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Department of
Business Oversight

SHIELD® SECURITY SYSTEMS

FRANCHISE DISCLOSURE DOCUMENT

SHIELD SECURITY SYSTEMS FRANCHISE DEVELOPMENT CORP.
(A New York Corporation)
5170 Genesee Street
Bowmansville, NY 14026
(716) 681-6677
info@shieldsecurity.net
www.shieldsecurity.net

Shield Security Systems businesses specialize in the sale, installation, servicing and monitoring of residential and commercial alarm systems and also intercoms, access control systems, closed circuit television, GPS tracking systems, home theater systems and central vacuum systems as incidental services.

The total investment necessary to begin operation of a Shield Security Systems franchise is from $77,325 to $127,500. This includes between $49,600 – $52,920 that may be paid to the franchisor or affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however that no 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 Kenneth Jezioro, Shield Security System Franchise Development Corp., 5170 Genesee Street, Bowmansville, NY 14026, 716-681-6677.

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

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

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

Issuance Date: October 13, 2016

STATE COVER PAGE

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

Call the state franchise administrator listed in Exhibit E for information about the franchisor, or about franchising in your state.

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

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

THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION/ARBITRATION/MEDIATION ONLY IN NEW YORK. OUT-OF-STATE LITIGATION/ARBITRATION/MEDIATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO SUE/ARBITRATE/MEDIATE WITH US IN NEW YORK THAN IN YOUR OWN STATE.

THE FRANCHISE AGREEMENT STATES THAT NEW YORK LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

THE FRANCHISE OWNERS AND THEIR SPOUSES MUST EACH SIGN PERSONAL GUARANTIES MAKING EACH SPOUSE JOINTLY AND SEVERALLY LIABLE FOR ALL OBLIGATIONS OF THE FRANCHISE. THESE GUARANTIES PLACE EACH FRANCHISE OWNER'S AND EACH SPOUSE'S PERSONAL ASSETS AT RISK.

THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date: See dates noted on next page.

EFFECTIVE DATES

California Effective Date: _____

Hawaii Effective Date: _____

Illinois Effective Date: _____

Indiana Effective Date: _____

Maryland Effective Date: _____

Michigan Effective Date: _____

Minnesota Effective Date: _____

New York Effective Date: _____

North Dakota Effective Date: _____

Rhode Island Effective Date: _____

South Dakota Effective Date: _____

Virginia Effective Date: _____

Washington Effective Date: _____

Wisconsin Effective Date: _____

THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY THE MICHIGAN FRANCHISE INVESTMENT LAW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee or subfranchisor until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO THE OFFICE OF THE ATTORNEY GENERAL, CONSUMER PROTECTION DIVISION, ATTN: FRANCHISE SECTION, G. MENNEN WILLIAMS BUILDING, 6TH FLOOR, LANSING, MICHIGAN 48933, (517) 373-7117.

SHIELD SECURITY SYSTEMS FRANCHISE DEVELOPMENT CORP.

FRANCHISE DISCLOSURE DOCUMENT

TABLE OF CONTENTS

Page No.

Item 1 THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES 1
Item 2 BUSINESS EXPERIENCE 2
Item 3 LITIGATION 2
Item 4 BANKRUPTCY 2
Item 5 INITIAL FEES 2
Item 6 OTHER FEES 3
Item 7 ESTIMATED INITIAL INVESTMENT 10
Item 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES 13
Item 9 FRANCHISEE'S OBLIGATIONS 15
Item 10 FINANCING 16
Item 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING 16
Item 12 TERRITORY 23
Item 13 TRADEMARKS 24
Item 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION 25
Item 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS 26
Item 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL 27
Item 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION 27
Item 18 PUBLIC FIGURES 29
Item 19 FINANCIAL PERFORMANCE REPRESENTATIONS 29
Item 20 OUTLETS AND FRANCHISEE INFORMATION 30
Item 21 FINANCIAL STATEMENTS 33
Item 22 CONTRACTS 34
Item 23 RECEIPTS 34

EXHIBITS

A Franchise Agreement
B Table of Contents of the Manual
C Audited Financial Statements
D Unaudited Financial Statements
E State Agencies and Agents for Service of Process
F List of Franchisees
G License Agreement
H State Law Addenda
I Release
J Receipt

APPLICABLE STATE LAW MIGHT REQUIRE ADDITIONAL DISCLOSURE RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT AND MIGHT REQUIRE AN ADDENDUM TO THE FRANCHISE AGREEMENT. THESE ADDITIONAL DISCLOSURES AND ADDENDA, IF ANY, APPEAR IN EXHIBIT H.

SHIELD SECURITY SYSTEMS FRANCHISE DEVELOPMENT CORP.
FRANCHISE DISCLOSURE DOCUMENT

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

Shield Security Systems Franchise Development Corp., the franchisor of the Shield Security Systems franchise, is referred to in this disclosure document as "we," "us," or "our" as the context requires. A franchisee is referred to in this disclosure document as "you" and "your" as the context requires. If the franchise will be owned by a corporation, partnership or limited liability company, "you" and "your" also mean the owners of the corporation, partners of the partnership or members of the limited liability company and their spouses.

We are a corporation formed under New York law in June 1992. We were formally known as Shield Development, LTD until September 2007. Our principal business address is 5170 Genesee Street, Bowmansville, NY 14026. We are doing business under our corporate name and under the Marks (as defined below). We sell franchises for the operation of Shield Security Systems Businesses. We do not have any parent or predecessors.

Our agent or agents to receive service of process, if any, are in attached Exhibit E.

Shield Security Systems, Inc. ("SSSI") is our affiliate. SSSI's address is 5170 Genesee Street, Bowmansville, NY 14026. SSSI has been operating a Shield Security Systems business in and around Buffalo, New York since 1986. Our franchises are modeled after the business operated by SSSI. SSSI has no business experience prior to 1986.

Shield Security Systems businesses specialize in the sale, installation, servicing and monitoring of residential and commercial alarm systems and also intercoms, access control systems, closed circuit television, GPS tracking systems, home theater systems, home automation, residential and commercial fire alarm systems, cellular radio communication services and central vacuum systems as incidental services in accordance with the System and under the Marks as described in the Franchise Agreement which is attached as Exhibit A ("Franchise Agreement"). In this Franchise Disclosure Document, "Shield Security System Business" is any business operating under the Marks and in accordance with the System which is owned by us, our affiliates or any of our franchisees. The Shield Security System Business you will operate according to the terms of the Franchise Agreement is referred to as the "Business." You will operate your Business under the name Shield Security System or any other name we decide in the future.

The market for our franchisee's goods and services is well developed. Our goods and services are sold to individuals and to businesses. Selling is not seasonal. Our competitors' are other independent security businesses, regional and national chains specializing in security systems, and the self-help section of various electronic stores and hardware stores.

Certain states have laws and regulations governing low voltage installation companies, burglar alarm installation and service companies and commercial alarm installation and service companies. Some of these laws and regulations will require you, your owners and your employees to have criminal background checks. You must check all applicable governmental laws, regulations, and ordinances. You are responsible for knowing and complying with all laws and licensing requirements related to the operation of your Business and it is likely that you will be required by city and/or state laws to obtain

licenses to operate the Business.

We began franchising in 2002. Currently we have 11 franchises operating. We operate a business similar to the one you will operate since we repurchased a Shield Security Systems Business from a franchisee in 2009. Our affiliate, SSSI, has been operating a business similar to the one you will operate since 1986. None of our affiliates have sold any franchises in any line of business. We have not sold any franchises in any other line of business other than Shield Security Systems franchises.

Item 2
BUSINESS EXPERIENCE

Kenneth J. Jezioro **President**

Since our inception in June 1992, Mr. Jezioro has been our President. Mr. Jezioro continues to serve in this position in Buffalo, New York.

Since its inception in January 1985, Mr. Jezioro has been the President of Shield Security Systems, Inc. Mr. Jezioro continues to serve in this position in Buffalo, New York.

Mary Jezioro **Vice President**

Since January 1996, Ms. Jezioro has been our Vice President. Ms. Jezioro continues to serve in this position in Buffalo, New York.

Since January 1996, Ms. Jezioro has been the Vice President of Shield Security Systems, Inc. Ms. Jezioro continues to serve in this position in Buffalo, New York.

Item 3
LITIGATION

No litigation is required to be disclosed in this Item.

Item 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

Item 5
INITIAL FEES

You will pay us a nonrefundable franchise fee of $40,000 in lump sum when you sign the Franchise Agreement ("Initial Franchise Fee"). The Initial Franchise Fee is fully earned by us and is non-refundable to you.

You must purchase a dedicated micro website hosted on our approved platform, and related services from us before you begin operation of your business. The initial cost is $4,000 as well as ongoing cost of $1,200/month for the first six months for Search Engine Optimization (SEO), $2,500 for

Pay Per Click (PPC) internet advertising, $250 per month (annually) for online reputation management services, $400 per month (annually) for email marketing, and other related services.

You may purchase the computer hardware and software from us, however, you are not required to do so. If you purchase these items from us, this cost will range from $1,500 to $2,500. You must purchase business cards, billing and return address envelopes from us. The cost for these items will range from $300 to $500. You may purchase additional sales training materials (binders) from us, however, you are not required to do so. The cost of these items will range between $80 and $320. Once you order any of the items described in this paragraph, the costs of such items will be non-refundable to you.

Item 6
OTHER FEES

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty (Note 1)	5% of Gross Receipts	Payable by the 10th day of each month based on Gross Receipts of the previous month	Sales reports are generated by us in the first 5-10 business days of the month. Payments will be deducted from monitoring fees collected by the Franchisor or drawn from your account via electronic funds transfer ("EFT") should adequate funds not be available from monitoring fees collected
Regional/National Marketing (Note 1)	1% of Gross Receipts	Payable by the 10th day of each month based on Gross Receipts of the previous month	Payments will be deducted from monitoring fees collected by the Franchisor or drawn from your account via EFT should adequate funds not be available from monitoring fees collected.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Monitoring Fee (Note 2)	$6 per month per customer account if 0-500 customer accounts, $5.50 per month per customer account if 501-1000 customer accounts and $5.00 per month per customer account if over 1001 customer accounts	By the 10th day of each month based on the active monitored accounts on the 1st day of the month	We will invoice you for each customer account that is being monitored on the first day of each month for that month. Monitoring is pre-paid and considered to be fully earned. There are no adjustments for accounts that cease to be monitored in that month. Payments will be deducted from monitoring renewals collected by us and additional funds will be drawn from your account via EFT
Cellular Communications (Note 5)	$6 per month per customer account utilizing cellular communications. AlarmNet or other third party special services billed according to the then-current price list	By the 10th day of each month based on the active monitored accounts on the 1st day of the month	We will invoice you for each customer account that is being monitored on the first day of each month for that month. Monitoring is pre-paid and considered to be fully earned. There are no adjustments for accounts that cease to be monitored in that month. Payments will be deducted from monitoring renewals collected by us and additional funds will be drawn from your account via EFT
Activation Fee (Note 3)	We may charge you $35 for any new customer account activation	Payable by the 10th day of each month	We reserve the right to charge you for excessive activations on any single account. Payments will be drawn from your account via EFT

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Minimum Monthly Amount (Note 4)	The difference between the Minimum Monthly Amount and the Royalty Fee and Monitoring Fees you paid in each month	Payable by the 10th day of each month	If the amount of the Royalty Fee and Monitoring Fees paid during any month are less than the Minimum Monthly Amount
Product Purchases (Note 5)	On Price List	Pay by check with each order	Payment must include cost of goods, taxes, shipping and handling
Voice Over Internet Service (VoIP) (Note 11)	$50.00 per month plus an initial set up fee of $250.00 which includes a desk phone and local Direct Inbound Dialing (DID) phone number	Payable by the 10th day of each month	We will invoice you on the first day of each month for that month. VoIP service is pre-paid and considered to be fully earned. Additional fees will apply if used for telemarketing purposes or excessive outbound calling. Payments will be deducted from monitoring renewals collected by us and additional funds will be drawn from your account via EFT
Software License Fee	Currently $240 per user per year	Prior to opening and every April 1st thereafter	For use and access of the hosted Security Account Management System (A.K.A. "S.A.M.") Software and its maintenance and updating. (See Item 11 for details)
After Hours Call Center Fee (Required) (Note 6)	$80 per month for the first 100 minutes of service and $.99 for each additional minutes (subject to annual increases)	Beginning on the first day of the sixth month after opening.	For us to provide call center services for you. You are required to use our after hours services. Payment is due by the 10th day of each month based upon usage of the previous month.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
24 Hour Call Center Fee (Optional) (Note 6)	$300 per month for the first 200 minutes of service and $.99 for each additional minutes (subject to annual increases)	Beginning on the first day of the sixth month after opening.	For us to provide 24 hour call center services to you. You are not required to use this service. Payment is due by the 10th day of each month based upon usage of the previous month.
Liquidated Damages	$250 per occurrence	Upon invoice	Each time a customer or we call your Business telephone line during normal business hours and it is not answered by a live person
Interest	Lesser of 1½% per month or maximum legal rate	On all amounts overdue	Payable on all overdue amounts
Auditing Costs	Cost of an audit	Upon demand	If you fail to provide us with reports or if we determine that you have been deficient by more than 2% on reported Gross Receipts
Insufficient Funds	$100 for each event where there insufficient funds to pay your invoices	Payable when assessed	If you fail to have sufficient funds to pay via EFT
Additional training and assistance (Note 7)	Reasonable fee and all expenses	Upon request or as we require	For additional training or assistance that you need or request
Renewal Fee	10% of the then current initial franchise fee	Upon renewal	Payable when you renew
Transfer Fee	75% of the then current initial franchise fee	Upon transfer	Payable on transfers of your interest in the franchise
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we are held liable for claims from your Business operation

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Due when you do not comply with the Franchise Agreement and we have to seek assistance to enforce the Agreement
Arbitration Fee	Cost of Arbitration and attorneys' fees	Upon demand	If awarded by arbitrators
Automated Client Invoicing and Credit Card Payments (Note 8)	1.5% of the transaction amount	Deducted from the payment amount received in S.A.M.	You are required to use our secure credit card processing portal for credit card payments. We will issue credits during the first week of the month or initiate EFT to your account
Client Monitoring Invoicing (Note 9)	$1.25 per mailed invoice and subject to increases as postage increases and cost of processing not to exceed 5%/year	As incurred	You are required to use our administrative services to invoice your clients for monitoring services.
Taxes (Note ~~10~~)	Actual costs	Upon demand	

Except as otherwise noted above, all fees are uniformly imposed by us, are payable to us and are non-refundable.

Note 1: Royalty Fee and Regional/National Marketing Fee. "Gross Receipts" means all revenue you collect from operating the Business, whether from cash, check or credit transactions, but excluding all federal, state or municipal sales taxes, use taxes or service taxes collected from customers and paid to the appropriate taxing authority and excluding customer refunds, adjustments, credits and allowances actually made by you in accordance with the guidelines in the Confidential Operations Manual. All billing must be done through the Security Account Management (S.A.M.) software and registered utilizing Quickbooks® Software.

Note 2: Monitoring Fees. You are required to use us to provide central station monitor services ("Monitoring Services") for your customers' systems. You shall be charged a monitoring fee as compensation for us providing the Monitoring Services to your customers (the "Monitoring Fee"). The Monitoring Fee is based upon the number of customer accounts being monitored by us on the first day of the month. Monitoring services include but are not limited to alarm activation and status signals. Additional services may include, but not limited to, radio telemetry, cellular and Internet services, Total Connect (or similar features) that we may pay third parties. We provide toll free telephone numbers to transmit your client's signals and you are allowed 10 signals per month. When and account goes off line, you are required to disable the "dialer" or other communication path or you will continue to be charged for all signals. In the event of excessive signals that are not resolved within 30 days, you will pay us $.15

for each signal. SHIELD must be allowed to remotely access every client's equipment as long as that account is transmitting signals to our central station. This is required to allow us to correct programming errors or to disable accounts that may be experiencing technical issues. Currently the Basic Monitoring Fee will be calculated as follows, however, we reserve the right to increase the amount:

Number of Customer Accounts	Monthly Monitoring Fee per Customer Account
0-500	$6.00
501-1000	$5.50
Over 1001	$5.00

You will pay the Monitoring Fee for each customer account by the 10th day of each month. An invoice will be generated on the 1st day of each month based on active monitored accounts. Although we do not anticipate having to raise the Monitoring Fee, we reserve the right to do so in the future upon 30 days prior written notice to you. However, we will not increase the Monitoring Fee more than 50 cents per month in any 2 year period. We will not bill you for new accounts until the first day of the following month. We do not issue a refund or credit for any account that goes "Off Line" during a month.

Note 3: Reactivation Fees. Upon reactivation of any customer account you shall pay a reactivation fee of $35. An invoice will be generated on the first day of each month and you must pay any Activation Fees by the 10th day of each month.

Note 4: Minimum Monthly Amounts. Any time after 12 months from the Effective Date of the Franchise Agreement, if the amount of the Royalty Fees, Activation Fees and Monitoring Fees you paid to us in any month is less than the Minimum Monthly Amount set forth in the chart below, you will be required to pay us the difference.

Number of Months from the Effective Date	Minimum Monthly Amount
0-12	No Minimum Monthly Amount
13-24	$1,500
25-36	$2,400
37-48	$3,000
49-60	$3,600
61-72	$4,200
73-84	$4,700
85-96	$5,300
97-108	$5,800
109-120	$6,300

THIS IS NOT MEANT TO STATE OR IMPLY THAT YOU WILL BE ABLE TO ACHIEVE THE MINIMUM MONTHLY AMOUNTS. YOUR ABILITY TO ACHIEVE THE MINIMUM MONTHLY AMOUNTS ARE DEPENDENT UPON MANY FACTORS, INCLUDING YOUR SKILL, ABILITY AND DEDICATION, MARKET CONDITIONS, AS WELL AS MANY MATTERS BEYOND YOUR CONTROL AND OUR CONTROL

Note 5: Product Purchases. You are required to purchase from us or our approved suppliers the security system packages which include the control panel and digital communicators ("Security System Packages"), closed circuit TV equipment ("CCTV Equipment") and hardware that you install for your customers. We will provide you 2 security system packages at no charge when you start your Business for training purposes. In addition, you may purchase shirts and other logo-branded items through the SHIELD Security Systems, Lands End Store and additional sales training binders. You and your employees will be required to wear logo-branded shirts during all dealings with customers. The prices of all of these items will also be included on the Price List. The price and terms and conditions for these purchases are contained on the price list that we or our affiliates will supply to you from time to time ("Price List"). We reserve the right, for ourselves and our affiliates, to update the Price List and change the terms and conditions for these purchases at any time on 30 days' notice. All of the individuals who guarantee the Franchise Agreement must also guarantee all of your purchases of products and equipment from us or our affiliates. You must pay for all taxes, shipping and handling costs. If you fail to pay for any products or equipment when payment is due, we or our affiliates can require you to pay for future products and/or equipment on a C.O.D. basis or withhold shipment of products and/or equipment in addition to requiring you to pay late fees and interest.

Note 6: Call Center Fees. You are required to use us as your after hours call center. You can staff your own telephone lines during normal business hours provided that at no time can an incoming call not be answered by a live person. Beginning six months from the date of the Franchise Agreement, you will pay us a monthly after hours call center fee ("After Hours Call Center Fee") equal to $80 for the first 100 minutes and $.99 for each additional minute. If you use us to provide 24 Hour Call Center Services, then in lieu of the After Hours Call Center Fee, you will pay us a monthly fee equal to $300 for the first 200 minutes and $.99 for each additional minutes ("24 Hour Call Center Fee"). However, we have the right to increase the base amount ($80 and $300) by $25 per year and the additional minutes amount ($.99) by 5% per year.

Note 7: Additional Training and Assistance. We reserve the right to charge you a reasonable amount for any training we provide to you, your managers or your employees after the opening of the Business. You will also be responsible for any travel, meals, incidental, and lodging expenses incurred by persons conducting the training programs and attending the training programs. We will make available continuing advisory assistance in a manner we deem appropriate, and we can charge a reasonable fee for it. Currently we charge, $500 per day per trainer for training at your site or ours.

Note 8: Automated Client Monitoring. Automated client monitoring payments processed through credit card or E Check Services will be initiated during the last week of the month prior to expiration date. You will receive credits from us for payments received within the first 5 business days of the renewal month. When the credits exceed the amount owed for monitoring renewals, royalties, national ad fund and outstanding invoices, an EFT will be initiated to your account. Other payments received through our CC Portal will be processed weekly.

Note 9: Client Monitoring Invoicing. We will post renewals approximately 45 days in advance of the client's expiration/renewal date. Invoices will be printed on perforated paper and mailed via USPS with a return addressed envelope approximately 30 days prior to the expiration/renewal date. Payments received by us will be credited against your account weekly. We are not responsible for collection of past due invoices unless specific written arrangements are made between us.

Note 10. Taxes. You must agree to indemnify and/or reimburse us and our affiliates for all capital, gross receipts, sales, and other taxes and assessments imposed by any applicable state or local governmental

authority as a result of the conduct of the Business or the license of any of our or our affiliates' intangible property to you (whether required to be paid by us or our affiliates, withheld by you or otherwise). Your obligation to indemnify or reimburse us or our affiliates for these taxes does not extend to income-type taxes which a state or local government imposes on us or our affiliates' income.

Note 11. VoIP. Our office is equipped to answer calls to your Franchise on our VoIP telephone switch. This service enables us to assist you in processing payments, updating account information, scheduling service and taking calls for new business. Our VoIP telephone service is state of the art and once set up will automatically connect your clients to the proper staff either at your office or ours. After hours calls can also be directed to our central station operators for assistance.

Item 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee	$40,000	Lump Sum	When you sign the Franchise Agreement	Us
Rent and Security Deposit (Note 1)	$ 0- $ 750	Lump Sum	Prior to Opening	Landlord
Office Equipment, Furniture and Supplies (Note 2)	$ 1,800- 4,500	Lump Sum	Prior to Opening	Approved suppliers or per specifications
Computer Equipment and Software (Note 3)	$1,500 - $2,500	Lump Sum	Prior to Opening	Us or approved supplier
Vehicle (Note 4)	$ 525- $ 1,250	Monthly	Prior to Opening	Automobile dealer
Vehicle Signage (Note 4)	$ 2,800- $ 3,300	Lump Sum	Prior to Opening	Authorized 3M Dealer
"Micro" Web Site (Note 5)	$4,000	As completed	Prior to Opening	Us
Search Engine Optimization and Pay Per Click (Note5)	$3,200	Monthly	Before the 10th of the month	Us

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Recruiting for Sales and Technical Staff (Note 6)	$ 0-$15,000	As incurred	Prior to Opening	Recruiting companies, advertisers, and/or Email blasts; also, positions may be posted on www.electronicsecurityrecruiters.com for a monthly fee of $25 paid to us
Insurance (Note 7)	$ 1,000-$ 2,500	Lump Sum	Prior to Opening	Insurance Companies
Professional Fees	$ 3,000-$ 5,000	As incurred	Prior to Opening	Accountant and Lawyers
Permits, and Licenses	$ 0-$ 500	Lump Sum	Prior to Opening	Government agencies, utilities, etc.
Expenses while training	$ 500-$ 5,000	As incurred	Prior to Opening	Airfare, lodging, ground transportation and meals
Advertising (3 months) (Note 8)	$ 9,000 - $20,000	As incurred	Prior to opening	Vendors, tip clubs, trade shows, networking groups chamber groups and advertisers
Additional Funds (3 months) (Note 9)	$10,000 - $20,000	As incurred	As incurred	Advertisers and media
TOTAL (Note 10)	$77,325-$127,500			

Note 1. **Rent and Security Deposit.** This business can be operated from a home office; approximately 100 to 200 square feet. If you choose to operate outside your home, we recommend an office sharing arrangement of the same size. Office sharing places are available in urban and suburban locations in most markets. Rents vary market to market but should be between $200 and $350 a month. The low range assumes you will operate from your home. The high range assume you will have to give the landlord a 1 month security deposit and the first month's rent in advance.

Note 2. **Office Equipment, Furniture & Supplies.** These figures include a desk, a telephone line, cellular telephones with unlimited direct connect and unlimited data after hours phone answering service, fax machine and uniforms for your employees.

Note 3. **Computer Equipment and Software.** This range includes the cost of the hardware and software you need to start the Business which is described in detail in Item 11. This does not include the

cost of upgrades or maintenance for the hardware and software.

Note 4. **Vehicle and Vehicle Sign.** Before you open your Business, you are required to have or purchase or lease a vehicle for use in the Business. The current specifications and visual standards of vehicles you will need are outlined in the Manual or otherwise communicated to you, however we strongly suggest that the vehicle by a used utility van. The amounts in the chart above assumes that you will lease the vehicles for your initial start-up of your Business. The range of costs includes the down payment and first months' car payment for the vehicle. You may also contract with independent drivers who use their own vehicles. You will also be required to purchase and have applied a logo package for each vehicles you use in the Business from an approved supplier. Independent drivers may use magnetic signs to display our Marks.

Note 5. **"Micro" Web Site:** Prior to opening you must purchase a micro web site from us. This site is part of our corporate franchise web site but is custom branded and optimized for your franchise location. You are required to assist in the design of this site by providing local images newsworthy blog articles and other information that would assist us in attracting clients to your site. This is an interactive site that will automatically notify your staff of new leads and can also be programmed to conduct "drip" campaigns for new clients as well as regular email blasts to your existing clients. You will be required to pay us for additional SEO (Search Engine Optimization) and Pay Per Click (PPC) and online Reputation Management services for the first 6 months after opening. After the first six months you may continue to pay us or an outside provider for these continued services. Franchisees are forbidden from having their own web site as this will dilute the effectiveness of the SEO.

Note 6. **Recruiting Sales and Technical Staff.** When you begin the Business you will most likely subcontract with security system installation people to provide the installation services for you. However, you are required to hire at least 3 part-time sales people who you will pay on a commission basis to obtain customers for you. Instead, you might want to use a recruiting company to assist you in finding your sales and technical staff. Recruiting companies typically charge a certain percentage of the employees first year's salary as their fee. The range in the chart represents not using a recruiting company for the low range and having the recruiting company find 4 individuals for you for the high range. We also have a web site dedicated to recruiting technicians, sales representatives and administrators. You may post positions on www.electronicsecurityrecruiters.com for a monthly fee of $25.00 paid to us.

Note 7. **Insurance.** You must obtain, at a minimum, the insurance coverage that we require and to meet the other insurance-related obligations, all of which are described in detail in Section 12.2 in the Franchise Agreement. This range represents one half the cost of the insurance for the first year.

Note 8. **Advertising (3 Months).** Within the first 3 months of operation of your Business you must spend at least $9,000 on grand opening advertising. This includes grand opening announcements, joining 3 to 5 networking or tip groups and participating in at least 1 trade show. You may also elect to begin a radio or television advertising campaign.

Note 9. **Additional Funds.** This item estimates your initial start up expenses during the initial period of 3 months of the operation of your Business. These expenses include rent, payroll costs, benefits, debt service, additional supplies, etc., but do not include Royalty Fees, Marketing Fees, Activation Fees or Monitoring Fees or any other expenses which are already listed in the above charts and do not include an owner's salary or draw. These figures are estimates, and you may have additional expenses in order to start the Business. Your costs will depend on factors including how closely 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 rates; competition; and sales level reached during the initial period.

Note 10. **Total**. Costs and expenses can vary depending on factors like local cost of labor, whether you already own or lease vehicles that could be used and whether you can operate the Business from your owner's home. These figures were based on the experience of our Affiliate, SSSI which has operated in the Buffalo, New York area since 1986, and the expenses may differ in other parts of the country. Except as described above, none of the fees listed in this Item are refundable. Your financial condition and arrangements negotiated by you and the business decisions made by you will also affect these costs. There can therefore be no assurance that the experience of a particular franchisee will correspond with the information presented above. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

We do not offer, either directly or indirectly, financing to you for any items. (See Item 10 of this document.) The availability of financing will depend upon various factors like the availability of financing generally, your credit worthiness, other security that you may have, and the requirements of lending institutions concerning the type of business to be operated by you.

Item 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate your Business according to our System. You are required to purchase all products, services, supplies, inventory, computer software and hardware, equipment, and materials required for the operation of the Business from manufacturers, suppliers, or distributors we approve, or from other suppliers who meet our specifications and standards. The required computer hardware and software is described in Item 11. Specification of a supplier may be conditioned on requirements relating to, among other things, frequency of delivery, standards of services, including prompt attention complaints, as well as payments, contributions, or other consideration to us, our affiliates and/or any advertising fund we maintain, and may be temporary, in each case in our reasonable discretion. We may, from time-to-time withhold, condition and/or revoke our approval of particular items or suppliers in our reasonable discretion. We and our affiliates may receive rebates and other benefits from suppliers in relation to items purchased by you and other franchisees. We have the right to condition or revoke your right to participate in any supplier programs if you are in default under the Franchise Agreement. We have imposed these requirements in order to assure quality and uniformity of the SHIELD Security System Business and services provided to our customers.

Approved suppliers may be designated in the Confidential Operations Manual or otherwise communicated to you in writing. We may modify the list of approved brands, products and suppliers, and will notify you of any modification. We reserve the right to modify and/or substitute products or suppliers. If we do so, we will inform you of any changes by updates or supplements to the Confidential Operations Manual or otherwise communicated to you in writing. Currently, there are no approved suppliers in which any of our officers own an interest at this time other than us. Our owners reserve the right to have an interest in other approved suppliers in the future.

If you wish to purchase or lease any goods, products, equipment or supplies not approved by us as meeting our specifications, you must first notify us. We evaluate approved suppliers based on price, service, quality, and other commercially reasonable benchmarks. It takes up to 30 days to evaluate new

suppliers. Suppliers are evaluated, approved or disapproved based on price, payment terms, quality of merchandise, dependability, references, delivery policies, warranty, reputation, duration of business operations and criminal background check. The criteria and forms we require you to use for approving suppliers is in our Confidential Operations Manual. We generally do not charge a fee to evaluate a new supplier provided the new supplier provides us with sample merchandise and information supportive of the evaluation criteria generally described above. If we determine that a formerly approved supplier no longer is keeping to our approval criteria, we will send you notice of the supplier losing approval status and you must stop doing business with that supplier in a commercial reasonable time frame unless the supplier's criminal status is the reason, in which case, termination shall be immediate.

Currently you must purchase Security System Packages, CCTV Equipment, and all hardware through us or our approved suppliers. In addition, you must use our proprietary software, Security Account Manager, S.A.M., with respect to your billing. Furthermore, all credit card and ACH (debits from bank account) transactions must be processed using our portal (www.PAY-SHIELD.COM). Monitoring Services and after hour call center services must be purchased from us. We also will sell you the computer hardware and software and 24 hour call center services although we are not the only approved suppliers for these items. The Monitoring Fees we charge for Monitoring Service is summarized in Item 6 above, and is set forth as Section 4.3 of the Franchise Agreement. We derive revenue from these purchases. Locations owned by us do not pay us for monitoring services.

For the fiscal year ending May 31, 2016, we received $174,114 in revenue from providing Monitoring Services and $0 in revenue from providing equipment sales to our franchisees. This represented 79% of our total revenue of $221,596 for that fiscal year.

Although neither we nor our affiliates have received rebates based on franchisees purchases in the past fiscal year, we reserve the right to negotiate with various vendors for quantity discount contracts which may include rebates to us or our affiliates under these contracts in the future. You may or may not find the contracts to your advantage and may elect to participate or not to participate in them. We have the right to affiliate ourselves with suppliers, and/or receive revenues from purchases made by franchisees. There are currently no purchasing or distribution cooperatives, but we reserve the right to establish these in the future. We may negotiate purchase arrangements with suppliers (including price terms) for the benefit of the franchise system. We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchase of particular products or services or use of particular suppliers.

In addition to the purchases or leases described above, you must buy and maintain, at your own expense, insurance coverage that we require and to meet the other insurance-related obligations, all of which are described in detail in Section 7.8 in the Franchise Agreement. Shield Security Systems Franchise Development Corp. must be named as the first named insured on the policies. As discussed in greater detail in Section 7.8 in the Franchise Agreement, you will obtain and maintain the minimum types and amounts of insurance as set forth below:

Commercial General Liability (Occurrence Form)

- General aggregate $5,000,000
- Errors and Omissions aggregate $1,000,000

Automobile Insurance

• General aggregate (includes non-owned vehicle endorsement)	$1,000,000
Umbrella	$2,000,000

The cost of coverage will vary depending on the insurance carrier's charges, terms of payment and your history, however, as described in Item 7, the insurance charges for 6 months are estimated to be between $1,000 - $2,500. All insurance policies must name us as an additional insured party. Proof of compliance with our insurance requirements must be provided annually and as may be demanded by us from time to time.

We estimate that the proportion of required purchases and leases to all purchases and leases required of you for goods and services in establishing the Business to be between 35% and 60% and in the operation of the Business to be between 40% and 50%.

Item 9
FRANCHISEE'S OBLIGATIONS

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

	OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
a.	Site selection and acquisition/lease	Section 2.1	Items 6 and 11
b.	Pre-opening purchases/leases	Section 7.9	Items 5, 7 and 8
c.	Site development and other pre-opening requirements	Section 7.1	Item 11
d.	Initial and ongoing training	Sections 6.1, 6.2 and 6.3	Items 6, 7 and 11
e.	Opening	Section 7.1	Item 11
f.	Fees	Section 4	Items 5 and 6
g.	Compliance with standards and policies/Operating Manual	Sections 6.4 and 7.4	Items 8 and 11
h.	Trademarks and proprietary information	Section 8 and 10	Items 13 and 14
i.	Restrictions on products/services offered	Section 7.9	Items 8, 12 and 16
j.	Warranty and customer service requirements	Section 7.5	Item 16
k.	Territorial development and sales quotas	Section 2.1	Item 12
l.	Ongoing product/service purchases	Section 7.9	Item 8
m.	Maintenance, appearance and remodeling requirements	Sections 3.2 and 7.4	Items 8, 11 and 17
n.	Insurance	Section 7.8	Items 6, 7 and 8
o.	Advertising	Section 5	Items 6, 7 and 11
p.	Indemnification	Section 14.2	Item 6
q.	Owner's participation/ management/ staffing	Section 7.7	Items 11 and 15
r.	Records and reports	Section 9	Item 6
s.	Inspections and audits	Sections 7.12 and 9	Items 6 and 11
t.	Transfer	Section 12	Item 17
u.	Renewal	Section 3.2	Item 17
v.	Post-termination obligations	Section 13.3	Item 17
w.	Non-competition covenants	Section 11	Items 15 and 17
x.	Dispute resolution	Sections 15.4 and 15.8	Item 17

Item 10
FINANCING

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

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

Except as listed below, Shield Security Systems Franchise Development Corp. is not required to provide you with any assistance.

Before you open the Business, we will:

1. Designate your Territory (Franchise Agreement - Section 2.1 and Exhibit I).

2. Grant you a franchise to be operated from a specific location in the Territory. (Franchise Agreement Section 2.1).

Because we do not offer "walk in" retail sales, we recommend a home office be used for

the operation of your Business for the first 12-24 months. As your staff and business grows, we recommend leasing office space in a shared office which will give you the opportunity to share conference rooms and office equipment and services. We do not provide any assistance to you with respect to the site for your Business. We do not approve the area in which you select a site for your Business. We do not negotiate the purchase or lease of this site. We do not own or control any sites of our franchisees. You are responsible for ensuring that your site is in compliance with local ordinances and building codes, and you are required to obtain any required permits. We do not provide assistance with regard to the construction, remodeling or decorating of the premises of the Business.

3. Provide you a "Micro" Web Site which you purchase from us. (Franchise Agreement – Section 7.9).

4. Provide a list of approved suppliers or minimum standards and specification for the products and services you need to equip and operate your Business (Franchise Agreement – Section 7.9).

We are an approved supplier of the computer hardware and software, shirts and other logo-branded items, however, you are not required to purchase the computer hardware and software and shirts and other logo-branded items from us. Other than these items, we do not provide any products or services directly, but only provide you with the names of approved suppliers and the written specification for these items. We do not deliver or install any of these items, although if you purchase the computer hardware and software from us, we will load the software programs on your computer.

5. Provide you information on the types of employees or subcontractors you must hire in order to open the Business and begin operations. (Franchise Agreement – Section 7.5)

Currently we require you to hire 3-4 part time sales commission employees to solicit customers and subcontract with technical staff to provide security installation. We strongly suggest that these subcontractors have experience in security installation. You may want to hire a recruiting company to help you hire the sales and technical staff.

6. Provide an initial training program for the operation of the Business to you. This training is described in greater detail later in this Item 11 (Franchise Agreement – Section 6.1).

7. Loan you a copy of the Confidential Operations Manual ("Manual") or grant you access to an online version described below (Franchise Agreement – Section 6.4).

Time for Opening the Business.

We estimate that the typical length of time between signing of the Franchise Agreement and the opening of a Shield Security Systems Business is between 2-4 months. Factors affecting the length of time usually include satisfactorily completing the training, obtaining all necessary equipments, supplies and employees and obtaining all necessary licenses or permits. The opening of the Business may be delayed only if such delay is caused by contingencies not within your control, such as acts of God, governmental restrictions, strikes or labor disputes. You will use your best efforts to cure any such delay and any such delay in opening will only be for a period of days equal to number of days during which such event actually prevents completion. You must notify us of any such delays promptly. You must

open within 6 months after you sign the Franchise Agreement or we will have the right to terminate your Franchise Agreement.

During the Operation of your Business, we will

1. Provide on-site opening assistance, at your expense, consisting of at least 1 person, for a period of up to 3 days with you in your Territory sometime within 30-60 days after the opening of your Business. (Franchise Agreement – Section 6.1)

2. Provide Monitoring Services for your customer accounts for which you pay us a Monitoring Fee. Monitoring services include any radio telemetry, cellular, internet monitoring and related services. (Franchise Agreement – Sections 4.3 and 7.10)

3. Provide to you currently, access to use the Security Account Manager (S.A.M.) hosted CRM Software through the Internet. You are required to use this software program. (Franchise Agreement – Sections 4.6 and 7.9)

4. Furnish you, at your request, with additional guidance and assistance. We reserve the right to charge a reasonable fee. (Franchise Agreement – Sections 6.2 and 6.3)

5. Provide after hours centralized call services for your Business. (Franchise Agreement – Sections 4.7 and 7.11)

6. Continue to loan you 1 copy of the Manual. (Franchise Agreement – Section 6.4).

This Manual is confidential and remains our property. You will operate your Business in strict compliance with those operational systems, procedures, policies, methods and requirements found in the Manual which are designated as mandatory and in any supplemental bulletins and notices, revisions, modifications or amendments thereto, either in document or electronic form, all of which are a part of the Manual.

You must treat the Manual, any other manuals or written materials provided by us or our affiliate for use in the operation of the Business, (in any format whatsoever, including but not limited to electronically, via the Internet, hard copy, etc.) and the information contained in them, as confidential, and must use all reasonable efforts to maintain this information as secret and confidential. You must not copy, duplicate, record, or otherwise reproduce these materials, in whole or in part, or otherwise make them available to any unauthorized person. The Manual must be kept in a secure place within your Business. It must be returned to us upon termination or expiration of your Franchise Agreement.

We have the right to make additions to, deletions from or revisions to the Manual, which you have to comply with at your own cost. You must ensure that the Manual is kept current at all times. If there is any dispute as to the contents of the Manual, the terms of the master copy maintained by us, at our principal office, will be controlling. The table of contents of the Manual, including allocation of pages to each subject, is included as Exhibit B to this franchise disclosure document. As of the date of this disclosure document, the Manual is more than 350 pages.

ADVERTISING

Regional/National Marketing Fund

You must contribute Regional/National Marketing Fees to the Regional/National Marketing Fund ("Fund") as provided in Item 6. We agree that the Regional/National Marketing Fees received from you will be made available for the payment of all costs associated with the creation, production, distribution, media placement and administration of local, state, regional or national advertising programs and for any taxes incurred on these funds. These funds may be used for the maintenance and upkeep of the website, advertising on television, radio, direct marketing mailings, the Internet and the newspaper. A regional advertising agency will probably provide the advertising services.

The Fund is intended to maximize recognition, acceptance and use of the System. We are not obligated in administering the Fund, or otherwise, to make expenditures for you which are: (i) equivalent or proportional to your contribution; or (ii) spent in any particular area or territory. The Fund will not spend any money on selling franchises. We do not have to spend the money in the Fund during any specific time period. Advertising may be handled by the outside advertising agency which we select. All sums received for the Fund shall be maintained in an account separate from our other money and shall be used only as so provided. We will maintain separate bookkeeping accounts for the Fund. We will provide an annual unaudited financial statement of the Fund upon request. The Fund is not our asset. The fund also is not a trust. We have a contractual obligation to hold all funds for the benefit of the contributors and to use contributions only for their permitted purposes described in this Item 11. We have no fiduciary obligation to you for administering the Fund. In the 2016 fiscal year, 100% of the Fund was spent on web site production and management.

All of the Shield Security System Businesses owned by us or our affiliates, are not required to contribute to the Fund as our franchisees. If we do not use all of the funds in a particular fiscal year, the remaining funds will be carried over to the next fiscal year and be included in that year's advertising budget. We are entitled to reimbursement from the Fund to cover our administrative and overhead expenses associated with operating the Fund.

We do not have any advertising cooperatives or a franchisee advisory council that advises us on advertising policies, however we reserve the right to establish advertising cooperatives or franchisee advisory council in the future.

Your Own Advertising.

In addition to your required contributions to the Fund and the Grand Opening Advertising described below, you must spend for advertising, marketing and promotion of your Business at least 5% of Gross Receipts per month spent on a quarterly basis. You must provide proof of your expenditures if we request to review your books and records. You must submit all of your own advertising, marketing and sale promotion materials to us or our advertising agency, for prior consent. If you do not receive written disapproval within 10 days after we receive the materials, we will be deemed to have given approval. You will not advertise or use in advertising or other form of promotion, the Marks without the appropriate copyright, trademark, and service mark registration symbols for those Marks which are registered. You may not advertise your products or services or use the Marks on the Internet except our prior consent. You are not permitted to have a presence on the Internet other than through our website or other methods we approve. Any advertising on the Internet shall be pre-approved by us and on terms

specified by us. Further, you shall not use the Marks (or any marks or names confusingly similar to the Marks) as an Internet domain name or in the content of any other website.

Grand Opening Advertising.

Within the first 3 months of operation of your Business you must spend at least $9,000 on grand opening advertising. This includes obtaining and sending out grand opening announcements, joining a minimum of 3 to 5 networking or tip groups and participating in at least 1 trade show. You may also elect to begin a radio advertising campaign. Additionally, you must provide to us, within 180 days after the opening of the Business, proof of your advertising and sales promotion expenditures in the form, and with the detail, including copies of all grand opening advertising materials and receipts, as we request.

COMPUTER SYSTEM

The computers, hardware and software we require you to use in the day-to-day operation of your Business are as follows:

An Apple computer and compatible printer. The required software is Microsoft Office (Mac version), and FileMaker Pro. We recommend that you participate in the FileMaker Service Agreement through us rather than doing so independently to insure timely updates to the software as they are released. Pricing for this is established by FileMaker and is currently $240.00 per computer annually. The cost of the hardware and software ranges from $2,250 to $3,750. You may purchase these items from us. You will also need high speed Internet access. The hardware and software is not proprietary to use and we have no obligation to upgrade or maintain either the computer hardware or software. You will also be required to use the Security Account Manager (S.A.M.) CRM Software, which we host on our computers. You will access this program through the Internet. Attached to this Franchise Disclosure Document in Exhibit G is a copy of the License Agreement you will sign in order to be able to access and use the shield Account Management System Software. When you sign the License Agreement you will pay us a fee of $329 per computer and then pay us an annual fee each April 1st. Currently the annual fee is $240 per computer, however this fee can be increase upon 30 days prior written notice to you. There are no other maintenance, update, upgrading or support agreements which we require you to enter into and pay a fee at this time.

We have independent, unlimited access to the information generated by the computer system. The types of business information which will be collected will be orders, customer information, pricing, and sales information. We will have independent access to information or data in the computer software and there are no contractual limitations on our right to access the information.

We have the right to change the computer hardware and/or software at any time. There are no contractual limitations on the frequency or cost of this obligation. We need not reimburse you for any of these costs. In the future, you may be required to change, upgrade or modify the type of computer hardware and/or software at your expense. We and our affiliates may condition any license of proprietary software to you or your use of technology that we or our affiliates may require, develop or maintain, on your signing an agreement or similar document that we, our affiliates or the vendor may require to regulate the use of the software.

We may charge you for customized programming to S.A.M. on an hourly basis. Currently our hourly fee for custom programming is $125 and may be done by us or by a sub contracted programmer.

TRAINING

We will provide you home training through webinars and other electronic means ("Home Training") for a total of 8 weeks prior to opening your Business. We estimate that you should spend approximately 6-8 hours each week on the Home Training. The Home Training will consist of basic business start up training, registration and acclimation to terminology unique to the security industry. After you have worked through the Home Training for a period of 4 weeks, you will come to our headquarters in Buffalo, NY to attend a 3-day training program. You will then return back home and continue the Home Training for the next 4 weeks. Then sometime between 30 and 60 days after you open the Business, we will send 1 representative to your Business to provide you assistance and additional training. During any of the training, you are responsible for our and your employees, if any, expenses, including salary, food, lodging, travel, etc.

TRAINING PROGRAM

Subject[1]	**Hours of Classroom Training**	**Hours of On-The-Job Training**	**Location**
How to Use This Book The Operations Manual "The Way We Do Things" Basic Computer Intro. Two Minute Tour Security Account Manager (S.A.M.) Training Forming Your Business Entity; Licensing	During Week 1		Your Location
Intro to the Sales Presentation Sales Presentation How Alarms Work Control Equipment Establishing Accounts with Approved Vendors	During Week 2		Your Location
Sales Presentation Central Station Monitoring False Alarms Managing Prospects Field Sketches	During Week 3		Your Location
Sales Presentation Detection Equipment Component Pricing Program & System Operations	During Week 4		Your Location
Conducting Security Surveys Field Sketches S.A.M. / Prospects Writing Proposals	4 hours	4 hours	Our headquarters in New York
S.A.M. / New Client Data Entry Field Sketch Training	8 hours		Our headquarters in New York

Subject[1]	Hours of Classroom Training	Hours of On-The-Job Training	Location
Installation Standards Quality Assurance System Designs Operating Security Panels		8 hours	Our headquarters in New York
Sales Presentation Advertising & Marketing; Suppliers Conducting a Security Survey	During Week 5		Your Location
Recruiting, Hiring & Training Closing the Sale	During Week 6		Your Location
Overcoming Objections Closing the Appointment	During Week 7		Your Location
Putting accounts "On-Line" Central Station Information	During Week 8		Your Location

Footnotes:

[1] It is the nature of this business that there is full integration of the subjects being learned by a franchisee and there are no clear beginning and ending times. Depending on franchise sales demands, we schedule training on an as-needed basis. All franchisees must complete training to our satisfaction before opening Business.

The following individuals will be providing the training program:

Kenneth J. Jezioro is our President, a position he has held since our inception. Mr. Jezioro is also the President of SSSI and has been a member of the National Burglar and Fire Alarm Association for over 20 years and a past board member of the Western New York Electronic Security Association (WNYESA). Mr. Jezioro is a retired police officer with over 28 years' experience and is a New York State Certified Instructor for specialty topics and a Certified Crime Prevention Officer. He has trained both veteran and recruit officers in alarm technology and ethics and has extensive public speaking experience. Mr. Jezioro supervised a crime prevention unit, is a certified D.A.R.E. Instructor as well as an F.B.I.-certified hostage negotiator.

Mary Jezioro is our Vice President, a position she has held since January 1996, and is also a security consultant and trainer at SSSI. Ms. Jezioro has twenty-five years of sales and marketing experience and holds a B.A. in Communications and Business from John Carroll University. Ms. Jezioro is the former Vice Chair of the University of Buffalo's School of Management – Center for Entrepreneurial Management Alumni Association and a Board Member for 6 years.

Joseph Bellanti has been in the electronic security industry for over 25 years. For 6 years he was an installation manager for our affiliate, SSSI, and has since became a technical manager for SSSI. As part of his duties, he has been responsible for the training of over 50 technicians and has continued to support and train experienced technicians.

Katie Wittmann has held the position of North East Regional Director of Operations (NERDO) since 2013 and oversees client management and tactical activities of our retail and franchise

operations. Ms. Wittmann has 25 years' experience in the insurance industry and is the former owner of one of the largest insurance agencies in Buffalo, New York.

At your request, we will furnish additional guidance and assistance and, in such a case, may charge the per diem fees and charges we establish from time to time. If you request, or if we require, additional or special training for your employees, all of the expenses that we incur in connection with such training, including per diem charges and travel and living expenses for our personnel, will be your responsibility. Currently we, at our discretion, may charge $500 a day per individual trainer.

Item 12
TERRITORY

You will be granted a specific Territory in which to operate your Business. Your Territory will be defined by zip code numbers, state lines, county lines, municipal lines, natural features of the land or a combination of these, which shall encompass not fewer than 300,000 in population but not more than 500,000 in population. We will not conduct or grant others the right to operate a Shield Security Systems Business in your specific Territory so long as you are not in default under your Franchise Agreement; provided, however, that at any time, we may modify your rights with respect to the Territory if we obtain your prior written consent. You will operate your Business within the Territory and only "directly solicit" for any customer accounts within your Territory. The term "directly solicit" means marketing using unsolicited direct mail, unsolicited telephone calls, advertising in a publication having 2/3rds or more of its circulation in your Territory, or advertising on a television channel, a radio signal or computer bulletin board having 2/3rds or more of its viewers, listeners or users in your Territory. Furthermore, by the terms of the Franchise Agreement, you acknowledge and agree that consumers may freely choose with whom they wish to transact business, which means that customers in your Territory may freely choose to transact business with us or our other franchisees, and that neither we nor our other franchisees can regulate this or prevent this. Any relocation of your specific Territory is subject to our prior approval and will be permitted provided that the relocation meets our criteria and does not conflict with the rights of other existing franchisees. The definition of your Territory may not be changed without our and your written consent.

Except as limited above in this Item 12, we and our affiliates reserve and retain all rights with respect to the Marks, the System, the sale of similar or dissimilar products and services and any other activities we deem appropriate whenever and wherever we desire, including (1) the right to own or operate, or license others to own or operate Shield Security System Businesses anywhere outside of your Territory even if it is immediately adjacent to your Territory; (2) the right to operate or license others to operate similar businesses or any other businesses under trademarks or service marks other than the Marks in any location, both inside and outside of your Territory; (3) the right to operate or license others to operate businesses that are not similar to a Shield Security System Business under the Marks in any location, both inside and outside of your Territory; and (4) the right to offer any products or services (including the products and services you offer) through other channels of distribution (including the Internet and catalogs) both inside and outside of your Territory. We are not required to pay you if we exercise any of the rights specified above inside your Territory.

We and our affiliates have the right to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as "Shield Security Systems Businesses" operating under the Marks or any other marks following our

purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which you acknowledge may be within your Territory, near your Territory, or near any of your locations).

We and our affiliates may sell ourselves, our assets, our proprietary marks and/or our system to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations or entities, or be acquired by another corporation or entity; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. If we assigns our rights in the Franchise Agreement, we are not required to remain in the security systems business.

You will receive an exclusive territory. You may not conduct business in any area other than your exclusive territory without our prior written consent. You do not receive the right to acquire additional franchises either within or outside your Territory, but we may consider granting you multiple franchises. If you are granted the right to purchase multiple franchises, you must sign a separate Franchise Agreement for each Territory.

While the Franchise Agreement is in effect and you are not in default, we and our affiliates will not, in your exclusive territory, operate a company-owned unit or grant a franchise for a similar or competitive business.

Except as otherwise noted below, although we and our affiliates have the right to do so, neither we nor our affiliates have owned, operated or franchised, and have no plans to own, operate or franchise, other businesses selling similar products or services under trademarks or service marks other than the Marks.

Item 13
TRADEMARKS

We grant you the right to operate the Business under the Marks. "Marks" means such service marks, trademarks, trade dress, trade names and copyrights and all configurations and derivations, as may presently exist, or which may be modified, changed, or acquired by us or our affiliates in connection with the operation of Shield Security Systems Business. Marks include "Shield", "Shield Security Systems", "Today's Intelligent Solution to your Security Needs" and "P.E.T." (Personal Emergency Transmitter).

Trademark	Registration Number	Registration Date
SHIELD	1,852,622	September 6, 1994
SECURITY IS PEACE OF MIND	Not filed	
TODAY'S INTELLIGENT SOLUTION TO YOUR SECURITY NEEDS	Not filed	
P.E.T. (Personal Emergency Transmitter)	Not filed	

"Shield" is registered on Principal Register of the U.S. Patent and Trademark Office. We do not have a federal registration for "Security is Peace of Mind", "Today's Intelligent Solution to your Security Needs" and "P.E.T." Therefore, these trademarks do not have as many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses. All affidavits and renewals which are

required have been filed.

Our President, Kenneth Jezioro, owns the Marks. Under a license agreement with Mr. Jezioro, he has licensed us the right to use the Marks and to sublicense the Marks to our franchisees to use in operating Shield Security Systems Businesses. The license agreement has a term of 50 years, but either we or Mr. Jezioro may terminate it with 30 days' notice to the other if there is a default which is not cured. However, if there is a default that is not cured under the license agreement and the agreement is terminated, Mr. Jezioro will still allow you to use the Marks until the end of the term and any renewal term of your Franchise Agreement.

You must follow our rules when you use the Marks, including giving proper notices of trademark or service mark registration and obtaining assumed and fictitious name registration required by law. You cannot use a name or mark as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use the Marks in connection with the sale of an unauthorized product or service, in a manner not authorized in writing by us, or as part of any domain name, homepage, electronic address, or otherwise in connection with a website.

There are currently no effective material determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, and no pending infringement, opposition or cancellation proceedings, and no pending material litigation involving the Marks. Other than as described above, there are no agreements currently in effect which significantly limit our rights to use or license the use of the Marks in any manner material to the trademark.

You must notify us immediately of any apparent infringement or challenge to your use of any Mark, or any claim by any person of any rights in any Mark. We will have the sole right to take such action as we deems appropriate and the right to exclusively control any litigation or administrative proceedings arising out of such infringement, challenge or claim. You must execute any and all instruments and documents, provide such assistance, and take any action that may be necessary or advisable to protect and maintain our interest in any litigation or other proceeding or otherwise to protect and maintain our interest in the Marks. The Franchise Agreement does not require us 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 Mark or if the proceeding is resolved unfavorably to you.

If we decide to modify or discontinue the use of the Marks and/or to use one or more additional or substitute names or marks, you must make the changes we require of you at your own expense and without claim against us. You will need to comply within a reasonable time of the request.

There are may be other entities using our Marks to operate security system businesses which might constitute a possible infringement. These other businesses may have superior rights to the name "Shield Security" in their territories if they were using the trademark prior to September 6, 1994 for the same or similar services. This could materially affect your use of the Proprietary Mark in those areas. In such event, you would be required to use alternate marks in some territories.

Item 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We own no special patents which pertain to the Franchise Agreement. We have no pending patent applications which pertain to the franchise.

We and our affiliates claim common law copyright rights in the Manual, sales material, logos and brochures, and related items used in operating a Shield Security Systems Business. You may use these items while operating your Business (and must stop using them if we direct you to stop).

Neither we nor any of our affiliates have filed an application for a copyright registration with the U.S. Registrar of Copyrights for these materials, but we need not do so at this time to protect our copyrights. Item 11 describes limitations on the use of the Manual by you and your employees. You must also promptly tell us when you learn about unauthorized use of this proprietary information.

We are not obligated to take any action to protect or defend copyrights, although we intend to do so if we decide it is necessary. We may control any action we choose to bring, even if you voluntarily bring the matter to our attention. We need not participate in your defense and/or indemnify you for damages or expenses in a proceeding involving a copyright.

The Franchise Agreement provides that you acknowledge that the System and the methods of operation licensed by us for the operation of a Shield Security Systems Business, are proprietary, confidential trade secrets of ours, and you agree to maintain the confidentiality of all materials and information lent or otherwise furnished to you by us at all times, including after the termination or expiration of the Franchise Agreement, for any reason. The Franchise Agreement also provides that all ideas, concepts, techniques, or materials concerning a Shield Security System Business, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System, and works made-for-hire for us. To the extent any item does not qualify as a "work made-for-hire" for us, you must assign ownership of that item and all related rights to that item, to us and must take whatever action (including signing assignments or other documents) we request to show our ownership or help us obtain intellectual property rights in the item.

Further, according to the Franchise Agreement, you agree that you will not, during the term of the Franchise Agreement (other than to the extent necessary to operate the Business) or after its expiration or termination, for any reason, communicate or divulge to any others, any information or knowledge concerning the System and any trade secrets except those in the public domain. You also agree not to use our confidential information in an unauthorized manner and to exercise the highest degree of diligence and make every effort to maintain the absolute confidentiality of all trade secrets and proprietary rights during and after the term of the Agreement. We may regulate the form of agreement that you use with your employees or agents and we will be a third party beneficiary of those agreements with independent enforcement rights.

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

You recognize the importance of the Principal Owner's participation in the management of the Business and that the Principal Owner's agreement to so participate in the management of the Business is a material inducement for us to enter into the Franchise Agreement. "Principal Owner" means you if you are a sole proprietor, your majority shareholder if you are a corporation, a partner owning a major share of the partnership if you are a partnership, or member or manager owning the majority interest of a limited liability company if you are a limited liability company. You agree that the Principal Owner is required to use his or her best efforts and is personally responsible for the management of the Business on a day-to-

day basis, unless otherwise approved by us. We, in our sole discretion, may allow you to hire a qualified manager to operate the day-to-day affairs of the Business, however, your Principal Owner must remain actively involved in the operations and management of the Business. Any manager must satisfactorily complete the initial training. The Principal Owner is required to carefully monitor and be responsible for the performance of anyone designated to manage the operation of the Business. The designated manager who will operate the Business as well as other supervisory personnel are required to sign a confidentiality and non-competition and non-solicitation agreement.

If you are a corporation, limited liability company or partnership, your owners and their spouses must personally guarantee your obligations under the Franchise Agreement and agree to be bound personally by every contractual provision, whether containing monetary or non-monetary obligations including the covenant not to compete. The guarantee is included in the Franchise Agreement.

Item 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require you to offer and sell only those services or products that we have approved. We have the right to change the types of required and/or authorized services or products and you will be notified by a bulletin or supplement to the Manual or otherwise communicated to you in writing. You are prohibited from offering or selling any products or services not authorized or approved by us in the operation of a Business in compliance with the Franchise Agreement. We, in our discretion, may approve or deny your request to eliminate some or add other services or products. You will set the prices at which you will sell your services and products. You also agree to add such equipment and make such alterations, at your expense, as may be necessary to equip the Business for sale of such services as we may require. You recognize that you may need to make an additional investment to do so. You must maintain your vehicles and equipment to our appearance and cleanliness standards and keep them in good repair and condition.

You are not permitted to solicit business outside of your Territory without our written consent. Other than that, we do not impose any other restrictions or conditions that limit your access to customers.

Item 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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.

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a.	Length of the franchise term	Section 3.1	Term is 10 years from signing the Franchise Agreement
b.	Renewal or extension of the term	Section 3.2	A successor franchise may be granted for a period of 10 years

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
c.	Requirements for franchisee to renew or extend	Section 3.2	Give notice, upgrade equipment, pay fee, sign a release and sign a new franchise agreement that may contain terms and conditions materially different from those in your previous franchise agreement, such as different fee requirements.
d.	Termination by franchisee	Section 13.1	None except by operation of law.
e.	Termination by franchisor without cause	Not Applicable	We will not terminate the franchise agreement without cause.
f.	Termination by franchisor with cause	Section 13.2	Material, uncured breaches of the Franchise Agreement.
g.	"Cause" defined – curable defaults	Sections 13.2.a and 13.2.b	General default and failure to pay amounts when due.
h.	"Cause" defined – non-curable defaults	Section 13.2.c	Unauthorized transfer, failure to complete training, failure to begin operation of the Business, abandonment, bankruptcy, misrepresentation on your application
i.	Franchisee's obligations on termination/non-renewal	Section 13.3	Require that all of your accounts continue to use our monitoring services, pay all fees due and owing, cease using the Marks and Systems, continue to be bound by the confidentiality and non-compete provisions of the Franchise Agreement and transfer your telephone number
j.	Assignment of contract by franchisor	Section 12.1	Our interest is fully transferable and at such time, we will not have any further liability under the Franchise Agreement
k.	"Transfer" by franchisee – defined	Section 12.2	Transfer of contract or assets or ownership change
l.	Franchisor approval of transfer by franchisee	Section 12.2	All transfers require our approval
m.	Conditions for franchisor approval of transfer	Section 12.2	We must approve the transferee, have the transferor sign a release, have the transferee sign a then current franchise agreement which might contains terms different from the original Franchise Agreement, have the transferee satisfactorily complete training and pay a transfer fee
n.	Franchisor's right of refusal to acquire franchisee's business	Section 12.4	We can match any offer for your business or an ownership interest in you

	PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
o.	Franchisor's option to purchase franchisee's business	Section 13.4	After termination we can purchase your personal property at book value, and we have the right to purchase any or all of your customer accounts at an amount equal to the number of accounts we elect to purchase, multiplied by the average collections for these accounts during the past 12 months, multiplied by 23
p.	Death or disability of franchisee	Section 12.3	Heir must be approved but no right of first refusal
q.	Non-competition covenants during the term of the franchise	Section 11.1	You may not have an interest in a competitive business while you are a franchisee
r.	Non-competition covenants after the franchise is terminated or expires	Section 11.2	24 months within your Territory or the territory of another
s.	Modification of agreement	Section 15.2	Must be in writing, Manual and System subject to change
t.	Integration / merger clause	Section 15.2	Only the terms of the Franchise Agreement and Disclosure Document are binding (subject to state law). Any representations or promises outside the Disclosure Document or Franchise Agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Section 15.4	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises may not be enforceable.
v.	Choice of forum, subject to state law	Section 15.8	New York*
w.	Choice of law, subject to state law	Section 15.8	New York*

*If a state regulator requires us to make additional disclosures related to the information contained in this franchise disclosure document, these additional disclosures are contained in a State Law Addendum included in this franchise disclosure documents as Exhibit H.

Item 18
PUBLIC FIGURES

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

Item 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and /or 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 circumstance.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income you should report it to our management by contacting Kenneth Jezioro, Shield Security Systems Franchise Development Corp., 5170 Genesee Street, Bowmansville, NY 14026, 716-681-6677, the Federal Trade Commission and any appropriate state regulatory agencies.

Item 20
OUTLETS AND FRANCHISEE INFORMATION

Table #1
Systemwide Outlet Summary
For Years 2014-2016*

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2014	7	6	-1
	2015	6	6	0
	2016	6	4	-2
Company-Owned**	2014	3	4	1
	2015	4	5	1
	2016	5	6	1
Total Outlets	2014	10	10	0
	2015	10	11	1
	2016	11	10	-1

*Fiscal year ending on May 31st of each year.
** Affiliate-owned and company-owned units.

Table #2
Transfer of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years 2014 to 2016*

State	Year	Number of Transfers
GA	2014	0
	2015	0
	2016	0
KY	2014	0

State	Year	Number of Transfers
	2015	0
	2016	0
KS	2014	0
	2015	0
	2016	0
MI	2014	0
	2015	0
	2016	0
NY	2014	0
	2015	0
	2016	0
SC	2014	0
	2015	0
	2016	0
PA	2014	0
	2015	0
	2016	0
TX	2014	0
	2015	0
	2016	0
TOTAL	2014	0
	2015	0
	2016	0

*Fiscal year ending on May 31st of each year.

Table #3
Status of Franchised Outlets
For Years 2014 to 2016*

State	Year	Outlets at start of Year	Outlets Opened	Termin-ations	Non-Renewals	Reacquired By Franchisor	Ceased Operations - Other Reasons	Outlets At End of The Year
GA	2014	2	0	0	0	1	0	1
	2015	1	0	0	0	1	0	0
	2016	0	0	0	0	0	0	0
KY	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	1	0	0
KS	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
MN	2014	0	0	0	0	0	0	0

State	Year	Outlets at start of Year	Outlets Opened	Termin-ations	Non-Renewals	Reacquired By Franchisor	Ceased Operations - Other Reasons	Outlets At End of The Year
	2015	0	1	0	0	0	0	1
	2016	1	0	0	0	0	0	1
NY	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
PA	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
TX	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	1	0	0	0	0
Total	2014	7	0	0	0	1	0	6
	2015	6	1	0	0	1	0	6
	2016	6	0	1	0	0	0	5

*Fiscal year ending on May 31st of each year.

Table #4
Status of Company-Owned Outlets**
For Years 2014 to 2016*

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets At End of The Year
GA	2014	0	0	1	0	0	0
	2015	1	0	1	0	0	2
	2016	2	0	0	0	0	2
KY	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	1	0	0	1
MI	2014	1	0	0	0	0	1
	2015	1	0	0	0	0	1
	2016	1	0	0	0	0	1
NY	2014	1	0	0	0	0	1
	2015	1	0	0	0	0	1
	2016	1	0	0	0	0	1
TX	2014	1	0	0	0	0	1
	2015	1	0	0	0	0	1
	2016	1	0	0	0	0	1

Total	2014	3	0	0	0	0	4
	2015	4	0	1	0	0	5
	2016	5	0	1	0	0	5

*Fiscal year ending on May 31st of each year.
**Affiliate-owned and company-owned units.

Table #5
Projected Openings As Of May 31, 2017

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In the Next Fiscal Year
CA	0	1	0
FL	0	1	0
MI	0	1	0
MO	0	1	0
TX	0	1	0
Total	0	5	0

Exhibit F lists the names, addresses and telephone numbers of all of our franchisees. Exhibit F also lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, transferred or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our most recently completed 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.

During the last three fiscal years, we have not signed confidentiality clauses with any former franchisees which would restrict them from speaking openly with you about their experience with us.

There are no trademark-specific franchisee organizations associated with the franchise system at this time.

Item 21
FINANCIAL STATEMENTS

Our fiscal year end is May 31. Attached to this franchise disclosure document as Exhibit C are the audited financial statements ending May 31, 2014, May 31, 2015 and May 31, 2016. Exhibit C includes the following:

- Independent auditor's report
- Balance sheet
- Statement of income and retained earnings
- Statement of cash flows
- Cost of goods sold

- General and administrative expenses

Item 22
CONTRACTS

The following are attached to this disclosure document:

Exhibit A:	Franchise Agreement, which includes a Guaranty and Assumption of Obligations which you (as defined in Schedule A of the Franchise Agreement), the franchisee, and your spouse, if you are married, must execute to personally guaranty performance under the Agreement)
Exhibit G:	License Agreement
Exhibit I:	General Release

Item 23
RECEIPTS

Two copies of a detachable acknowledgement of receipt are attached as Exhibit J.

EXHIBIT A

FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

ACKNOWLEDGMENTS 1
GRANT OF FRANCHISE 1
TERM AND RENEWAL 2
FEES 3
ADVERTISING 6
OUR GENERAL DUTIES 7
YOUR GENERAL DUTIES 8
MARKS 12
RECORDS, REPORTS AND FINANCIAL STATEMENTS 13
CONFIDENTIAL INFORMATION 13
NON-COMPETITION 14
TRANSFER 15
TERMINATION OF AGREEMENT 17
RELATIONSHIP OF THE PARTIES/INDEMNIFICATION 20
ENFORCEMENT 21
NOTICES AND PAYMENTS 24
WARRANTIES AND REPRESENTATIONS OF LICENSEE 24
CAVEAT 25
LIMITATION OF LEGAL ACTIONS 25
SCHEDULE A - DEFINITIONS
GUARANTY AND ASSUMPTION OF OBLIGATIONS
EXHIBIT I - TERRITORY
EXHIBIT II - FRANCHISEE DISCLOSURE QUESTIONNAIRE

SHIELD SECURITY SYSTEMS FRANCHISE DEVELOPMENT CORP.
FRANCHISE AGREEMENT

Date: _____ ("Effective Date").

Franchisor: Shield Security Systems Franchise Development Corp. (referred to in this Agreement as "we," "us" or "our"). A New York corporation located at 5170 Genesee Street, Bowmansville, New York 14221.

Franchisee: _____.
(referred to in this Agreement as "you," "your" or "owner"). A _____ corporation/partnership/proprietorship located at: _____.

1. **ACKNOWLEDGMENTS.** You acknowledge that you have read this Agreement and our franchise disclosure document and 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 Shield Security Systems Business and thereby to protect and preserve the goodwill of the Marks. You acknowledge that 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 the Shield Security Systems Business may evolve and change over time, that an investment in the Shield Security Systems Business involves business risks and that your business abilities and efforts are vital to the success of the venture. Any information you acquire from other Shield Security Systems 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. You acknowledge that, in all of their dealings with you, our officers, directors, employees and agents act only in a representative, and not in an individual, capacity. All business dealings between you and such persons as a result of this Agreement are solely between you and us. You further acknowledge that we have advised you to seek franchise counsel to review and evaluate this Agreement. Capitalized terms used but not defined in this Agreement are listed in Schedule A attached hereto and are incorporated herein and made a part of this Agreement.

2. **GRANT OF FRANCHISE.**

2.1 Grant. We grant to you and you accept from us, a non-exclusive right to use the System and Marks to open and operate one Shield Security Systems Business to be operated within the Territory set forth in Exhibit I attached to this Agreement. You are permitted to begin operating your Business from your home, however it is strongly suggested that after you operated for 12-24 months you should locate your office outside of your home. If you decide to obtain office space, your office must be within your Territory. In order for you to operate at an additional location outside of the Territory, a separate Franchise Agreement must be signed and you will be required to pay us an additional Initial Franchise Fee.

2.2 Territory. During the Term of this Agreement so long as you are not in default, we and our Affiliates will not, in your exclusive territory, operate a company-owned unit or grant a license to or franchise another Shield Security Systems Business within your Territory. The Territory granted under this Agreement does not in any way grant or imply any other area, market or territorial right to you, except as provided for in this Agreement. You may not conduct business in any area other than your exclusive territory and may not solicit business outside of your territory without our prior written consent. You are only permitted to "directly solicit" customers inside of your Territory. "Directly solicit" means marketing using unsolicited direct mail, unsolicited telephone calls, advertising in a publication having

2/3rds or more of its circulation in your Territory, or advertising on a television channel, radio signal or computer bulletin board having 2/3rds or more of its viewers, listeners or users in your Territory. Notwithstanding the foregoing, if a customer freely chooses to transact business with you even though they are not within your Territory, you are permitted to accept them as a customer. You expressly acknowledge and agree that we and our Affiliates and other franchisees may compete with you for customers within and outside of your Territory.

2.3 Retention of Rights. Except as set forth above in Section 2.2.B, we and our Affiliates retain all rights with respect to Shield Security Systems Businesses, the Marks, the System, the sale of similar or dissimilar products and services and any other activities we deem appropriate whenever and wherever we desire, including (1) the right to own or operate, or license others to own or operate Shield Security Systems Business anywhere outside of your Territory, even if it is immediately adjacent to your Territory; (2) the right to operate or license others to operate similar businesses or any other businesses under trademarks or service marks other than the Marks, both inside and outside of your Territory; (3) the right to operate or license others to operate businesses that are not similar to a Shield Security System Business under the Marks in any location, both inside and outside of your Territory; and (4) the right to offer any products or services (including the products and services you offer) through other channels of distribution (including the Internet and catalogs) both inside and outside of your Territory. We are not required to pay you if we exercise any of the rights specified above inside your Territory.

We and our Affiliates have the right to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as Shield Security Systems Businesses operating under the Marks or any other marks following our purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which you acknowledge may be within your Territory, near your Territory, or near any of your Business).

We and our Affiliates may sell ourselves, our assets, our proprietary marks and/or our system to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations or entities, or be acquired by another corporation or entity; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of the Marks and System and/or the loss of association with or identification as our franchisee. If we assign our rights in this Agreement, nothing herein shall be deemed to require us to remain in the security systems business.

3. TERM AND RENEWAL.

3.1 Term. The initial term of this Agreement will begin on the date of this Agreement, and, unless it is terminated earlier according to the terms of this Agreement, will expire 10 years later ("Initial Term").

3.2 Renewal. If you are in full compliance with the terms of this Agreement, you will have the right to renew this Agreement for 1 additional term of 10 years ("Renewal Term"), provided you agree to execute the most current franchise agreement being utilized by us at the time you renew. The most current franchise agreement may contain significantly different terms than this Agreement. In any event, we may, in our discretion, refuse to renew this Agreement if you have been notified of defaults (even if subsequently cured) under this Agreement more than 2 times during the Initial Term, even if you are not in default at the time of the renewal. You agree to give us not less than 6 nor more than 18 months written notice of an election to renew this Agreement, prior to the end of the Initial Term. Your failure to give us this notice will be deemed an election not to renew this Agreement. You will also be required to

pay us a renewal fee of 10% of the then-current initial franchise fee. Additionally, you must update all equipment used in the Business to meet our then-current standards in accordance with the provisions of our Confidential Operations Manual and must execute a general release, to the extent permitted by applicable law, of any and all claims against us and our Affiliates, and our and our Affiliates' respective owners, officers, directors, employees, agents, successors and assigns arising under or from this Agreement and/or any related agreements between you and us or our Affiliates, or under any applicable law, rule or regulation.

3.3 Continuation. If you continue to operate the Business with our express or implied consent following the expiration of the Term of this Agreement, the continuation will be a month-to-month extension of this Agreement, unless otherwise set forth in writing. All provisions of this Agreement will apply while you continue to operate the Business. This Agreement will then be terminable by either party on 30 days written notice to the other party.

4. FEES.

4.1 Initial Franchise Fee. The initial franchise fee ("Initial Franchise Fee") is $40,000, which is nonrefundable and fully earned by us upon collection. The Initial Franchise Fee is to be paid in full upon the execution of this Agreement. In addition, you must purchase a dedicated micro website hosted on our approved platform, and related services from us before you begin operation of your business. The initial cost is $4,000 as well as ongoing cost of $1,200/month for the first six months for Search Engine Optimization (SEO), $2,500 for Pay Per Click (PPC) internet advertising, $250 per month (annually) for online reputation management services, $400 per month (annually) for email marketing, and other related services.

4.2 Royalty Fee. You will pay us a monthly royalty fee ("Royalty Fee") in the amount of 5% of Gross Receipts of the previous month.

4.3 Monitoring Fee. On the monthly renewal of every current monitored customer account, you shall pay us a monitoring fee as compensation for us for providing the Monitoring Services to your customer accounts (the "Monitoring Fee"). The Monitoring Fee is a monthly fee for each account and is calculated based on the number of customer accounts you have monitored on the first day of the month.

Currently, the Monitoring Fees are as follows, however, we reserve the right to increase the Monitoring Fee, but by no more than $6 in any 2 year period:

Number of Customer Accounts	Monitoring Fee per Customer Account
0-500	$6.00
501-1000	$5.50
Over 1001	$5.00

4.4 Cellular Communications Fee. On the monthly renewal of every current monitored customer account, you shall pay us a cellular communications fee (the "Cellular Communications Fee"). The Cellular Communications Fee is a monthly fee for each account and is calculated based on the number of customer accounts you have monitored on the first day of the month for each account utilizing cellular communications, AlarmNet or other third party special services billed according to the then-current price list. Currently, the Cellular Communications Fee is $6.00 per month per customer account utilizing cellular communications, AlarmNet or other third party special services billed according to the then-current price list.

4.5 Re-Activation Fee. Upon re-activation of any customer account you shall pay a re-activation fee of $35. An invoice will be generated on the first day of each month and you must pay any Activation Fees by the 10th day of each month.

4.6 Minimum Monthly Amount. Any time after 12 months from the Effective Date of this Agreement, if the amount of the Royalty Fee, Monitoring Fees and Activation Fees you paid to us in any month is less than the Minimum Monthly Fee set forth in the chart below, you will be required to pay us the difference.

Number of Months from the Effective Date	Minimum Monthly Amount
0-12	No Minimum Monthly Amount
13-24	$1,500
25-36	$2,400
37-48	$3,000
49-60	$3,600
61-72	$4,200
73-84	$4,700
85-96	$5,300
97-108	$5,800
109-120	$6,300

4.7 Regional/National Marketing. You will pay us a monthly regional/national marketing fee ("Regional/National Marketing Fee") in an equal to 1% of Gross Receipts of the previous month which will be deposited in the Regional/National Marketing Fund.

4.8 Software License Fee. You are required to use our hosted CRM software, Security Account Management System (a.k.a. "S.A.M.") according to the terms and conditions of a Software License and Hosting Services Agreement. Before you open and on each April 1 during the Term of the License Agreement you will pay us a license and hosting fee in the amount of $240 per user (the "License Fee").

4.9 Call Center Fee. Beginning on the first day of the sixth month after opening, you will pay us a monthly after hours call center fee ("After Hours Call Center Fee") equal to $80 for the first 100 minutes and $.99 for each additional minute. If you use us to provide 24 Hour Call Center Services, then in lieu of the After Hours Call Center Fee, you will pay us a monthly fee equal to $300 for the first 200 minutes and $.99 for each additional minute ("24 Hour Call Center Fee"). However, we have the right to increase the base amount ($80 and $300) by $25 per year and the additional minutes amount ($.99) by 5% per year.

4.10 VoiceOver Internet Service (VoIP). You are required to use our VoiceOver Internet Service (VoIP) which is equipped to answer calls to your Business on our VoIP telephone switch. You must pay to us a VoIP fee of $50.00 per month (the "VoIP Fee"), plus an initial set up fee of $250.00 which includes a desk phone and local Direct Inbound Dialing (DID) phone number. The VoIP Fee may be subject in our discretion from time to time if used by you for telemarketing purposes or excessive outbound calling.

4.11 Time And Manner Of Payments. Royalty Fees, Regional/National Marketing Fees, Monitoring Fees (based on active monitored accounts on the 1st day of the month), Cellular Communications Fees (based on the number of active monitored accounts on the 1st day of the month utilizing cellular communications, AlarmNet or other third party special services billed according to the then-current price list), Activation Fees, the Minimum Monthly Amount if any, and VoIP Fees must be paid by the 10th day of each month. We will invoice you for each customer account that is being monitored on the first day of each month for that month for the Monitoring Fee, Cellular Communications Fee and VoIP Fee. Monitoring Fees, Cellular Communications Fees and VoIP Fees are pre-paid and considered to be fully earned. There are no adjustments for accounts that cease to be monitored in that month. All payments referenced above will be deducted from Monitoring Fees collected by the Franchisor or drawn from your account via electronic funds transfer ("EFT") should adequate funds not be available from Monitoring Fees collected, or such other manner which we may designate from time to time. None of these fees are refundable. Any payment or report not received by us on or before the date it is due will be deemed overdue. You will comply with the procedures specified in the Confidential Operations Manual or as otherwise communicated for any EFT program and will perform the acts and sign the documents, including authorization forms that we, our bank, or your bank may require to accomplish payment by EFT, including authorizations for us to initiate debit entries and/or credit correction entries to a designated checking or savings account. In addition, you will pay all costs associated with utilizing an EFT payment program. All billing must be done through the Security Account Management (SAM) software and registered utilizing the Quickbooks software.

4.12 Interest On Late Payments. If Royalty Fees, Monitoring Fees, Minimum Monthly Amounts, if any, Call Center Fees, Regional/National Marketing Fees or any other fees or amounts due to us are overdue, we have the right to charge interest on these overdue amounts equal to the lesser of 1 ½% per month or the maximum legal rate in the jurisdiction where the Business is located. Our right to interest is in addition to any other remedies that we may have.

4.13 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. You acknowledge and agree that we have the right to set off any amounts you or your owners owe us against any amounts we might owe you or your owners.

4.14 Insufficient Funds. If you fail to have sufficient funds to pay via EFT, we can charge you, to the extent permitted by applicable law, an insufficient funds fee of $100 per occurrence.

4.15 Taxes. You agree to indemnify and/or reimburse us and our Affiliates for all capital, gross receipts, sales, and other taxes and assessments imposed by any applicable state or local governmental authority as a result of the conduct of the Business or the license of any of our or our Affiliates' intangible property to you (whether required to be paid by us or our Affiliates, withheld by you or otherwise). Your obligation to indemnify or reimburse us or our Affiliates for these taxes does not extend to income-type taxes which a state or local government imposes on us or our Affiliates' income.

4.16 Credit Card Processing Fee. We will charge you a credit card processing fee or an ACH transaction fee, as applicable, equal to 1.5% of each transaction amount, which will automatically be deducted for each payment amount received in S.A.M. You are required to use our secure credit card processing portal for all credit card and ACH payments.

4.17 Client Monitoring Invoicing. We will charge you a fee for client monitoring invoicing equal to $1.25 per mailed invoice, which shall be subject to increases as postage increases, provided the cost of processing shall not exceed 5% per year. We are not responsible for collection of past due invoices unless specific written arrangements are made between us.

5. ADVERTISING.

5.1 Regional/National Marketing Fund. Regional/National Marketing Fees will be deposited into the Regional/National Marketing Fund ("Fund"). The Fund will be used to provide advertising and promotional activities we deem beneficial to the System. We agree to use the Regional/National Marketing Fees received from you for the payment of costs associated with the creation, management, production, distribution, media placement and administration of local, state, regional or national advertising programs we may develop or have developed, and for any taxes incurred on these funds. The Fund is intended to maximize recognition of the Marks generally. Although we will try to use the Fund to develop advertising and marketing materials and programs, and to place advertising and marketing, that will benefit all Shield Security Systems Businesses, we do not ensure that the Fund expenditures in or affecting any geographic area will be proportionate or equivalent to the Fund contributions by Shield Security Systems Businesses operating in that geographic area or that any particular Shield Security Systems Business will benefit directly or in proportion to its Regional/National Marketing Fees contributed to the Fund. We have the right to determine the type of advertising and the media in which it will appear, as we feel is appropriate. We have the sole right to formulate and make policy decisions concerning every aspect of the advertising, consistent with applicable law. We do not have to spend the advertising funds in the Fund during any specific time period. Advertising may be handled by the outside advertising agency which we select.

Unaudited financial statements of the Fund will be made available to you on your reasonable request. If we do not use all of the funds deposited in the Fund in a particular fiscal year, the remaining funds will be carried over to the next fiscal year and be included in that year's advertising budget. We are entitled to reimbursement from the Fund to cover our administrative and overhead expenses associated with operating the Fund. The Fund is not our asset. The Fund is not a trust. We have a contractual obligation to hold all Fund contributions for the benefit of the contributors and to use the contributions only for the purposes described above. We have no fiduciary obligation to you for administering the Fund.

5.2 Your Own Advertising. In addition to the Fee and your grand opening advertising requirements described below, each quarter you must spend at least 5% of your Gross Receipts earned in that quarter on your own advertising. You must provide proof of your advertising and sales promotion expenditures in such form, with such detail and including copies of such advertising and receipts as we request. We must consent to your use of any advertising and sale promotion materials before you use them. You must submit all of your advertising and sale promotion materials to us or our designee at least 10 days prior to use. If we do not reject these materials within 10 days, we will be deemed to have consented to your use of them. The submission of advertising and sale promotion materials to us for consent will not affect your right to determine the prices at which you sell your products and services.

You will not advertise, or use in advertising or other form of promotion, the Marks without the appropriate copyright, trademark, and service mark symbols ("©", "®", "TM" or "SM") as we direct. You will not advertise your products or services or use the Marks on the Internet except with our prior consent.

5.3 Grand Opening Advertising. In addition to the other advertising requirements described above, you must spend a minimum of $9,000 for grand opening advertising and sales promotions within 90 days of the Business opening. This includes obtaining and sending out grand opening announcements, joining 3 to 5 networking or tip groups and participating in at least 1 trade show. You may also elect to begin a radio or television advertising campaign. Additionally, you will provide us, within 180 days after the opening of the Business, proof of your advertising and sales promotion

expenditures in such form, with such detail and including copies of such advertising and receipts as we request.

6. OUR GENERAL DUTIES.

6.1 Initial Training. We will provide an initial training program for the operation of a Shield Security Systems Business using the System and Marks for you or your Principal Owner and up to 2 additional employees you want to enroll. The initial training program is furnished after this Agreement is signed and prior to the opening of the Business. We will provide you home training through webinars and other electronic means ("Home Training") for a total of 8 weeks prior to opening your Business. The Home Training will consist of basic business start up training, registration and acclimation to terminology unique to the security industry. After you have worked through the Home Training for a period of 4 weeks, you will come to our headquarters in Buffalo, NY to attend a 3 days training program. You will then return back home and continue the Home Training for an additional 4 weeks. Then, sometime between 30 and 60 days after you open the Business, we will send 1 representative to your Business to provide you assistance and additional training. During any of the training, you are responsible for your and your employees, if any, expenses including salary, food, lodging, travel, etc. You or your Principal Owner and your designated manager (if any) must satisfactorily complete the initial training course. If you currently operate a Shield Security Systems Business, the initial training program will not be mandatory or provided unless we deem it necessary.

6.2 Subsequent Training. We may also provide refresher programs to experienced employees or managers. These refresher programs may be mandatory. We may provide training to your new employees hired after your Business commences operations, if you so request. We are permitted to charge a reasonable fee for any subsequent training we may offer or require. You must pay the compensation of the trainees as well as such trainees' travel, lodging and personal expenses during any subsequent training.

6.3 Continuing Advisory Assistance. We will make available continuing advisory assistance in the operation of the Business, rendered in such manner and available from time to time, as we may deem appropriate. If we send our representatives to your Business to provide assistance, we reserve the right to charge a reasonable fee for this type of assistance, including per diem charges, travel and living expenses for our trainers.

6.4 Confidential Operations Manual. We will loan you for the Term of this Agreement 1 copy of the Confidential Operations Manual ("Manual"), in a format determined by us (i.e., in writing, on CD-Rom, via electronic media through a secure website, etc.). The Manual includes all supplemental bulletins, notices, revisions, modifications or supplemental information, either in document or electronic form, we may provide to you concerning the System, which may cover such items as approved suppliers, general business methods, merchandising, financial reporting requirements, confidentiality agreements, plans and specification requirements, and other proprietary aspects of the System. Also included are any passwords or other digital identification necessary to access the Manual on a website or extranet. You agree to comply with the mandatory requirements in the Manual and acknowledge your compliance is an essential part of your obligations under this Agreement. You will at all times be responsible for ensuring that your employees and all other persons under your control comply with the mandatory provisions of the Manual in all respects. The Manual constitutes a confidential trade secret of ours and will remain our property. The Manual cannot be photocopied, reproduced, or disseminated without our written consent. We may modify the Manual from time to time in our discretion, and you agree that from time to time we may reasonably change the System. You expressly agree to comply with each modification, addition or deletion of the System or Manual at your sole cost and expense. You acknowledge that due to the changing nature of the security business, as well as changing attitudes of customers and other factors,

changes to the System or the Manual may be necessary and may involve your expenditure of substantial sums of money.

We agree to impose any of these changes in a reasonable, non-discriminatory manner among other franchisees. However, because complete and detailed uniformity under many varying conditions may not be possible or practical, we specifically reserve the right and privilege, in our sole discretion and as we may deem to be in the best interests of the System in any specific instance, to vary standards for any particular franchisee based upon the peculiarities of a particular territory, density of population, business potential, business practice or other condition important to the successful operation of a particular Shield Security Systems Business. We may grant variations from standard specifications and practices as we determine in our discretion, and we will have no obligation to grant you or any other franchisee like or similar variations, and our failure to require a change from any particular franchisee will not affect your obligations under this Agreement.

You will at all time insure that your copy of the Manual is kept current and up-to-date. In the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by us will be controlling.

7. YOUR GENERAL DUTIES.

7.1 Opening of Business. You agree to begin operation of the Business within 180 days after this Agreement is accepted by us. You will equip the Business according to the specifications described in the Manual. In addition, you must obtain permits or receive other necessary licenses necessary or required for operating the Business.

7.2 Use of Name and System. You agree that during the Term of this Agreement, you will operate, advertise and promote the Business under the name "Shield Security Systems" without prefix or suffix and to adopt and use the Marks and System licensed hereunder solely in the manner prescribed by us. You agree to identify the Business with a sign in compliance with applicable local ordinances and as approved by us.

7.3 Compliance with Laws. You agree to operate the Business in compliance with applicable laws and governmental regulations and in accordance with the operational standards we may establish from time to time. At all times you will comply with all federal, state, municipal, and local laws, rules, regulations, ordinances, and codes applicable and related to this Agreement, the Business, and all aspects of the conduct of the Business. You must obtain all licenses and permits required by any applicable federal, state, municipal, and local law, rule, regulation, ordinance and code to operate the Business as required by this Agreement. You must make timely filings of all tax returns and pay when due all taxes levied or assessed on, and related to this Agreement and the Business. At no time are we required to inform you of any federal, state, municipal, or local law, rule, regulation, ordinance code, or tax.

7.4 Standards of Operation. The Business must conform with the mandatory standards we have set forth in the Manual. Unless we give you our prior consent, you must offer all products and services required by us in our Manual or in any other written instruction we give to you. You will not conduct any business or sell any products other than those approved by us. You agree to, and will take all steps as are necessary to, ensure that all of your employees treat each customer fairly and provide services in an honest, ethical, and non-discriminatory manner. You must not advertise in a deceptive, misleading, or unethical manner and agree to meet such minimum standards as we may establish from time to time in the Manual.

7.5 **Staffing**. You will maintain a competent, conscientious, and trained staff. When you open your Business, you must have, at a minimum, 3 part-time sales people and have arranged to have your technical installation work subcontracted to qualified technicians. You will be solely responsible for all employment decisions and functions of the Business including those related to hiring, firing, training, wage and hour requirements, record-keeping, supervision, and discipline of employees. You will require all of your supervisory employees to sign a confidentiality and non-competition agreement in a form acceptable to us.

7.6 **Security and Safety Procedures**. You are solely responsible for taking necessary or appropriate security and safety measures to protect employees, customers, those engaging in business with you, those coming on the premises of the Business and the general public at large. We do not in any way share any of that responsibility.

7.7 **Actual Participation**. You recognize the importance of the Principal Owner's participation in the management of the Business and that the Principal Owner's agreement to participate in the management of the Business is a material inducement for us to enter into this Agreement. Therefore, you agree that the Principal Owner or a designated manager who has satisfactorily completed our initial training program are required to use his or her best efforts and are personally responsible for the management of the Business on a day-to-day basis. In any event, the Principal Owner is required to carefully monitor and be responsible for the performance of anyone designated to manage the operation of the Business. Supervisory personnel, including your designated manager, are required to sign an agreement regarding confidentiality and covenants not to compete in a form acceptable to us.

7.8 **Insurance**. You will at all times maintain at your sole expense comprehensive commercial liability insurance and motor vehicle liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of the Business. You will obtain and maintain the minimum insurance as set forth below:

Commercial General Liability (Occurrence Form)

• General aggregate	$5,000,000
• Errors and Omissions aggregate	$1,000,000

Automobile Insurance

• General aggregate (includes non-owned vehicle endorsement)	$1,000,000

Umbrella	$2,000,000

You will also maintain statutory Workers' Compensation insurance. We may, from time to time, in our sole discretion, make such changes in minimum policy limits, coverage, and endorsements as we may determine. You agree to comply with any of these changes, at your sole cost and expense. All general liability insurance policies will name us and our successors and assigns as additional insured and will provide that we must receive 30 days prior written notice of any termination, expiration or cancellation of the insurance policy. Each year you must provide us with a certificate or other evidence of your compliance with our insurance requirements. If you fail to maintain such insurance, we may procure such insurance on your behalf and will be entitled to reimbursement from you of our costs to do so, in addition to any other rights and remedies we may have under this Agreement. However, we are not obligated to obtain such insurance on behalf of you. Regardless of the amounts set forth above, it will be your responsibility to maintain adequate insurance coverage at all times during the Term of and after the termination or expiration of the Term of this Agreement. You recognize that the levels of insurance

described above are merely a minimum requirement. You should determine if additional insurance is necessary through consultation with your advisors. Your failure to maintain coverage will not relieve you of any contractual responsibility or obligation or liability under this Agreement.

Proof of compliance with any of our insurance requirements must be provided annually and as may be demanded by us from time to time.

7.9 Sources Of Products. You will purchase all products, services, supplies, and equipment and materials required for the operation of the Business from manufacturers, suppliers, or distributors designated by us, or from other suppliers we approve who meet our specifications. Specification of a supplier may be conditioned on requirements relating to frequency of delivery, standards of services, including prompt attention to complaints, as well as payments, contributions, or other consideration to us, our Affiliates or the Regional/National Marketing Fund, and may be temporary, in each case in our reasonable discretion. We may, from time-to-time withhold, condition and/or revoke our approval of particular items or suppliers in our reasonable discretion. We or our Affiliates may receive rebates, commissions, and other benefits from suppliers in relation to items purchased by you and other franchisees. We have the right to condition or revoke your right to participate in any supplier programs if you are in default under this Agreement. Some of the approved suppliers may be affiliated with us. Currently you must purchase a Security System Package, CCTV Equipment and hardware that you install for your customers from us. You will pay us for these purchases based on the amounts and terms and conditions listed on our Price List, which you acknowledge may be updated by us from time to time on 30 days notice. You are also currently required to license our proprietary Security Account Manager, S.A.M., software from us pursuant to the License Agreement. We are the only approved supplier for the Security System Package, CCTV Equipment and S.A.M. We also will sell you the computer hardware and software you need to begin operation of your Business, although we are not the only approved suppliers for these items. You must purchase business cards and billing and return envelopes from us.

You may propose alternative manufacturers, suppliers or distributors of products used in the operation of the Business. However, we may require that samples of or from these proposed alternatives be delivered to us for testing prior to our approval and your use. Further, all proposed manufacturers, suppliers or distributors must agree to permit our agents or representatives to inspect their facilities regularly, both initially and from time to time as may reasonably be required by us to assure us of the proper production, processing, packaging, and transportation of the products, services, supplies or equipment and materials to be purchased by you. Within 45 days of our receipt of all requested samples or other information from a proposed alternative Supplier, we will advise you of our approval or disapproval of any proposed alternate sources of products, services, supplies, suppliers, materials and equipment. The foregoing will not be construed as an attempt to unreasonably limit the sources from which you may procure your products, services, supplies and materials. Rather, it is our intention that such items conform to our strict standards and strict specifications as to consistent quality, uniformity and reliability. Further, we will not be required to approve an inordinate number of alternative suppliers of a given item which in our reasonable judgment would prevent our effective supervision of suppliers. We may require your supplier to sign a confidentiality agreement.

7.10 Monitoring Services. You are required to use us to provide central station monitor services ("Monitoring Services") for your customers' security systems. In exchange for our providing the Monitoring Services to your customers, you will pay us the Monitoring Fees.

7.11 Call Center. You are required to provide your customers with 24-hour live-person telephone call center services as follows:

a. You may choose to staff your own telephone call center during normal business hours; provided that at no time can an incoming call not be answered by a live person.

b. You are required to use us to provide after hours call center coverage for your customers ("After Hours Call Center Services"). However, you are not required to pay us the After Hours Call Center Fee until the 1 year anniversary of the Effective Date.

c. If you do not staff your own telephone call center as provided in Section 7.11(a), then you must, in addition to using us to provide the After Hours Call Center Services, use us to provide call center coverage during normal business hours ("24 Hour Call Center Services"). You will pay us the 24 Hour Call Center Fee to provide the 24 Hour Call Center Services.

d. You acknowledge that customer access to a live person at all times is of critical importance to customer satisfaction with any security business. Therefore, if you fail to provide live-person telephone answering services during normal business hours, you agree that we and the System will be damaged. These damages will be calculated at the rate of $250 per occurrence of either (i) a customer or potential customer of your Business complains to us that their call was not answered by a live-person or (ii) our investigation determines that a live person was not available at any particular time to answer your Business telephone line. We have the right to collect these amounts in addition to exercising any and all other rights we may have for non-compliance under this Agreement. You agree that a precise calculation of the full extent of the damages that we will incur from the failure to provide your customers with 24-hour live person access are difficult to determine and all parties desire certainty in this matter and agree that the damages provided here are reasonable and constitute liquidated damages and not a penalty.

7.12 Inspections. You must permit our representatives or agents or the representatives or agents of our Affiliates to enter the Business' premises (except if you office is in your home and then only with notice) with or without notice during regular business hours to inspect the Business. Our right to approve certain matters, to inspect the Business and its operation and to enforce our rights, exists only to the extent necessary to protect our interest in the System and Marks for the benefit of us, our Affiliates and all Shield Security Systems Businesses. Neither the retention nor the exercise of these rights is for the purpose of establishing any control, or the duty to take control, over those matters which are clearly reserved to you, nor will they be construed to do so. The obligations of this provision survive termination or expiration of the Term of this Agreement.

7.13 Cooperation for Financial Performance Representations. You will maintain your books and records in accordance with United States generally acceptable accounting principles, consistently applied. If we at any time desire to utilize a financial performance representation or similar document in connection with the sale of franchises, you agree to provide us, at no cost, with such reasonable information as we may require in order to properly prepare such representation, and you will permit us to utilize such information as we deem necessary.

7.14 Innovations. All ideas, concepts, techniques, innovations, developments, improvements, suggestions or materials concerning a Shield Security Systems Business, whether or not protectable intellectual property and whether created by or for you or your owners, Affiliates, employees or representatives, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System and works made-for-hire for us. To the extent any such item does not qualify as a "work made-for-hire" for us, you must assign, or must require your owners, Affiliates, employees or representatives to assign, your or their ownership interest of such item to us. You agree to take, or direct your owners, Affiliates, employees or representatives to take, whatever action required by us to document such assignment or to assist us in obtaining any and all intellectual property rights in such item.

8. MARKS.

8.1 Right to Use Marks. You acknowledge that the Marks are valid service and/or trademarks, which are licensed to us to sublicense to you. You recognize that valuable goodwill is attached to the Marks, and that you will use the Marks only in the manner and to the extent specifically licensed by this Agreement. Any goodwill arising out of your use of the Marks inures to the benefit of us and our Affiliates. You further acknowledge that the right to use the Marks and the grant contained in this Agreement is non-exclusive. Any unauthorized use of the Marks by you is a breach of this Agreement and an infringement of our rights and the rights of our Affiliates. All provisions of this Agreement applicable to the Marks apply to any additional service marks, trademarks, trade dress, trade names, logos, commercial symbols and copyrights hereafter authorized for use by, and licensed to, you.

8.2 Contest of Marks. You will not directly or indirectly contest or aid in contesting the validity or ownership of the Marks, trade secrets, methods, procedures and advertising techniques which are part of the System, or contest our and our Affiliates' rights to register, use or license others to use the Marks or the System. You will not at any time (whether during or after the Term of this Agreement) directly or indirectly infringe on our rights to or in the Marks. You agree to promptly notify us of any claim, demand or suit based upon or arising from any attempt by anyone else to use the Marks, or any colorable variation thereof. We and our Affiliates will have the sole discretion to determine if we will defend the use of the Marks, and we are not obligated to defend the Marks. We and our Affiliates have the right to control any administrative proceeding or litigation involving the Marks. You will execute any and all instruments and documents, render assistance and do such acts as may, in the opinion of our counsel, be necessary or advisable to protect our interests and the interests of our Affiliates in any such litigation or proceedings, or to otherwise protect and maintain our interests and the interests of our Affiliates in the Marks.

8.3 Prohibition on Use of Name. You will not use any of the Marks or the name "Shield" or "Shield Security Systems" as part of your corporate name with any prefix, suffix, or other modifying words, terms, designs or symbols. You will, however, identify yourself as a Shield Security Systems franchisee, solely with the logos and marks licensed by us to you hereunder. You will not incur any obligations or indebtedness except in your name. Further, you will not use our name or Marks (or any marks or names confusingly similar to our name or Marks) as an Internet domain name or in the content of any world wide website.

8.4 Change of Marks. We will have the right to change the Marks to be used by you at any time and for any reason we deem appropriate. You will pay the costs associated with any change in the Marks we make, and you will make these changes promptly.

8.5 Use of Marks on the Internet. You acknowledge that we are the lawful, rightful and sole owner of the *www.shieldsecurity.net* Internet address (URL), and unconditionally disclaims any ownership interest in that or any similar Internet address. You will not maintain a world wide website, or any other presence, or advertise on the Internet, or any other public computer network, in connection with the Business without our prior written consent. You agree not to register any Internet address name under any Internet domain, class or category that contains the word "Shield" or any abbreviation, acronym or variation of that word. We and our Affiliates retain the sole right to advertise on the Internet and create a website using any of the Marks or any variation of the Marks. We and our Affiliates retain the sole right to determine the content on any website we create. We retain the right to pre-approve your use of linking and framing between your web pages and all other websites. You will, within 5 days after our request, dismantle any frames and links between your web pages and any other websites.

9. RECORDS, REPORTS AND FINANCIAL STATEMENTS.

9.1 Bookkeeping. You will maintain and preserve for at least 5 years from the dates of their preparation, full, complete and accurate books, records and accounts in accordance with United States generally accepted accounting principles, and in the form and manner prescribed by us from time to time. We may require you to use approved computer hardware and software in order to maintain certain sales data and other information. You agree to furnish to us on such forms that we prescribe from time to time, without limitation, as follows: by the 3rd day of each month based on the preceding month's a sales report, within five (5) days after their filing, copies of all signed sales tax returns and signed withholding tax returns for the Business and, as soon as you have received them, copies of the canceled checks for the required sales taxes and withholding taxes; within fifteen (15) days after the end of each calendar month, a profit and loss statement for the Business for the immediately preceding calendar month and a year-to-date balance sheet as of the end of such month in our approved format; within ninety (90) days after the end of the fiscal year, reviewed annual profit and loss and source and use of funds statements and a reviewed balance sheet for the Business as of the end of such fiscal year signed by you or your principal operating officer or operating partner certifying the accuracy and completeness of the information contained therein; and within ten (10) of being filed or upon our request from time to time, exact copies of federal and state income and other tax returns and such other forms, records, books and other information we may periodically require, all of which shall in each case be accompanied by a statement signed by you or your principal operating officer or operating partner certifying the accuracy and completeness in all respects of the information contained therein. All reporting data will be prepared in accordance with United States generally accepted accounting principles, consistently applied.

9.2 Verification. 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 the Business. We also have the right to require you to have reviewed or audited financial statements prepared on an annual basis. Moreover, we have the right, as often as we deem appropriate, including on a daily basis, to access all computer systems that you are required to maintain in connection with the operation of the Business and to retrieve all information relating to the Business' operations and require you to install and use any software necessary for us to accomplish this.

9.3 Our Right To Audit. We have the right at any time during regular business hours, and without prior notice to you, to inspect and audit, or cause to be inspected and audited, your (if you are a corporation or partnership) and your Business', bookkeeping and accounting records, sales and income tax records and returns and other records. You agree to cooperate fully with our representatives and independent accountants we hire to conduct any such inspection or audit. You also grant us permission to examine all records of any supplier from whom you have made purchases. If it is found that you under-reported Gross Receipts, you will reimburse us for the amount of the Royalty Fees, Regional/National Marketing Fees, Monitoring Fees, Call Center Fees, Minimum Monthly Amounts, if any, or any other fees payable to us that would have been due had Gross Receipts been reported accurately, plus interest on those amounts at the rate of the lesser of 1 ½ % per month or the maximum legal rate in the jurisdiction where the Business premises is located. In addition, if the amount of Gross Receipts reported for any calendar year are less than 98% of the actual Gross Receipts for that period, you agree to reimburse us for all costs of the investigation or audit that uncovered the under-reported sales, including salaries, professional fees, travel, meals and lodging.

10. CONFIDENTIAL INFORMATION.

You acknowledge that the trade secrets, information, ideas, research, methods, manuals, sales and marketing procedures, systems, improvements and copyrighted materials, etc., including the Manual,

owned or developed by or licensed to us, whether or not published, confidential or suitable for registration or copyright, and the goodwill associated with them and copyrights embodied in them, are and shall remain our sole and exclusive property. This information is provided or revealed to you in trust and confidence. You will not, during the Term of this Agreement, or after a Transfer, termination or expiration of the Term of this Agreement, communicate or divulge to anyone, any such information or knowledge, including specifications, standards, methods, procedures, sales and marketing materials, knowledge of the System and experience in operating a Shield Security Systems Business and other information or material which we may designate as confidential ("Confidential Information"), nor will you disclose, use or divulge, in whole or in part, any Confidential Information unless the information is generally known and in the public domain, and except to the extent necessary to operate the Business. You will ensure that each of your employees exercises the highest degree of diligence and makes every effort to maintain the absolute confidentiality of all trade secrets and proprietary rights during and after the Term of this Agreement.

11. NON-COMPETITION.

11.1 Competing Business During the Term of this Agreement. You acknowledge the uniqueness of the System and that we are making our knowledge, know-how and expertise available to you for the purpose of operating the Business strictly and solely within the Territory. You agree that it would be an unfair method of competition to use or duplicate or to allow others to use or duplicate any of the knowledge, know-how or expertise you receive from us or our Affiliates for any reason other than for the operation of the Business under this Agreement. You further recognize the importance of devoting substantial time and energy to the Business. Therefore, you agree that during the term of this Agreement, unless you have our prior written consent, neither you nor any of your owners will directly or indirectly perform any services for, engage in or acquire, be an employee of, have any financial, beneficial or equity interest in, or have any interest based on profits or revenues of any Competitive Business except as a duly licensed franchisee of ours (except for a 5% or less beneficial interest in a reporting company registered under the Securities Act of 1933, as amended).

11.2 Non-Competition After Term. For 2 years after a Transfer, or the termination or expiration of the Term of this Agreement for any reason or the entry of final order of a court of competent jurisdiction enforcing this covenant, whichever is later, neither you nor any of your owners will directly or indirectly perform any services for, engage in or acquire, be an employee of, have any financial interest in, loan money to, or have any interest based on profits or revenues of any Competitive Business (except for other outlets franchised from us to you or your owners, and except for a 5% or less beneficial interest in a reporting company registered under the Securities Act of 1933, as amended). The geographical scope of this restriction will cover your Territory, the territory of any of our franchisees and the territory of any person or entity who has executed Franchise Agreement with us but is not yet opened for business at the time this restriction begins to be enforced. Notwithstanding the above restriction, you will be permitted to service customers who are customers of yours on the date of any Transfer, or the termination or the expiration of the Term of this Agreement, so long as these customers continue to use our monitoring services as described in Section 13.3.g. below.

11.3 Reasonableness of Restrictions. You and any guarantor of this Agreement acknowledge and confirm that the length of the term and geographical restrictions contained in Sections 11.1 and 11.2 are fair and reasonable and not the result of overreaching, duress or coercion of any kind. You acknowledge and confirm that your and their full, uninhibited and faithful observance of each of the covenants contained in Sections 11.1 and 11.2 will not cause any undue hardship, financial or otherwise, and that enforcement of each of the covenants contained in Sections 11.1 and 11.2 will not impair your or their ability to obtain employment commensurate with your or their respective abilities and on terms fully acceptable to you or them, or otherwise to obtain income required for your or their comfortable support

and, if such person is an individual, his or her family, and the satisfaction of the needs of his or her creditors.

11.4 Enforcement. You acknowledge that to disregard the provisions of Sections 11.1 and 11.2 would effectively foreclose us from selling other franchises and you could be unjustly enriched and unfairly derive benefit from the goodwill and training you receive from us. Moreover, our franchisees and the Shield Security Systems Businesses could be severely disadvantaged if you compete against them using the Marks or other Confidential Information. We intend to restrict your activities under Sections 11.1 and 11.2 of this Agreement only to the extent necessary for the protection of our, our Affiliates' and our franchisees' legitimate business interests. Each of the foregoing covenants will be construed as severable and independent and will be interpreted and applied consistent with the requirements of reasonableness and equity. In the event a court of competent jurisdiction will determine the business, time, or geographic limitations contained in this Agreement are illegal, invalid or unenforceable, then, the court so holding will reduce the limitation necessary to render such restriction enforceable by the court. We will have the right to reduce the scope of any covenant contained in Sections 11.1 and 11.2, without your consent, effective immediately upon receipt by you of our written notice; and you will comply with any reduced covenant. In addition to any other remedies available at law or equity, we will have the right to injunctive relief for your violation or threatened violation of any covenant described in Sections 11.1 or 11.2. The terms of this non-compete are assignable by us and will inure to our benefit, as well as our successors and assigns. In the event of any assignment, sale, merger or change in our ownership or structure, the resulting entity will step into our place, without any additional consent of or notice to you, as if the term "us" was defined in this Agreement to include such entity.

12. TRANSFER.

12.1 By Us. We are free to assign all of our rights and obligations under this Agreement, and upon such assignment we will be relieved of all liability under this Agreement, and all rights and obligations will accrue to our successor or assignee.

12.2 By You. The rights and duties created by this Agreement are personal to you. We have granted this franchise in reliance upon our perception of the individual and collective character, skill, attitude, and business and marketing abilities of you and your owners. Therefore, there can be no Transfer. Any consent by us will not operate as a consent to any future Transfer, and no future Transfer will be valid without our prior written consent. Any attempted Transfer in violation of this paragraph is voidable at our option. If we elect not to exercise our right of first refusal pursuant to Section 12.4 below, we will not unreasonably withhold our consent to a Transfer, provided that the following conditions are satisfied:

a. **Governmental Compliance**. The Transfer is conducted in compliance with applicable laws and regulations;

b. **Prior Compliance**. You have performed your obligations and duties under this Agreement and you are not in default under this Agreement, or any other agreement with us or our Affiliates;

c. **Payments**. The transferee has satisfied all of its obligations under this Agreement and all other agreements it has with us or our Affiliates or suppliers.

d. **Release**. To the extent permitted by law, you, including all officers, directors, managers and owners (as well as all guarantors under this Agreement) must execute a general release, in

the form we approve, of any and all claims against us, our Affiliates, and our and their respective officers, directors, employees and agents.

e. **Requirements of Transferee**. The transferee meets the established standards for new franchisees, is of good moral character, has a good credit rating, sufficient financial resources to operate the Business and competent qualifications. The transferee must execute the most current franchise agreement for the state in which the Business is located, which may include different terms and conditions. In addition, the transferee's guarantors must sign the Guaranty and Assumption of Obligations attached to that franchise agreement.

f. **Transfer Fee**. We are paid a transfer fee equal to seventy-five percent (75%) of the then current Initial Franchise Fee in lieu of the Initial Franchise Fee required in the then current form of franchise agreement.

g. **Assumption of Liabilities**. The transferee agrees to assume all liabilities and obligations from you and your operation of the Business, including the lease, and must comply with other reasonable requirements we may impose.

h. **Completion of Training**. The transferee and/or transferee's management team, including a Principal Owner and designated manager (if any), must successfully complete the initial training program.

i. **Update Equipment**. The transferee updates any and all equipment necessary for the operation of the Business to comply with our then current standards for a new Shield Security Systems Business.

j. **Continuing Liability**. If we approve a Transfer, we will have the discretion to require you and the guarantors to remain liable for the full and faithful performance of the obligations of the transferee.

k. **Economically Reasonable Terms**. Although we will not be required to determine the value of business upon a Transfer, if in our reasonable judgment the purchase price or other terms of sale are not economically feasible to the proposed transferee, we can withhold our consent to such Transfer. Our consent is not, however, to be construed as an implication or warranty that the terms of the sale are in fact economically feasible. We may, in good faith, notify you and the proposed transferee, stating the reasons that we have elected to withhold our approval of the proposed Transfer.

12.3 Your Death or Incapacity. You, by will or other written instrument, may appoint a designated heir to continue operation of the Business upon your death or incapacity. Your personal representative or conservator, as applicable, must notify us of the name of such designated heir within 30 days of your death or determination of incapacity. The designated heir must meet the qualifications of Section 12.2, including the requirement to meet our standards for new franchisees, execute the then-current form of franchise agreement used in the state in which the Business is located and the designated heir or his or her new designated manager has, or within 75 days of the date we receive notice of the designated heir's appointment will have, satisfactorily completed the initial training program; provided that no transfer fee will be charged on a Transfer pursuant to this paragraph. The Transfer to a designated heir, personal representative or conservator, as applicable, in the event of your death or legal incapacity, will not give rise to our right of first refusal as described in paragraph 12.4 below. In our discretion, we may require your designated heir, personal representative or conservator to satisfactorily complete our initial training program, and we reserve the right to charge a reasonable fee to provide this training.

12.4 Right of First Refusal. Notwithstanding the foregoing paragraphs, if you receive a bona fide, executed, written offer to acquire an interest in this Agreement, you or the Business from a third party purchaser, you must submit a copy of the offer to us. You must also provide us with any other information we request to evaluate the offer. We have the right, exercisable by delivering written notice to you within 30 days from the date of last delivery by you of the offer and any other documents we request, to acquire such interest for the price and on the terms and conditions contained in the offer, except that regardless of the terms of the offer, we may substitute cash for any form of payment proposed in the offer; require you to include customary warranties and representations in the purchase agreement; and structure the transaction as a purchase of assets, rather than a purchase of equity in you. We will not be obligated to pay any "finder's" or broker's fees that are a part of the proposed sale and will not be obligated to comply with any part of the offer which directly or indirectly requires payment of any consideration other than a bona fide purchase price for the interest proposed to be Transferred (for example, we will not be obligated to pay any earn out or other share of the profits from our operation of the Business after the Transfer is completed). If we decline to exercise our right of first refusal, you will have 90 days after the earlier of our decline to exercise the right or the expiration of the right, to sell such interest to the bona fide third party purchaser upon the terms and conditions described in the offer notice submitted to us, subject to compliance with Section 12.2. In the event you fail to complete the sale of such interest to this third party on these terms within this 90 day period, you must again comply with this paragraph and give us the first right to acquire such interest prior to any sale. Our election to not exercise our right of first refusal as to any particular offer will not affect our right of first refusal as to any subsequent offer.

13. TERMINATION OF AGREEMENT.

13.1 By You. You may not terminate the Term of this Agreement except by operation of law. Any attempt by you to terminate the Term of this Agreement except by operation of law will be deemed a termination without cause.

13.2 By Us.

a. **With 30 Days' Notice and 30 Days' Opportunity to Cure**. We may at our option, and without prejudice to any other rights or remedies provided for in this Agreement or at law or in equity, terminate the Term of this Agreement for "good cause". Without limitation as to other situations, "good cause" for termination exists if you or any guarantor of this Agreement:

(1) Do not substantially perform all of the lawful terms, conditions, and obligations of this Agreement, or the mandatory obligations under the Manual; or

(2) Default under the terms of the lease for the premises; or

(3) Misrepresent Gross Receipts in any report submitted to us; or

(4) Lose any permit or license which is a prerequisite to the operation of the Business for a period of at least 5 days; or

(5) Misuse the Marks or Confidential Information, or engage in conduct which, in our opinion, reflects unfavorably upon the operation, maintenance, goodwill and/or reputation of the System (subject to paragraph 13.2.c below); or

(6) Are adjudged bankrupt, become insolvent, or make a general assignment for the benefit of creditors (subject to paragraph 13.2.c below); or

(7) Commit any other act which constitutes good cause under applicable state law or court decision; or

(8) Fail to keep the Business open for a period of 3 consecutive days without justifiable cause; or

(9) Fail to pay any lawful debt or tax when due; or

(10) Surrender or transfer control of the operation of the Business (including entering into a management arrangement with any person not a party to this Agreement) or make an unauthorized Transfer.

Subject to applicable law and except as otherwise provided in this Agreement, we will give you at least 30 days' prior written notice of default (except that, if state law permits, we will have the right to terminate earlier if the "good cause" constitutes a default that is not curable). The notice will state the nature of the default and will provide that you have 30 days from the date of the notice to correct any claimed deficiency. If the default is corrected within this period, the notice will be void. If the default is not corrected within this period, we have the right to terminate the Term of this Agreement immediately.

b. **With 30 Days' Notice and 10 Days' Opportunity to Cure**. We may also terminate the Term of this Agreement for non-payment of sums due to us or our Affiliates or suppliers; your failure to open the Business for business 6 months after our acceptance of this Agreement; or your failure to immediately correct and cure a threat or danger to the public health or safety resulting from the operation of the Business. Subject to applicable law and except as otherwise provided in this Agreement, if termination is based on the foregoing, we will give you at least 30 days' prior written notice of default (except that, if state law permits, we will have the right to terminate earlier if the claimed deficiency constitutes a default that is not curable). The notice will state the nature of the default and will provide you with at least 10 days from the date of the notice to correct any claimed deficiency. If the deficiency is corrected within this period of time, the notice will be void. If the deficiency is not corrected within this period of time, then we have the right to terminate the Term of this Agreement effective 30 days after the date we gave you notice of default.

c. **Without Notice and Without Opportunity to Cure**. Notwithstanding anything contained herein to the contrary, if state law permits, we will be permitted to terminate the Term of this Agreement immediately and without notice when the basis or grounds for termination is: (a) conviction of a felony or any other criminal misconduct that materially and adversely affects the operation, maintenance, reputation or goodwill of the Business or the System; (b) fraudulent activity that materially and adversely affects the operation, maintenance, reputation or goodwill of the Business or the System; (c) abandonment of the Business; (d) your bankruptcy or insolvency or that of your guarantors; (e) repeatedly failure to comply with the lawful provisions of this Agreement (i.e. 2 or more times in any 12 month period), whether or not the repeated failures are corrected after notice; (f) your making or having made any material misrepresentation or omission in the application for this franchise; or (g) any other act or omission that permits termination without notice and/or an opportunity to cure under applicable state law.

13.3 Consequences of Termination. Upon a Transfer, or the termination or expiration of the Term of this Agreement for any reason whatsoever, all of your rights hereunder will terminate, and you will do each of the following:

a. You will cease to be a franchisee of ours and cease to operate the Business under the System and Marks. You will not thereafter directly or indirectly represent to the public that you operated the Business or are in any way connected with the System, nor will you hold yourself out as a present or former franchisee of ours.

b. You will immediately discontinue use of all Marks, signs, colors, structures, printed goods and forms of advertising indicative of our business, any Shield Security Systems Business or the System, and you will return any Confidential Information or other copyrighted materials, including the Manual, to us.

c. If we request, you will assign your telephone numbers, white and yellow page telephone references and advertising to us or any of our designees, including any other Shield Security Systems Businesses.

d. You will pay all amounts due to us, our Affiliates and suppliers.

e. You will cancel any assumed name registration or equivalent registration which contains the Marks and you will furnish us with evidence satisfactory to us of your compliance with this obligation within 5 days of the Transfer, or the termination or expiration of the Term of this Agreement.

f. You will comply with all post-term covenant obligations including the Confidential Information, non-competition and indemnification obligations.

g. You will use your best efforts to make sure that all of your accounts continue to use our monitoring services, and you will continue to pay us the Monitoring Fees due therefore. In the event you default in the payment of any Monitoring Fee after the Transfer or the termination or expiration of the Term of this Agreement, we will be permitted to contact such accounts to notify them that if they desire to continue to have our Monitoring Services they will be billed by us directly, and we will be permitted to so bill such accounts directly.

The Transfer or the termination or expiration of the Term of this Agreement will not relieve you of any of your obligations to us or our Affiliates existing at the time of such Transfer, termination or expiration, nor will it terminate your obligations that, by their nature, survive the Transfer, or the termination or expiration of the Term of this Agreement. Furthermore, a Transfer, and the termination or expiration of the Term of this Agreement will be without prejudice to our rights against you; and in the event of a termination which is the result of your material breach or default under this Agreement, in addition to our rights set forth above, we will also be entitled to all rights and remedies available at law or in equity.

13.4 Our Right to Purchase Personal Property. After the termination or expiration of the Term of this Agreement, but not upon an approved Transfer pursuant to Sections 12.2, 12.3 or 12.4, we will have the right, but not the obligation, to purchase any or all of your equipment, inventory, supplies and other personal property used in connection with the operation of the Business. The purchase price will be at book value. In addition, we will have the right, but not the obligation, to purchase some or all of your customer accounts. The purchase price for the customer accounts will be the product of (A) the number of customer accounts we elect to purchase from you, multiplied by (B) the average monthly collections you received from your customers over the preceding 12 months (or the number of months you have been operating the Business, if less than 12), multiplied by (C) 23. We will have 30 days after the determination of purchase price to exercise our rights granted by this Section 13.4, and we will have an additional 30 days to pay for the products or accounts we desire to purchase. If we fail to exercise our

rights within the time periods set forth above, you will be free to otherwise sell or dispose of the personal property used in connection with the operation of the Business.

13.5 Our Operation of the Business. In order to prevent any interruption of the Business, which you agree would cause harm to us and the System, if you are unable to operate the Business for any reason whatsoever, you authorize us and our agents and Affiliates to operate the Business for so long as we deem necessary and practical. All income from the operation of the Business will be kept in a separate account, and the expenses of the Business, including reasonable compensation and expenses of us and our agents, will be charged to this separate account. Nothing in this Section 13.5 is intended to require us to operate the Business in the event of your inability, and the rights described in this Section may be exercised or not exercised in our sole and absolute discretion.

14. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.

14.1 Relationship of the Parties. It is understood and agreed by the parties that this Agreement does not create a fiduciary relationship between them, that you and us are independent contractors, and that nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner or employee of the other for any purpose. You must conspicuously identify yourself in all dealings with customers, suppliers, public officials and others as the owner of the Business and our franchise, and you must place other notices of independent ownership on forms, invoices, stationery, advertising and other materials as we require. Other than as expressly provided in this Agreement, we shall have no control over the terms and conditions of employment of your employees or agents or any of their activities.

We have not authorized or empowered you to use the Marks except as provided by this Agreement and you must not employ any of the Marks in signing any contract, check, purchase agreement, negotiable instrument or legal obligation, application for any license or permit, or in a manner that may result in liability of us for any indebtedness or obligation of you. Neither we nor you shall make any express or implied agreements, warranties, guarantees or representations, or incur any debt, in the name of or on behalf of the other or represent that their relationship is other than franchisor and franchisee, and neither we nor you are obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized.

14.2 Indemnification. To the fullest extent permitted by law, you, for yourself and your owners, employees, agents, officers, directors, members, managers, parents, subsidiaries, affiliates, successors and assigns ("Indemnitors"), agree, at your sole cost and expense, to indemnify, defend and hold harmless, and to reimburse on demand us and all entities related to us and our and their respective shareholders, directors, officers, members, managers, employees agents, partners, attorneys, licensees, affiliates successors and assigns ("Indemnified Parties") for and against any and all damages, losses, liabilities, bodily injury, property damage, obligations, penalties, fines, claims, litigation, demands, defenses, judgments, suit proceedings, administrative orders, consent agreements, costs, disbursements or expenses of any kind or any nature whatsoever, including without limitation, reasonable attorneys' and expert fees and disbursements arising out of or related to or in any way arising out of the acts or omissions of any Indemnitor, including without limitation (i) any act or omission, negligent or otherwise, of the Indemnitors or anyone directly or indirectly employed by them or anyone for whom they may be liable relative to the Business; (ii) any breach by the Indemnitors of any term or provision of this Agreement; and (iii) the cost, including, but not limited to reasonable attorney's fees, of enforcing this indemnification provision. The obligations of Indemnitors are joint and several.

This indemnification shall not be construed to indemnify an Indemnified Party to the extent such indemnification is prohibited by law, including, an indemnification of any Indemnified Party from its own

negligence, if prohibited by law. To the extent indemnification of any party hereunder would be prohibited by law, this provision shall not apply to such party with respect to such otherwise indemnificable act, but shall continue to be effective as to all other parties with respect to whom indemnification is not prohibited by applicable law.

15. ENFORCEMENT.

15.1 Severability and Substitution of Valid Provisions. Except as expressly provided to the contrary, each section, paragraph, term and provision of this Agreement, and any portion thereof, is considered severable. To the extent that any part of this Agreement is deemed unenforceable by virtue of its scope in terms of area, time or business activity prohibited, but could be enforceable by reducing any or all provisions, the parties agree that such part shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of the Term of this Agreement or refusal to renew this Agreement than is required in this Agreement, or the taking of some other action not required in this Agreement, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by us is invalid or unenforceable, the prior notice and/or other action required by the law or rule shall be substituted for the comparable provisions.

15.2 Entire Agreement. The terms contained herein constitute the entire agreement between the parties regarding the subject matter herein, and there are no representations, inducements, promises, or agreements, oral or otherwise, between the parties not embodied herein; provided however, that nothing in this or any related agreement is intended to disclaim the representations we made in the franchise disclosure document that was furnished to you. No amendment to this Agreement is binding unless executed in writing by both parties.

15.3 No Waiver. No waiver by either party of performance of any obligation of this Agreement shall be construed as a waiver of any other or future default or performance obligation. Further, either party's forbearance, delay, failure to exercise or express waiver of a right or our decision to take some other action regarding breach by any other franchise owner(s) shall not be evidence of a practice, custom or policy of ours and shall not waive or impair our ability to exercise any right, power or option we have under this Agreement in the event of the same, similar or different breach by you. You also acknowledge that agreements entered into at different times with other franchise owners may contain different terms than this Agreement, and that such different terms shall not waive or impair our rights and your obligations under this Agreement. In addition, our acceptance of any payments due from you after any breach by you shall not constitute a waiver of your breach nor limit our ability to fully exercise our rights under this Agreement as a result of your breach.

15.4 Arbitration.

a. Except as provided elsewhere in this Agreement, all controversies, disputes or claims between us and you arising from this Agreement or the franchise relationship described in this Agreement will be submitted to binding arbitration conducted in the Buffalo, New York Metropolitan Area (unless the parties mutually agree otherwise). The arbitration proceeding will be conducted in accordance with the then current commercial arbitration rules of the American Arbitration Association ("AAA Rules"), except to the extent the AAA Rules differ from the terms of this Agreement, in which event the terms of this Agreement will apply. For purposes of this paragraph, if any dispute that names, involves or includes any Affiliate of ours, you, the guarantors of this Agreement or any of their respective affiliates, officers, directors, managers, members, owners, agents, brokers or employees, such persons or entities will also be included in and made party to the arbitration proceeding.

b. The arbitrator will have the right to award or include in his award any relief which he deems proper in the circumstances, including money damages (with interest on unpaid amounts from date due), specific performance, injunctive relief, and attorneys' fees and costs; however, the arbitrator will not be allowed to award or include in his award any punitive, exemplary, or consequential damages, to which the parties waive any right. The award and decision of the arbitrator will be conclusive and binding upon all parties, and judgment upon the award may be entered in any court of competent jurisdiction. Each party waives any right to contest the validity or enforceability of the award of an arbitrator under this Section 15.4. An arbitration award or decision entered in any other case (whether or not we were a party) will not be binding on us in any other dispute, will have no precedential value and cannot be used as evidence in any other proceeding.

c. The arbitrator will apply the provisions of any applicable statute of limitations. In connection with any arbitration proceeding, we and you will submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any of these compulsory claims which are not submitted or filed in the same proceeding in which they relate will be barred. This provision will continue in full force and effect subsequent to and notwithstanding a Transfer, or the termination or expiration of the Term of this Agreement. Except as provided in Paragraph a of this Section 15.4, the arbitration will be conducted on an individual, not a class-wide basis. None of the parties to the arbitration will be entitled to consolidation of the arbitration proceedings with the proceedings of any third party, nor will the arbitrator or any court be empowered to order a consolidation of proceedings with any third party.

d. Notwithstanding the foregoing, the obligation of this Section 15.4 to arbitrate will not be binding with respect to claims relating to our trademarks, service marks, patents, or copyrights, including the Marks; claims relating to any lease or sublease of any real property between the parties or their affiliated entities; or requests by either party for temporary restraining orders, preliminary injunctions, permanent injunctions or other proceedings in a court of competent jurisdiction to obtain interim or permanent relief when deemed necessary by such court to preserve the status quo or prevent irreparable injury pending resolution by arbitration of the actual dispute between the parties.

15.5 Obligations Absolute. You agree that your obligations to make any payments as specified in this Agreement and any other agreement entered into with us or any of our Affiliates with respect to the Business and the rights of us and our Affiliates to receive such payments are absolute and unconditional and are not subject to any abatement, reduction, setoff, defense, counterclaim or recoupment due or alleged to be due to, or by reason of, any past, present or future claims which you have or may have against us, any of our Affiliates or against any other person for any reason whatsoever.

15.6 Costs and Attorneys' Fees. If a claim for amounts owed by you to us or our Affiliates is asserted, or if we are required to enforce this Agreement, whether as a result of your breach or otherwise, in any legal proceeding before a court of competent jurisdiction or in arbitration, you shall reimburse us for our costs and expenses, including reasonable accounting and attorneys' fees.

15.7 Day-To-Day Control. You have the sole right and responsibility for the manner and means by which the day-to-day operation of the Business is determined and conducted and for achieving your business objectives. Subject to any approval, consent, inspection and enforcement rights reserved to us, your rights and responsibilities includes the employment, supervision, setting the conditions of employment and discharge for its employees at the Business, daily maintenance, safety concerns, and the achievement of conformity with the System, notwithstanding anything contained herein or in the Manual to the contrary. We expressly disclaim any responsibility or undertaking to ensure your compliance with

the satisfactory and legal operation of the Business, and we shall not in any way be liable to you or any third parties for your failure to comply with any of the terms of this Agreement or your failure to comply with any standards or suggestions we provide, it being the understanding of the parties that you, and you alone, are responsible for the day-to-day operations of the Business.

15.8 Governing Law/Consent to Jurisdiction. Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement is governed by New York law (without reference to its conflict of laws principles). If, however any provision of this Agreement would not be enforceable under the laws of New York, and if the Business is located outside of New York and the provision would be enforceable under the laws of the state in which the Business is located, then the provision in question (and only that provision) will be interpreted and construed under the laws of the state where the Business is located. The Federal Arbitration Act governs all matters relating to arbitration. References to any law or regulation refer to any successor laws or regulations or any published regulations for any statute, as in effect at the relevant time. Notwithstanding anything contained in this Agreement or the foregoing to the contrary, if any valid applicable law or regulation of a governmental authority having jurisdiction over this Agreement limits our right of rescission or termination, requires longer notice periods than set forth herein, or limit the effectiveness of the non-competition covenants set forth herein, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon rescission, termination, and non-competition required by such laws or regulations. If a state regulator requires an amendment to this Agreement, the amendment is attached hereto in a State Law Addendum. We shall not, however, be precluded from contesting the validity, enforceability, or applicability of such laws or regulations in any action relating to this Agreement or to its rescission or termination.

Regardless of the physical location of the Business, it is understood and agreed by you that this Agreement is made and entered into in New York, and that any action sought to be brought by either party, except those claims required to be submitted to arbitration, shall be brought in the appropriate state court or federal courts having jurisdiction over Erie County, New York or if our headquarters are located outside of Erie County, New York, in the appropriate state or federal courts for the county of our headquarters or in the United States District Court where our headquarters are located. The parties do hereby waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. The exclusive choice of jurisdiction and venue does not preclude the bringing of any action by the parties or the enforcement by the parties of any judgment obtained in any such jurisdiction, in any other appropriate jurisdiction, or restrict the ability of the parties to confirm or enforce arbitration awards in any appropriate jurisdiction.

15.9 Binding Effect. This Agreement is binding upon the parties and their respective executors, administrators, heirs, assigns and successors in interest, and shall not be modified except by written agreement signed by both you and us.

15.10 Representative Capacity. In all of their dealings with you, our directors, officers, employees and agents act only in their representative capacity for us, and not in any individual capacity or on behalf of us or any of our Affiliates or agents.

15.11 Timing. Time is of the essence of this Agreement. It will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement.

15.12 Approvals. Whenever this Agreement requires our prior approval or consent, you shall make a timely written request to us therefore and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing and signed by us. We make no warranties or guarantees upon which you may rely and assume no liability or obligation to you or any third party to

which we would not otherwise be subject, by providing any waiver, approval, advice, consent or services to you in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefore.

15.13 Cumulative Rights and Remedies. In addition to any other remedies in law or in equity to which we may be entitled, in the event you actually or anticipatorily breach this Agreement we shall be entitled without bond to entry of injunctive relief and orders of specific performance enforcing the provisions of this Agreement. No right or remedy conferred upon us is intended to be exclusive, and every such right or remedy shall be cumulative and in addition to any other rights or remedies available under this Agreement, or otherwise. For purposes of this Agreement, a termination shall include a termination for any reason, expiration, cancellation, failure to renew, assignment or Transfer.

15.14 Receipt of the FDD. You acknowledge receipt of our franchise disclosure document along with this Agreement, at least 14 days before your execution of this Agreement or any payment by you to us. If any unilateral modifications have been made to this Agreement, you acknowledge that you have had at least 7 days to review them.

15.15 Construction. The preambles and exhibits are a part of this Agreement, which constitutes the entire agreement of the parties, and, other than written agreements that may be mutually agreed to in writing by you and us at a date later than the date of this Agreement, there are no other oral or written understandings or agreements between you and us relating to the subject matter of this Agreement; provided however, that nothing in this Agreement or any related agreement is intended to disclaim the representations we made in the franchise disclosure document that was furnished to you in connection with the offering to operate the Business. The headings of the several sections and paragraphs are for convenience only and do not define, limit or construe the contents of the sections or paragraphs.

The singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If you consist of 2 or more persons at any time, all of such persons' obligations and liabilities to us shall be joint and several. Except as otherwise expressly provided, nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement. This Agreement is executed in multiple copies, each of which is deemed an original.

16. NOTICES AND PAYMENTS. All notices required under this Agreement will be in writing and will be deemed given: (i) if hand delivered on the day of deliver; (ii) 3 business days after placement in the United States Mail by registered or certified mail, postage prepaid; or (iii) the day after placement with a courier guaranteeing overnight delivery, in each case addressed to the address listed on the signature page of this Agreement or at such other address as either party will specify in a notice to the other party.

17. WARRANTIES AND REPRESENTATIONS OF LICENSEE.

17.1 Independent Investigation. You and the guarantors of this Agreement have been advised to make an independent investigation of our operations. We have not and do not represent that you can expect to attain a specific level of sales, profits, or earnings. You and the guarantors have been advised to obtain independent professional advice regarding this franchise. If you or the guarantors have not obtained such advice, you or they have knowingly and willingly elected not to do so. You and the guarantors understand that you and they may sustain losses as a result of the operation or closing of the Business. You and the guarantors understand that the business venture contemplated by this Agreement involves a high degree of financial risk and depends to a large degree on your skills, abilities, initiative, and hard work.

17.2 No Conflict. You and the guarantors of this Agreement represent and warrant that the execution, delivery and performance of this Agreement by you and of the Guarantee and Assumption of Obligations by the guarantors do not and will not violate, conflict with or result in the breach of any term, condition or provision of any contract or agreement, or require the consent of any other person or entity.

17.3 No Terrorist Activity. Under applicable federal law, including without limitation executive order 1224, signed on September 23, 2001 (the "Order"), you are prohibited from engaging in any transaction with any person engaged in, or with a person aiding any person engaged in acts of terrorism as defined in the Order. Accordingly, you do not and hereafter will not engage in any terrorist activity. In addition, you are not affiliated with and do not support any individual or entity engaged in, contemplating, or supporting terrorist activity. Finally, you are not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity.

18. CAVEAT.

THE SUCCESS OF THE BUSINESS IS SPECULATIVE AND DEPENDS, TO A LARGE EXTENT, UPON YOUR ABILITY AS AN INDEPENDENT BUSINESS PERSON, AS WELL AS OTHER FACTORS. WE DO NOT MAKE ANY REPRESENTATIONS OR WARRANTIES AS TO THE POTENTIAL SUCCESS OF THE BUSINESS AND NO ONE IS AUTHORIZED TO MAKE ANY SUCH REPRESENTATIONS OR WARRANTIES ON OUR BEHALF. YOU FURTHER ACKNOWLEDGE THAT YOU HAVE READ AND COMPLETED THE QUESTIONNAIRE, A COPY OF WHICH IS SET FORTH AS EXHIBIT II OF THIS AGREEMENT.

YOU UNDERSTAND AND AGREE THAT WE HAVE NO OBLIGATION TO ACCEPT YOUR APPLICATION AND MAY REFUSE TO GRANT A FRANCHISE FOR ANY REASON, OR NO REASON, WITHOUT DISCLOSING THE BASIS FOR OUR DECISION. YOU ACKNOWLEDGE THAT UNLESS AND UNTIL WE SIGN THIS AGREEMENT, THE FRANCHISE HAS NOT BEEN GRANTED, YOU ARE NOT OUR FRANCHISEE AND MAY NOT RELY UPON BECOMING OUR FRANCHISEE.

19. LIMITATION OF LEGAL ACTIONS.

19.1 IN NO EVENT WILL WE BE LIABLE TO YOU FOR PROSPECTIVE PROFITS OR SPECIAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES FOR ANY CONDUCT ARISING OUT OF THIS AGREEMENT OR ANY RELATIONSHIP WITH YOU.

19.2 THE PARTIES WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THEM RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP OF THE PARTIES.

19.3 ANY DISAGREEMENT BETWEEN YOU AND US (AND OUR AFFILIATES AND OWNERS) WILL BE CONSIDERED UNIQUE AS TO ITS FACTS AND MUST NOT BE BROUGHT AS A CLASS ACTION AND YOU WAIVE ANY RIGHT TO PROCEED AGAINST US (AND OUR AFFILIATES, OWNERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS) BY WAY OF CLASS ACTION OR BY WAY OF A MULTI-PLAINTIFF, CONSOLIDATED OR COLLECTIVE ACTION.

19.4 YOU WILL BE BARRED FROM BRINGING ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OUR RELATIONSHIP WITH YOU UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH YOU KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THAT CLAIM.

IN WITNESS WHEREOF, the parties have executed this Agreement the day and year first above written.

FRANCHISOR:
SHIELD SECURITY SYSTEMS FRANCHISE DEVELOPMENT CORP.

By:_____
Kenneth J. Jezioro, President

Address: 5170 Genessee Street
Bowmansville, New York 14026

FRANCHISEE:
_____

By:_____
Title:_____

Address: _____
_____

SCHEDULE A

DEFINITIONS

"Affiliate" means individually or collectively, any and all entities controlling, controlled by, or under common ownership with us, including Shield Security Systems, Inc. In this definition, "control" and similar terms means owning more than 50% of the voting interest in an entity.

"Business" means the Shield Security Systems Business you will operate pursuant to this Agreement.

"CCTV Equipment" means the closed circuit television equipment that you will purchase from us and sell and install to your customer accounts.

"Competitive Business" means any business which specializes in the sale, installation, servicing and monitoring of alarm systems including intercoms, access control systems, closed circuit television systems, GPS tracking systems, home theater systems , home automation, residential and commercial fire alarm systems, cellular radio communication services and central vacuum systems.

"Gross Receipts" means all revenue you collect from operating the Business, whether from cash, check or credit transactions, but excluding all federal, state or municipal sales taxes, use taxes or service taxes collected from customers and paid to the appropriate taxing authority and excluding customer refunds, adjustments, credits and allowances actually made by you in compliance with the Confidential Operations Manual.

"Marks" means such service marks, trademarks, trade dress, trade names and copyrights and all configurations and derivations, as may presently exist, or which may be modified, changed, or acquired by us or our affiliates from time to time, in connection with the operation of the Business. Marks include "Shield", "Shield Security Systems", "Today's Intelligent Solution to your Security Needs" .and "P.E.T." (Personal Emergency Transmitter.)

"Price List" means the list of prices and terms and conditions we supply, from time to time, for the products you purchase from us or our Affiliates.

"Principal Owner" means you if you are a sole proprietor, the majority shareholder of you if you are a corporation, a partner owning a majority interest of you if you are a partnership or a member owning the majority interest of you if you are a limited liability company. In the event there are multiple owners with equal interest in you, then you will designate 1 of these owners to be the Principal Owner for purposes of this Agreement.

"Security System Packages" means the control panels and digital communicators you purchase from us and sell and install to your customer accounts.

"Shield Security Systems Business" means a business which specializes in the sale, installation, servicing and monitoring of residential and commercial alarm systems and also intercoms, access control systems, closed circuit television, GPS tracking systems, home theater systems, home automation, residential and commercial fire alarm systems, cellular radio communication services and central vacuum systems and incidental services according the System and under the Marks.

"System" means the certain procedures and methods, criteria, accounting methods, advertising, marketing sale and promotional techniques, personnel training, trade secrets and other matters as they may be changed, improved modified and further developed by us and our affiliates in the operation of a security system business.

"Term" means individually or collectively the Initial Term or any Renewal Term.

"Transfer" means and includes any voluntary or involuntary, direct or indirect, assignment, sale, gift, conveyance, lease or other disposition of an interest in this Agreement, you or the Business, including: (a) transfer of any capital stock, partnership interest, limited liability company interest or other ownership interest; (b) merger, consolidation, reorganization, business combination or other issuance of additional stock or ownership interests; (c) transfer in bankruptcy or dissolution of marriage or otherwise by operation of law or by order of court; (d) transfer to a personal representative upon disability or transfer upon the death of a Principal Owner; (e) the grant or creation of any lien or encumbrance on any ownership interest or asset; (f) the grant of any option, call, warrant, conversion rights or rights to acquire any equity or voting interest; (g) assignment of contract rights; (h) sale of assets (including the inventory, furniture, fixtures, equipment and other operating assets of the Business, other than in ordinary course of business); or (i) any change of control or management of the Business.

"You" or "Your" also includes: (a) those persons and their spouses owning any interest in you if you are a corporation or a limited liability company; (b) all partners and their spouses owning any partnership interest in you if you are a partnership; (c) the individual and his or her spouse who owns you if you are a sole proprietorship; (d) the guarantors of this Agreement; and (e) the Principal Owner. For purposes of determining ownership in you, the interests owned by a husband and wife will be considered one interest, and both husband and wife will be obligated hereunder, regardless of whether the interest is owned by just one spouse or both spouses. All owners of you and their spouses must sign the Guaranty and Assumption of Obligations attached to this Agreement.

GUARANTY AND ASSUMPTION OF OBLIGATIONS

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement of even date herewith (the "Agreement") by SHIELD SECURITY SYSTEMS FRANCHISE DEVELOPMENT CORP (the "Franchisor"), and _____ a _____ _____ ("FRANCHISEE"), each of the undersigned (each a "Guarantor") personally and unconditionally (a) guarantees to Franchisor, and its successor and assigns, as provided in the Agreement, that FRANCHISEE must 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, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities. Each Guarantor agrees to be personally and unconditionally bound by each and every undertaking, agreement and covenant set forth in the Agreement, including but not limited to, the restrictive covenants, including the non-disclosure, non-solicitation and non-competition provisions contained in the Agreement, as well as the provisions in the Agreement relating to the Marks, indemnification, consequences of termination, expiration or Transfer to the same extent as and for the same period of time as FRANCHISEE is required to comply with and abide by such covenants and provisions. All of the foregoing obligations of the undersigned shall survive any expiration or termination of the term of the Agreement or this Guaranty and Assumption of Obligations.

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (4) any right he may have to require that an action be brought against FRANCHISEE or any other person as a condition of liability.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty and Assumption of Obligations is joint and several; (2) he or she shall render any payment or performance required under the Agreement upon demand if FRANCHISEE fails or refuses punctually to do so; (3) liability is not contingent or conditioned upon pursuit by Franchisor of any remedies against FRANCHISEE or any other person; and (4) liability is not diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to FRANCHISEE or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which is continuing and irrevocable during the term of the Agreement.

Guarantor consents and agrees that:

(1) Guarantor's liability under this undertaking is direct, immediate, and independent of the liability of, and is joint and several with, FRANCHISEE and the other owners of FRANCHISEE;

(2) Guarantor shall render any payment or performance required under the Agreement upon demand if FRANCHISEE fails or refuses punctually to do so;

(3) This undertaking will continue unchanged by the occurrence of any bankruptcy with respect to FRANCHISEE or any assignee or successor of FRANCHISEE or by any abandonment of the Agreement by a trustee of FRANCHISEE. Neither a Guarantor's obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of FRANCHISEE or its estate in bankruptcy or

of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency;

(4) Franchisor may proceed against any Guarantor and FRANCHISEE jointly and severally, or Franchisor may, at its option, proceed against a Guarantor, without having commenced any action, or having obtained any judgment against FRANCHISEE. Each Guarantor waives the defense of the statute of limitations in any action or for the collection of any indebtedness or the performance of any obligation guaranteed; and

(5) If Franchisor is required to enforce this Guaranty and Assumption of Obligations in any judicial proceeding or appeal thereof, the Guarantors will reimburse Franchisor for its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorney assistants', and expert witness fees, costs of investigation and proof of facts, court costs, 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 and Assumption of Obligations.

The undersigned Guarantors also recognize that certain disputes relating to the Agreement are to be resolved by arbitration and/or mediation and hereby consent to such arbitration and/or mediation in accordance with the terms of the Agreement. Further, each Guarantor also hereby consents to the applicability of the venue, governing law and jurisdiction provision in the Agreement to this Guaranty and Assumption of Obligations.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed their signatures on the same day and year as the Agreement was executed.

Print Name_____
Signature_____
Date_____
Address: _____
_____

Print Name_____
Signature_____
Date_____
Address: _____
_____

EXHIBIT I

TERRITORY

The Territory is as follows:

EXHIBIT II

FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you know, Shield Security Systems Franchise Development Corp. (the "Franchisor") and you are preparing to enter into a Franchise Agreement for the operation of a Shield Security Systems franchise. The purpose of this Questionnaire is to determine whether any statements of promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and provide honest and complete responses to each question.

1. Have you received and personally reviewed the Franchise Agreement and each exhibit and schedule attached to it? Yes ___ No ____

2. Have you received and personally reviewed the Franchisor's Franchise Disclosure Document (the "FDD") that Franchisor provided to you?
Yes ___ No ____

3. Did you sign a receipt for the FDD indicating the date you received it?
Yes ___ No ____

4. Date on which you received the FDD and related Exhibits explaining the Shield Security Systems franchise.
_____, 20__
(month, day)

5. Date on which you received a completed copy, other than signatures, of the Franchise Agreement.
_____, 200__
(month, day)

6. Date on which you signed the Franchise Agreement.
_____, 20__
(month, day)

7. Were you given the opportunity to discuss the benefits and risks of operating a Shield Security Systems franchise with an attorney, accountant, or other professional advisor, and do you understand those risks?
Yes ___ No ____

8. Do you understand that the success or failure of your franchise will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?
Yes ___ No ____

9. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn or that any Shield Security Systems Businesses earn in operating the franchised business other than what is discussed in Item 19 of the FDD?
Yes ___ No ____

10. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating the business?
Yes ___ No ____

11. Has any employee or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the FDD?
Yes ___ No ____

* * *

Please understand that your responses to these questions are important to us and that we will rely on them.

By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. You are also representing that you have reviewed all of these questions and the answers with the other owners of the business and any of your representatives who had discussions with the Franchisor or any of its officers, agents, or employees. The responses from those people are also included by you above.

Dated on _____, 20___.

FRANCHISE APPLICANT

Name: _____

Signature: _____

EXHIBIT B

TABLE OF CONTENTS OF MANUAL

Item	Number of Pages
Corporate Information • Preface • Mission Statement • Contact Information • Your Franchise	5
Administration • Introduction • Bookkeeping/Payroll • Business Checking Account • Taxes • Licensing • Insurance • Home Office Reporting • Proprietary Marks • Office Supplies • Computer Software/Updates • Resources	17
Operations and Procedures • Introduction • Hours of Operation • Electronic Mail Systems • New Accounts (Online) • Record Keeping • Take Accounts Off line • Accounts Receivable • Accounts Payable • Installations (Scheduling, OSHA) • Service • Customer Service • Weekly Meetings & Reports • Forms	20
Personnel • Introduction • Organizational Chart • Job Descriptions • Dress Code	22

Item	Number of Pages

- Hiring
  - recruiting
  - interviewing
  - introduction to SHIELD
- Termination
- Performance Evaluations
- Legal Contracts
- Job Contracts
- Forms
  - Confidentiality Agreement
  - Non-Compete Agreement
  - Job Contracts

Training 93

- Introduction
- Jump Start Program (including Jump Start Training Workbook)
- Sales Training
- Administration
- Installers / Technicians
- Training Feedback

Corporate Identity 13

- Introduction
- Brand Mark
- Logo Identity & Usage
- Corporate Colors
- Inappropriate Logo Usage
- Typography
- Corporate Stationary

Advertising & Marketing 33

- Introduction
- Customer Referrals
- Complimentary Business Referrals
- Drop Boxes
- Door-to-Door Flyers
- Direct Mail Pieces
- Home & Garden Shows
- Canvassing
- New Home Builders
- Home Sales
- Law Enforcement Associations
- Cold Calling

- Sponsorships
- Kiosks
- Safety Seminar

Item	Number of Pages
• Conversions • Grand Opening • Telemarketing • Emergency Notification Lists • Special Promotions	
Sales • Introduction • The Sales Process (including Sales Training Workbook) • Getting Started • Sales Presentation • Demonstration • Services • Products & Pricing • Acquisition of New Accounts • Telemarketing • Sales Literature • Sale Motivation	83
Technical • Technical Support • Central Station • Installer Procedural Guidelines • Installation Guidelines and Testing • Authorized/Recommended Equipment • Programming Guidelines • User Manuals put on the retail site	22

Inventory
• Approved Suppliers
• Sales Materials
• Apparel
• Administrative
• Alarm Equipment
  o Control Equipment
  o Detection Equipment
	3

Glossary of Terms	3

EXHIBIT C

AUDITED FINANCIAL STATEMENTS

ATTACHED.

SHIELD SECURITY SYSTEMS
FRANCHISE DEVELOPMENT CORP.

Audited Financial Statements

Years Ended May 31, 2016, 2015 and 2014

SHIELD SECURITY SYSTEMS FRANCHISE DEVELOPMENT CORP.

Table of Contents

	Page
INDEPENDENT AUDITORS'S REPORT	1
FINANCIAL STATEMENTS	
Balance Sheets	3
Statements of Operations and Retained Earnings	4
Statements of Cash Flows	6
Notes to Financial Statements	7
SUPPLEMENTS INFORMATION	
Schedule I – Cost of Goods Sold	9
Schedule II – General and Administrative Expenses	9

Jeffrey E. High, CPA

6628 Boston State Rd
Hamburg, NY 14075
jeffreyhighcpa@gmail.com
716-342-5410

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Shield Security Systems Franchise Development Corp.

I have audited the accompanying balance sheets of Shield Security Systems Franchise Development Corp as of May 31, 2016, and the related statements of operations, retained earnings and cash flows for the year then ended, and the related notes to the financial statements. The financial statements of Shield Security Systems Franchise Development Corp as of May 31, 2015 and 2014 were audited by other auditors whose report dated July 27, 2015 expressed and unqualified opinion on those statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

My responsibility is to express an opinion on these financial statements based on our audits. I have conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment including the assessment of risks of material misstatement of the financial statements, whether due to fraud of error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

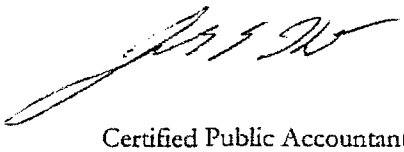
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, based on my audits, the financial statements referred to above present fairly, in all material respects, the financial position of Shield Security Systems Franchise Development Corp. as of May 31, 2016, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

My audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on schedules I and II is presented for purposes of additional analysis and is not required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In my opinion, the information is fairly state in all material respects in relation to the financial statements as a whole.



Certified Public Accountant
Hamburg NY
August 25, 2016

SHIELD SECURITY SYSTEMS FRANCHISE DEVELOPMENT CORP

Balance Sheets

May 31,	2016	2015	2014
Assets			
Current assets:			
Cash and cash equivalents	**$ 25,274**	$ 17,411	$ 16,802
Accounts receivable	**596**	5,749	3,507
Receivables from affiliates	**13,455**	29,292	38,601
Receivables from shareholder	**22,755**	24,580	28,574
Prepaid income taxes	**240**	275	460
	62,320	77,307	87,944
Fixed Assets			
Fixed Assets	**177,105**	175,581	165,703
Less: accumulated depreciation	**131,949**	123,073	111,853
	45,156	52,508	53,850
	$ 107,476	$ 129,815	$ 141,794
Liabilities and Stockholder's Equity			
Current liabilities:			
Accounts payable	**26,538**	14,918	10,207
	26,538	14,918	10,207
Stockholder's Equity:			
Common stock - no par value, 200 shares authorized, 104 shares issued, 96 shares outstanding	**110,820**	110,820	110,820
Retained earnings	**16,118**	44,077	60,767
	126,938	154,897	171,587
Less: treasury stock, 8 shares at cost	**(46,000)**	(40,000)	(40,000)
	80,938	114,897	131,587
	$ 107,476	$ 129,815	$ 141,794

See accompanying notes.

SHIELD SECURITY SYSTEMS FRANCHISE DEVELOPMENT CORP

Statements of Operations and Retained Earnings

For the years ended May 31,	2016	2015	2014
Revenue	**$ 222,597**	$ 250,319	$ 126,751
Cost of Goods Sold	**137,124**	115,255	36,329
Gross profit	**85,473**	135,064	90,422
General, administrative, and selling expenses	**113,285**	151,569	117,917
Operating loss before income taxes	**(27,812)**	(16,505)	(27,495)
Income taxes	**147**	185	218
Net Loss	**(27,959)**	(16,690)	(27,713)
Retained Earnings - beginning of year	**44,077**	60,767	88,480
Retained Earnings - end of year	**$ 16,118**	$ 44,077	$ 60,767

See accompanying notes.

Statements of Cash Flows

For the years ended May 31,	2016	2015	2014
Operating activities:			
Net loss	**$ (27,959)**	$ (16,690)	$ (27,713)
Adjustments to reconcile net loss to net cash flows from operating activities:			
Depreciation	**8,876**	11,220	15,807
Changes in other operating assets and liabilities:			
Accounts receivable	**5,153**	(2,242)	4,491
Prepaid income taxes	**35**	185	(2,782)
Accounts payable	**11,620**	4,711	3,674
Net operating activities	**(2,275)**	(2,816)	(6,523)
Investing activities:			
Fixed asset expenditures	**(1,524)**	(9,878)	(1,700)
Net investing activities	**(1,524)**	(9,878)	(1,700)
Financing activities:			
Purchases of tresury stock	**(6,000)**	-	-
Advances (to) Payments from affiliate and shareholder, net	**17,662**	13,303	8,750
Net financing activities	**11,662**	13,303	8,750
Change in cash and cash equivalents	**7,863**	609	527
Cash and cash equivalents - beginning	**17,411**	16,802	16,275
Cash and cash equivalents - ending	**$ 25,274**	$ 17,411	$ 16,802

See accompanying notes.

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Description of Business:

The company incorporated in June 1992 and is primarily involved in the marketing of security systems franchises in various markets, throughout the United States.

Use of Estimates:

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

Cash and Cash Equivalents:

The company maintains cash in bank deposit accounts which, at times may exceed federally insured limits. The company has not experience any losses on such and believes it is not exposed to any significant credit risk on cash.

Accounts Receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Amounts outstanding after management has used reasonable collection efforts are written off through a charge to bad debt and a credit to accounts receivable.

Fixed Assets and Depreciation:

Fixed assets are stated at cost net of accumulated depreciation. Depreciation is provided over estimated useful lives primarily using the straight-line method for financial reporting purposes and accelerated methods for income tax reporting purposes. Depreciation expense was $8,876, $11,220 and $15,807 for the years ended May 31, 2016, 2015 and 2014 respectively. Maintenance and repairs are charged to operations as incurred; significant improvements are capitalized.

Sales Taxes:

Certain jurisdictions impose a sales tax on Company sales to nonexempt customers. The Company collects these taxes from customers and remits the entire amount as required by the applicable law. The Company excludes from revenues and expenses the tax collected and remitted.

Income Taxes:

The company utilizes the accrual method of accounting for income tax reporting purposes. Net operating losses amounting to $48,860 as of May 31, 2016 are available to carry forward against future taxable income for the years ended through May 31, 2036.

Subsequent Events:

The Company has evaluated events and transactions for potential recognition or disclosure in the financial statements through August 25, 2016 (the date the financial statements were available to be issued).

2. Income Taxes:

The provision for income taxes is comprised of the following at May 31, 2016, 2015 and 2014 as follows:

	2016	2015	2014
Current provision:			
Federal	**$ -**	$ -	$ -
State	**147**	185	218
	147	185	218

3. Related Party Transaction:

Shield Security Systems, Inc. a elated S Corporation owned 100% by the company's majority shareholder provides management to Shield Security Systems Franchise Development Corp. Management services provided were $24,000 for each of the years ended May 31, 2016, 2015 and 2014. The company also holds a current loan receivable from the affiliate amounting to $13,455, $29,292 and $38,601 as of May 31, 2016, 2015 and 2014, respectively.

The Financial Accounting Standards Board issued revised FASB Interpretation 46 (FIN 46R) "Consolidation of Variable Interest Entities" that requires the consolidation of certain "variable interest entitities" under generally accepted accounting principles.

3. Related Party Transaction (continued):

FIN 46R requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity in the entity do not have the characteristics of a controlling financial interest or

do not have sufficient equity at risk for the entity to finance its activities without additional subordinate financial support.

Shield Securities Systems Inc has not been identified as a variable interest entity and therefore will not be consolidated with the Company under these rules.

Although the above-mentioned entity is under common control, the operating results and financial position of the Company would not be materially different fro those that would ha been obtained if the entities were independent of each other.

The Company rents office and warehouse space fro the majority shareholder under a month to month lease. Rent expense amounted to $6,000, $9,000 and $9,000 for the years ended May 31, 2016, 2015 and 2014, respectively.

Additionally, the Company is holding a current loan receivable from the majority shareholder in the amount of $22,755, $24,580 and $28,574 as of May 31, 2016, 2015 and 2014, respectively.

4. Treasury Stock:

The company purchased four shares of treasury stock from two shareholders for $1,500 per share in November 2015. The company currently does not have plans to redeem additional treasury stock in the future.

Schedule I - Cost of Goods Sold & Schedule II - General and Administrative Expenses

For the years ended May 31,	2016	2015	2014
Cost of Goods Sold			
Marketing materials	**$ 6,273**	$ 4,058	$ 1,568
Monitoring	**120,964**	103,704	25,654
Equipment	**5,992**	1,701	6,732
Training	**1,714**	3,112	231
Technical Support	**2,181**	2,680	2,144
Total Cost of Goods Sold	**$ 137,124**	$ 115,255	$ 36,329
General and Administrative Expenses			
Advertising	**$ 15,436**	$ 34,274	$ 22,530
Insurance	**5,222**	958	2,478
Depreciation	**8,876**	11,220	15,807
Office	**6,518**	18,126	14,144
Telephone and utilities	**7,767**	7,855	6,553
Travel and entertainment	**11,369**	14,544	2,732
Automobile expense	**6,350**	5,331	1,984
Contributions	**50**	334	
Licenses and permits	**350**	9,277	4,243
Professional services	**12,754**	9,901	8,995
Rent	**6,000**	9,000	9,000
Repairs and maintenance	**4,108**	3,240	3,627
Management fees	**24,000**	24,000	24,000
Credit card and bank fees	**4,485**	3,509	1,621
Misellaneous	**-**	-	203
Total General and Administrative Expenses	**$ 113,285**	$ 151,569	$ 117,917

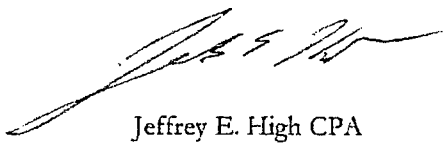
See accompanying notes.

Jeffrey E. High, CPA

6628 Boston State Rd
Hamburg, NY 14075
jeffreyhighcpa@gmail.com
716-342-5410

CONSENT

I Jeffrey E. High CPA consent to the use in the Franchise Disclosure Document inssued by Shield Security Systems Franchise Development Corp. ("Franchisor") of their report on September 30, 2016, as it may be amended, of my report dated August 25, 2016, relating to the financial statements of Franchisor for the period ended May 31, 2016.



Jeffrey E. High CPA

EXHIBIT D
UNAUDITED FINANCIAL STATEMENTS

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

EXHIBIT E
STATE AGENCIES AND AGENTS FOR SERVICE OF PROCESS

NOTE: SOME STATES REQUIRE THAT THE FRANCHISE BE REGISTERED WITH A STATE AGENCY. WE DO NOT OFFER OR SELL FRANCHISES IN ANY OF THOSE STATES UNLESS WE ARE REGISTERED, AND THE LISTING OF A STATE BELOW DOES NOT MEAN THAT WE ARE SO REGISTERED.

California
State of California
Commissioner of Corporations
Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, California 90013
213-576-7500
1-866-275-2677

Connecticut
Connecticut Banking Commissioner
260 Constitution Plaza
Hartford, Connecticut 06103
860-240-8230
800-831-7225

Florida
Florida Department of Agriculture
& Consumer Services
Bob Crawford, Commissioner
Post Office Box 6700
Tallahassee, Florida 32314-6700
904-488-3022

Hawaii
Commissioner of Securities
Department of Commerce and Consumer Affairs
335 Merchant Street
Room 203
Honolulu, Hawaii 96813
808-586-2727

Illinois
Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
217-782-4465

Indiana
Indiana Secretary of State
201 State House
Indianapolis, Indiana 46204
317-232-6681

Indiana
State Administrator
Indiana Securities Commissioner
302 West Washington Street,
Room E-111
Indianapolis, Indiana 46204
317-232-6685

Kentucky
Kentucky Attorney General
Consumer Protection Division
1024 Capital Center Drive
Frankfort, Kentucky
40601-8204
502-696-5300

Maine
Securities Administrator
Bureau of Banking
Securities Division
State House Station
Augusta, Maine 04333
207-582-8713
207-624-8551

Maryland
Maryland Securities Commissioner
200 Saint Paul Place
Baltimore, Maryland 21202
410-576-6360

Michigan
Michigan Department of Commerce,
Corporations and Securities Bureau
670 Law Building
Lansing, Michigan 48913
517-373-7117

Minnesota
Minnesota Commissioner of Commerce
85 Seventh Place, Suite 500
Saint Paul, Minnesota 55101-2198
651-224-1152

Nebraska
Nebraska Department of Banking
and Finance
Bureau of Securities
Commerce Court
1230 "O" Street, Suite 400
Post Office Box 95006
Lincoln, Nebraska 68509-5006
402-471-2171

New York
Secretary of State of the State of New York
41 State Street
Albany, New York 12231
518-474-4750

New York State Administrator
The New York Department of Law
Bureau of Investor Protection and
Securities
120 Broadway, 23rd Floor
New York, New York 10271
212-416-8200

North Carolina
Secretary of State
Legislative Office Building, Room 404
300 North Salisbury Street
Raleigh, North Carolina 27611
919-733-4201

North Dakota
North Dakota Securities Department
600 East Boulevard Ave
State Capitol 5th Floor
Bismarck, North Dakota 58505
701-328-4712

Rhode Island
Director of Rhode Island
Department of Business Regulation
233 Richmond Street, Suite 232
Providence, Rhode Island 02903-4232
401-277-3048

South Dakota
Department of Revenue and Regulation
Division of Securities
445 East Capitol Ave
Pierre, South Dakota 57501
605-773-4823

Virginia
Clerk of the State Corporation Commission
1300 East Main Street
1st Floor
Richmond, Virginia 23219
804-371-9733

Virginia Administrator
State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street
9th Floor
Richmond, Virginia 23219
804-371-9051

Washington
Washington Department of Financial Institutions
Post Office Box 9033
Olympia, Washington
98507-9033
360-902-8760

Wisconsin
Wisconsin Commissioner of Securities
111 West Wilson Street
Post Office Box 1768
Madison, Wisconsin 53701
608-266-1365

EXHIBIT F

LIST OF FRANCHISEES

Kansas

Quicksilver Automation Solutions, Inc.
5825 W. 147th Place
Overland Park, KS 66223
913-660-0750

Minnesota

C&N Sales, Inc.
1840 Commerce Drive
Mankato, MN 56003
866-701-3011

New York

JB Kids, Inc.
PO Box 760
Hampton Bays, NY 11946
631-728-0152

Pennsylvania

AR Alarms, LLC
6468 Tollgate Road
Zionsville, PA 18092
610-349-9158

FRANCHISEES WHICH LEFT THE SYSTEM

(The list of franchisees which have been terminated, cancelled, not renewed transferred or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the Application Date.)

Terminated:

Birch Creek, LLC
17707 Oaksham Lane
Spring, TX 77379
713-784-9838

EXHIBIT G
LICENSE AGREEMENT

SHIELD ACCOUNT MANAGEMENT SYSTEM™
SOFTWARE LICENSE AND HOSTING SERVICES AGREEMENT

This SHIELD ACCOUNT MANAGEMENT SYSTEM SOFTWARE LICENSE AND HOSTING SERVICES AGREEMENT ("Agreement") is made and entered into as of the ____ day of _____, 20__, by and between Shield Security Systems Franchise Development Corp., a New York corporation ("SHIELD") and _____, a _____ ("Franchisee").

RECITALS

A. SHIELD and Franchisee entered into that certain franchise agreement (the "Franchise Agreement") dated of even date herewith to operate a Shield Security Systems Business.

B. SHIELD has developed proprietary account management software and hosts such software for its franchisees operating Shield Security Systems Businesses to access and use in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants and considerations set forth herein and in the Franchise Agreement, the parties hereby agree as follows:

1. Definitions. Capitalized terms used, but not defined in this Agreement shall have the meanings assigned to them in the Franchise Agreement.

"Franchisee Accounts" means the user accounts assigned to Franchisee through which Franchisee and its employees will access the Program.

"Franchisee Data" means the information inputted into the Franchisee Accounts.

"Hosted Web Site" means the Internet web site operated or provided to Franchisee by SHIELD in connection with its Hosting Services, which is identified by a unique uniform resource locator.

"Hosting Services" means the services to be undertaken by SHIELD to provide the Program and to enable Franchisee to access and use the Program through the Internet.

"Operating System" means the operating systems, application software, designs, architecture, communications networks, firewalls, load balances, equipment, network hardware, peripherals, servers, switches, hubs, routers and other hardware and documentation to be provided by SHIELD under this Agreement, necessary to provide, and to enable Franchisee to access and use, the Hosting Services, as further provided in this Agreement.

"Program" means the SHIELD Account Management System™ software or such other software as SHIELD may designate for use by its franchisees as part of the System, including any authorized modifications, additions or enhancements thereof.

"Scheduled Downtime" means the periods of time set, from time-to-time, by SHIELD for Operating System maintenance and upgrades, Operating System and Franchisee Data back-up, and disaster recovery.

2. **License.** Subject to the terms and conditions of this Agreement, SHIELD grants Franchisee a non-exclusive, non-transferable and non-sublicensable license to access, use and execute the Program for purposes of operating the Business in compliance with this Agreement, the Franchise Agreement and the Manual.

3. **Software Fee.** Upon the execution of this Agreement, Franchisee will pay SHIELD a Software Fee of $240 per assigned user account. Thereafter, Franchisee will pay SHIELD an annual Software Fee of $240 per assigned user account per year, which is due in full each April 1st. This fee can be increased upon 30 days prior written notice to Franchisee.

4. **Hosting Obligations of SHIELD.**

4.1 SHIELD hereby agrees to provide the Hosting Services and make the Program available to Franchisee and to establish and maintain the Franchisee Accounts, Franchisee Data, and Operating System for Franchisee's use, in accordance with the provisions of this Agreement. Notwithstanding anything to the contrary herein, Franchisee shall be responsible for providing its own computer hardware, operating system, software programs other than the Program that may be necessary to operate the computer and Internet access to the Program, and in no case shall Franchisee be provided with direct access (by modem or otherwise) to the SHIELD server on which the Franchisee Accounts reside or SHIELD's other computer systems.

4.2 SHIELD shall maintain the Franchisee Accounts and the Program so that they are available for access by Franchisee, and shall provide the Hosting Services. SHIELD shall implement procedures regarding application management, load balancing, and file and disk space utilization management, in a manner consistent with the provisions of this Agreement. SHIELD shall use its commercially reasonable best efforts to make the Franchisee Accounts, the Hosted Web Site and the Operating System available 24 hours a day, 7 days per week, other than for interruptions for Scheduled Downtime for Operating System maintenance and upgrades, Operating System failure, Operating System and Franchisee Data back-up, disaster recovery and for causes beyond SHIELD's reasonable control.

5. **Obligations of Franchisee.** To facilitate SHIELD providing Hosting Services in accordance with this Agreement, Franchisee agrees to undertake the following:

a. maintain Franchisee-owned equipment, Franchisee-managed networks, and Franchisee-managed systems and systems interfaces to appropriate minimum standards as provided by SHIELD from time to time;

b. establish reasonable internal controls and security procedures, including without limitation assigning a separate user account to each employee or contractor who accesses the Program on Franchisee's behalf;

c. provide timely notification of any security, software or other issues and give appropriate lead time to SHIELD to remediate same;

d. make all reasonable efforts to assist SHIELD in identifying, isolating and replicating issues found in the Operating System; and

e. Franchisee shall be solely responsible for the manner in which Franchisee and Franchisee's users use the Franchisee Accounts, Program and Operating System. Franchisee shall ensure

that only authorized users have access to any user identifications or passwords for use in connection with the Franchisee Account and shall not disclose such identifications or passwords to any other individual. Franchisee acknowledges and agrees that it is solely responsible for strictly maintaining the confidentiality and integrity of such identifications and passwords and Franchisee shall indemnify and hold harmless SHIELD from and against any liability, damages, or costs arising from Franchisee's failure to comply with this obligation including, but not limited to, improper or unauthorized account access using Franchisee's user identifications or passwords. Franchisee shall notify SHIELD immediately in writing if the security or integrity of an identification or password has been compromised.

6. Term. The term of this Agreement shall be 3 years from the date of this Agreement unless terminated sooner in accordance with the terms of this Agreement. If the Franchise Agreement is terminated, expires or there is a Transfer of Interest under the Franchise Agreement, this Agreement will immediately terminate.

7. Restrictions. You shall not directly or indirectly:

a. Access or allow the access of the Program (or any addition to or modification of the Program) other than through the user identifications and passwords assigned to the Franchisee Accounts, including, without limitation, accessing any other user account or the data contained in any other user account.

b. Sell, lease, assign, sublicense or otherwise transfer the Franchisee Accounts or Franchisee's license to use the Program as set forth in this Agreement.

c. Alter, maintain, enhance or otherwise modify the Program, except as provided in Section 12 hereof.

d. Decompile, disassemble, or otherwise analyze for reverse engineering purposes, the Program.

e. Permit any parent, subsidiary, affiliate or third party to use the Program or the Franchisee Account.

f. Alter, amend, modify or mask any copyright, trademark, proprietary or other notice affixed to or incorporated in the Program, Franchisee Account or Operating System.

g. Circumvent or otherwise interfere with any security measures of SHIELD relating to the Hosting Services.

8. Object Code. The Program is provided in and may be used in machine readable object code form only.

9. Maintenance. Except with SHIELD's prior written consent, Franchisee shall not permit any modification or enhancement to the Program or Operating System other than as provided in this Section. SHIELD or its designee may provide updates, enhancements or other modifications from time to time.

10. Documentation. Documentation that accompanies the Program, if any, is provided solely to support Franchisee's authorized use of the Hosting Services and Program. Franchisee may not use, copy,

modify or distribute the documentation, or any copy, adaptation, transcription, summary or merged portion thereof.

11. Proprietary Protection; Confidential Information. SHIELD shall have sole and exclusive ownership of all right, title and interest in and to the Franchisee Accounts, Program, Operating System and any documentation related thereto, all copies thereof and all modifications and enhancements thereto (including ownership of all copyrights, mask work rights, patents, trademarks, trade secrets and all other intellectual property rights embodied therein and pertaining thereto), subject only to the right and license expressly granted to Franchisee herein. This Agreement does not provide Franchisee with title or ownership of the Franchisee Account, Program or Operating System, it provides only a right of limited use of the Franchisee Account, Program and Operating System, and Franchisee agrees to make no claim of any ownership interest in the Franchisee Account, Program, Operating System or any intellectual property rights pertaining thereto. Franchisee agrees to maintain in confidence the Program, its object code and source code, any documentation related to the Program and all other media and documentation that relate to the design, development, operation, testing or use of the Franchisee Account, Program, Operating System or any additions or modifications thereto (collectively, the "Confidential Information"). With respect to the Confidential Information, Franchisee shall use Franchisee's best efforts to protect the Confidential Information. Franchisee further agrees not to disclose any Confidential Information to any person or entity other than those of Franchisee's employees and such contractors to which SHIELD has consented and who are under nondisclosure obligations substantially identical to those described herein and/or in the Franchise Agreement and only to those who have a need to know such Confidential Information. Upon request, Franchisee agrees to return or destroy all media and documentation containing any Confidential Information and Franchisee further agrees to certify its compliance with all of Franchisee's obligations described herein. The foregoing confidentiality obligations supplement and do not diminish or replace those requirements in the Franchise Agreement and its ancillary documents and shall survive the expiration or termination of this Agreement, but shall not apply to any information generally available to the public, independently developed or obtained without reliance on any Confidential Information, or approved for release by SHIELD without restriction. The provisions of this Section shall survive the termination of this Agreement

12. Modifications; Enhancements. Franchisee shall promptly disclose to SHIELD all ideas and suggestions for modification or enhancements of the Program or Operating System, or any component thereof, and SHIELD and all affiliates and franchisees of SHIELD shall have the right to use, develop and license such ideas and suggestions in any manner, in SHIELD's sole discretion, and without any obligation to Franchisee therefore. All modifications and enhancements made to the Program or Operating System, together with the copyright embodied therein, shall be the property of SHIELD without regard to the source of the modification or enhancement, and Franchisee hereby assigns all of Franchisee's right, title and interest in any such ideas, modifications and enhancements to SHIELD. Franchisee agrees to execute any documents, in the form provided by SHIELD, which SHIELD determines are necessary or desirable to reflect such ownership by SHIELD.

13. Inspection; SHIELD Access. Franchisee authorizes SHIELD to enter into the Franchisee Account to inspect Franchisee's use of the Program. This provision supplements and does not limit SHIELD's rights to inspect Franchisee's Business as provided in the Franchise Agreement. At all times, SHIELD shall be granted such rights to the Franchisee Account and Program as may be necessary for SHIELD to remotely access the Franchisee Account, Program, Franchisee Data and all other data contained in the Franchisee Account or Program. SHIELD may use the Franchisee Data and all other information contained in the Franchisee Account or Program for any purpose SHIELD determines from

time to time, including without limitation the dissemination of such information to SHIELD's creditors, state regulatory agencies and potential franchisees.

14. Claims of Infringement. In the event Franchisee's use of the Program is enjoined as a result of a claim by a third party of patent or copyright infringement or violation of proprietary rights, SHIELD shall, in SHIELD's sole discretion, either (A) procure for Franchisee the right to continue to use the Program as contemplated hereunder, or (B) replace the Program or modify it such that there is no infringement of the third party's rights; and such action by SHIELD shall be Franchisee's sole and exclusive remedy against SHIELD in such event.

15. No Warranty. SHIELD does not represent or warrant to Franchisee and SHIELD expressly disclaims any warranty that the Program is error-free or that the operation and use of the Program by Franchisee will be uninterrupted or error-free. SHIELD shall have no obligation or liability for any expense or loss incurred by Franchisee arising from Franchisee's use of the Program.

SHIELD MAKES NO WARRANTIES, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THE FRANCHISEE ACCOUNT, PROGRAM, OPERATING SYSTEM OR ANY PORTIONS THEREOF, INCLUDING ANY DOCUMENTATION OR OTHER MATERIAL FURNISHED HEREUNDER OR ANY COMPONENT THEREOF, AND THERE ARE EXPRESSLY EXCLUDED ALL WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT THERETO. SHIELD SHALL HAVE NO LIABILITY FOR CONSEQUENTIAL, EXEMPLARY, INCIDENTAL OR PUNITIVE DAMAGES.

16. Disclaimers.

a. Franchisee acknowledges that SHIELD does not control the transfer of data over the Internet and SHIELD does not warrant that it will be able to prevent third party disruptions of such transfers. Franchisee understands and agrees that use of, or connection to, the Internet is inherently insecure and that connection to the Internet provides opportunity for unauthorized access by a third party to Franchisee's or SHIELD's computer systems (including, but not limited to, the Operating System), networks and any and all information stored therein. Franchisee further understands and acknowledges that new technology, configuration changes and routine maintenance, among other items, can create security exposures and that third parties continue to employ state-of-the-art techniques and methods, resulting in increasing challenges to individual computer system security. It is Franchisee's sole responsibility to maintain the security of its computer systems. SHIELD makes no representation or warranty about the security of Franchisee's computer systems, including, but not limited to, any representation or warranty that Franchisee's computer systems are safe from viruses, intrusions or any other security exposures. INFORMATION TRANSMITTED AND RECEIVED THROUGH THE INTERNET CANNOT BE EXPECTED TO REMAIN CONFIDENTIAL, AND SHIELD DOES NOT GUARANTEE THE PRIVACY, SECURITY, AUTHENTICITY AND NON-CORRUPTION OF ANY INFORMATION SO TRANSMITTED, OR STORED IN ANY COMPUTER SYSTEM CONNECTED TO THE INTERNET; PROVIDED, THAT, NOTWITHSTANDING THE FOREGOING, SHIELD SHALL UNDERTAKE SUCH MEASURES AND TAKE SUCH PRECAUTIONS AS ARE PROVIDED FOR IN THIS AGREEMENT TO PROTECT THE PRIVACY, SECURITY, INTEGRITY AND AUTHENTICITY OF SUCH INFORMATION AND TO AVOID THE CORRUPTION THEREOF. EXCEPT AS SET FORTH HEREIN, SHIELD SHALL NOT BE RESPONSIBLE FOR ANY ADVERSE CONSEQUENCES WHATSOEVER OF FRANCHISEE'S CONNECTION TO OR USE OF THE INTERNET, AND SHIELD SHALL NOT BE RESPONSIBLE FOR ANY USE BY

FRANCHISEE OR FRANCHISEE'S EMPLOYEES, AGENTS OR REPRESENTATIVES OF ANY INTERNET CONNECTION IN VIOLATION OF ANY RULE, LAW OR REGULATION

b. SHIELD is not responsible for acts or omissions of Franchisee or its employees, agents or representatives that result in failure of, or disruption to, the Hosting Services. Any such act or omission, and any breach of Franchisee's obligations hereunder that result in a failure of, or disruption to, the Hosting Services, shall not be considered a breach of SHIELD's obligation to maintain access to the Franchisee Account, Hosted Web Site or Operating System.

c. In order to maintain reasonable data storage requirements and to ensure proper performance of the Operating System, SHIELD shall establish, from time to time, procedures for the archiving and purging of data stored on the Operating System, including the Franchisee Data. Franchisee shall be responsible for any and all retention of data, records or information required by law.

17. Default. Should Franchisee fail to perform any obligation under this Agreement or any other agreement with SHIELD or any of its affiliates (including, without limitation, the Franchise Agreement), SHIELD may, at SHIELD's option, in addition to other available remedies, terminate this Agreement or disable the Franchisee Account, Program, or Operating System, provided that SHIELD shall first give Franchisee fifteen (15) days prior notice of any failure to perform any obligation under this Agreement in order to permit Franchisee to cure such defaults within such time frame. Notwithstanding anything to the contrary herein, if Franchisee defaults under the Franchise Agreement or any other agreement with SHIELD or any of its affiliates, Franchisee's ability to cure such default, if any, shall be governed by the Franchise Agreement or such other agreements, as the case may be.

18. Termination. This Agreement shall automatically terminate upon the termination or expiration of the Franchise Agreement. Upon the expiration or termination of this Agreement, SHIELD shall provide all of the Franchisee Data in a Excel database format. Franchisee shall immediately return to SHIELD any Confidential Information, each component thereof, any data generated by the use thereof, all documentation for the Program and any other materials or information which relates to or reveals the Program or its operation. At SHIELD's request, Franchisee shall certify its compliance with this Section. The provisions of this Section shall survive the termination of this Agreement.

19. Notices. All notices and communications shall be given as provided in the Franchise Agreement.

20. Counterparts. This Agreement may be executed in multiple counterparts, but all such counterparts shall constitute but one and the same Agreement. This Agreement may be executed and delivered via facsimile or electronic delivery.

21. Governing Law. Every provision in the Franchise Agreement dealing with governing law, venue, jurisdiction, enforcement, arbitration and dispute resolution is incorporated herein by this reference.

22. Subcontractors and Assigns. SHIELD rights and duties hereunder may be assigned and delegated to its subcontractors or affiliates and other successors or assigns. Franchisee's rights and duties hereunder may not be assigned or delegated without SHIELD's prior written consent.

23. Indemnification. Franchisee agrees to, and does hereby, indemnify, defend and hold harmless SHIELD, its directors, officers, employees and agents, from and against any liability, loss, damage, claim, cause of action, and expense (including reasonable attorney's fees, court costs and other expenses of litigation or administrative proceeding, whether in connection with the investigation or defense relating to

such claim, litigation, proceeding or otherwise) caused by or arising from the breach of this Agreement by Franchisee or Franchisee's owners, managers, officers, employees or agents.

IN WITNESS WHEREOF the parties have duly executed and delivered this Agreement as of the day and year first above written.

SHIELD	**FRANCHISEE**
SHIELD SECURITY SYSTEMS FRANCHISE DEVELOPMENT CORP.	_____
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

EXHIBIT H

STATE LAW ADDENDA

STATE LAW ADDENDUM - 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 FRANCHISE DISCLOSURE DOCUMENT."

Notwithstanding anything contained in the foregoing Franchise Agreement and Franchise Disclosure Document ("FDD") to the contrary, the following provisions of the California Investment Law shall apply to any franchise or franchisee located in the State of California, which shall control to the extent of any inconsistency:

Item 3 of the FDD

Neither we, nor any person or franchise broker in Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

Item 17 of the FDD

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

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.).

The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise. These provisions may not be enforceable under California law.

Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

The Franchise Agreement requires binding arbitration. The arbitration will occur in the Buffalo, New York Metropolitan Area (unless the parties mutually agree otherwise) with the costs being borne individually by each party, subject to the award and decision of the arbitrator. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the law of New York. This provision may not be enforceable under California law.

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

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

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

Other Provisions Unaffected: All other terms and provisions contained in the Franchise Agreement and Franchise Disclosure Document shall remain in full force and effect, except to the extent specifically modified herein.

Dated on the day of _____, 20___.

SHIELD SECURITY SYSTEMS FRANCHISE DEVELOPMENT CORP.

By:_____
Ken Jezioro, President

FRANCHISEE

By: _____

STATE LAW ADDENDA-ILLINOIS

Notwithstanding anything contained in the foregoing Franchise Agreement and Franchise Disclosure Document to the contrary, the following provisions of the Illinois Franchise Disclosure Act ("Act") shall apply to any franchise located in the State of Illinois, which shall control to the extent of any inconsistency:

Item 17v. and 17 w of the FDD, Section and Section 15.8 of the Franchise Agreement: Choice of Law and Choice of Forum shall be Illinois. Any provision in the Franchise Agreement, including but not limited to Section 15.8, which designate choice of law, jurisdiction or venue in a forum outside the State of Illinois is void.

Termination or Nonrenewal Franchise: The Illinois Franchise Disclosure Act provides rights to you concerning nonrenewal and termination of the Franchise Agreement. If the Franchise Agreement contains a provision that is inconsistent with the Act, the Act will control.

Participation in Trade Associations: Franchisor will not in any way restrict any Franchisee from joining or participating in any trade association.

Waiver. 815 ILCS 705/41 provides that the rights provided by the Illinois Franchise Disclosure Act of 1987 (the "Act") along with other laws of the State of Illinois may not be waived. Consequently, any release of claims or acknowledgements of fact contained in the Agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act or any other law of the State of Illinois shall be void and hereby deleted with respect to claims under the Act or any other law of the State of Illinois.

Waiver of Jury Trial. Section 19.2 of the Franchise Agreement may not be enforceable under Illinois law.

Other Provisions Unaffected: All other terms and provisions contained in the Franchise Agreement shall remain in full force and effect, except to the extent specifically modified herein.

Shield Security Systems Franchise Development Corp.

By:_____
Kenneth Jezioro, President

Date:_____

Franchisee

By:_____

Date:_____

THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY THE MICHIGAN FRANCHISE INVESTMENT LAW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee or subfranchisor until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO THE OFFICE OF THE ATTORNEY GENERAL, CONSUMER PROTECTION DIVISION, ATTN: FRANCHISE SECTION, G. MENNEN WILLIAMS BUILDING, 6TH FLOOR, LANSING, MICHIGAN 48933, (517) 373-7117.

STATE LAW ADDENDUM – NEW YORK

Notwithstanding anything contained in the foregoing Franchise Agreement and Franchise Disclosure Document ("FDD") to the contrary, the following provisions of the New York State Franchise Act shall apply to any franchise or franchisee located in the State of New York, which shall control to the extent of any inconsistency:

Item 3 shall be supplemented by the following:

A. Neither we nor any person identified in Item 2 has an administrative, criminal or civil action pending against it, him or her 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. Nor do we or a person identified in Item 2 have any pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

B. Neither we nor any person identified in Item 2 has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-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, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

C. Neither we nor any person identified in Item 2 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 is subject to any currently effective order of any 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.

Item 4 shall be supplemented by the following:

Neither we nor any of our affiliates, officers or members, during the 10-year period immediately before the date of this disclosure document, has: (a) filed as a debtor (or had filed against it, him or her) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its, his or her 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 member of us held this position in the company or partnership.

Dated on the day of _____, 20__.

Shield Security Systems Franchise Development Corp.

By:_____
Kenneth Jezioro, President

FRANCHISEE

By: _____

EXHIBIT I
RELEASE

GENERAL RELEASE

THIS GENERAL RELEASE (the "General Release") is made by the undersigned (hereinafter "Releasor(s)") for the benefit of Shield Security Systems Franchise Development Corp., a New York corporation (hereinafter, "Franchisor"), on this ____ day of _____, 20____.

RECITALS:

WHEREAS, Releasor is a Shield Security Systems Franchise Development Corp. franchisee and operates a Shield Security Systems Business (the "Franchised Business") pursuant to that certain franchise agreement dated _____(the "Franchise Agreement");

WHEREAS, Releasor desires to renew its franchise with Franchisor or desires Franchisor's consent to _____ in connection with the Franchise Agreement; and

WHEREAS, certain states require certain changes be made to this General Release specific to such state.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound, Releasor hereby agrees, covenants and promises as follows:

1. Releasor, on behalf of itself and each of the persons and entities described in Section 2 hereof, hereby absolutely and forever releases, remises and discharges Franchisor and each of the persons and entities described in Section 3 hereof, from any and all claims, demands, damages, liabilities, costs (including, but not limited to reasonable attorneys' fees, accounting fees or experts' fees, and the costs of litigation, arbitration or other proceedings), expenses, liens, losses, charges, audits, investigations, injunctions, orders, rulings, subpoenas, controversies, obligations, debts, loans, interest, dues, accounts, awards, reckonings, bonds, bills, covenants, promises, undertakings, variances, trespasses, judgments, executions, sums of money owed, arbitrations, suits, decisions, proceedings, verdicts entered, issued, made or rendered and causes of action of every kind and nature whatsoever, whether now known or unknown, suspected or unsuspected, which Releasor now has, owns or holds, or at any time heretofore ever had, owned or held, or could, shall or may hereafter have, own or hold, pertaining to, arising out of or in connection with the Franchise Agreement, any related agreements or the franchisor franchisee relationship between Releasor and Franchisor. Notwithstanding the foregoing, if this General Release is entered into in conjunction with the renewal, assignment or transfer of the Franchise Agreement, the foregoing release shall not apply to any liability under any state franchise law which governs this Release.

2. Releasor hereby understands and agrees that this General Release shall extend to and be binding upon any and all of Releasor's past, present and future officers, directors, owners, employees, representatives, agents, trustees, successors, affiliates and assigns, and their respective insurers and underwriters. If more than one party shall execute this General Release, the term "Releasor" shall mean and refer to each of the parties executing this General Release, and all such parties shall be bound by its terms, jointly and severally.

3. Releasor hereby understands and agrees that this General Release shall extend to and inure to the benefit of Franchisor and any and all of Franchisor's past, present and future officers, directors, owners, employees, representatives, agents, trustees, successors, affiliates and assigns, and their respective insurers and underwriters.

4. Releasor hereby understands and agrees that this General Release supersedes any prior agreement, oral or written, with respect to its subject matter. Releasor understands and agrees that no representations, warranties, agreements or covenants have been made by Franchisor with respect to this General Release, other than those expressly set forth herein, and that in executing this General Release, Releasor is not relying upon any representations, warranties, agreements or covenants not expressly set forth in this General Release.

5. This General Release may not be changed except in a writing signed by the person(s) against whose interest such change shall operate. This General Release and all acts and transaction under it shall in all respects be interpreted, enforced and governed by the internal laws of the state in which Franchisor's principal place of business is located without regard to principles of conflicts of law

6. If any provision of this General Release is found or declared invalid or unenforceable by any arbitrator, court or other competent authority having jurisdiction, such finding or declaration shall not invalidate any other provision hereof and this General Release shall thereafter continue in full force and effect except that such invalid or unenforceable provision, and (if necessary) other provisions hereof, shall be reformed by such arbitrator, court or other competent authority so as to effect insofar as is practicable, the intention of the parties set forth in this General Release, provided that if such arbitrator, court or other competent authority is unable or unwilling to effect such reformation, the invalid or unenforceable provision shall be deemed deleted to the same extent as if it had never existed.

7. Releasor hereby certifies that Releasor has read all of this General Release and fully understands all of the same, and that Releasor has executed this General Release only after having received full legal advice and disclosure as to Releasor's rights from legal counsel of Releasor's choice.

IN WITNESS WHEREOF, each Releasor party hereto has executed this General Release effective as the day and year first above written.

RELEASOR:

_____

By: _____
Name: _____
Title: _____

_____

_____

_____

EXHIBIT J
RECEIPT
(Your Copy)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all the agreements carefully.

If Shield Security Systems Franchise Development Corp. 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. Under Iowa or Maine law, if applicable, Shield Security Systems Franchise Development Corp. must provide this disclosure document to you at our first personal meeting to discuss the franchise. Under Connecticut, Indiana, Michigan or Washington law, if applicable, Shield Security Systems Franchise Development Corp. must provide this disclosure document to you at least 10 business days before you sign a binding agreement with, or make a payment to, Shield Security Systems Franchise Development Corp. or an affiliate in connection with the proposed franchise sale. Under New York, Oklahoma or Rhode Island law, if applicable, Shield Security Systems Franchise Development Corp. must provide this disclosure document to you at the earliest of your 1st personal meeting to discuss the franchise or 10 business days before you sign a binding agreement with, or make a payment to, Shield Security Systems Franchise Development Corp. or an affiliate in connection with the proposed franchise sale.

If Shield Security Systems Franchise Development Corp. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agencies listed in Exhibit E.

The name, principal business address and telephone number of each franchise seller offering the franchise: Kenneth Jezioro, Shield Security Systems Franchise Development Corp., 5170 Genesee Street, Bowmansville, NY 14026, 716-681-6677 and _____ (name, address and telephone number).

Issuance Date: October 13, 2016

Our Registered Agent Authorized to receive Service of Process see Exhibit E.

I received a disclosure document dated _____, 20__, that included the following:

Exhibits

A. Franchise Agreement
B. Table of Content for Manual
C. Audited Financial Statements
D. Unaudited Financial Statements
E. State Agencies and Agents for Services of Process
F. List of Franchisees
G. License Agreement
H. State Law Addenda
I. Release
J. Receipts

_____ Date

_____ Signature

_____ Printed Name

Date	Signature	Printed Name

PROSPECTIVE FRANCHISEE'S COPY

RECEIPT
(Our Copy)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all the agreements carefully.

If Shield Security Systems Franchise Development Corp. 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. Under Iowa or Maine law, if applicable, Shield Security Systems Franchise Development Corp. must provide this disclosure document to you at our first personal meeting to discuss the franchise. Under Connecticut, Indiana, Michigan or Washington law, if applicable, Shield Security Systems Franchise Development Corp. must provide this disclosure document to you at least 10 business days before you sign a binding agreement with, or make a payment to, Shield Security Systems Franchise Development Corp. or an affiliate in connection with the proposed franchise sale. Under Maryland, New York, Oklahoma or Rhode Island law, if applicable, Shield Security Systems Franchise Development Corp. must provide this disclosure document to you at the earliest of your 1st personal meeting to discuss the franchise or 10 business days before you sign a binding agreement with, or make a payment to, Shield Security Systems Franchise Development Corp. or an affiliate in connection with the proposed franchise sale.

If Shield Security Systems Franchise Development Corp. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agencies listed in Exhibit E.

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F. List of Franchisees
G. License Agreement
H. State Law Addenda
I. Release
J. Receipts

_____ _____ _____
Date Signature Printed Name

Date	Signature	Printed Name

Please sign this copy of the Receipt, date your signature and return it to Kenneth Jezioro, Shield Security Systems Franchise Development Corp., 5170 Genesee Street, Bowmansville, NY 14026.