediately and automatically effective upon Telephone Company's receipt of such notice from you or us. If the Telephone Company requires that you and/or we sign the Telephone Company's assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, our signature On such forms or documentation on your behalf will effectuate your consent and agreement to the assignment. At any time, you and we will perform such acts and sign and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement. The power of attorney conferred upon us pursuant to the provisions set forth in this Assignment is a power coupled with an interest and cannot be revoked, modified or altered without our consent.

4. **Indemnification.** You will indemnify and hold us and our affiliates, stockholders, directors, officers and representatives (collectively, the "**Indemnified Parties**") harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys' fees, costs and expenses that any of the Indemnified Parties incur as a result of any claim brought against any of the Indemnified Parties or any action which any of the Indemnified Parties are named as a party or which any of the Indemnified Parties may suffer, sustain or incur by reason of, or arising out of, your breach of any of the terms of any agreement or contract or the nonpayment of any debt you have with the Telephone Company.

5. **Binding Effect.** This Assignment is binding upon and inures to the benefit of the parties and their respective successors-in-interest, heirs, and successors and assigns.

6. **Assignment to Control.** This Assignment will govern and control over any conflicting provision in any agreement or contract which you may have with the Telephone Company.

7. **Attorney's Fees, Etc..** In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment or the enforcement thereof, the prevailing party will be entitled to reimbursement of its attorneys' fees, costs and expenses from the non-prevailing party. The term "attorneys' fees" means any and all charges levied by an attorney for his or her services including time charges and other reasonable fees including paralegal fees and legal assistant fees and includes fees earned in settlement, at trial, appeal or in bankruptcy proceedings..

8. **Severability.** If any of the provisions of this Assignment or any section or subsection of this Assignment is held invalid for any reason, the remainder of this Assignment or any such section or subsection will not be affected, and will remain in full force and effect in accordance with its terms.

9. **Governing Law and Forum**. This Assignment is governed by Louisiana law. The parties will not institute any action against any of the other parties to this Assignment except in the state or federal courts of general jurisdiction in St. Tammany Parish, Louisiana, and they irrevocably submit to the jurisdiction of such courts and waive any objection they may have to either the jurisdiction or venue of such court.

ASSIGNOR:

FRANCHISEE

By:_____
Name:_____
Title:_____
Date:_____

ASSIGNEE:

SDS FRANCHISING, LLC

By:_____
Name:_____
Title:_____
Date:_____

EXHIBIT "F" TO THE
SDS FRANCHISING, LLC
FRANCHISE AGREEMENT
DATED _____
WITH

_____
(Name of Franchise Owner)

PRINCIPAL OWNER STATEMENT

This form must be completed by the Franchisee ("I," "me," or "my") if I have multiple owners or if I, or my franchised business, is owned by a business organization (like a corporation, partnership or limited liability company). Franchisor is relying on the truth and accuracy of this form in awarding the Franchise Agreement to me.

1. Form of Franchisee. I am a (check one):

General Partnership ☐

Corporation ☐

Limited Partnership ☐

Limited Liability Company ☐

Other ☐

Specify_____

2. **Business Entity.** Franchisee was incorporated or formed on _____, under the laws of the State of__. Franchisee has not conducted business under any name other than my corporate, limited liability company or partnership name and _____. The following is a list of all persons who have management rights and powers (e.g., officers, managers, partners, etc.) and their positions are listed below:

Name of Person	Position(s) Held
_____	_____
_____	_____
_____	_____
_____	_____

3. **Owners.** The following list includes the full name and mailing address of each person who is one my owners and fully describes the nature of each owner's interest. Attach additional sheets if necessary.

Owner's Name	Address	Description of Interest
_____	_____	_____

4. **Governing Documents.** Attached are copies of the documents and contracts governing the ownership, management and other significant aspects of your entity (e.g., articles of incorporation or organization, partnership or shareholder agreements, etc.).

This Statement of Principal Owners is current and complete as of _____.

INDIVIDUALS:

Signature_____
Name:_____

Signature_____
Name:_____

CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP:

Name_____
By:_____
Title:_____

EXHIBIT "G" TO THE
SDS FRANCHISING, LLC
FRANCHISE AGREEMENT
DATED _____
WITH

_____
(Name of Franchise Owner)

PRINCIPAL OWNER GUARANTY

This Principal Owner Guaranty (this "**Guaranty**") must be signed by the principal owners (referred to as "**you**" for purposes of this Guaranty only) of _____(the "**Business Entity**") under the _____ Agreement effective as of _____ (the "**Agreement**") between the Business Entity and SDS FRANCHISING, LLC ("**us**," "**our**" or "**we**").

5. 1. Scope of Guaranty. In consideration of and as an inducement to our signing and delivering the Agreement, each of you signing this Guaranty personally and unconditionally: (a) guarantee to us and our successors and assigns that your Business Entity will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agree to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement as if the use of the terms "you," "your" and "yours" in the Agreement referred to you personally.

6. 2. Waivers. Each of you waive: (a) acceptance and notice of acceptance by us of your obligations under this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed by you; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed by you; (d) any right you may have to require that an action be brought against the Business Entity or any other person as a condition of your liability; (e) all rights to payments and claims for reimbursement or subrogation which you may have against the Business Entity arising as a result of your execution of and performance under this Guaranty; and (f) all other notices and legal or equitable defenses to which you may be entitled in your capacity as guarantors.

7. 3. Consents and Agreements. Each of you consent and agree that: (a) your direct and immediate liability under this Guaranty are joint and several; (b) you must render any payment or performance required under the Agreement upon demand if the Business Entity fails or refuses punctually to do so; (c) your liability will not be contingent or conditioned upon our pursuit of any remedies against the Business Entity or any other person; (d) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may from time to time grant to Business Entity or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims and no such indulgence will in any way modify or amend this Guaranty; and (e) this Guaranty will continue and is irrevocable during the term of the Agreement and, if required by the Agreement, after its termination or expiration.

8. 4. Enforcement Costs. If we are required to enforce this Guaranty in any judicial proceeding or any appeals, you must reimburse us for our enforcement costs. Enforcement costs include reasonable accountants', attorneys', attorney's assistants', expert witness fees, costs of investigation and proof of facts, court costs, filing fees, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guaranty.

9. 5. Effectiveness. Your obligations under this Guaranty are effective on the Agreement Date, regardless of the actual date of signature. Terms not otherwise defined in this Guaranty have the meanings as defined in the Agreement. This Guaranty is governed by Louisiana law except where the laws of your jurisdiction require application of its own laws, and we may enforce our rights regarding it in the courts of St. Tammany Parish, Louisiana unless the laws of your jurisdiction require venue in its own courts. Each of you irrevocably submits to the jurisdiction and venue of any such courts.

Each of you now sign and deliver this Guaranty effective as of the date of the Agreement regardless of the actual date of signature.

PERCENTAGE OF OWNERSHIP INTEREST IN BUSINESS ENTITY	GUARANTORS
_____	_____ Name:_____
_____	_____ Name:_____
_____	_____ Name:_____
_____	_____ Name:_____

EXHIBIT "H" TO THE
SDS FRANCHISING, LLC
FRANCHISE AGREEMENT
DATED _____
WITH

_____
(Name of Franchise Owner)

RELEASE

THIS RELEASE is given by _____, its Principal Owners and all of its predecessors, parent company, affiliates, owners, officers, employees, legal representatives and agents, directors, successors and assigns, and their employees, owners, officers, directors, heirs, beneficiaries, executors and administrators (individually and collectively, "**Releasor**") to SDS FRANCHISING, LLC, and their predecessors, agents, affiliates, subsidiaries, parents, legal representatives, agents, successors, assigns, heirs, beneficiaries, executors and administrators (individually and collectively, "**Released Parties**").

For good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, Releasor hereby agrees as follows:

1. Effective on the date of this Release, and subject to the exceptions set forth in Paragraph 5 below, Releasor forever releases and discharges Released Parties from any and all claims, causes of action, suits, debts, agreements, promises, damages, losses, demands, liabilities, contractual rights and/or obligations, of whatever nature or kind, in law or in equity, known or unknown, fixed or contingent, past or present, which Releasor now has or ever had against Released Parties, including without limitation, anything arising out of that certain relationship under which Releasor was sold training, products or services to enable Releasor to operate or begin a business of operating a Security Data Supply® Business franchise, the business relationship between Released Parties and Releasor and any other relationships between Releasor and Released Parties; except Released Parties' obligations under the Successor Agreement dated effective _____ _____ to which this release is an Exhibit. Subject to the foregoing, this Release is intended by the parties to be unqualifiedly general in scope and effect and effective for: (a) any and all claims and obligations, including those of which Releasor is not now aware; and (b) all claims Releasor has from anything which has happened up to now.

2. Releasor is bound by this Release. Releasor freely and voluntarily gives this Release to Released Parties for good and valuable consideration and Releasor and Released parties acknowledge its receipt and sufficiency. The parties are executing this Release after independent investigation and without fraud, duress, or undue influence

3. For the purpose of implementing a full and complete release and discharge of all known and unknown claims, Releasor expressly acknowledges that this Release is intended to include and does include in its effect, without limitations, any and all rights which Releasor does not know or suspect to exist in Releasor's favor, as of the date of execution of this Release and that this Release expressly provides for the extinguishment of all such claims, including but not limited to, any and all rights or claims under any applicable federal, state or local statute, regulation or common law.

4. Releasor expressly acknowledges that if Releasor is located in California or is a resident of California, it has been fully advised by its attorney of the contents of Section 1542 of the Civil Code of California, and that that section and the benefits thereof are hereby expressly waived. Section 1542 reads as follows:

> Section 1542. (General Release--Claims Extinguished.) A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Notwithstanding the provisions of Section 1542, and for the purpose of implementing a full and complete release and discharge of Claims, the Parties expressly acknowledge that this Agreement is intended to include in its effect, without limitations, all Claims which the Parties do not know or suspect to exist in their favor at the time of execution hereof, and that the settlement agreed upon contemplates the extinguishment of any and all such Claims.

5. Releasor represents and warrants to Released Parties that Releasor has not assigned or transferred to any other person any claim or right Releasor had or now has relating to or against the Released Parties.

6. In this Release, each pronoun includes the singular and plural as the context may require.

7. This Release is governed by Louisiana law or [ ] _____law (if box checked].

This Release is effective _____ notwithstanding the actual date of signatures.

IN WITNESS WHEREOF, the undersigned Releasor executes this Release:

FRANCHISEE:

_____

By:_____

Name: _____

Title:_____

PRINCIPAL OWNERS:

By:_____

Name: _____

By:_____

Name: _____

STATE OF _____)
COUNTY/PARISH OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, ____by _____, on behalf of _____ _____ who is personally known to me or has produced _____ as identification.

_____

Signature of Notary

Printed Name of Notary_____

Notary Public, State of _____

Serial Number of Notary_____

EXHIBIT "I" TO THE
SDS FRANCHISING, LLC
FRANCHISE AGREEMENT
DATED _____
WITH

_____
(Name of Franchise Owner)

ELECTRONIC FUNDS TRANSFER
AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO

SDS FRANCHISING, LLC/PAYEE

BANK NAME	ACCOUNT #	ABA#	FEIN

The undersigned Depositor hereby authorizes and requests the Depository designated below to honor and to charge to the following designated account, checks, and electronic debits (collectively, "debits") drawn on such account which are payable to the above named Payee. It is agreed that Depository's rights with respect to each such debit shall be the same as if it were a check drawn and signed by the Depositor. it is further agreed that if any such debit is not honored, whether with or without cause and whether intentionally or inadvertently, Depository shall be under no liability whatsoever. This authorization shall continue in force until Depository and Payee have received at least thirty (30) days written notification from Depositor of its termination.

The Depositor agrees with respect to any action taken pursuant to the above authorization:

(1) To indemnify the Depository and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Depository in the regular course of business for the purpose of payment, including any costs or expenses reasonably incurred in connection therewith.

(2) To indemnify Payee and the Depository for any loss arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

(3) To defend at Depositor's own cost and expense any action which might be brought by a depositor or any other persons because of any actions taken by the Depository or Payee pursuant to the foregoing request and authorization, or in any manner arising by reason of the Depository's or Payee's participation therein.

Name of Depository:_____

Name of Depositor:_____

Designated Bank Acct.:_____
(Please attach one voided check for the above account)

Business Location: _____

Business #: _____

For information call: _____

Address: _____

Phone #: _____

Fax #: _____

_____

Name of Franchisee/Depositor (please print)

By: _____

Signature and Title of Authorized Representative

Date: _____

EXHIBIT "J" TO THE
SDS FRANCHISING, LLC
FRANCHISE AGREEMENT
DATED _____
WITH

_____
(Name of Franchise Owner)

CONFIDENTIALITY, NON-SOLICITATION AND NON-COMPETITION AGREEMENT

THIS CONFIDENTIALITY, NON-SOLICITATION AND NON-COMPETITION AGREEMENT (this "**Agreement**") is effective as of _____, between _____ ("**we**," "**us**," "**our**" or "**Franchisee**") and _____("**you**" or "**your**"), an employee or independent contractor of ours.

BACKGROUND INFORMATION:

We have entered into a Franchise Agreement (the "**Franchise Agreement**") with SDS Franchising, LLC, a Louisiana limited liability company (the "**Franchisor**") to operate a Security Data Supply® Business (the "**Business**") at _____ (the "**Headquarters**"). The Business specializes in selling security products and other, low voltage, Cat 5E, Cat 6, fiber optic networking, fire alarm systems, complete audio, video, CCTV, central VAC, access control products and services as well as related products and accessories and related products, services and accessories in a distinctive and innovative environment, and is operated pursuant to formats, specifications, standards methods and procedures prescribed or approved by the Franchisor (the "**System**"). We possess or have access to certain confidential information relating to the System; including the operations manuals; other proprietary materials; the sales and marketing techniques used, knowledge of and experience in developing and operating a Security Data Supply® Business; customer information; recipes and ingredients; knowledge of specifications for and suppliers of certain goods, products, services, and supplies used by or related to the System, certain of which the Franchisor licenses to us or which are developed by us under the Franchise Agreement but are owned by the Franchisor (the "**Confidential Information**").

You understand that the System and Confidential Information are the Franchisor's proprietary, trade secrets and are confidential. You acknowledge that we and the Franchisor have provided you with specialized and extensive training regarding the Business and that we have developed extensive customer goodwill. We have an obligation under our Franchise Agreement to maintain the Confidential Information as secret and confidential. You represent to us and the Franchisor that you have other skills that you can utilize if, for any reason, your relationship with us ends.

OPERATIVE TERMS:

Accordingly, you and we agree as follows:

1. **Confidentiality.** You will (a) not use the Confidential Information in any other business or capacity; (b) maintain the absolute confidentiality of the Confidential Information during and after the term of the Franchise Agreement and your employment by, or association with, us; (c) not make unauthorized copies of any portion of the Confidential Information disclosed in written form; and (d) comply with all procedures we prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information.

2. **Competitive Restrictions.** During the time that you are associated with us, as an employee or independent contractor, unless we and the Franchisor otherwise permit in writing and except on our behalf, you will not:

(a) have any direct or indirect interest (e.g., through a spouse or child) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, member, manager, representative or agent or in any other capacity in any business or facility owning, operating, managing, or granting franchises or licenses to others to do so, or in any business (other than a Security Data Supply® Business operated under a franchise agreement with Franchisor) (a "**Competitive Business**") operating anywhere in the United States.

(b) recruit or hire any employee of ours, of the Franchisor, of our or its affiliates, or of any of the Franchisor's franchisees or licensees; and

(c) on behalf of yourself or any other person, or in any capacity associated with any other person or entity, solicit, divert, take away, or interfere with any of the business, customers, vendors, suppliers, franchisees or contractors of ours or the Franchisor, our or its affiliates or any of its franchisees as may exist during the term of this Agreement or thereafter.

3. **Severability and Substitution.** You acknowledge and agree that these competitive restrictions will not unreasonably deprive you of your ability to earn a living or engage other business activities. You and we agree that: (a) the time period, geographic area, and scope of the competitive restrictions contained in this Agreement are reasonably necessary to protect our localized efforts and the Franchisor's efforts to develop Security Data Supply® Businesses throughout the U.S.; and (b) to the extent that any portion of this Agreement is deemed unenforceable by virtue of its scope, area, activity, or duration, but may be made enforceable by modifying any or all thereof; this Agreement will be enforced to the fullest extent permissible under the laws or public policies of the jurisdiction in which enforcement is sought, and such modified provision will be enforced to the fullest extent.

4. **Extension of Time Period.** The time period during which you are to refrain from any of the activities listed in this Agreement will be automatically extended by any length of time during which you or any of your affiliates, successors or assigns are in breach of any provision of this Agreement. This Agreement will continue through the duration of the extended time periods.

5. **Suspension of Compensation.** We will not be required to pay any other compensation to you during any period of time in which you are in breach of this Agreement. Upon such breach, you forfeit payment of such amounts without limitation on any other remedies available to us for redress.

6. **No Defense or Setoff.** You must not assert, by way of defense or setoff, any alleged breach or damage caused by you if we must enforce this Agreement against you.

7. **Injunctive Relief.** You and we agree that the breach of this Agreement will result in irreparable harm to us and the Franchisor, and that no monetary award can fully compensate us or the Franchisor if you violate it. Thus, if you breach this Agreement, you agree that we will be entitled to an injunction restraining you from any further breach. Such injunctive relief may be obtained without bond, but upon due notice, in addition to such other and further remedies or relief as may be available to us or the Franchisor at equity or law.

8. **Relationship.** This Agreement governs only certain aspects of your relationship with us. The terms and conditions of your employment or provision of services for us remain the same as they have been prior to the date of this Agreement, or as established afterwards. By entering into this Agreement, neither you nor we are committing to employ or engage the other, or to work for the other for any period of time or under any new or different terms and conditions. If you are an employee, this Agreement does not change your status as "at will."

9. **Miscellaneous.**

(a) **Complete Agreement:** This Agreement contains the complete agreement between

the parties concerning this subject matter. This Agreement supersedes any prior or contemporaneous agreement, representation or understanding, oral or written, between them. The continued relationship between the parties described in this Agreement constitutes full and sufficient consideration for the binding commitment of the parties to this Agreement.

(b) **Waiver and Amendment:** A waiver or amendment of this Agreement, or any provision of it, will be valid and effective only if it is in writing and signed by all parties or the party waiving such provision. No waiver of any term of this Agreement will operate as a waiver of any other term of this Agreement or of that same term at any other time.

(c) **Rights Cumulative:** No right or remedy available to any party is exclusive of any other remedy. Each and every remedy will be cumulative to any other remedy given under this Agreement, or otherwise legally existing upon the occurrence of a breach of this Agreement.

10. **Certain Definitions:** As used throughout this Agreement, the following terms have the following meanings:

(a) The term "**Competitive Business**" as used in this Agreement means any business or facility owning, operating or managing, or granting franchises or licenses to others to do so, any business that provides, markets or sells security products and other, low voltage, Cat 5E, Cat 6, fiber optic networking fire alarm systems, complete audio, video, CCTV, central VAC, access control products and services as well as related products and accessories or any other related products and accessories (other than a Security Data Supply® Business operated under a Franchise Agreement with the Franchisor).

(b) The term "**person**" means any corporation, professional corporation or association, partnership (limited or general), joint venture, trust, association or other entity or enterprise or any natural person.

(c) The term "**affiliate**" means, with respect to any person, any other person that directly, indirectly, or through one or more intermediaries, controls, is controlled by or is under common control with, such person, and includes any subsidiaries or other entities that are beneficially owned by such person or its affiliates.

(d) The term "**attorney's fees**" means any and all charges levied by an attorney for his services, including time charges, expenses and other reasonable fees including paralegal fees and legal assistant fees, and includes fees earned in settlement, at trial, on appeal or in bankruptcy proceedings.

11. **Attorneys' Fees.** In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Agreement, the prevailing party will be entitled to full reimbursement of its litigation expenses from the other party. Litigation expenses include attorneys' fees, costs, expert witness fees and other related expenses including paralegal fees, travel and lodging expenses and court filing costs. Reimbursement is due within 30 days of written notice after determination.

12. **Governing Law.** This Agreement is governed by the law of the state where the Business is located.

13. **Third Party Beneficiary.** The parties understand and acknowledge that the Franchisor is a third-party beneficiary of the terms of this Agreement and, at its option, may enforce the provisions of this Agreement against you. Your obligations under this Agreement will continue for the benefit of our and the Franchisor's successors and assigns.

14. **Survival.** The provisions of this Agreement survive any termination of the Franchise Agreement or the relationship between you and us.

15. **Background Information.** The background information is true and correct and is incorporated into this Agreement. This Agreement will be interpreted with reference to the background information,

Intending to be bound, the parties sign below:

THE "FRANCHISEE":	**"YOU":**
_____	_____
By:_____	
Name:_____	Name:_____
Its: _____	Date:_____
Date:_____	

EXHIBIT B TO THE DISCLOSURE DOCUMENT

STATE SPECIFIC ADDENDA AND EXHIBITS

CALIFORNIA

APPENDIX

REGISTRATION OF THE OFFER OF FRANCHISE REFERENCED IN THIS DISCLOSURE DOCUMENT AND THE FRANCHISE AGREEMENT DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE COMMISSIONER OF THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION FOR THE STATE OF CALIFORNIA.

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.

1. Item 3 is amended to include the following statement: "Neither we nor any person or franchise broker listed in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq*., suspending or expelling such persons from membership in that association or exchange."

2. Your initial franchise fee under Item 5 may vary. The following mathematical formula will allow you to calculate the specific dollar amount of the franchise fee:

$$\$50,000 + \$10,000 + (X-1)(\$40,000) = \text{Total initial franchise fees}$$

Where $50,000 is the cost of your up-front, non-refundable "Franchise Fee"; $10,000 is the cost of your "Establishment Package Fee"; X is the number of your franchised Security Data Supply® Businesses; and $40,000 is the cost of your second and subsequent franchised Security Data Supply® Businesses.

3. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or non-renewal of a franchise. If the Franchise Agreement contains provisions that are inconsistent with the law, the law will control.

4. 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.).

5. The Franchise Agreement contains covenants not to compete which extend beyond the termination of the franchise. These provisions may not be enforceable under California law.

6. The Franchise Agreement contains a liquidated damages clause. Under

California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

7. The Franchise Agreement requires you to resolve disputes with us by litigation only in St. Tammany Parish, Louisiana. You 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.

8. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.

9. The Franchise Agreement requires application of the laws of the State of Tennessee. This provision may not be enforceable under California law.

You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

10. The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements are per se violations of the Cartwright Act.

OUR WEBSITE, www.securitydatasupply.com HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at http://www.dbo.ca.gov/.

IDAHO ADDENDUM TO THE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT

Under Idaho Code § 29-110, every stipulation or condition in a contract, by which any party thereto is restricted from enforcing his rights under the contract in Idaho tribunals, or which limits the time within which he may thus enforce his rights, is void as it is against the public policy of Idaho. Furthermore, under Idaho Code § 29-110, any condition, stipulation or provision in a franchise agreement is void to the extent it purports to waive, or has the effect of waiving, venue or jurisdiction of the state of Idaho's court system. Any condition, stipulation or provision in a franchise agreement, to the extent it purports to assert, or has the effect of asserting, the choice of law is enforceable.

ILLINOIS ADDENDUM TO THE DISCLOSURE DOCUMENT and FRANCHISE AGREEMENT

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisee's rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

YOUR FAILURE TO COMPLETE INITIAL TRAINING TO FRANCHISOR'S SATISFACTION, OR BEGIN OPERATING THIS FRANCHISED BUSINESS WITHIN 90 DAYS OF SIGNING THE FRANCHISE AGREEMENT WILL RESULT IN TERMINATION AND LOSS OF YOUR INVESTMENT.

AS A GUARANTEE TO PAY THE FRANCHISOR ALL AMOUNTS YOU OWE UNDER THE FRANCHISE AGREEMENT. YOU MUST GRANT THE FRANCHISOR A SECURITY INTEREST IN ALL OF YOUR ASSETS, EQUIPMENT, FURNITURE, FIXTURES, PHYSICAL BUILDINGS AND ALL PROCEEDS FROM THE OPERATION OF YOUR BUSINESS.

ADDENDUM REQUIRED BY THE STATE OF INDIANA

1. To be added to Item 3 of the Disclosure Document, is the following statement: There are presently no arbitration proceedings to which the Franchisor is a party.

2. Item 17 of the Disclosure Document is amended to reflect the requirement under Indiana Code 23-2-2.7-1(9), which states that any post term non-compete covenant must not extend beyond the franchisee's exclusive APR.

3. Item 17 is amended to state that this is subject to Indiana Code 23-2-2.7-1(10).

4. Under Indiana Code 23-2-2.7-1(10), jurisdiction and venue must be in Indiana if the franchisee so requests. The appropriate sections of the Franchise Agreement are hereby amended.

5. Under Indiana Code 23-2-2.7-1(10), franchisee may not agree to waive any claims or rights.

ADDENDUM REQUIRED BY THE STATE OF MARYLAND

This will serve as the State Addendum for the State of Maryland for Next Day Access, LLC's Franchise Disclosure Document and for its Franchise Agreement. The amendments to the Franchise Agreement included in this addendum have been agreed to by the parties.

1. Item 17 of the Disclosure Document is amended to state that the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Item 17 of the Disclosure Document is amended to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. Item 17 of the Disclosure Document is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

4. Item 17 of the Disclosure Document is amended to state that the provisions in the Franchise Agreement which provide for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. § 101 *et seq*.).

5. The appropriate sections of the Franchise Agreement are amended to permit a franchisee to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. The appropriate sections of the Franchise Agreement are amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

7. The appropriate sections of the Franchise Agreement are amended to state that the general release required as a condition of renewal, sale and/or assignment/ transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

8. The Franchise Agreement and Franchisee Closing Questionnaire are amended to include the following statement: "All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

ADDENDUM REQUIRED BY THE STATE OF MINNESOTA

This addendum to the Disclosure Document effectively amends and revises said Disclosure Document, Franchise Agreement and Multi-Unit Development Agreement as follows:

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

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

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

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

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

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

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

> "Minn. Rule 2860.4400D prohibits us from requiring you to assent to a general release."

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

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

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

8. Under Minn. Rule 2860.440J, the franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required. The Franchise Agreement and Multi-Unit Development Agreement are hereby amended accordingly.

ADDENDUM REQUIRED BY THE DEPARTMENT OF LAW OF THE STATE OF NEW YORK

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

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT G OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST. FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

3. LITIGATION. The following is added to the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under Franchisor's principal trademark:

(A) No such party has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise, antitrust or securities law; fraud; embezzlement; fraudulent conversion; misappropriation of property; unfair or deceptive practices; or comparable civil or misdemeanor allegations.

(B) No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context and number of franchises and the size, nature or financial condition of the franchise system or its business operations.

(C) No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or

has been the subject of a civil action alleging: violation of a franchise; anti-fraud or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; unfair or deceptive practices; or comparable allegations.

(D) No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

4. BANKRUPTCY. The following is added to the end of Item 4:

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

5. INITIAL FEES. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

6. The following is added to the end of the "Summary" sections of Item 17(c), titled **"Requirements for franchisee to renew or extend"**, and Item 17(m), entitled **"Conditions for franchisor approval of transfer"**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

7. The following language replaces the "Summary" section of Item 17(d), titled **"Termination by franchisee"**:

You may terminate the agreement on any grounds available by law.

8. The following is added to the end of the "Summary" section of Item 17(j), titled **"Assignment of contract by franchisor"**:

   However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

9. The following is added to the end of the "Summary" sections of Item 17(v), titled **"Choice of forum"**, and Item 17(w), titled **"Choice of law"**:

   The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

DISCLOSURES REQUIRED
BY NORTH CAROLINA LAW

The State of North Carolina has not reviewed and does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the State. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

If the seller fails to deliver the product(s), equipment or supplies necessary to begin substantial operation of the business within 45 days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled. (N.C.G.S.§66-95)

Effective Date: July 28, 2025

ADDENDUM REQUIRED BY THE STATE OF RHODE ISLAND

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

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

ADDENDUM REQUIRED BY THE COMMONWEALTH OF VIRGINIA

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

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

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

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

ADDENDUM REQUIRED BY THE STATE OF WASHINGTON

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

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

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will either be 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 the 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, or rights and 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.

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

The undersigned does hereby acknowledge receipt of this addendum.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this ___ day of _____, 2024.

FRANCHISOR: SDS Franchising, LLC

_____ _____

By: Ron Broussard, President Date

FRANCHISEE:

_____ _____

By: Date

STATE EFFECTIVE DATES:

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

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

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

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

This Disclosure Document is not required to be registered in the following states, but an exemption has been filed as required by the state's business opportunity laws as of the date specified below:

Kentucky		
Nebraska		
Texas	August 28, 2019	(one-time filing)
Connecticut		
Utah		
Florida		

This Disclosure Document is not required to be registered and an exemption is not required to be filed in the following states and this Disclosure Document is effective as of the Date of Issuance: Alabama, Alaska, Arizona, Arkansas, Colorado, Delaware, Georgia, Idaho, Iowa, Kansas, Louisiana, Maine, Massachusetts, Mississippi, Missouri, Montana, Nevada, New Hampshire, New Jersey, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Vermont, West Virginia and Wyoming.

EXHIBIT C TO THE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

SDS FRANCHISING, LLC

Audits of Financial Statements

December 31, 2024 and 2023

LAPORTE

CPAs & BUSINESS ADVISORS

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LAPORTE
CPAs & BUSINESS ADVISORS

LaPorte, APAC
8555 United Plaza Blvd. | Suite 400
Baton Rouge, LA 70809
225.296.5150 | Fax 225.296.5151
LaPorte.com

Independent Auditor's Report

To the Member
SDS Franchising, LLC
Covington, Louisiana

Opinion
We have audited the financial statements of SDS Franchising, LLC (the Company) which comprise the balance sheets as of December 31, 2024 and 2023, the related statements of operations and member's equity and cash flows for the years ended December 31, 2024, 2023, and 2022, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years ended December 31, 2024, 2023 and 2022 in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

A Professional Accounting Corporation

Baton Rouge, LA
March 19, 2025

SDS FRANCHISING, LLC
Balance Sheets
December 31, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and Cash Equivalents	**$ 3,590**	$ 2,591
Total Assets	**$ 3,590**	$ 2,591
Member's Equity	**$ 3,590**	$ 2,591
Total Member's Equity	**$ 3,590**	$ 2,591

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

SDS FRANCHISING, LLC
Statements of Operations and Member's Equity
For the Years Ended December 31, 2024, 2023, and 2022

	2024	2023	2022
Revenues			
License Fee Income	**$ 7,500**	$ 7,500	$ 7,500
Operating Expenses			
General and Administrative	**6,501**	5,729	6,750
Net Income	**999**	1,771	750
Member's Equity, Beginning of Year	**2,591**	820	70
Member's Equity, End of Year	**$ 3,590**	$ 2,591	$ 820

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

SDS FRANCHISING, LLC
Statements of Cash Flows
For the Years Ended December 31, 2024, 2023, and 2022

	2024	2023	2022
Cash Flows from Operating Activities			
Net Income	**$ 999**	$ 1,771	$ 750
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
None	**-**	-	-
Net Cash Provided by Operating Activities	**999**	1,771	750
Net Increase in Cash and Cash Equivalents	**999**	1,771	750
Cash and Cash Equivalents, Beginning of Year	**2,591**	820	70
Cash and Cash Equivalents, End of Year	**$ 3,590**	$ 2,591	$ 820

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

Note 1. Nature of Business and Summary of Significant Accounting Policies

Nature and Organization of Business

SDS Franchising, LLC (the Company) was organized in Louisiana on November 11, 2010. The Company was established to develop and franchise the Security Data Supply Business System (the System). Franchisees use the System to sell a variety of security products.

As of December 31, 2024, 2023, and 2022, there were 14, 11, and 10 franchises in operation, respectively.

Basis of Accounting

The Company maintains its accounting records and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned and expenses and losses are recognized when incurred.

Revenue Recognition

Revenue from Contracts with Customers (Topic 606) provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

In 2022, the Company began collecting a license fee from Security Data Supply, LLC, a related party with common ownership. This annual license fee allows Security Data Supply, LLC access to the trademarks, copyrights, logos, and associated marks of the Company. Revenue is generated when the Company sells a franchise or on an annual basis as it collects a license fee for the use of names and trademarks.

Nature of Services

Franchise Fees

Franchisees may be required to pay the Company or its affiliates a franchise fee, an establishment package fee, and/or system fund fee. The franchise fee is a non-recurring and non-refundable initial fee. The establishment package fee is the fee for the establishment package which contains certain products, supplies, equipment, and services for the development and operation of the franchisee's business. It is a non-refundable fee and is usually required at the time the franchisee signs a franchise agreement.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Nature of Services (Continued)

Franchise Fees (Continued)

The system fund fee is an amount the Company designates up to 2% of the franchisee's monthly gross sales. The system fund fees are fully earned and non-refundable when paid. The franchise agreement has multiple performance obligations that are fulfilled in accordance with each of these fees. The initial franchise fee is recognized at a point in time at the time the agreement is entered into. The establishment package fee is recognized over time from when the franchise agreement is signed until the franchise is operational as it provides the franchise with the materials and services necessary to operate the business. This package of goods and services are considered to be a series of distinct services that represent a single performance obligation. The system fund fee is recognized as earned as sales are incurred. No such fees were earned by the Company during 2024, 2023, or 2022 and, as such, there are no contract assets and liabilities at December 31, 2024 or 2023 or January 1, 2023.

License Fee

The Company licenses its name and copyrights to a related party. This agreement includes the right to use the identified intangibles over the term of the agreement. The use of these intangibles is interrelated and not considered to be individually distinct and, therefore, is accounted for as a single performance obligation. The performance obligation is the promise to provide access to the intangibles over the term of the agreement, which can be a series of services that represent one performance obligation. Although the Company's underlying activities associated with the intangibles will vary daily, the intangibles are accessed over time and the customer (licensee) simultaneously receives and consumes the benefit from the Company's performance of providing access to the intangibles. Under this arrangement, the Company receives an annual payment for access that is recognized over the life of the agreement. The agreement is for an annual period beginning on January 1st of each year, ending on December 31st. As such, the performance obligations are satisfied within the one year period. There are no contract assets/liabilities associated with this revenue stream as of December 31, 2024 or 2023 or as of January 1, 2023.

For each of the years ended December 31, 2024, 2023 and 2022, revenue recognized over time was $7,500.

Contracts with Multiple Performance Obligations

In some cases, the Company's contracts with customers include multiple performance obligations that are not fulfilled simultaneously. When this occurs, the transaction price is allocated on a relative stand alone selling price basis of each performance obligation.

Transaction Price

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods and services to the customer. All contract revenue is considered to be fixed fees with the exception of the system fund fee which is dependent on sales of the customer.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Transaction Price (Continued)

This revenue is considered variable but, because it relates to the use of franchise rights, they are recognized at the latter of when the performance obligation to which the revenue relates is satisfied or when the subsequent sales occur. System fund fees, therefore, are recognized as the sales occur and are not estimated for the purpose of determining the transaction price.

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP, generally 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 statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Company considers all highly liquid financial instruments with a maturity of three months or less to be cash and cash equivalents.

Income Taxes

The Company is a single-member limited liability company. As such, the income or loss of the Company is included on the tax return of the member.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Company believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in operating expenses.

Note 2. Related-Party Transactions

For the years ended December 31, 2024, 2023 and 2022, the Company has a license agreement with Security Data Supply, LLC, which is an entity with common ownership. The Company recognized $7,500 of license fee revenue each year as a result of this agreement.

During the years ended December 31, 2024, 2023, and 2022, franchisees purchased approximately $50,000,000, $33,000,000, and $35,000,000, respectively, of inventory from parties related to the Company through common ownership.

Note 3. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 19, 2025, and determined no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

EXHIBIT D TO THE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES

The following are the names of all current Security Data Supply® Business franchisees as of December 31, 2024 and their address and telephone numbers as of the date of this disclosure document:

State	**Address/Telephone Number**
Alabama:	Security Data Supply of Mobile, LLC 3350 Halls Mill Rd, Suite D Mobile, AL 36606 (251) 415-3425
Arizona:	Security Data Supply of Phoenix, LLC 3323 West Catalina Drive Phoenix, AZ 85017 (602) 900-1969
Louisiana:	Security Data Supply of Bossier, LLC 4004 Shed Road Bossier City, LA 71111 (318) 742-8232
	Security Data Supply of Mandeville, LLC 530 Asbury Drive, Suite B Mandeville, Louisiana 70471 (985) 674-9890
	Security Data Supply of Baton Rouge, LLC 10652 Alco Avenue Baton Rouge, Louisiana 70816 (225) 293-7890
	SDS of Greater NOLA, LLC 3204 48th Street Metaire, Louisiana 70001 (504) 836-2040
Nevada:	Security Data Supply of Las Vegas, LLC 6455 Dean Martin Drive, Suite F Las Vegas, Nevada 89118 (702) 357-5892
Texas:	Security Data Supply of Dallas, LLC 1000 West Crosby, Suite 144 Carrolton, TX 75006 (214) 226-8423 And 7346 Dogwood Park Drive Richland Hills, TX 76118 (972) 416-5020

	Security Data Supply of Lubbock, LLC 12415 University Avenue, Suite 4 Lubbock, TX 79423 (806) 310-7371
	Security Data Supply of Houston, LLC 9777 W. Gulf Bank, Suite 15 Houston, TX 77040 (713) 782-5100

The following are the names of current company or affiliate owned Security Data Supply® Business as of December 31, 2024 and their address and telephone numbers as of the date of this disclosure document:

State	**Address/Telephone Number**
Idaho:	SDS West Coast Operations, LLC d/b/a SDS Boise 134 N. Cloverdale Road Boise, ID 83713 (208) 323-1177
Missouri:	SDS of Kansas City, LLC 4104 NW Riverside St Riverside, MO 64150 (816) 834-9111
New Mexico:	SDS West Coast Operations, LLC d/b/a SDS Albuquerque 2520 Jefferson St NE #A Albuquerque, NM 87110 (505) 888-4000
North Carolina:	SDS of Raleigh, LLC 2728 Capital Blvd, Suite 164 Raleigh, NC 27604 (984) 375-3737
Ohio:	SDS of Cincinnati, LLC 11260 Cornell Park, Suite 706 Cincinnati, OH 45242 (513) 823-9737
Oregon:	SDS West Coast Operations, LLC d/b/a SDS Portland 16655 SW 72nd Avenue, Suite 500 Tigard, OR 97224 (503) 431-2025
Utah:	SDS West Coast Operations, LLC d/b/a SDS Salt Lake City 4318 South 500 West Murray, UT 84123 (801) 207-1959

Washington:	SDS West Coast Operations, LLC d/b/a SDS Spokane 204 South Koren Road, Suite 500 Spokane, WA 99212 (509) 624-5943

EXHIBIT E TO THE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

The following is a list of the city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee (Security Data Supply® Business) who had a Business terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement with us during the last fiscal year or who has not communicated with us within 10 weeks of the issuance 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.

State	**Address/Telephone Number**
Oklahoma	Security Data Supply of Tulsa, LLC 724 W. Elgin Street Broken Arrow, OK 74012 (918) 409-2339

EXHIBIT F TO THE DISCLOSURE DOCUMENT

TABLE OF CONTENTS OF OPERATING MANUAL

SDS FRANCHISING MANUAL TABLE OF CONTENTS:

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EXHIBIT G TO THE DISCLOSURE DOCUMENT

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

Our registered agent in the State of Louisiana is:

Ronald F. Broussard, Jr.
421 North Florida Street
Covington, LA 70433

STATE	AGENCY	SERVICE OF PROCESS, IF DIFFERENT
California	Department of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7505 or (866) 275-2677 (Toll Free)	Commissioner of Corporations Department of Corporations 320 West 4th Street, Suite 750 Los Angeles, California 90013
Hawaii	Business Registration Division Securities Compliance Branch Department of Commerce and Consumer Affairs 335 Merchant Street Honolulu, Hawaii 96813 (808) 586-2722	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813
Illinois	Franchise Division Office of Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	
Indiana	Franchise Section Indiana Securities Division Secretary of State, Room E-018 302 W. Washington Street Indianapolis, Indiana 46204 (317) 232-6681	Administrative Office of the Secretary of State 201 State House Indianapolis, Indiana 46204
Maryland	Office of Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360	Maryland Securities Commissioner Office of the Attorney General 200 St. Paul Place Baltimore, Maryland 21202-2021
Michigan	Department of Attorney General Consumer Protection Division Franchise Section 525 West Ottawa St. G. Mennen Williams Bldg., 1st Floor Lansing, Michigan 48913 (517) 373-1837	Michigan Attorney General 670 Law Building Lansing, Michigan 48913
Minnesota	Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101 (651) 296-4026	
New York	New York State Department of Law 120 Broadway, 23rd Floor New York, New York 10271 (212) 416-8000	Secretary of State State of New York One Commerce Plaza 99 Washington Ave. Albany, New York 12231-0001

STATE	AGENCY	SERVICE OF PROCESS, IF DIFFERENT
North Dakota	Office of Securities Commissioner 600 East Boulevard, Fifth Floor, Dept. 414 Bismarck, North Dakota 58505 (701) 328-4712	
Oregon	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310	
Rhode Island	Division of Securities 1511 Pontiac Avenue John O. Pastore Complex-Bldg. 69-1 Cranston, RI 02920 (401) 462-9585	Director of Business Regulation Division of Banking and Securities 233 Richmond Street, Suite 232 Providence, RI 02903-4232
South Dakota	Division of Securities 445 East Capitol Pierre, South Dakota 57501 (605) 773-4823	
Virginia	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9627	Clerk State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219
Washington	Department of Financial Institutions Securities Division 150 Israel Rd. S.W. Tumwater, Washington 98501 (360) 902-8760	
Wisconsin	Division of Securities Department of Financial Institutions 345 W. Washington St., 4th Floor Madison, Wisconsin 53703 (608) 266-3364	Wisconsin Securities Commissioner 101 East Wilson Street Madison, Wisconsin 53701

EXHIBIT H TO THE DISCLOSURE DOCUMENT

FRANCHISE COMPLIANCE CERTIFICATE

FORM OF FRANCHISE COMPLIANCE CERTIFICATION

The undersigned Franchisee desires to purchase a franchise for the location described below (the "Location"). SDS Franchising, LLC (the "Company") requires that the Franchisee complete this questionnaire in order to enable the Company to confirm that it and its employees and representatives have fully complied with all applicable franchise registration and disclosure laws.

1. Full name of Franchisee:

_____

2. Location:

_____

_____

3. Franchisee is: (Check applicable box)

[ ] An individual

[ ] A corporation (State of formation ___)

[ ] A general partnership (State of formation ___)

[ ] A limited partnership (State of formation ___)

[ ] A limited liability company (State of formation ___)

4. If Franchisee is other than an individual, indicate the capacity in which the undersigned is authorized to act on behalf of the Franchisee: (Check applicable box)

[ ] Officer (insert title):_____

[ ] General Partner_____

[ ] Other (please explain):_____

5. Did Franchisee receive a Franchise Disclosure Document? [ ] Yes [ ] No

6. On what date was the Franchise Disclosure Document received, and by whom?

Recipient:_____

Date: _____

7. Below, please indicate the contracts proposed to be executed by the Franchisee in connection with the purchase of the franchise (collectively referred to as the "Agreements") and the date that the final form of such Agreements were delivered to the Franchisee:

	Agreement	Date
[ ]	Franchise Agreement	_____
[ ]	Addendum to License Agreement (State Specific _____)	_____
[ ]	Personal Guaranty	_____
[ ]	Principal Owner/Shareholder Statement	_____
[ ]	Franchisee Closing Questionnaire	_____
[ ]	Other (specify): _____	_____

8. Name of salesperson(s) handling this sale for Company:

_____

9. Were any oral or written statements made to the Franchisee by the Company, the salesperson(s) listed above, or any other representatives of Company concerning the actual sales, profits or earnings of any franchised or company-owned store(s) (including the Location), or potential sales, profits or earnings that could be anticipated at the Location? [ ] Yes [ ] No. If yes, please explain in detail (attach additional sheet if necessary) and if none, write "none":

_____

_____

_____

_____

10. Did Franchisee carefully review and understand the Franchise Disclosure Document, the Franchise Agreement, Area Developer Agreement and the other Agreements? [ ] Yes [ ] No

If no, please explain:

_____

_____

_____

11. Did Franchisee ask the Company any questions concerning the Franchise Disclosure Document or other Agreements that were not satisfactorily answered? [ ] Yes [ ] No

If yes, please explain:

_____

_____

_____

12. Did the salesperson(s) listed above, or any other employee or representative of the Company, make any statement to the Franchisee that is inconsistent with the information described in the Franchise Disclosure Document? [ ] Yes [ ] No

If yes, please explain:

_____

_____

_____

13. Did the Franchisee contact other franchisees or licensees of the Company to discuss Franchisee's possible purchase of the franchise? [ ] Yes [ ] No

14. If your answer to question 13 was yes, please identify such franchisees (attach extra sheet if necessary):

_____ _____ _____
_____ _____ _____
_____ _____ _____

15. Did the Franchisee employ an attorney to render advice to Franchisee concerning the purchase of this franchise? [ ] Yes [ ] No. If yes, please insert the name address and telephone number of such attorney:

_____
_____
_____

16. Did the Franchisee consult with an accountant or other financial advisor in connection with the purchase of the franchise? If yes, please insert the name address and telephone number of such accountant or financial advisor: [ ] Yes [ ] No

[ ] Accountant

[ ] Other (please describe)

_____
_____
_____

17. Do you understand that the success or failure of your franchise will depend in large part upon your skills and abilities, competition from other Business and other economic and business factors?

Yes _____ No _____

18. Have you paid any money to us concerning the purchase of your Security Data Supply® Business prior to today?

Yes _____ No _____

Franchisee understands that the Company is acting in reliance on the truthfulness and completeness of the Franchisee's responses to the questions above in granting the franchise to Franchisee. THE FRANCHISEE ACKNOWLEDGES AND AGREES THAT IN THE EVENT THAT ANY DISPUTE ARISES, THIS QUESTIONNAIRE SHALL BE ADMISSIBLE AS EVIDENCE IN ANY LEGAL ACTION OR ARBITRATION PROCEEDING, AND FRANCHISEE HEREBY WAIVES, TO THE FULLEST EXTENT PERMISSIBLE UNDER THE LAW, ANY OBJECTION TO SUCH ADMISSION OF THIS QUESTIONNAIRE.

FRANCHISEE:

DATED: _____ _____

_____
(Print name)

Individually and on behalf of:

_____

EXHIBIT I TO THE 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 SDS FRANCHISING, 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 a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If SDS FRANCHISING, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and in the state agency listed on Exhibit "G".

The Franchisor is SDS FRANCHISING, LLC, located at 421 North Florida Street, Covington, LA 70433. Its telephone number is (985) 327-7980.

The franchise seller for this offering is Ron Broussard. His address is 421 North Florida Street, Covington, LA 70433 and his telephone number is (985) 327-7980.

Issuance Date: July 28, 2025.

SDS FRANCHISING, LLC authorizes the respective state agencies identified on Exhibit "G" to receive service of process for it in the particular state.

I have received a disclosure document dated July 28, 2025, that included the following Exhibits:

Exhibit A Franchise Agreement	Exhibit F Table of Contents of Operating Manual
Exhibit B State Specific Addenda and Exhibits	Exhibit G List of State Agencies/Agents for Service of Process
Exhibit C Financial Statements	Exhibit H Franchise Compliance Certification
Exhibit D List of Franchisees	Exhibit I Receipts
Exhibit E List of Franchisees who have left the system	

PROSPECTIVE FRANCHISEE

If a Business Entity:

_____

NAME OF ENTITY

By: _____

Its: _____

Signature: _____

Date: _____

If an Individual:

_____

Print: _____

Date: _____

KEEP THIS COPY FOR YOUR RECORDS.

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 SDS FRANCHISING, 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 a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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Exhibit D	List of Franchisees	Exhibit H	Franchise Compliance Certification
Exhibit E	List of Franchisees who have left the system	Exhibit I	Receipts

PROSPECTIVE FRANCHISEE

If a Business Entity:

_____

NAME OF ENTITY

By: _____

Its: _____

Signature: _____

Date: _____

If an Individual:

_____

Print: _____

Date: _____

PLEASE SIGN, DATE AND RETURN THIS PAGE

You may return it to us by either mailing it to SDS FRANCHISING, LLC at 421 North Florida Street, Covington, LA 70433, or by e-mailing a copy to us by pdf at ron@securitydatasupply.com