

FRANCHISE DISCLOSURE DOCUMENT

	Silbar Franchise Group Corporation a Virginia corporation 133 Kempsville Road Chesapeake, Virginia 23320 www.SilbarSecurity.com Brandon.Dean@SilbarSecurity.com Direct Line: (757) 663-6400
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The Franchise offered is for the establishment and operation of a law enforcement-based security service business that offers uniformed security officers, vehicle patrol services, event staffing, surveillance, consulting and related security services for residential and commercial contracted clients.

The total investment necessary to begin operation of a Silbar Security® Franchise is ~~\$65,400—\$102,400~~ \$92,500 - \$215,900. This includes ~~\$3858,500 - \$39109,700~~ that must be paid to the Franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Brandon Dean, 133 Kempsville Road, Chesapeake, Virginia 23320; (757) 663-6400.

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

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

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

Issuance Date: ~~May 16, 2023~~ March 8, 2024

How to Use This Franchise Disclosure Document

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

What You Need To Know About Franchising Generally

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About This Franchise

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

1. **Out of State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Virginia. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Virginia than in your own state.
2. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support you.
3. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
4. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

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

MICHIGAN ADDENDUM TO THE DISCLOSURE DOCUMENT

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 franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful 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 applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logo type, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but 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 to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

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 Department of the Attorney General's Office, Consumer Protection Division, Franchise Section, G. Mennen Williams Building, 525 W. Ottawa Street, Lansing, Michigan 48913; telephone number (517) 373-7117.

THIS MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

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Exhibits

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- D. Release
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- G. Financial Statements
- H. Table of Contents of Operations Manual
- I. State Effective Dates
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ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor is Silbar Franchise Group Corporation, a Virginia corporation, doing business as “Silbar Security®” (“we,” “us,” “our,” “SFGC,” or “Franchisor”). The terms “you” and “your” refer to the person or entity that buys this franchise, including any guarantors.

The Franchisor

We are a Virginia corporation, incorporated on December 17, 2013. We do business under the same name as our corporate name “Silbar Franchise Group Corporation” and may also use the name “Silbar Security.”

Our principal business address is 133 Kempsville Road, Chesapeake, Virginia 23320.

We operate and sell franchises for the operation of a security services business known as “Silbar Security®” (the “Business,” “Franchise,” or “Franchised Business”).

We have offered franchises since January 7, 2015. We have never offered franchises in any other line of business. We have not conducted business of the type to be franchised.

Exhibit B contains our agents for service of process.

Our Parents, Predecessors, and Affiliates

We have no parents.

We have a predecessor, Sentry Security, Inc. owned by Brandon Dean, which began operations as a Virginia corporation on May 19, 2008 and was later transferred into our affiliate The Silbar Group Corporation (“TSGC”) a Virginia corporation, also owned by Brandon Dean, on January 11, 2011 (into which Sentry Security, Inc. was transferred). TSCG shares the same physical address as us and operate a business substantially similar to the franchise being offered by us. However, our affiliate, TSCG, has never offered franchises in this or any other line of business and does not supply products or services to our franchisees.

Our Business and the Franchises Offered

The Silbar Security® Business has been meticulously developed for the operation of a law enforcement-based security service business specializing in uniformed security officers, vehicle patrol services, event staffing, surveillance, consulting, and related security services. You will offer cost-effective protection against crime and undesirable behavior by utilizing our comprehensive proprietary protection programs and state of the art technology systems including the use and deployment of security workforce and management software, law enforcement grade vehicles, equipment and technology.

Market and Competition

The security services market is developing. Competition includes national and local security service businesses operated by worldwide or national chains, local independent operators and event staffing service businesses offering similar event staffing services to those found in a Silbar Security® Business. Onsite physical security services that offer protection for people and property is becoming highly competitive. Sales are year-round with business increasing during spikes of crime or incidents, major holidays, man-made and natural disasters, and summer months.

Laws and Regulations

You must comply with certain federal, state, and local laws and regulations pertaining to licensing, initial and ongoing training school programs, certifications, insurance requirements or ordinances for security agencies, security patrol vehicles, security officers or any type staff you employ. It is not uncommon for some states to require that you and each of your security officers have several years of law enforcement and/or security experience and undergo comprehensive background checks. Such states may require that you have a specific number of years or hours of law enforcement, military or security guard experience. If you are in such a state and you do not have the required experience, you must hire or partner with someone who has such experience, and such person must be approved by us. In addition, some states may also require that if you intend to have armed security officers then each security officer must be qualified and certified by the state to carry certain intermediate weapons, such as batons or mace and pass specific background checks. You should check with your state's licensing department and other state or local agencies to confirm the existence of state and local certification requirements and/or regulations in your state. You should investigate the application of these laws further.

Referral Program

A Franchisee can receive a flat referral fee of \$1,000 for referring a third-party franchise prospect to us, who ultimately becomes a Silbar Security® franchisee.

ITEM 2 BUSINESS EXPERIENCE

Founder and President/CEO: Brandon Dean. Brandon Dean has served as our President since our inception in December 2013. From May 2008 to present, Brandon has also served as President for our affiliate, The Silbar Group Corporation, in Chesapeake, Virginia.

Vice President: Kandice Dean. Kandice Dean has served as our Vice President since our inception in December 2013. From December 2008 to present she has also served as an Executive Vice President for our affiliate, The Silbar Group Corporation, in Chesapeake, Virginia.

Training Coordinator: Tanner Mintier. Tanner has been serving as our Training Coordinator since October 2017. From June 2015 to present Tanner has also served as an Operations Director and Senior Field Officer for our affiliate, The Silbar Group Corporation, in Chesapeake, Virginia.

National Accounts Manager: Antone Nixon. Mr. Nixon has served as our National Accounts Manager from May 2019 to the present. From December 2010 to April 2019, Mr. Nixon served as Director of Operations for Guardus Security in Virginia Beach, Virginia.

Franchise Coordinator: Alexandra Bryan. Ms. Bryan has served as our Franchise Coordinator since November 2021. From June 2020 to September 2021, Ms. Bryan served as a Server for Eat: An American Bistro, in Virginia Beach, Virginia. From August 2018 to March 2020, Ms. Bryan served varyingly as a Manager, Bartender, and Server for Still: Eclectic Worldly Tapas in Portsmouth, Virginia, where she also served as a Server from February to May 2015.

Director of Franchise Development: Nathan Haffke. Nathan Haffke has served as our Director of Franchise Development since July 2023. From June 2022 to July 2023, Nathan Haffke served as Business Development for MechaSense in Irving, TX. From January 2013 to April 2024, Nathan Haffke served as Owner of Franchising By Grace in Bulverde, TX. From November 2016 to January 2021, Nathan Haffke served as Principal Operator of PE Staffel Inc. in San Antonio, TX.

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

The minimum Initial Franchise Fee for a single Franchise (the “Initial Franchise Fee”) is \$3050,000-, but the actual Initial Franchise Fee will be determined based on the following formula: The greater of \$50,000 or \$0.10 per capita in the Territory. The typical Initial Franchise Fee will range from \$50,000 - \$100,000.

_____ The Initial Franchise Fee is paid in a lump sum at the time the Franchise Agreement.

We have established a program for qualified veterans of the United States who have been honorably discharged, as well as active duty, retired, and former law enforcement officers and first responders, to receive a discount of 10% off the Initial Franchise Fee when purchasing a franchise.

You will be required to purchase \$2,000 - \$3,000 in uniforms and a Vehicle Package costing \$6,500 - \$6,700 from us before opening.

The initial fees are deemed fully earned and nonrefundable once paid.

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**ITEM 6
OTHER FEES**

Fee	Amount	Due Date	Remarks
Royalty Fee (Notes 1 and 2)	5% of Gross Revenues or \$300, whichever is greater.	Payable the 10 th of the month as the prior month's Gross Revenues	See Note 1 for a definition of Gross Revenues.
Grand Opening Marketing	\$2,750	Around the time of opening	You agree to spend these sums to promote the opening of the Franchised Business pursuant to our guidelines.
Local Advertising	\$500/month <u>minimum</u>	Monthly	You agree to spend these sums pursuant to our guidelines in local advertising.
System Advertising Fee	\$250/month or 1% of Gross Revenues, whichever is greater	Monthly	Payable to us for our advertising Fund.
National Operations Command Center (NOCC) Fee	\$300 400/month or 1% of Gross Revenues, whichever is greater	Monthly	For dispatch, communication services, business telephone answering, in bound sales, and emergency services requests.
Technology Fee	\$750 1,000/month or 1% of Gross Revenues, whichever is greater	Monthly	Paid for access to our security workforce and management software, support and ongoing development.
Third party software fees	Approximately \$800 per month plus 3% of credit card sales	Monthly	You agree to pay fees to third party software providers per our specifications for use of POS and other software systems.
Update Training Fee	\$250 per attendee	At the time of training	We reserve the right to charge up to \$250 per attendee to provide Update Training.
Insufficient Funds Fee	\$50 per transaction	As incurred	You agree to pay this fee to us if an electronic transfer or other payment from you to us is declined.
Audit Fee	Any underpayment amount plus the cost of the audit, plus \$50 per month Late Fee on any late payment	Immediately upon conclusion of audit	In addition to the amount of the underpayment, this fee is payable if an audit discloses an under reporting of Gross

			Revenues or underpayment to us by 2% or more.
Annual Convention Fee	Up to \$500 <u>\$1,000</u> per attendee <u>plus any costs incurred, such as a hotel room</u>	Before attending the Annual Convention	We reserve the right to impose this fee to attend our Annual Convention. 4.10 <u>And we also reserve the right to impose this fee if we require franchisee attendance at Convention and you do not attend. 4.10</u>
Testing/ Inspection Fees to Approve a Supplier	\$100/hour plus any costs incurred	When incurred	You must pay this fee to us if you request us to test and inspect a new supplier. 4.11
Transfer Fee	\$10 <u>\$15,000</u> for a transfer of the franchise or a majority interest in it. \$2,500 upon transfer of minority interest.	Due before transferring	
Renewal Fee	None	When you enter into a new franchise agreement upon the expiration of the term of your original franchise agreement	
Late fee	1.5% per month or the highest amount allowed by law, whichever is less. In California, the interest rate is 10%	10 days after billing	You must pay a late fee for each past due payment.
Client Refunds	The amount of any fee we refund to a client	As invoiced	If you do not resolve a client service complaint and we believe a reasonable basis exists for a refund to the client of all or a portion of the client fees, we may make the refund and bill you. You agree to pay the charges.

Assistance Fee in the event of death or incapacity	Our reasonable expenses plus 10% of Gross Revenues for the period in which we operate or assist in the operation of the Franchised Business.	At time of expense	We are entitled to this fee if we must operate your franchise due to your death or incapacity.
Sales, Excise, or Gross Receipts tax	Actual amount of tax paid	At time of payment of fees to us which are subject to any tax	If required by the federal, state or locality in which your franchise is located. Including sales, excise or gross receipts tax or similar type tax on the initial franchise fee, royalty, and other fees and costs.
Third party charges that we incur on your behalf	Actual amount of charge	At time of expense	If we incur third party charges on your behalf, you agree to reimburse us for any such charges.
Indemnity	Actual loss sustained	At time of expense	You must indemnify us from any loss caused by your operation of the Franchised Business.
Attorney Fees and Costs	Actual amount incurred	At time of expense	If we are the substantially prevailing party in litigation with you, you agree to pay our costs and attorney fees.

*Except where otherwise specified, we uniformly impose and collect all the fees in this table, you pay them to us, and we do not refund them.

Note 1: “**Gross Revenues**” is defined as all revenues that you derive or receive, directly or indirectly, from the operation of the Franchised Business, excluding only sales and use taxes.

Note 2: Before you may open for business, you must sign and deliver to us all bank documents needed to permit us to debit your bank account via ACH Electronic Transfer for all fees and payments due to us or our affiliates. If you change your bank account or transfer your account to a different bank, you must notify us within one day, and sign and deliver to us and the bank new documents to permit us to debit your bank account within three days. We require you to execute an Automatic Bank Draft Authorization and pay most fees to us via ACH electronic funds transfer. See Schedule 2 to the Franchise Agreement.

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ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Estimated Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Franchise Fee <u>(Note 1)</u>	\$39 50,000	\$39 100,000	EFT	At signing of the Franchise Agreement.	Us
Technology and Office Equipment <u>(Note 42)</u>	\$4,500	\$7,500	Check or credit card	Before opening	Third party vendors
Furniture and Fixtures <u>(Note 23)</u>	\$0	\$800	Credit card	Before opening	Third party vendors
Real Estate <u>(Note 34)</u>	\$900	\$900	Check or EFT	Before Opening	Landlord
Signage <u>(Note 45)</u>	\$600	\$1,000	Check or credit card	Before Opening	Sign company
Inventory of Products and Supplies <u>(Note 56)</u>	\$500	\$800	Check or credit card	Before Opening	Third party vendors
Utility Deposit	\$0	\$300	Check, credit card, or EFT	Before Opening	Landlord
Vehicle <u>(Note 67)</u>	\$1,000 2,500	\$2,500 40,000	Check or credit card	Before Opening	Third party vendors
Vehicle Graphics <u>(Note 78)</u>	\$2,100	\$3,300	Check or credit card	Before Opening	Third-party vendor
Vehicle Package <u>(Note 89)</u>	\$6,500	\$7,700	Check or EFT	Before Opening	Us
Vehicle Transportation	\$500	\$2,000	Credit Card or EFT	Before Opening	Vendor
<u>Portable Video Camera Trailer (Note 10)</u>	<u>\$2,500</u>	<u>\$3,000</u>	<u>As arranged</u>	<u>As incurred</u>	<u>Third-party</u>

Type of Expenditure	Estimated Amount		Method of Payment	When Due	To Whom Payment is to be Made
<u>Body Worn Cameras (Note 11)</u>	<u>\$600</u>	<u>\$1,000</u>	<u>As arranged</u>	<u>As incurred</u>	<u>Third-party</u>
Uniforms (Note 912)	\$2,000	\$3,000	Check or EFT	Before Opening	Us
<u>Staffing Payroll (1 month)</u>	\$0	\$2,800	Check or EFT	<u>Spent over the course of the first month</u> <u>As incurred</u>	<u>Salaries and Expenses</u> <u>Employees</u>
Insurance (Note 4013)	\$4,500	\$5,500	Check or EFT	<u>Spent over the course of twelve months</u> <u>As incurred</u>	<u>Payable to third parties</u> <u>Insurance company</u>
Travel, Lodging and Meals for Initial Training Program	\$800	\$1,800	Credit card	Before Opening	Third party vendors
Business Licenses, Permits, Certifications and other Professional Fees	<u>\$13,500</u>	<u>\$24,500</u>	Check or credit card	Before Opening	<u>Appropriate licensing authorities</u> <u>Attorneys, Accountants, and other</u> Third Parties.
Additional Funds-90 Days (Note 14 14)	\$10,000	\$30,000	Check, credit card, or EFT	As incurred	Third Parties
Total (Note 15)	<u>\$65,400</u> <u>92,000</u>	<u>\$102,400</u> <u>215,900</u>			

*None of the fees paid to us in this chart are refundable. Whether such fees paid to third parties are refundable would depend upon their policies.

Note 1: Initial Franchise Fee. The minimum Initial Franchise Fee for a single Franchise (the “Initial Franchise Fee”) is \$50,000, but the actual Initial Franchise Fee will be determined based on the following formula: The greater of \$50,000 or \$0.10 per capita in the Territory. The typical Initial Franchise Fee will range from \$50,000 - \$100,000.

Note 2: Technology and Office Equipment. At present, we require you to have an internet connection, email, and a desktop or laptop computer, printer, copier, a phone system, a smart phone with mobile internet connectivity, and Microsoft 365, and body cams. You will also incur a monthly cost for Quickbooks online.

Note 23: Furniture and Fixtures. This is an estimate for the furniture and fixtures we would expect you to need in order to operate your business. The items we would expect you to need for furniture and fixtures include: desks, chairs, filing cabinets, shelving and storage bins. You may be able to use some existing furniture and fixtures.

Note 34: Real Estate. You will operate your Business out of a small office. This estimate represents leasing a small office of approximately 500 square feet at an average rent of 90 cents per square foot per month. You may not share an office with another business.

Note 45: Signage. We expect that you will need exterior signage, including vinyl sticker type signage for glass doors/windows. This estimate represents the costs for signage on the interior and exterior of your building to identify your Business.

Note 56: Inventory of Products and Supplies. You must purchase products and supplies for the general operation of your Business as specified in the operations manual.

Note 67: Vehicle. ~~You must~~ We require you to purchase ~~or lease~~, new or used, a minimum of one ~~full-size black four-door sedan or one black sport utility vehicle (“Vehicle”)~~ vehicle pursuant to our vehicle specifications for your Business ~~for your employees to drive and to~~ perform services. ~~You must~~ If you were to finance your vehicle purchase ~~and maintain the vehicle pursuant to our standards. The low end of the estimate is an estimated down payment for purchasing a used Vehicle which is, your initial investment for the first ninety days, not including tax, title, insurance, and fuel, would be approximately \$1,000 per Vehicle~~ 2,500. If you were to purchase your vehicle with cash, your initial investment for the first ninety days, not including tax, title, insurance, and fuel, would be approximately \$40,000 not including the required vehicle package which includes, vehicle graphics, lightbar and the high end of the estimate is for a down payment for the complete purchase price of a new Vehicle. Your costs to for new Vehicle may be reduced if you choose to lease rather than purchase. related products.

Note 78: Vehicle Graphics. You must place our approved graphics on your vehicle.

Note 89: Vehicle Package. You must purchase a vehicle equipment package from us to outfit each of your security patrol vehicles.

~~Note 9~~ **Note 10: Portable Video Camera Trailer.** You must purchase from our designated supplier portable video camera trailers that provide remote video monitoring of customers’ property. The cameras will provide high-visibility crime deterrent to criminal activity and offer remote video monitoring of clients’ property. You must enter into a monthly lease subscription contract for each camera trailer and sell this service to customers within a certain pricing range set by the camera supplier.

Note 11: Body Worn Cameras. You must purchase from our designated supplier a minimum of four (4) body worn cameras (BWC’s). The current monthly subscription costs \$50 per camera plus applicable tax.

Note 12: Uniforms. Prior to opening of your business, you must purchase from us a minimum inventory of uniforms for the operation of your Business. The estimated amount is purchasing uniforms for approximately five security officers and two administrative employees.

Note 1013: Insurance. This estimated amount represents twelve months of pre-paid insurance premiums that does not take into account workers’ compensation insurance which may vary greatly by state.

Note 1114: Additional Funds-90 Days. Estimate includes minimum working capital for the start-up of your Business, to cover such things as day-to-day operations, payroll, and utilities. These figures are just

estimates and you may have higher costs. The estimate does not include any interest or payments of Royalties or other fees to us.

We relied on our principals' combined industry expertise when preparing these figures.

Note 15: Total. We may finance up to 50% of your Initial Franchise Fee (with maximum financing offered of \$25,000) with a minimum of 50% down payment required and repayment over 24 months at 0% APR. Please see Item 10 for further details on the financing we offer.

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~~We do not offer financing, directly or indirectly, for any part of the initial investment for a Franchise.~~

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

The Goods or Services You Are Required to Purchase or Lease

Computer Equipment, Accounting System, and Software

You must purchase or use the computer hardware, software, and Accounting System pursuant to our specifications, which may include a vendor designation.

Equipment and Supplies

You are required to purchase equipment and supplies pursuant to our specifications or from our designated vendor.

Furniture and Fixtures

You are required to purchase furniture and fixtures pursuant to our specifications or from our designated vendor.

Insurance

Before you open for business, you must purchase adequate comprehensive general liability insurance coverage which meets the specifications outlined in your agreement from an approved supplier as specified below. The insurance coverage must be maintained during the term of the Franchise Agreement and you must provide evidence of insurance to us that insurance has been obtained from a responsible carrier or carriers acceptable to us. We must be added as Additional Insured on your policy.

1. Comprehensive General Liability Insurance, including broad form contractual liability, broad form property insurance, personal injury, advertising injury, assault and battery, completed operations and fire damage coverage, in the amount of \$1,000,000 per occurrence and \$1,000,000 aggregate;
2. Professional Liability Insurance that covers you for damages that you create that do not result in property or bodily injury with a minimum policy limit of \$1,000,000 or an amount we reasonably specify;
3. Automobile liability coverage, including coverage of owned, non-owned, hired and non-hired vehicles with coverage in amounts not less than \$1,000,000 combined single limit or in amounts we specify;
4. Business Interruption insurance in such amount as will reimburse you for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent business owners (including lost royalties, system advertising and other fees due to us and/or our affiliates), or attributable to prevention of access to the Business, with coverage for a period of interruption of 180 days and such longer period as we may specify periodically. Business interruption insurance is required with liability limits of amounts we may reasonably specify which will relate to the right to be reimbursed for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent business owners;
5. "All Risks" coverage for the full cost of replacement of the business premises and all other property in which we may have an interest with no coinsurance clause;

6. Product Liability Insurance (optional) that covers you for damages that result in injury from products that you distribute with a minimum policy limit of \$1,000,000 per occurrence and \$1,000,000 aggregate or an amount we reasonably specify;
7. Crime insurance (optional) for employee dishonesty in the amount of \$10,000 combined single limit;
8. Workers' compensation insurance in amounts provided by applicable law or, if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation to injured workers, subject to the conditions set forth in the Franchise Agreement;
9. Employment practices liability insurance (optional) that covers you and your Business against claims made by employees, former employees or potential employees for discrimination, wrongful termination, sexual harassment and other employment related obligations;
10. Tenant's liability insurance;
11. Any other Insurance required by the state or locality in which the Business is located and operated, in such amounts as required by statute; and
12. Other insurance coverage, as we or the landlord may reasonably require.

Lease and Leasehold Improvements

You may lease space for your office from any landlord pursuant to our guidelines and must build out your office pursuant to our specifications.

Promotions

You must participate in such promotions, fundraisers, etc. that we specify.

Signs, Marketing Materials, and Other Supplies

You must purchase all signage, marketing materials, and other supplies pursuant to our specifications or approval, from us, or from our designated vendors.

Uniforms

You must purchase your Uniforms from us.

Vehicle Graphics

You must purchase your vehicle graphics pursuant to our specifications, which may include a vendor designation.

Vehicle

Initially, you are required to purchase a minimum of one vehicle pursuant to our specifications, which may include a vendor designation and subject to the requirements outlined in the Operations Manual of our brand image as to make, specific model, color and our graphic decals installed and other specific vehicle equipment as established by the company from time to time.

Vehicle Package

For every vehicle purchased, you must purchase a vehicle equipment package from us. Vehicles with in-car computer equipment will be required to have internet connectivity and associated equipment must meet our specifications and configurations and have the capability of running our technology software.

Whether We or Our Affiliates Are Approved Suppliers

We are an approved supplier of advertising material, but not the only approved supplier.

We are an approved supplier of uniforms and the vehicle equipment package and the only approved supplier of such items.

Our affiliate, The Silbar Group Corporation is not an approved supplier or the only approved supplier of any items at this time.

Officer Interests in Suppliers

Our officers, Brandon Dean and Kandice Dean, own an interest in us.

Alternative Suppliers

We do not maintain written criteria for approving suppliers and thus these criteria are not available to you or your proposed supplier. We do permit you to contract with alternative suppliers if approved by us and they meet our criteria. We do not charge ~~\$100/hour plus any costs incurred~~ you to test another supplier that you propose. If you wish to propose to us another supplier, you may submit the proposed supplier that you wish for us to consider in writing. Your request must include sufficient specifications, photographs, drawings and other information and samples to enable us to determine whether supplier meets our specifications. Your request must also provide confirmation that the supplier is financially sound and carries adequate liability insurance. We will examine the quality of the items and the supplier's ability to supply a sufficient quantity in a timely way with good customer service to determine whether to consider adding the supplier to our list of approved vendors. We will notify you within 30 days if we approve or disapprove of an alternative supplier. If we revoke approval for a supplier, we will provide written notice to you.

Issuance of Specifications

We issue and modify specifications and standards to franchisees or approved suppliers through our Operations Manual or through informational bulletins we issue from time to time.

Revenue from Required Purchases

For our fiscal year ending December 31, ~~2022~~2023, we received ~~\$3,661,182,135.21~~ in revenue from franchisees for required purchases of uniforms and vehicle equipment packages representing ~~1.4,6~~% of our total revenue of ~~\$295,244,354,694~~ in the prior fiscal year.

For our fiscal year ending December 31, ~~2023~~2022, our affiliate, The Silbar Group Corporation did not receive any revenues from required purchases or leases by franchisees.

Required Purchases or Leases as a Proportion of Costs

It is estimated that all your initial expenditures from us, our affiliates or the vendors that we specify and/or approve that meet our standards and specifications will represent approximately 60% - 70% of your total initial purchases.

It is anticipated that during the operation of your franchised business, required purchases from us, our affiliates or the vendors that we specify or approve are estimated to be approximately 20% - 30% of your total annual purchases in the continuing operation of your Store.

Supplier Payments to Us

We may receive rebates, payments or other material benefits from suppliers based on franchisee purchases. However, neither we nor our affiliates received any rebates based on purchases by franchisees during our last fiscal year.

Purchasing or Distribution Cooperatives

We do not have purchasing or distribution cooperatives at this time.

Purchase Arrangements

We may negotiate purchase arrangements with suppliers (including price terms) for your benefit, and currently there are such arrangements in place with some approved nurseries and planter suppliers.

Material Benefits

We do not provide material benefits to you based on your use of a particular supplier. However, in order to renew your franchise agreement, you must be in compliance with it, including supplier standards, and we can terminate your franchise agreement if you breach it.

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.

Franchisee's Obligations	Section In Franchise Agreement	Item in Disclosure document
a. Site selection and acquisition/lease	3, 6.2	11
b. Pre-opening purchases/leases	6.10, 6.11, 6.12, 6.13	7, 8
c. Site development and other pre-opening requirements	6.2	11
d. Initial and ongoing training	5.8, 6.1, 6.8	11
e. Opening	6.3	11
f. Fees	4, 7, 15, 19.11	5, 6, 7, 8, 11

Franchisee's Obligations	Section In Franchise Agreement	Item in Disclosure document
g. Compliance with standards and policies/Manual	6.4	8, 11
h. Trademarks and proprietary information	7, 8	13, 14
i. Restrictions on products/services offered	6.6	8, 16
j. Warranty and customer service requirements	6.7	6
k. Territorial development and sales quotas	3, 6.17	12
l. Ongoing product/service purchases	6.10, 6.11, 6.12	8
m. Maintenance, appearance & remodeling requirements	6.14	Not Applicable
n. Insurance	6.9	8
o. Advertising	7	8, 11
p. Indemnification	13.3	6
q. Owner's participation/management/staffing	6.5	15
r. Records and reports	9	11
s. Inspections and Audits	9	11
t. Transfer	14	17
u. Renewal	2.2	17
v. Post-termination obligations	11	15, 16, 17
w. Non-competition covenants	12	15, 16, 17
x. Dispute resolution	19	17

ITEM 10 FINANCING

We ~~do not~~may offer ~~direct or indirect~~ financing. ~~We do not guarantee for a portion of your Initial Franchise Fee if you meet our qualifications.~~

Whether we will extend financing and the amount will vary depending upon the availability of funds and your creditworthiness.

The following table summarizes the financing we may offer you for the Initial Fees.

<u>Item Financed</u>	<u>Initial Franchise Fee</u>
<u>Source of Financing</u>	<u>Us</u>
<u>Down Payment</u>	<u>50%</u>
<u>Amount Financed</u>	<u>50% (up to \$25,000 financed)</u>
<u>Interest Rate</u>	<u>0%</u>
<u>Period of Repayment</u>	<u>24 months</u>
<u>Monthly Payment</u>	<u>\$1,041.66 per month on a \$25,000 loan</u>
<u>Security Required</u>	<u>Personal Guaranty</u>
<u>Whether a Person Other than the Franchisee Must Personally Guarantee the Debt</u>	<u>If the franchisee is an entity, its owners must personally guarantee the debt</u>
<u>Prepayment Penalty</u>	<u>None</u>
<u>Liability Upon Default</u>	<u>Termination of Franchise Agreement; you must pay entire amount due, our attorney fees, and court costs in collecting debt.</u>
<u>Waiver of Defenses or Other Legal Right on Default</u>	<u>Waiver of right to jury trial; homestead and other exemptions; waiver of presentment, demand, protest, notice of dishonor.</u>

We attach as Schedule 5 to the Franchise Agreement the form of promissory note, lease we require you to sign if we extend financing to you.

We do not guarantee your notes, leases, or ~~obligation~~ obligations. We do not have any past or present practice or intention to sell, assign or discount to any third party, any note, contract or other instrument signed by you.

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

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

Before Opening:

Initial Training. We provide an initial training program at our in-house training facility, Silbar Academy, in Chesapeake, Virginia or such other location as we designate. The topics covered in initial training are described in the chart below in this Item 11. (Franchise Agreement, Section 5.1).

Site Selection. ~~We do not offer site selection assistance as you may work from any office location in your territory.~~ We assist with site selection and provide guidance. You must operate the business from a physical office location. A mailbox type store or PO Box are not acceptable locations. Your office location must be in your territory. The build-out design of your office must be pursuant to our current guidelines. You may not share an office with another business unless that business is directly related to Silbar Security.

If you do not locate a site within 90 days of the date of the Franchise Agreement, we can terminate the Franchise Agreement without any refund to you, or allow you more time. (Franchise Agreement, Section 5.2(a)).

Assistance to Hire and Train Employees. We provide guidance and advisory support on how to hire and train employees. (Franchise Agreement, Section 5.3).

Assistance in Establishing Prices. We provide guidance in establishing prices for your services. (Franchise Agreement, Section 5.3).

Assistance to obtain equipment, signs, fixtures, opening inventory, and supplies. We provide guidance to obtain equipment, signs, fixtures, opening inventory, and supplies. We provide the names of approved vendors or specifications for these items. We do not deliver or install these items. (Franchise Agreement Section 5.4).

Operations Manual. We provide access to our Operations Manual ("Manual") to offer guidance in the operation of your Franchised Business. (Franchise Agreement, Section 5.5).

Length of Time Before Opening: The typical length of time between the signing of the Franchise Agreement and the opening of your outlet is 3-4 months. You agree to begin operations and be open for business no later than 6 months from the time both parties execute the franchise agreement. If you and we can not agree on a site, we can allow you more time to search for a site or terminate the franchise agreement.

Factors that can affect the time length in which to be open for business include: the time needed to (1) obtain financing; (2) enter into a lease; (3) obtain licenses and permits; (4) acquire and install furniture, fixtures, equipment, and signage; and (5) hire and train staff.

During the Operation of the Franchise:

Operational Support. We offer ongoing advisory support and assistance with operating issues that you may encounter. (Franchise Agreement, Section 5.6).

Marketing Support. We offer ongoing marketing assistance and advisory support. (Franchise Agreement, Section 7).

Computer Hardware and Software. We specify computer hardware and software to assist in the operation of your Franchised Business. (Franchise Agreement, Section 5.7).

Additional Training or Seminars. We may elect to offer additional training or seminars. (Franchise Agreement, Section 5.8).

Advertising Program and Fund:

Grand Opening Marketing. You agree to spend \$2,750, pursuant to our guidelines, to promote the opening of your Franchised Business. (Franchise Agreement, Section 7.2).

Local Advertising. You agree to spend a minimum of \$500 per month on local advertising, pursuant to our guidelines. (Franchise Agreement, Section 7.3).

Advertising Fund. Franchisees uniformly agree to contribute 1% of Gross Revenues into our Advertising Fund. Franchisor owned outlets do not have to contribute to the Advertising Fund, but may do so. We administer the Advertising Fund. The Fund is not audited. Unaudited financial statements of the Advertising Fund will be made available to you upon written request.

In our last fiscal year ending December 31, ~~2023~~~~2022~~, we received \$~~35,633.93~~36,155.94 in System Advertising Fees and spent 100% of these funds on production.

If not all System Advertising Fees are spent in the fiscal year in which they accrue, we will carry over those fees and apply them to the next fiscal year.

We may not use System Advertising Fees to solicit new franchise sales.

(Franchise Agreement, Section 7.4).

Our Obligation to Conduct Advertising. We use monies in the Advertising Fund to advise you in the conduct of advertising or conduct advertising ourselves. We may use local, regional, or national advertising. We may produce advertising material in-house or through outside agencies. We are not required to spend any amount on advertising in the area or territory where you will be located. (Franchise Agreement, Section 7.5).

Corporate Website. We will develop and maintain a comprehensive website that contains your location's contact information. (Franchise Agreement, Section 7.5).

Digital Marketing. We may create, operate and promote websites, social media accounts (including but not limited to Facebook, twitter, and Instagram), applications, digital advertising (including pay-per-click and display ads) or other means of digital marketing to promote the brand, Franchised Business, marks and franchise opportunities. We have the sole right to control all aspects of any digital marketing including all digital marketing related to your Franchised Business. (Franchise Agreement, Section 7.5).

Use of Your Own Advertising Material. You may use your own advertising materials provided that you submit them to us and we approve them, in writing, and they adhere to federal, state and local law. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved. (Franchise Agreement, Section 7.6).

Private Websites. You are not allowed to have an independent website or obtain or use any domain name (Internet address) for your Franchised Business, without first obtaining our written approval. (Franchise Agreement, Section 7.6).

Advertising Council. We do not have an advertising council composed of franchisees that advises us on advertising policy.

Advertising Cooperative. You are not required to participate in a local or regional advertising cooperative.

Computer and Cash Register Systems:

You must comply with our computer hardware, software, and POS specifications. At present, we require you to have an internet connection, email, and a desktop or laptop computer, printer, copier, a phone system, a smart phone with mobile internet connectivity, and Microsoft 365. The cost of such computer hardware and software is approximately \$4,500 - \$5,500.

You are required use our security management software and any other software that we may designed in the operation of the Franchised Business.

The technology fee is for access to our security workforce and management software, support and ongoing development and is ~~\$750~~\$1,000 per month or 1% of Gross Revenues, whichever is greater. You will also incur third party monthly costs to use Quickbooks online and a third-party payroll services.

Neither we nor our affiliates or any third party have any obligation to provide ongoing maintenance, repairs, upgrades or updates. You must maintain your computer systems in good working order and must replace, update or upgrade your hardware systems as we require. There are no contractual limitations regarding the frequency or costs of required upgrades or updates relating to the computer system. The estimated annual cost of optional or required maintenance, updating, upgrading, or support contracts to your computer systems is approximately \$1,500 - \$2,500.

Independent Access to Information. We have and you are required to provide independent access to the information that will be generated or stored in your computer systems, which includes, but not limited to, customer, transaction, and operational information. You must at all times give us unrestricted and independent electronic access to your computer systems and information.

You must give us all passwords associated with the Franchised Business and full unrestricted access to all related social media platforms, including the Google My Business list.

There are no contractual limitations on our right to access the information.

We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to the Franchised Business and any other operations taking place through your Franchised Business. If, as part of a review of your business, we request a copy of any business records, you must send us at your expense these records within five business days of receiving our request.

Operations Manual:

Exhibit H contains the Table of Contents to the Operations Manual along with the page count per chapter. The total page count of the Operations Manual is 244 pages.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On The Job Training	Location
The Silbar Security® System and Philosophy	2 Hours		Note 1
Approved Security Services and Unauthorized Security Services	2 Hours		
Approved Technology and Integrating into Your Business	2 Hours	1 Hour	
Approved Products and Supplies	3 Hours		
Hiring Security Officers and Managing Employees	5 Hours		
Field Operations Training and Ride Along		10 Hours	

Vehicle Requirements, Appearance Specifications and Setup	1 Hour	1 Hour	
Answering Phones, Scheduling, Routing and Software Training	2 Hours	6 Hours	
Sales Presentations, Estimates, Fee Schedules and Overcoming Objections	6 Hours	2 Hours	
Advertising and Marketing Strategies	4 Hours		
Administrative and Bookkeeping Responsibilities	6 Hours		
Total Hours	33	20	

Note 1- We offer initial training at Silbar Academy in Chesapeake, Virginia or such other location as we may specify.

The following instructors teach our initial training program: Brandon Dean, Kandice Dean, Tanner Mintier, Alexandra Bryan, Christine Lohoski-Taylor, Antone Nixon, and Dyan Martinez. We describe the nature of the Instructors' experience for Brandon Dean, Kandice Dean, Tanner Mintier, ~~and~~ Alexandra Bryan, and Antone Nixon in Item 2.

We describe the nature of Christine Lohoski-Taylor's and Dyan Martinez's experience here:

Christine Lohoski-Taylor, Corporate Office Manager. Christine has served as our Corporate Office Manager since July 2015. From February 2015 to July 2015, Christine served as our Corporate Scheduler.

Dyan Martinez, Corporate Schedule Coordinator. Dyan has served as a Corporate Schedule Coordinator for us since September 2021. From October 2017 to August 2021, Dyan served as a Schedule Coordinator for Guardus Security in Virginia Beach, VA.

We set forth the length of the Instructors' experience in the industry and with the franchisor below:

<u>Instructor</u>	<u>Years of Experience in the Field</u>	<u>Years of Experience with the Franchisor*</u>
Brandon Dean	<u>2223</u>	<u>78</u>
Kandice Dean	<u>910</u>	<u>78</u>
Tanner Mintier	<u>56</u>	<u>56</u>
Alexandra Bryan	<u>23</u>	<u>23</u>
Christine LohoskiTaylor	<u>89</u>	<u>89</u>

<u>Instructor</u>	<u>Years of Experience in the Field</u>	<u>Years of Experience with the Franchisor*</u>
Dyan Martinez	<u>67</u>	<u>12</u>
<u>Antone Nixon</u>	<u>14</u>	<u>5</u>

*Includes years of experience with any of our affiliates.

We intend to hold initial training classes quarterly, or more often if necessary.

We primarily use the Operations Manual, training books, handouts and on the job field training to conduct initial training.

We do not charge for you to attend initial training, but you are responsible for travel, lodging, transportation, meal costs, and your employees' wages to attend initial training.

We require that you or, in the case of an entity, your principals, attend initial training. You may enroll your Senior Management and General Manager personnel upon our approval. Your successful completion of initial training to our satisfaction is required to operate a franchise within 180 days of signing the franchise agreement. We advise you during or immediately after initial training if you have successfully completed the course.

Additional Training or Seminars. We may elect to offer and require you to attend, either live or electronically, additional training and seminars that we may offer. We may charge up to \$250 per person trained per day, plus any expenses we incur to provide this training. You must also pay any travel and living expenses that you or we incur to attend training.

ITEM 12 TERRITORY

The territory will be for a specific geographic region that we define and approve by zip codes, natural, or political boundaries as set forth on Schedule 1 to the Franchise Agreement.

A territory will normally include a population of approximately 500,000 – 1,000,000 people.

We may approve relocation of the franchised business if we feel that conditions have changed such that a relocation represents a sound business decision.

We would not normally grant to you approval to open an additional outlet within your territory, but may grant you additional franchise territories if we feel you have the time, energy, capital, and management structure to be able to successfully open and operate another territory.

We do not grant you options, rights of first refusal, or similar rights to acquire additional franchises.

You will receive an exclusive territory, meaning a geographic area within which we promise not to establish either a company-owned or franchised outlet selling the same or similar goods or services under the same or similar trademarks or service marks.

Continuation of your territorial rights depends on achieving the following sales volume:

Time Period*	Minimum Requirements (Gross Revenues)
First year	\$100,000
Second year	\$175,000
Third year	\$350,000
Fourth year	\$425,000
Fifth year and beyond	\$500,000

*A “year” is measured from the Effective Date of the Franchise Agreement. For the purchase of a developed territory, a “Year” is measured from the Effective Date of the first Franchise Agreement on the Territory.

Otherwise, we may not alter your franchise territory, even if there is a population increase in your territory.

We or an affiliate reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to solicit or accept orders within your territory using our principal trademarks, however, we would normally direct inquiries for services from within your territory to your outlet.

We or an affiliate also reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory of products or services under trademarks different from the ones that you will use under the franchise agreement.

We are not obligated to pay compensation to you for soliciting or accepting orders from inside your territory.

You and other franchisees may not solicit (but may accept) orders from consumers outside of your territory, including through the use of other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, but you may engage in internet and social media marketing pursuant to our guidelines which such marketing may extend outside your territory. We also reserve the right to implement cross-territorial protocols and other guidelines applicable to such situations as group advertising buys by multiple franchisees which may extend into multiple territories, solicitation of orders of individuals who may reside in one territory, yet work in another, and other cross-territorial situations. You agree to abide by any such cross-territorial protocols.

However, once your Gross Revenues from work outside your Territory reaches \$10,000 per month in a vacant Territory, you must then purchase the vacant Territory at our then current initial franchise fee.

Neither we nor an affiliate operates, franchises, or has plans to operate or franchise a business under a different trademark which such business sells or will sell goods or services similar to those you will offer, but we reserve the right to do so.

[remainder of page intentionally left blank]

ITEM 13 TRADEMARKS

The franchise agreement licenses to you the right to use the following principal trademarks (“Marks”) registered or applied for with the U.S. Patent and Trademark Office (“USPTO”):

Description of Mark	Registration Number	Principal or Supplemental Register of the USPTO	Registration Date
	4376321	Principal	July 30, 2013
SILBAR SECURITY	4648734	Principal	December 2, 2014
Founded by Law Enforcement	4725668	Principal	April 21, 2015
Professional security wasn't available... So we fixed it	5401460	Principal	February 13, 2018

We have filed all required affidavits and renewals.

There are currently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or any court; or any pending infringement, opposition, or cancellation proceeding in which we unsuccessfully sought to prevent registration of a trademark in order to protect a trademark licensed by the franchisor. There is no pending material federal or state court litigation regarding our use or ownership rights in a trademark.

Our affiliate, The Silbar Group Corporation, owns the trademarks listed in the chart above and licenses them to us pursuant to a License Agreement dated January 28, 2021, to use and to franchise to others.

The License Agreement is perpetual in duration and may be terminated upon a material breach not remedied after 30 days' written notice. If the License Agreement was terminated, you could lose the right to use the trademarks licensed to us under the License Agreement. There are no other currently effective agreements that significantly limit our rights to use or license the use of our trademarks listed in this section.

If you learn of any claim against you for alleged infringement, unfair competition, or similar claims about the Marks, you must promptly notify us. We are not required to take affirmative action when notified of these uses or claims.

We have the sole right to control any administrative proceedings or litigation involving a trademark licensed by us to you. The Franchise Agreement does not require us to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by us to you or if the proceeding is resolved unfavorably to you.

If we discontinue or modify our Marks, you must adopt and use any new marks as required by us. Any expenses you incur because of adopting and using these marks are your responsibility.

We do not know of any superior prior rights or infringing uses that could materially affect your use of our Marks anywhere.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

At this time, we do not hold any patents material to the franchise system. We claim a copyright to our Operations Manual, marketing material such as our website text, and other printed material, although we have not presently filed a registration of those copyrights. We consider all of these items confidential and proprietary. Upon termination of your franchise agreement, you must return to us our Operations Manuals and any confidential information.

You will not directly or indirectly disclose, publish, disseminate or use our “Confidential Information” except as authorized in the Franchise Agreement. You may use our Confidential Information to perform your obligations under the Franchise Agreement, but in doing so you will only allow dissemination of our Confidential Information on a need-to-know basis and only to those individuals that have been informed of the proprietary and confidential nature of such Confidential Information. We may share performance data of your franchised business between us, our employees and affiliates, our franchisees and their employees. You agree to keep such performance data confidential.

“Confidential Information” means our information or data (oral, written, electronic or otherwise), including, without limitation, a trade secret, that is valuable and not generally known or readily available to third parties obtained by you from us during the term of the Franchise Agreement. The Confidential Information of ours includes all intellectual property associated with our Franchise system, all other materials relating to our Franchise system that are not a matter of public record, and all information generated during the performance of the Franchise Agreement.

“Customer Data” is considered Confidential Information, and includes all information about Customers that may be collected in connection with their use of your services, including, but not limited to, name, telephone number, address and email address.

Upon termination of your franchise agreement, you must return to us our Operations Manuals and any Confidential Information. You may never - during the initial term, any renewal term, or after the Franchise Agreement expires or is terminated - reveal any of our Confidential Information to any other person or entity or use it for the benefit of any other person or business.

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

You are required to participate personally in the direct operation of the Franchised Business or have a Designated General Manager (GM) who attends and successfully completes our initial GM training course to our satisfaction. Any replacement Designated GM must also attend and successfully complete our initial GM training to our satisfaction. Any Designated GM must also sign a Confidentiality and Non-Compete Agreement as we may specify. A Designated GM is not required to have any equity interest in the franchisee's business. We do not control whom you may hire as a GM however, any Designated GM must be approved by us prior to any initial GM training.

You and any Designated GM must pass a background check.

All owners of this franchise must guarantee the obligations under the Franchise Agreement. Unless your spouse is a co-owner of this franchise with you, or an owner of the entity that acquires this franchise, your spouse is not required to guarantee performance under the franchise agreement.

You agree to accurately and completely furnish to us the names, contact information, and ownership percent on anyone owning an interest in this franchise on the Signature Page to the Franchise Agreement. No change to the owners or ownership percentages are permitted without our prior written consent.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer for sale through your franchised business only a security service as specified by us and such products and services that we have approved in writing. We may designate products or services as optional or mandatory. You may not sell any goods or services that we have not authorized or approved.

You may offer your services to most customers, consistent with your territorial rights, however, we limit or do not permit the offering of services to certain venues based on insurance or liability restrictions.

You are required to sell all goods or services that we authorize, unless prohibited by your applicable local law, or approved by us. We may change the types of authorized goods and services sold by franchisees. There are no limits on our right to make changes to the authorized goods and services sold by franchisees, however, we may not fundamentally alter the nature of the franchise offered. We may, at our sole discretion, revoke approval of a previously approved goods or services, at which case you must immediately stop selling the revoked services or products.

For the duration of your franchise agreement, you may not offer competitive services in the states and territories of the United States unless you receive our prior written consent.

You will not, directly or indirectly, for a 2-year period after the termination, expiration, or non-renewal of this Agreement, including a sale of the franchise or your interest in it, offer a security service in the Territory or within 25 miles of the boundaries of the Territory, or within 25 miles of any other outlet of ours or a franchisee of ours in operation at the time.

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	2	5 years.
b. Renewal or extension of the term	2	Can be renewed for successive terms if you are in compliance with your Franchise Agreement (“Agreement”).
c. Requirements for you to renew or extend	2	Renewing your Franchise Agreement means that you are able to continue your operations as a franchisee for an additional term. You must pay renewal fee, sign a general release of claims, notify us in writing at least 180 days before the expiration of the Agreement, and sign our then current Agreement, which may contain materially different terms and conditions than your original contract.
d. Termination by franchisee	10.1	You may terminate the Agreement if you sell the franchise pursuant to the terms of the Franchise Agreement or do not renew.
e. Termination by franchisor without cause	None	Not applicable
f. Termination by franchisor with cause	10.2, 10.3	We can terminate only if you default.
g. “Cause” defined – curable defaults	10.3	Violate the Agreement, Manual, any other agreement with us, or owe monies to us more than 30 days past due, and do not cure such breach within 30 days after notice.
h. “Cause” defined – non-curable defaults	10.2	Do not pass initial training, fail to obtain our approval of a site or open on time, become insolvent, commit a material violation of law, abandon the Franchised Business, submit a materially false

Provision	Section In Franchise Agreement	Summary
		Franchise Application, fraud, uncured default of other agreement, fail to pay suppliers an amount exceeding \$3,000 for more than 60 days; fail to permit us to inspect or audit your franchise; or commit three or more breaches within 12 months.
i. Franchisee's obligations on termination/renewal	11	Cease operations and stop using our marks; deliver to us business records; pay debts due to us; cancel or assign telephone numbers to us; assist in lease transfer and our purchase of your assets, at our option; return Manual and Confidential Information to us; cancel fictitious names; adhere to other post term duties; execute any necessary documents.
j. Assignment of contract by franchisor	14.1	We may assign to a successor in interest who remains bound by terms of Agreement.
k. "Transfer" by franchisee - defined	14.2	Includes transfer of Franchise Agreement, any interest of the Franchise Agreement, or substantially all of the assets of the Franchised Business.
l. Franchisor's approval of transfer by franchisee	14.2	We have the right to approve all transfers.
m. Conditions for franchisor's approval of transfer	14.5	You must be: -current in monetary obligations; -in compliance with the Franchise Agreement; -execute any transfer, amendment, or release forms that we may require; -provide to us a copy of the proposed transfer documents; -transferee must meet our criteria; -transferee must execute our then-current Franchise Agreement; -pay to us the Transfer Fee; -transferee must satisfactorily complete our initial training program; -comply with the post-termination provisions; -transferee must obtain necessary licenses and permits; -obtain any lessor approval for transfer; -the transfer must be made in compliance with any laws that apply to the transfer; -the purchase price and terms of the proposed transfer are not so burdensome to the prospective transferee as to impair or materially threaten its future operation;

Provision	Section In Franchise Agreement	Summary
		-you must request that we provide the prospective transferee with our current franchise disclosure document.
n. Franchisor's right of first refusal to acquire franchisee's business	14.6	We have a right of first refusal to match any purchase offer for your franchise, any interest in the franchise, or substantially all the assets of the Franchised Business.
o. Franchisor's option to purchase franchisee's business	11(g)	We have a right to purchase your furniture, equipment, signage, fixtures, and supplies post-termination.
p. Death or disability by franchisee	15	Transfer must be commenced within 60 days, completed within 6 months; we must approve the transferee, transferee must attend and successfully complete training, and sign our current Agreement.
q. Non-competition covenants during the term of the franchise	12	No competition allowed in the United States and its territories.
r. Non-competition covenants after the franchise is terminated or expires	12	You may not compete in the Territory or within 25 miles of the Territory (or any other outlet of ours) for 2 years.
s. Modification of the agreement	16	No modifications except to Operations Manual. Revisions to the Manual will not unreasonably affect the franchisee's obligations, including economic requirements, under the Agreement.
t. Integration/merger clause	18	Only the terms in the franchise agreement are binding (subject to federal or state law). Any representations or promises made outside the disclosure document and franchise agreement may not be enforceable. No claim in any franchise agreement(s) is intended to disclaim the representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	19	You must first attempt to resolve claims against us through mediation. Arbitration only applies to IL, MD, and WA franchisees.
v. Choice of forum	19	All claims must be brought before a court of general jurisdiction closest to our corporate office (subject to applicable state law).
w. Choice of Law	19	Virginia law governs (subject to applicable state law).

ITEM 18 PUBLIC FIGURES

We have not paid any compensation or other benefit to a public figure for the use of their endorsement or recommendation of the franchise to prospective franchisees.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Brandon Dean, 133 Kempsville Road, Chesapeake, Virginia 23320 (757) 663-6400; the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

Table 1
System wide Outlet Summary
For Years ~~2020~~2021 thru ~~2023~~2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021 2020	4	46	0 +2
	2021 2022	46	6	+20
	2023 2022	6	6	0
Company-Owned	2021 2020	2	2	0
	2021 2022	2	2	0
	2023 2022	2	2	0
Total Outlets	2021 2020	6	68	0 +2
	2022 2021	68	8	+20
	2022 2023	8	8	0

Table 2
Transfers of Outlets from Franchisees to New Owners (other than Franchisor)
For Years ~~2020~~2021 thru ~~2023~~2022

State	Year	Number of Transfers
Arizona	2021 2020	0 <u>1</u>
	<u>2022</u>	<u>0</u>
	<u>2023</u>	<u>0</u>
<u>Virginia</u>	2021	1 <u>0</u>
	2022	0
Totals	2020 2023	0
<u>Totals</u>	2021	1
	2022	0
	<u>2023</u>	<u>0</u>

Table 3
Status of Franchise Outlets
For Years ~~2020~~2021 thru 2023~~2022~~

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Arizona	2021 2020	1	0	0	0	0	0	1
	2022 2021	1	0	0	0	0	0	1
	2022 2023	1	0	0	0	0	0	1
Florida	2021 2020	1	0	0	0	0	0	1
	2022 2021	1	0	0	0	0	0	1
	2022 2023	1	0	0	0	0	0	1
Massachusetts	2021 2020	1	0	0	0	0	0	1
	2021 2022	1	0	0	0	0	0	1
	2022 2023	1	0	0 1	0	0	0	1 0
Texas	2020 2021	0	0 1	0	0	0	0	0 1
	2022 2021	0 1	1 0	0	0	0	0	1
	2022 2023	1	0 1	0	0	0	0	1 2
Virginia	2020 2021	1	0 1	0	0	0	0	1 2
	2021 2022	1 2	1 0	0	0	0	0	2
	2022 2023	2	0 1	0 1	0	0	0	2
Totals	2020 2021	4	2	0	0	0	0	6
	2022 2021	4 6	2 0	0	0	0	0	6
	2022 2023	6	0 2	0 2	0	0	0	6

Table 4
Status of Company-Owned Outlets
For Fiscal Years ~~2020~~2021 thru 2022~~2023~~

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Virginia	2020 2021	2	0	0	0	0	2
	2022 2021	2	0	0	0	0	2
	2022 2023	2	0	0	0	0	2
Totals	2020 2021	2	0	0	0	0	2

	2022 2024	2	0	0	0	0	2
	2022 2023	2	0	0	0	0	2

* “Company-owned Outlets” refers to affiliate owned outlets as discussed in Item 1.

Table No. 5
Projected Openings as of December 31, ~~2022~~2023

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California Colorado	0	1	0
Florida	0	1	0
Georgia	<u>1</u>	<u>1</u>	<u>0</u>
Illinois Maryland	0	1	0
Ohio Nevada	0	1	0
New York	<u>0</u>	<u>1</u>	<u>0</u>
North Carolina	<u>0</u>	<u>1</u>	<u>0</u>
Texas	±0	±2	0
Virginia	0	1	0
TOTALS	1	6 <u>10</u>	0

Exhibit E contains a list of the names of all current franchisees and the address and telephone number of each of their outlets.

Exhibit F contains a list of the names, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who have 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, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

We are not aware of any trademark-specific franchisee organizations associated with the franchise system being offered.

ITEM 21 FINANCIAL STATEMENTS

Exhibit G contains our audited financial statements for our fiscal year ending December 31, ~~2022, 2023, 2022, and 2021~~2021, and 2020 as well as our unaudited Balance Sheet as of September 30, 2023 and our unaudited Profit & Loss Statement for the time period January 1, 2023—September 30, 2023.

ITEM 22 CONTRACTS

The proposed agreements regarding this franchise offering are included as exhibits to this Disclosure Document as follows:

- C. Franchise Agreement
 - Schedule 1-Territory
 - Schedule 2-Automatic Bank Draft Authorization
 - Schedule 3-Telephone Number Assignment
 - Schedule 4-Franchisee Questionnaire
 - Schedule 5-Promissory Notes
 - Schedule 6-State Addenda to the Franchise Agreement
- D. Release

ITEM 23 RECEIPT

Exhibit J contains two copies of a Receipt of our Disclosure Document.

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EXHIBIT A

STATE ADDENDA TO DISCLOSURE DOCUMENT

CALIFORNIA ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the California Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

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.

Item 3 of the Disclosure Document is amended by adding the following paragraph:

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

Item 17 of the Disclosure Document is amended by adding the following paragraphs:

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

Item 17.g. of the Disclosure Document is modified to state that, in addition to the grounds for immediate termination specified in Item 17.h., the franchisor can terminate upon written notice and a 60 day opportunity to cure for a breach of the Franchise Agreement.

Item 17.h. of the Disclosure Document is modified to state that the franchisor can terminate immediately for insolvency, abandonment, mutual agreement to terminate, material misrepresentation, legal violation persisting 10 days after notice, repeated breaches, judgment, criminal conviction, monies owed to the franchisor more than 5 days past due, and imminent danger to public health or safety.

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The franchise agreement requires application of the laws of Virginia. This provision may not be enforceable under California law.

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

YOU MUST SIGN A GENERAL RELEASE OF CLAIM IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER

OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CODE §§31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE §20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§20000 THROUGH 20043).

Our website is located at www.SilbarSecurity.com

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

The highest interest rate allowed by law in California is ten percent (10%) annually.

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

Initial Fee Deferral:

Item 5 of the Disclosure Document is modified by adding the following language: “The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business. For any development agreement, the payment of the development and initial fee attributable to a specific unit is deferred until that unit is open.”

ILLINOIS ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the Illinois Franchise Disclosure Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Illinois law governs the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. The conditions under which your Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision of the Franchise Agreement purporting to bind you to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.
5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

MARYLAND ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the Maryland Franchise Registration and Disclosure Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17.b. is modified to also provide, “The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Item 17.u. is modified to also provide, “This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.”

3. Item 17.v. is modified to also provide, “Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

4. The Special Risks page is amended to add the following disclosure:

Pricing: We may establish minimum and maximum rates and/or prices at which you may provide services and sell products.

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

6. Initial Fee Deferral-

Item 5 of the Disclosure Document is amended to also provide as follows: “Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has requested a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.”

**NEW YORK ADDENDUM
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the New York franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 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.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum,”** and Item 17(w), titled **“Choice of law”**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

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

VIRGINIA ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the Virginia Retail Franchising Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

Additional Disclosure: The following statements are added to Item 17.h.

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute ‘reasonable cause’ as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to that franchisee under the franchise agreement. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to that franchisee under the franchise agreement that provision may not be enforceable.

EXHIBIT B

State Administrators and Agents for Service of Process

State	State Administrator	Agent for Service of Process
California	Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013 2101 Arena Boulevard Sacramento, CA 95834 1-866-275-2677	Commissioner of the Department of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013
Connecticut	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299
Hawaii	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Office of Attorney General Franchise Division 500 South Second Street Charlottesville, IL 62706 (217) 782-4465	Illinois Attorney General Office of Attorney General Franchise Division 500 South Second Street Charlottesville, IL 62706
Indiana	Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681	Secretary of State, Securities Division West Washington Street, Room E-111 Indianapolis, IN 46204
Kentucky	Kentucky Attorney General 700 Capitol Avenue Frankfort, Kentucky 40601-3449 (502) 696-5300	
Maryland	Office of the Attorney General Securities Division	Maryland Securities Commissioner

	200 St. Paul Place Baltimore, MD 21202 (410) 576-6360	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Department of Attorney General Consumer Protection Division – Franchise Unit 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913 (517) 373-7117	Department of Attorney General 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913
Minnesota	Minnesota Commissioner of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198
Nebraska	Nebraska Department of Banking and Finance 1200 N Street-Suite 311 Post Office Box 95006 Lincoln, Nebraska 68509 (402) 471-3445	
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 st Floor New York, NY 10005 212-416-8222 Phone	New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492 Phone
North Dakota	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fourteenth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fourteenth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588
South Dakota	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501

Texas	Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 475-1769	
Utah	Department of Commerce Division of Consumer Protection 160 East 300 South Salt Lake City, Utah 84111-0804 (801) 530-6601	
Virginia	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Washington State Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504 (360) 902-8760	Securities Administrator Washington State Department of Financial Institutions 150 Israel Rd., SW Tumwater, WA 98501
Wisconsin	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703 (608) 266-8557	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703

SILBAR FRANCHISE GROUP CORPORATION



FRANCHISE AGREEMENT

EXHIBIT C

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Schedule 1-Territory

Schedule 2-Automatic Bank Draft Authorization

Schedule 3-Telephone Number Assignment

Schedule 4-Franchisee Questionnaire

Schedule 5-Promissory Notes

Schedule 6-State Addenda to the Franchise Agreement

WHEREAS, Silbar Franchise Group Corporation d/b/a Silbar Security (“we,” “us,” or “our”) offers a franchise opportunity for a security service (“System”). Our system utilizes specified marketing techniques and operating procedures; and

WHEREAS, Franchisee and all Signators identified on the signature page to this Agreement, in your personal capacity, (collectively “Franchisee,” “you,” or “your”) desire to utilize our System and our trade names, service marks, and trademarks (collectively, the “Marks”); and

NOW, THEREFORE, for value received, we and Franchisee (“the Parties”) agree as follows:

1. GRANT OF FRANCHISE

1.1 Grant of Franchise. Subject to the terms of this franchise agreement (“Agreement” or “Franchise Agreement”), we grant to you a franchise (“Franchised Business”) using our system and our Marks in the territory described in Schedule 1 (“Territory”). You agree to abide by the terms of this Agreement.

2. TERM AND RENEWAL

2.1. Term. This Agreement will be effective for a five (5) year term beginning on the Effective Date specified in this Agreement.

2.2 Renewal. You may renew for another term by signing our then current franchise agreement if you are in compliance with this Agreement and meet the other conditions for renewal. You may also renew future franchise agreements if you are in compliance with such agreements and meet the other conditions for renewal by signing our then current franchise agreement. To renew, you must exercise a general release of all claims that you might have against us. Other terms, conditions, and fees may vary. If you wish to renew, you must notify us in writing at least 180 days before the expiration of this Agreement.

3. TERRITORY

The territory will be for a specific geographic region that we define by zip codes, natural, or political boundaries as set forth on Schedule 1 to the Franchise Agreement.

We may approve relocation of the franchised business if we feel that conditions have changed such that a relocation represents a sound business decision.

We would not normally grant to you approval to open an additional outlet within your territory, but may grant you additional franchise territories if we feel you have the time, energy, capital, and management structure to be able to successfully open and operate another territory.

We do not grant you options, rights of first refusal, or similar rights to acquire additional franchises.

You will receive an exclusive territory, meaning a geographic area within which we promise not to establish either a company-owned or franchised outlet selling the same or similar goods or services under the same or similar trademarks or service marks.

Continuation of your territorial rights depends on achieving the following sales volume:

Time Period*	Minimum Requirements (Gross Revenues)
First year	\$100,000
Second year	\$175,000
Third year	\$350,000
Fourth year	\$425,000
Fifth year and beyond	\$500,000

*A “year” is measured from the Effective Date of the Franchise Agreement. For the purchase of a developed territory, a “Year” is measured from the Effective Date of the first Franchise Agreement on the Territory.

Otherwise, we may not alter your franchise territory, even if there is a population increase in your territory.

We or an affiliate reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to solicit or accept orders within your territory using our principal trademarks, however, we would normally direct inquiries for services from within your territory to your outlet.

We or an affiliate also reserves the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory of products or services under trademarks different from the ones that you will use under the franchise agreement.

We are not obligated to pay compensation to you for soliciting or accepting orders from inside your territory.

You and other franchisees may not solicit (but may accept) orders from consumers outside of your territory, including through the use of other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, but you may engage in internet and social media marketing pursuant to our guidelines which such marketing may extend outside your territory. We also reserve the right to implement cross-territorial protocols and other guidelines applicable to such situations as group advertising buys by multiple franchisees which may extend into multiple territories, solicitation of orders of individuals who may reside in one territory, yet work in another, and other cross-territorial situations. You agree to abide by any such cross-territorial protocols.

However, once your Gross Revenues from work outside your Territory reaches \$10,000 per month in a vacant Territory, you must then purchase the vacant Territory at our then current initial franchise fee.

Neither we nor an affiliate operates, franchises, or has plans to operate or franchise a business under a different trademark which such business sells or will sell goods or services similar to those you will offer, but we reserve the right to do so.

4. FEES AND PAYMENTS

4.1 Initial Fees. The minimum Initial Franchise Fee for a single Franchise (the “Initial Franchise Fee”) is ~~\$3050,000~~, but the actual Initial Franchise Fee will be determined based on the following formula: The greater of \$50,000 or \$0.10 per capita in the Territory. The Initial Franchise Fee is paid in a lump sum at the time the Franchise Agreement.

We have established a program for qualified veterans of the United States who have been honorably discharged, as well as active duty, retired, and former law enforcement officers and first responders, to receive a discount of 10% off the Initial Franchise Fee when purchasing a franchise.

You will be required to purchase \$2,000 - \$3,000 in uniforms and a Vehicle Package costing \$6,500 - \$6,700 from us before opening.

The initial fees are deemed fully earned and nonrefundable once paid.

4.2 Royalty Fee. You agree to pay to us a monthly Royalty Fee of 5% of Gross Revenues.

“**Gross Revenues**” is defined as all revenues that you derive or receive, directly or indirectly, from the operation of the Franchised Business, excluding only sales and use taxes.

4.3 Advertising Fees. You agree to the advertising fees and payments disclosed in Section 7 of this Franchise Agreement, below.

4.4 National Operations Command Center (NOCC) Fee. You agree to pay us ~~\$300~~400 per month or 1% of Gross Revenues, whichever is greater, for dispatch, communication services, business telephone answering, in bound sales, and emergency services requests.

4.5 Technology Fee. You agree to pay us ~~\$750~~1,000/month or 1% of Gross Revenues, whichever is greater, for access to our security workforce and management software, support and ongoing development.

4.6 Third Party Software Fees. You agree to pay fees to third party software providers per our specifications for use of Accounting and other software systems.

4.7 Update Training Fee. If we offer refresher courses or update training, we reserve the right to charge, and you agree to pay, up to \$250 per day, plus any expenses we incur to provide this training.

4.8 Insufficient Funds Fee. You agree to pay to us \$50 per transaction if an electronic transfer or other payment from you to us is declined.

4.9 Audit Fee. You agree to pay to us our cost in performing an audit of your Franchise Business, plus a Late Fee of \$50 per month on any late payment found through such audit if the audit discloses an under reporting of Gross Revenues or underpayment to us by 2% or more. You also agree to immediately pay to us any underpayment amount discovered in the audit.

4.10 Annual Convention Fee. We reserve the right to impose an Annual Convention Fee of up to ~~\$500~~\$1,000 per attendee. You, or if your franchise is owned by an entity, at least one principal owner must attend our Annual Convention each year. Failure to attend the convention may, in our sole discretion, result in a charge equal to the then current registration fee for the convention that year with the full convention fee, including hotel, being charged to you.

4.11 Testing/ Inspection Fees to Approve a Supplier. ~~You agree to pay to us \$100/hour plus any costs incurred if you request us to test and inspect a new supplier~~Waived.

4.12 Transfer Fee. You agree to pay to us a Transfer Fee of ~~\$10~~\$15,000 if you wish to transfer ownership of the rights under this Franchise Agreement, or a majority of the ownership of this Agreement or in an entity holding this Agreement. You agree to pay us a Transfer Fee of \$2,500 for the transfer of a minority interest in the franchise. We do not charge a transfer fee if the owners of this Agreement transfer this Agreement into an entity owned by the same owners with the same ownership percentages.

4.13 Renewal Fee. Waived.

4.14 Late Fee. You agree to pay to us 1.5% per month or the highest amount allowed by law, whichever is less, on any late payment. In California, the interest rate is 10% per annum.

4.15 Client Refunds. If you do not resolve a client service complaint and we believe a reasonable basis exists for a refund to the client all or a portion of the client's fees, we may pay the client directly and bill you. You agree to pay the charges.

4.16 Assistance Fee in the Event of Death or Incapacity. In the event of your death or incapacity, you agree we are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing operation of your Franchised Business, plus 10% of Gross Revenues for the period in which we operate or assist in the operation of the Franchised Business.

4.17 Sales, Excise or Gross Receipts Tax. If required by the federal government, state or locality in which your Franchised Business is located, the initial franchise fee, royalty, and other fees and costs may be subject to sales, excise, gross receipts or similar type tax, which you agree to pay to us at the same time and in the same manner as you pay these fees and costs to us.

4.18 Fees to Third Parties. You agree to reimburse us for any third-party charges we may incur on your behalf. You are solely responsible for all fees and expenses to third parties required to operate your Franchised Business.

4.19 Payment Period and Method. You agree to pay to us fees based upon Gross Revenues by the 10th of each month as to Gross Revenues earned the prior month. You agree to pay to us other

recurring fees by the 10th of the month which was incurred or accrued in the prior month. You must pay to us all other fees when incurred. We reserve the right to modify the payment methods and schedule in our Operations Manual.

Before you may open for business, you must sign and deliver to us all bank documents needed to permit us to debit your bank account via ACH Electronic Transfer for all fees and payments due to us or our affiliates. If you change your bank account or transfer your account to a different bank, you must notify us within one day, and sign and deliver to us and the bank new documents to permit us to debit your bank account within three days. We require you to execute an Automatic Bank Draft Authorization and pay most fees to us via ACH electronic funds transfer. See Schedule 2 to this Agreement.

5. OBLIGATIONS OF FRANCHISOR

5.1. Initial Training. We provide you with an initial training program in Chesapeake, Virginia or such other location as we designate.

5.2 Site Selection and Build Out. ~~We do not offer site selection assistance as you may work from any office location in your territory.~~ We assist with site selection and provide guidance. You must operate the business from a physical office location. A mailbox type store or PO Box are not acceptable locations. Your office location must be in your territory. The build-out design of your office must be pursuant to our current guidelines. You may not share an office with another business unless that business is directly related to Silbar Security.

5.3 Assistance to Hire and Train Employees. We provide guidance on how to hire and train employees.

5.4 Assistance to obtain equipment, signs, fixtures, opening inventory, and supplies. We provide guidance to obtain equipment, signs, fixtures, opening inventory, and supplies. We provide the names of approved vendors or specifications for these items. We do not deliver or install these items.

5.5 Operations Manual. We provide you access to our proprietary and confidential Operations Manual, as well as any other manuals and writings prepared by us for your use in operating a Franchised Business (“Manual”). We may disseminate the Manual electronically. We may revise the Manual from time to time to adjust for legal or technological changes, competition, or attempts to improve in the marketplace.

5.6 Operational Support. We provide support to you in operational problems and issues that you may encounter in the operation of your Franchised Business.

5.7 Computer Hardware and Software. We specify computer hardware and software to assist in the operation of your Franchised Business.

5.8 Additional Training or Seminars. We may elect to offer and require you to attend, either live or electronically, additional training or seminars that we may offer.

6. OBLIGATIONS OF FRANCHISEE

6.1 Training. You must successfully complete our initial training within three (3) months of the Effective Date of this Agreement and before you may operate the Franchised Business.

6.2 Site Selection and Build Out. You agree to select a site within 90 days of the date of this Franchise Agreement.

6.3 Starting Date. You agree to be operational within six (6) months of the Effective Date of this Agreement.

6.4 Operations Manual. You agree to operate the Franchised Business according to the then current Operations Manual, as well as information bulletins and guidance that we disseminate electronically.

6.5 Personal Participation. You are required to participate personally in the direct operation of the Franchised Business or have a Designated General Manager (GM) who attends and successfully completes our initial GM training course to our satisfaction. Any replacement Designated GM must also attend and successfully complete our initial GM training to our satisfaction. Any Designated GM must also sign a Confidentiality and Non-Compete Agreement as we may specify. A Designated GM is not required to have any equity interest in the franchisee's business. We do not control whom you may hire as a GM however, any Designated GM must be approved by us prior to any initial GM training.

All owners of this franchise must guarantee the obligations under the Franchise Agreement.

You agree to accurately and completely furnish to us the names, contact information, and ownership percent on anyone owning an interest in this franchise on the Signature Page to the Franchise Agreement. No change to the owners or ownership percentages are permitted without our prior written consent.

6.6 Authorized Products and Services Only. You may offer for sale through your franchised business only security services as specified by us and such products and services that we have approved in writing. We may designate products or services as optional or mandatory. You may not sell any goods or services that we have not authorized or approved.

You may offer your services to most customers, consistent with your territorial rights, however, we limit or do not permit the offering of services to certain venues based on insurance or liability restrictions.

You are required to sell all goods or services that we authorize, unless prohibited by your applicable local law, or approved by us. We may change the types of authorized goods and services sold by franchisees. There are no limits on our right to make changes to the authorized goods and services sold by franchisees, however, we may not fundamentally alter the nature of the

franchise offered. We may, at our sole discretion, revoke approval of a previously approved goods or services, at which case you must immediately stop selling the revoked services or products.

6.7 Customer Service. You shall serve customers patronizing your Franchised Business in a professional and respectful businesslike manner and diligently fulfill your obligations to them when they desire to purchase your goods or services.

6.8 Employee Training. You shall train your employees to competently and professionally carry out their duties and offer excellent customer service. You shall ensure that your employees have any training, licenses, or certifications required by applicable law. You are solely responsible for hiring, firing, compensating, paying applicable payroll taxes and day-to-day supervision and control over your employees.

6.9 Insurance. You are required to have insurance as may be required by your state laws and as we may specify in the Operations Manual. You must name us and all our officers, directors, members and agents and others as their interest may appear on a primary, noncontributory basis as an additional insured on these policies and send proof of same to us. Certificates of insurance must be sent in upon annual expiration date. So long as your Franchised Business is not substantially destroyed by fire or other casualty, if you suffer a loss to your franchise, such as fire or theft, you are required to use the insurance proceeds to replace or repair the premises or property damaged or lost.

6.10 Furniture, Fixtures, Equipment, Inventory, and Supplies. You agree to use furniture, fixtures, equipment, inventory, and supplies as we specify, which may include a vendor designation, to operate the franchise.

6.11 Computer Hardware and Software Systems. You are required to purchase or use such computer hardware and software systems to operate your Franchised Business as we may specify.

6.12 Telephone Number. You agree to maintain a dedicated telephone number for your Franchised Business.

6.13 Licenses and Permits. You must obtain such state and local business and other licenses and permits as your state and local law may require.

6.14 Brand Image and Remodeling. You agree to present your Franchised Business in a clean and well-maintained manner in order to uphold the image and goodwill of our franchise system. We may require you to remodel your business once every ten (10) years and you agree to do so pursuant to our guidelines.

6.15 Minimum Days and Hours. You agree to be open for business, at a minimum, the days and hours that we specify in the Operations Manual.

6.16 Laws and Regulations. You agree to comply with all federal, state, and local laws, and regulations.

7. ADVERTISING

7.1 Use of our Marks. We allow and require you to use our Marks to hold out your Franchised Business to the public. You agree to use only our Marks as we develop them for this purpose. Use of our Marks must be in accordance with our Operations Manual.

7.2 Grand Opening Marketing. You agree to spend \$2,750 to promote the opening of the Franchised Business, pursuant to our guidelines.

7.3 Local Advertising and Promotions. Your advertising and promotions shall conform to the following requirements:

- a) You shall advertise and promote only in a manner that will reflect favorably on us.
- b) You agree to participate in all promotional programs that we create, offer or advertise.
- c) Your advertising must comply with federal, state, and local laws.
- d) You agree to spend a minimum of \$500 per month minimum on local advertising, pursuant to our guidelines.

7.4 System Advertising Fee and Fund. You agree to contribute \$250 per month, or 1% of your Gross Revenues, whichever is greater, into our Advertising Fund. Franchisor owned outlets do not have to contribute to the Advertising Fund, but may do so. We administer the Advertising Fund. The Fund is not audited. Unaudited financial statements of the Advertising Fund will be made available to you upon written request.

If not all System Advertising Fees are spent in the fiscal year in which they accrue, we will carry over those fees and apply them to the next fiscal year.

We may not use System Advertising Fees to solicit new franchise sales.

7.5 Our Obligation to Conduct Advertising. We use monies in the Advertising Fund to advise you in the conduct of advertising or conduct advertising ourselves using online, radio, television, direct mail, billboards, print or other advertising. We may use local, regional, or national advertising. We may produce advertising material in-house or through outside agencies. We are not required to spend any amount on advertising in the area or territory where you will be located.

Corporate Website. We will develop and maintain a comprehensive website that contains your location's contact information.

Digital Marketing. We may create, operate and promote websites, social media accounts (including but not limited to Facebook, twitter, and Instagram), applications, digital advertising (including pay-per-click and display ads) or other means of digital marketing to promote the brand, Franchised Business, marks and franchise opportunities. We have the sole right to control all

aspects of any digital marketing including all digital marketing related to your Franchised Business.

7.6 Use of Your Own Advertising Material. You agree to use our advertising templates or, if you wish to use your own advertising materials, you may do so provided that you submit them to us and we approve them, in writing, and they adhere to federal, state and local law. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved.

Private Websites. You are not allowed to have an independent website or obtain or use any domain name (Internet address) for your Franchised Business, without first obtaining our written approval.

7.7 Entity Name Requirements. You may not use the word “Silbar” or any confusingly similar words, as any part of the name of a corporation, LLC or other entity. However, “Silbar Security” followed by your entity number, or such other designation as we shall specify, shall be your “doing business as” name for an entity which owns this franchise, sometimes also called your “assumed name,” “trading as” name, or “fictitious name.”

7.8 No Confusingly Similar Marks. You agree not to use any marks that could be confused with our Marks.

7.9 Update to our Marks. We may replace, modify, or add to our Marks. If we replace, modify, or add additional marks, you agree to update or replace your supplies, etc. to reflect the new marks, at your expense, in the time frame we provide at the time of such an update.

7.10 Publicity. Except as required by law, you may not make any press release or other public announcement respecting the subject matter of this Agreement without our written consent as to the form of such press release or public announcement.

7.11 Name and Likeness. You give us permission to use your name and likeness in all forms and media for advertising, trade, and any other lawful purposes.

8. CONFIDENTIALITY AND INTELLECTUAL PROPERTY RIGHTS

8.1 Definition. “Confidential Information” means our information or data (oral, written, electronic or otherwise), including, without limitation, a trade secret, that is valuable and not generally known or readily available to third parties obtained by you from us during the term of the Franchise Agreement. The Confidential Information of ours includes all intellectual property associated with our Franchise system, Customer Data, all other materials relating to our Franchise system that are not a matter of public record, and all information generated during the performance of the Franchise Agreement.

8.2 Confidentiality. You will not directly or indirectly disclose, publish, disseminate or use our Confidential Information except as authorized herein. You may use our Confidential Information to perform your obligations under this Agreement, but in doing so will only allow dissemination of our Confidential Information on a need-to-know basis and only to those

individuals that have been informed of the proprietary and confidential nature of such Confidential Information.

8.3 Return of Information. Upon termination or expiration of this Agreement, you will return to us all of our Confidential Information embodied in tangible form, and will destroy, unless otherwise agreed, all other sources that contain or reflect any such Confidential Information. Notwithstanding the foregoing, you may retain Confidential Information as needed solely for legal, tax, and insurance purposes, but the information retained will remain subject at all times to the confidentiality restrictions of this Agreement.

8.4 Customer Data. We retain all right, title, and interest in and to the Customer Data during and after the term of this Agreement, provided that you use the Customer Data during the Term of this Agreement as permitted by this Agreement or our Manual, and in accordance with law. “Customer Data” means any and all information about Customers that may be collected in connection with their use of your franchise services, including, but not limited to, name, telephone number, address and email address.

8.5 Intellectual Property Ownership. We own the Franchise system and all intellectual property associated with it. To the extent you have or later obtain any intellectual property, other property rights, or interests in the Franchise system by operation of law or otherwise, you hereby disclaim such rights or interests and will promptly assign and transfer such entire interest exclusively to us. You will not undertake to obtain, copyright, trademark, service mark, trade secret, patent rights or other intellectual property right with respect to the Franchise system.

8.6 Suggestions. You agree that we may incorporate into our business operations any suggestions, enhancement requests, recommendations, or other feedback provided by you or anyone else and we shall have sole rights and title to such suggestions.

8.7 Performance Data. You agree that we may share performance data from your Franchised Business between our employees, franchisees and their employees. You agree to keep such performance data confidential.

9. REPORTS AND REVIEW

9.1 Reports. You must send us such reports in the time and manner we may specify in the Operations Manual. At present, you must send to us the following reports during the following time frames:

Name of Report	When Due
Monthly Gross Revenues Report	By the 10 th of each month to report Gross Revenues for the prior month
Annual Profit & Loss Statement	By January 31 of each year as to income and expenses incurred in the prior year

9.2 Reviews. We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records

related to the Franchised Business and any other operations taking place through your Franchised Business. This includes the right to inspect and copy all tax returns and bank statements that may show revenues from the Franchised Business. We also have the right to require that you implement a plan to resolve issues that we discern from any review we conduct.

9.3 Time Frame to Furnish Documents. If, as part of a review of your business operations, we request a copy of any business records related to the Franchised Business, you must send us at your expense these records within five (5) business days of receiving our request.

9.4 Independent Access to Information. You agree that we have and that you will provide independent access to the information that will be generated or stored in your computer systems, which includes, but not limited to, customer, transaction, and operational information. You must at all times give us unrestricted and independent electronic access to your computer systems and information, as well as your security camera systems.

You must give us all passwords associated with the Franchised Business and full unrestricted access to all related social media platforms, including the Google My Business list.

10. TERMINATION

10.1 Termination by You. You may terminate this Agreement by not renewing; that is by notifying us in writing of your desire to not renew at least 180 days prior to the expiration of this Agreement. If you terminate pursuant to this paragraph, you must still comply with all of the provisions of this Agreement that require performance post-termination.

10.2 Termination by Us. We may terminate this Agreement without notice and the opportunity to cure for any of the following reasons:

- a) If you do not pass our initial training in accordance with our passing standards;
- b) If you fail to obtain our approval of a site or open on time;
- c) If you become insolvent, meaning unable to pay your bills in the ordinary course as they become due;
- d) If you commit a material violation of any law, ordinance, rule, or regulation of a governmental agency or department reasonably associated with the operation of the Franchised Business or if you are convicted of, or plead guilty or no contest to a felony;
- e) If you abandon the Franchised Business or discontinue the active operation of the Franchised Business for three or more business days, except when active operation is not reasonably possible, such as because of a natural disaster;
- f) If you include a materially false representation or omission of fact in your Confidential Franchise Application to us;

- g) If you or your principals commit any fraud or misrepresentation in the operation of the Franchised Business;
- h) If you or your principals materially breach any other agreement with us or any of our affiliates, or threaten any material breach of any such agreement, and fail to cure such breach within any permitted period for cure;
- i) You fail to pay suppliers an amount exceeding \$3,000 for more than 60 days;
- j) You fail to permit us to inspect or audit your franchise; or
- k) If you commit three or more breaches of this Agreement, the Operations Manual, or any other agreement with us, in any 12-month period regardless of whether such breaches were cured after notice.

10.3 Termination by Us with Opportunity to Cure. We may terminate this Agreement, after sending you notice and an opportunity to cure within thirty (30) days, if:

- a) You violate any other term or condition of this Agreement, the Operations Manual, or any other agreement with us; or
- b) Any amount owing to us from you is more than 30 days past due.

10.4 No Refund of Initial Fee. We have no obligation to return or refund any fee to you upon termination of this Agreement.

11. POST TERMINATION OBLIGATIONS

If this Agreement expires, is not renewed, or is terminated for any reason by any party, including a sale of the Franchised Business, you must immediately:

- a) Cease to operate the Franchised Business and discontinue using any of our Marks or any marks which are likely to be confused with our Marks;
- b) Deliver to us the original and all copies, both paper and electronic, of the business records of your Franchised Business (retaining only such copies as you need for legal or tax purposes); and this includes delivering to us copies of all current and active service agreement contracts with clients. Such contracts become our property and you are not entitled to any outstanding invoice balances or unpaid fees.;
- c) Pay to us all amounts owing to us;
- d) At our request, cancel or assign to us all telephone numbers under your ownership used in the Franchise Business;
- e) Reimburse customers for any fees paid for services not yet rendered;

- f) At our option, and upon our request, use your best efforts to assist in our taking over the lease of the location of your Franchised Business, whether it be through a new lease or assignment;
- g) At our option, offer to us the right to purchase your furniture, equipment, signage, fixtures, and supplies within 30 days of the date of termination for the adjusted book value, which is the undepreciated book value of the assets on your most recently filed federal tax return prior to the date of the termination or expiration;
- h) Deliver to us any paper and electronic copies of the Operations Manual and any Confidential Information;
- i) Cancel all fictitious name or other listings which you have filed for use of any of the Marks;
- j) Adhere to the provisions of the post-term covenants not to compete and not to solicit;
- k) Abide by any other covenant in this Agreement that requires performance by you after you are no longer a franchisee; and
- l) Execute, from time to time, any necessary papers, documents, and assurances to effectuate the intent of this Section 11.

12. NON-COMPETE AND NO SOLICITATION.

12.1 Non-Compete.

- a) **In-Term.** You will not, during the Term of this Agreement, in the United States or its Territories, directly or indirectly, offer a security service.
- b) **Post-Term.** You will not, directly or indirectly, for a 2-year period after the termination, expiration, or non-renewal of this Agreement, including a sale of the franchise or your interest in it, offer a security service in the Territory or within 25 miles of the boundaries of the Territory, or within 25 miles of any other outlet of ours or a franchisee of ours in operation at the time.

12.2 No Solicitation of Customers. You will not, for a period of two years after expiration or termination of this Agreement, in the Territory or within fifty (50) miles of the boundaries of the Territory, directly or indirectly solicit the patronage of any client served by your prior Franchised Business during the last 24 months that you were a franchisee, or such shorter time as you were a franchisee, for the purpose of offering such person or entity, for a fee or charge, security services.

12.3 Waiver of Bond. You agree that if we bring suit to enforce Sections 11, 12.1, or 12.2 above, you agree to waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

12.4 Severability. If any covenant or provision of Section 12.1 or 12.2 is determined to be void or unenforceable, in whole or in part, it shall be deemed severed and removed from this Agreement

and shall not affect or impair the validity of any other covenant or provision. Further, these obligations are considered independent of any other provision in this Agreement and the existence of any claim or cause of action by either party to this Agreement against the other, whether based upon this agreement or otherwise, shall not constitute a defense to the enforcement of these obligations.

13. ADDITIONAL IN-TERM AND POST-TERM COVENANTS

13.1 Maintenance of Goodwill. You agree not to disparage us or our current and former employees, agents, members, or directors. During the term of this Agreement, you agree not to do any act harmful, prejudicial, or injurious to us.

13.2 Independent Contractor. You and we are independent contractors to each other. Neither you nor we is an agent, fiduciary, partner, employee, or a participant in a joint venture, and neither you nor we has the authority to hold out as such to third parties. You do not have any authority to bind or obligate us. We are not and will not be liable for any act, omission, debt, or other obligation of yours.

13.3 Indemnity. You are responsible for all loss or damage and for all contractual liability to third parties originating in or in connection with the operation of the Franchised Business and for all claims or demands for damage directly or indirectly related. You agree to defend, indemnify, and hold harmless us and our employees, officers, directors, and members with respect to any such claim, loss, or damage, including our costs and attorney fees.

14. TRANSFER

14.1 Assignment by Us. We may assign this Agreement to an assignee who agrees to remain bound by its terms. We do not permit a sub-license of the Agreement.

14.2 Transfer by You. You may transfer this Franchise Agreement, any interest under this Agreement, or substantially all the assets of the Franchised Business only if we approve, and you comply with the provisions in this Section 14. We shall not unreasonably withhold approval. If this Agreement is held by joint tenants or tenants in common, all joint tenants or tenants in common must join in any transfer of an ownership interest in this Agreement, except any person who is deceased or under a legal disability.

14.3 Transfer to a Controlled Entity. A "Controlled Entity" is an entity in which you are the beneficial owner of 100% of each class of voting ownership interest. A transfer to a Controlled Entity shall not trigger the Right of First Refusal, described in Section 14.6 below. At the time of the desired transfer of interest to a Controlled Entity, you must notify us in writing of the name of the Controlled Entity and the name and address of each officer, director, shareholder, member, partner, or similar person and their respective ownership interest. We do not charge a transfer fee for this change.

14.4 Transfer within an Entity. A transfer of interest within an entity shall not trigger the Right of First Refusal described in Section 14.6 below if only the percentage ownership, rather than the

identity of the owners, is changing. Prior to the time of the desired transfer of interest within an entity, you must notify us in writing of the name and address of each officer, director, shareholder, member, partner or similar person and their respective ownership interest. Each such person of the Controlled Entity shall sign the then current amendment and release forms and/or Franchise Agreement as required by us, and you shall pay to us the applicable transfer fee specified in Section 4 above.

14.5 Conditions for Approval of Transfer. We may condition our approval of any proposed sale or transfer of the franchised business or of your interest in this Agreement upon satisfaction of the following occurrences:

14.5.1 You are current in all monetary obligations to us, our affiliates, and our designated/approved suppliers and vendors;

14.5.2 You are in full compliance with this Agreement;

14.5.3 You execute any transfer, amendment, or release forms that we may require;

14.5.4 You or the transferee will provide to us a copy of the proposed documents as we may request to evidence the transfer;

For a transfer under Section 14.2 above, the following conditions also apply:

14.5.5 The transferee must be approved by us and demonstrate to our satisfaction that s/he meets our educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations under this Agreement;

14.5.6 The transferee must execute our then-current Franchise Agreement;

14.5.7 You or the transferee must pay to us the Transfer Fee specified in Section 4 above;

14.5.8 The transferee must satisfactorily complete our initial training program at the transferee's expense within the time frame we establish;

14.5.9 You must comply with the post-termination provisions of this Agreement;

14.5.10 The transferee must obtain within the time limits set by us and maintain thereafter, all permits and licenses required for operation of the Franchised Business;

14.5.11 To the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer;

14.5.12 The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises;

14.5.13 The purchase price and terms of the proposed transfer are not so burdensome to the prospective transferee as to impair or materially threaten its future operation and performance under its franchise agreement;

14.5.14 You must request that we provide the prospective transferee with our current franchise disclosure document;

14.5.15 Our approval of the transfer will not constitute a waiver of any claims we may have against the transferring party;

14.5.16 We will have the right to disclose to any prospective transferee such revenue reports and other financial information concerning the Franchised Business as you have supplied us hereunder; and

14.5.17 In any event, we may withhold or condition our consent to any transfer as we deem appropriate based on the circumstances of the transfer or otherwise.

14.6 Right of First Refusal. If you have received and desire to accept a signed, bona fide offer to purchase or otherwise transfer the Franchise Agreement, any interest in it, or substantially all the assets of the Franchised Business, you shall grant us the option (the "Right of First Refusal") to purchase the Franchised Business as provided here:

- a) Within fourteen (14) days of receipt of the offer, you shall offer the Right of First Refusal to us by notice in writing, including a copy of the signed offer to purchase which you received ("Notice"). We shall have the right to purchase the Franchised Business or interest in the Franchised Business at and for the price and upon the terms set out in the Notice, except that we may substitute cash for any non-cash form of payment proposed and we shall have 60 days after the exercise of our Right of First Refusal to close the said purchase. Should we wish to exercise our Right of First Refusal, we will notify you in writing within 15 days from its receipt of the Notice. Upon the giving of such notice by us, there shall immediately arise between us and you, or its owners, a binding contract of purchase and sale at the price and upon the terms contained in the Notice.
- b) If we do not exercise our Rights of First Refusal, you may transfer the Franchised Business or ownership interest therein according to the terms set forth in the Notice, provided that you satisfy the conditions in Section 14.5 above and complete the sale within 90 days from the day on which we received the Notice. If you do not conclude the proposed sale transaction within the 90-day period, the Right of First Refusal granted to us shall continue in full force and effect.

15. DEATH OR INCAPACITY

In the event of your death or incapacity, you, or your estate, as the case may be, must actively begin the process to seek a transfer of your rights under this Agreement within 60 days and must complete the transfer within 6 months of your death or incapacity. If you or your estate fails in either respect, then

we may terminate this Agreement. The new Franchisee must pay the transfer fee specified above, meet our qualifications, complete initial training, and enter into a new Franchise Agreement. And we are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing Services from the date of your death or incapacity until transfer or termination, plus 10% of Gross Revenues for the period in which we operate or assist in the operation of the Franchised Business. The term “incapacity” means a condition that prevents you from reasonably carrying out your duties under this Agreement.

16. MODIFICATION

No modifications to this Agreement will have any effect unless such modification is in writing and signed by you and by our authorized officer. We may, however, modify the provisions of the Manual, without your consent, as discussed in Section 5.

17. NON-WAIVER OF BREACH

The failure of either party to enforce any one or more of the terms or conditions of this Agreement shall not be deemed a waiver of such terms or conditions or of either party's rights thereafter to enforce each and every term and condition of this Agreement.

18. FULL UNDERSTANDING

This Agreement, including the schedules, is the entire agreement between the parties. This Agreement supersedes all other prior oral and written agreements and understandings between you and us with respect to the subject matter of this Agreement. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document we furnished to you.

19. GOVERNING LAW

19.1 Choice of Law. This Agreement is effective upon its acceptance in Virginia by our authorized officer. Except as to claims governed by federal law, Virginia law governs all claims that in any way relates to or arises out of this Agreement or any of the dealings of the parties (“Claims”). However, no laws regulating the sale of franchises or governing the relationship between franchisor and franchisee shall apply unless the jurisdictional requirements of such laws are met independently of this paragraph.

19.2 Jurisdiction and Venue. You and we agree that venue and jurisdiction for any Claims shall be proper solely in the state and federal court nearest to our corporate headquarters, presently located in Chesapeake, Virginia. However, if you are an Illinois, Maryland, or Washington State resident or your franchise territory is located in Illinois, Maryland, or Washington State, you agree to bring any Claims, if at all, solely in arbitration before the American Arbitration Association in the city or county where our corporate headquarters are located.

19.3 Jury Waiver. In any trial between any of the parties as to any Claims, you and we agree to waive our rights to a jury trial and instead have such action tried by a judge.

19.4 Class Action Waiver. You agree to bring any Claims, if at all, individually and you shall not join such claim with claims of any other person or entity or bring, join or participate in a class action against us.

19.5 Punitive Damages Waiver. As to any Claims, you and we agree to waive our rights, if any, to seek or recover punitive damages.

19.6 Limitation of Actions. You agree to bring any Claims against us, if at all, within one (1) year of the occurrence of the facts giving rise to such Claims, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off.

19.7 Prior Notice of Claims. As a condition precedent to commencing an action for a Claim, you must notify us within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

19.8 Internal Dispute Resolution. You must first bring any Claim to our CEO, after providing notice as set forth in Section 19.7 above. You must exhaust this internal dispute resolution procedure before you may bring your Claim before a third party.

19.9 Mediation. Before you may bring any Claim against us in court, you agree to try for a period of 60 days to mediate such claim before a mutually agreed to mediator in the city or county where our headquarters are located. If we can not mutually agree on a mediator, you and we agree to use the mediation services of the American Arbitration Association (“AAA”), and split any AAA and mediator fees equally.

19.10 Waiver of bond. You agree that if we are forced to bring suit to enforce any provision of this Agreement, you agree to waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

19.11 Attorney Fees. If we are the substantially prevailing party as to any Claims, you agree to reimburse our costs and attorney fees incurred in pursuing or defending the Claims.

19.12 Third Party Beneficiaries. Our officers, directors, members, shareholders, agents, and employees are express third party beneficiaries of the terms of the Governing Law provisions contained herein.

19.13 Survival. All of the covenants contained in this Agreement that may require performance after the termination or expirations of this Agreement will survive any termination or expiration of this Agreement.

19.14 Severability Clause. If any covenant or provision in this Agreement is determined to be void or unenforceable, in whole or in part, it shall be deemed severed and removed from this Agreement and shall not affect or impair the validity of any other covenant or provision of this Agreement.

20. RELEASE OF PRIOR CLAIMS

By executing this Agreement, the undersigned entity, if any, and individuals, on behalf of yourselves and your heirs, legal representatives, successors and assigns, and each assignee of this Agreement, forever releases and discharges us, our past and present employees, agents, members, officers, and directors, including any of our parent, subsidiary and affiliated entities, their respective past and present employees, agents, members, officers, and directors, from any and all claims relating to or arising out of any franchise agreement between the parties executed prior to the date of this Agreement, and all other claims relating to any dealings between any of the parties. However, this release does not apply to any claim you may have arising from representations in our Franchise Disclosure Document, or its exhibits or amendments.

21. NOTICES

You shall give any required notice or request in writing by mail or courier, postage fully prepaid, delivered personally, or by facsimile, to our CEO, at our corporate office, presently 133 Kempsville Rd. Chesapeake, VA 23320. Telephone: (757) 663-6400. We may also give any such notice to you in the same manner at the address indicated below your signature on this Agreement, such other more current address as we may have for you, or by e-mail.

22. ACKNOWLEDGMENTS

You acknowledge that you have read our Franchise Disclosure Document and this Agreement and that you are familiar with their contents. You acknowledge that you have independently investigated the business offered hereunder and base your decision to purchase solely on such investigation. You acknowledge that we have recommended, and that you have had the opportunity to obtain, review of this Agreement and our Franchise Disclosure Document (“FDD”) by your lawyer, accountant or other business advisor prior to execution. Except as may be stated in Item 19 of our Franchise Disclosure Document, you acknowledge that no person is authorized to make and no person has made any representations to you as to the actual, projected or potential sales, volumes, revenues, profits or success of our franchise. You further acknowledge and agree that you are not a third party beneficiary to any agreement between us and any other franchisee.

23. GUARANTY

The Franchisee named at the top of the following page agrees to abide by the terms of this Agreement. The signature of an individual or individuals as sole proprietors, joint tenants, or tenants in common constitutes their personal agreement to such terms. The signature of an individual or individuals on behalf of an entity constitutes the entity’s agreement to such terms.

In addition, the signatures of all individuals below, in any capacity, also constitute their personal joint and several agreement to perform all the obligations in and relating to this Agreement, including, but not limited to, the obligations stated in **Paragraphs 11-13 above**, the obligation to make specified

payments, and pay any other debts due to us. All Signators below waive any right to presentment, demand, notice of non-performance, or the right to require us to proceed against the other Signators.

Franchisee: _____ Entity Number: _____

Type: _____ (Sole Proprietor, LLC, Corp., Joint Tenants with Right of Survivorship ("JTROS"), Tenants in Common, Partnership).*

SIGNATORS:

By: _____ By: _____
(Signature) (Signature)

(Printed Name) (Printed Name)

Title: _____ Title: _____

Address: _____ Address: _____

Ownership Percent: _____ % (see note below) Ownership Percent: _____ % (see note below)

By: _____ By: _____
(Signature) (Signature)

(Printed Name) (Printed Name)

Title: _____ Title: _____

Address: _____ Address: _____

Ownership Percent: _____ % (see note below) Ownership Percent: _____ % (see note below)

Silbar Franchise Group Corporation

By: _____ Effective Date: _____
Brandon Dean, CEO

***Joint Tenants with Right of Survivorship is typically for married couples and must be owned equally by each tenant, 50-50 for two owners, and if one spouse passes away, the other automatically receives the decedent's share. Tenants in common is normally for non-spouses and if one passes away, his or her share passes by will or state law to his or her heirs.**

**SCHEDULE 1 TO THE FRANCHISE AGREEMENT
TERRITORY**

Your Territory shall be as follows:

SCHEDULE 2 TO THE FRANCHISE AGREEMENT

AUTOMATIC BANK DRAFT AUTHORIZATION

ACH Origination Authorization

Please complete the following with your banking information and attach a voided check:

Company Name: _____

Name of Financial Institution: _____

Address of Financial Institution: _____

Routing Number: _____

Account Number: _____

I hereby authorize Silbar Franchise Group Corporation and the financial institution named above to initiate entries to my checking or savings accounts as identified above in accordance with the terms of my franchise agreement and, if necessary, to initiate adjustments for any transactions credited in error. This authority will remain in effect until I notify either Silbar Franchise Group Corporation or the above-named financial institution in writing to cancel it in such time as to afford a reasonable opportunity to act on such instructions. I can stop payment of any entry by notifying the above-named financial institution at least 3 days before my account is scheduled to be charged. I can have the amount of an erroneous charge immediately credited to my account for up to 15 days following issuance of my statement by the above-referenced financial institution or up to 60 days after deposit, whichever occurs first.

Signature: _____

Printed Name of Person Signing: _____

Title (if any): _____

Application Date: _____

Telephone Number: _____

Applicant's Address: _____

SCHEDULE 3 TO THE FRANCHISE AGREEMENT

TELEPHONE NUMBER ASSIGNMENT AGREEMENT

THIS TELEPHONE NUMBER ASSIGNMENT AGREEMENT is made between Silbar Franchise Group Corporation ("Franchisor," "we," "us," or "our") and the franchisee named below ("Franchisee," "you" or "your").

BACKGROUND

A. The parties are entering into a Franchise Agreement ("Agreement").

B. As a condition to signing the Franchise Agreement, we have required that you appoint us Attorney in Fact, to take effect upon the expiration or termination of the Agreement, as to the telephone numbers, listings, and advertisements (collectively "Listings") relating to your Franchise.

TELEPHONE NUMBER ASSIGNMENT

Upon expiration or termination of the Agreement for any reason, Franchisee's right of use of the Listings shall terminate. In the event of termination or expiration of the Agreement, Franchisee agrees to pay all amounts owed in connection with the Listings, and to immediately at Franchisor's request, (i) take any other action as may be necessary to transfer the Listings to Franchisor or Franchisor's designated agent, (ii) install and maintain, at Franchisee's sole expense, an intercept message, in a form and manner acceptable to Franchisor on any or all of the Listings; (iii) disconnect the Listings; and/or (iv) cooperate with Franchisor or its designated agent in the removal or relisting of the Listings

Franchisee agrees that Franchisor may require Franchisee to "port" or transfer to Franchisor or an approved call routing and tracking vendor all Listings.

DURABLE POWER OF ATTORNEY

Appointment as Attorney in Fact. For value received, Franchisee hereby irrevocably appoints Franchisor as Franchisee's attorney-in-fact, to act in Franchisee's place, for the purpose of assigning any Listings. This appointment gives to us full power to receive, transfer or assign to us or our designee or take any other actions required of Franchisee under the Agreement. Franchisee grants Franchisor full authority to act in any manner proper or necessary to the exercise of the foregoing powers, including full power of substitution and execution or completion of any documents required or requested by any telephone or other company to transfer such Listings and Franchisee ratifies every act that Franchisor may lawfully perform in exercising those powers. This power of attorney shall be effective for a period of two (2) years from the date of expiration, cancellation or termination of Franchisee's rights under the Agreement for any reason. Franchisee declares this power of attorney to be irrevocable and renounces all rights to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney shall not

be affected by the subsequent incapacity of Franchisee. This power is created to secure performance of a duty to Franchisor and is for consideration.

Governing Law and Survival. The validity, construction and performance of this Assignment is governed by the laws of the State in which we are located. All our rights survive the termination, expiration or non-renewal of the Agreement and inure to our benefit and to the benefit of our successors and assigns.

FRANCHISEE:

By:_____

By:_____

FRANCHISOR:

Silbar Franchise Group Corporation

By:_____

Brandon Dean, CEO

Date:_____

SCHEDULE 4 TO THE FRANCHISE AGREEMENT

FRANCHISEE QUESTIONNAIRE

[Not to be used as to any franchise sale in or to residents of CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI]

You and we are preparing to enter into a Franchise Agreement. This Acknowledgement is to determine whether any statements or promises were made to you that we did not authorize or are untrue, inaccurate or misleading, to ensure you have been properly represented, and that you understand the limitations on claims you may make relating to your franchise. **You cannot sign or date this Acknowledgement the same day as the Receipt for the Franchise Disclosure Document. You must sign and date it the same day you sign the Franchise Agreement and pay your franchise fee.** Please review each of the following questions carefully and provide honest responses.

- | | | | |
|-------|------|----|---|
| Yes__ | No__ | 1. | Have you received and personally reviewed the Franchise Agreement and each attachment or schedule attached to it? |
| Yes__ | No__ | 2. | Do you understand all the information contained in the Franchise Agreement? |
| Yes__ | No__ | 3. | Have you received and personally reviewed the Franchise Disclosure Document we provided? |
| Yes__ | No__ | 4. | Do you understand all the information contained in the Franchise Disclosure Document? |
| Yes__ | No__ | 5. | Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant or other professional advisor? |
| Yes__ | No__ | 6. | Do you understand the risks of developing and operating this franchise? |
| Yes__ | No__ | 7. | Do you understand that your investment involves substantial business risks and that there is no guarantee that your business will be profitable? |
| Yes__ | No__ | 8. | Do you understand the success or failure of your franchise will depend in large part upon your skills, abilities and efforts and those of the persons you employ as well as many factors beyond your control such as competition, the economy, labor and supply costs and other relevant factors? |
| Yes__ | No__ | 9. | Do you acknowledge that the success of your franchise in large part relies upon your ability as an independent business person and your active participation in the day to day operation of the business? |

Yes___ No___ 10. Do you agree that no employee or other person speaking on our behalf has made any statement, promise, or agreement, that is contrary to or different from what is stated in the Franchise Disclosure Document and Franchise Agreement?

Yes___ No___ 11. Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue you will generate, that is not contained in Item 19 of the Franchise Disclosure Document or that is contrary to, or different from, the information contained in Item 19 of the Franchise Disclosure Document, and that you have not made a decision to purchase your franchise based on any such representations?

Yes___ No___ 12. Do you understand that the Franchise Agreement and attachments to the Franchise Agreement contain the entire agreement between us and you concerning this franchise, meaning any prior oral or written statements not set out in the Franchise Agreement or the attachments to the Franchise Agreement will not be binding?

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of any liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law or the Washington Franchise Investment Protection Act.

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

By signing below, you are representing that you have responded truthfully to the above questions.

[Not to be signed as to any franchise sale in or to residents of CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI]

Name of Applicant (please print)

Signature

Date: _____

Explanation of any negative responses (Refer to Question Number):

SCHEDULE 5 TO THE FRANCHISE AGREEMENT

PROMISSORY NOTE- ENTITY

\$ _____ Date _____
_____ Chesapeake, VA

For and in consideration of good and valuable consideration, the undersigned promises to pay to the order of Silbar Franchise Group Corporation ["Holder"] at 133 Kempsville Road, Chesapeake, VA 23320, or at Holder's option, at such other place as may be designated from time to time by Holder, the amount stated above, together with interest at the rate of _____ percent (_____ %) per annum on the unpaid balance computed from the date provided above, payable as follows:

_____ [insert repayment terms]

The undersigned represents and warrants to Holder that the loan evidenced by this Note is being made for business, commercial or investment purposes. The undersigned may prepay this Note, in whole or in part, without penalty, at any time.

The undersigned agrees to pay all attorney fees and other costs and expenses that Holder may incur in connection with the collection or enforcement of this Note or the preservation or disposition of any collateral for the payment of this Note.

Each person liable on this Note in any capacity, whether as maker, endorser, surety, guarantor or otherwise, and any holder (collectively hereafter "Obligor"), waives the benefit of the homestead exemption and of all other exemptions available to him and also waives presentment, demand, protest, notice of dishonor and all other notices of every kind and nature to which he would otherwise be entitled under the applicable law. Each Obligor agrees that Holder may take any one or more of the following actions, on one or more occasions, whether before or after the maturity of this Note, without any notice to such Obligor, without any further consent to such actions, and without releasing or discharging such Obligor from liability on the Note: (a) any extension or extensions of the time of payment of any principal, interest or other amount due and payable under this Note; (b) any renewal of this Note, in whole or in part; (c) any full or partial release or discharge from liability under this Note of any other Obligor; (d) any waiver of any default under this Note or other agreement between the Lender and any Obligor relating to the indebtedness evidenced by this Note; or (e) any agreement with the Maker changing the rate of interest or any other term or condition of this Note.

TIME IS OF THE ESSENCE with regard to the payment of any amounts due under this Note and the performance of the covenants, terms and conditions of this Note.

Any one or more of the following shall constitute an event of default under this Note: (a) any default in the payment of any installment or payment of principal, interest, or other amounts due and payable under this Note; (b) the death, dissolution, merger, consolidation or termination of

existence of any Obligor; (c) any default by Obligor in the performance of, or compliance with, any provision in this Note or other agreement, document or instrument to which any Obligor and Holder are parties; (d) any Obligor is unable to pay debts as they become due, or is or becomes insolvent or makes an assignment for the benefit of creditors; (e) any Obligor files or becomes the subject of any petition or other pleading for relief under the Federal bankruptcy laws or any state insolvency statute; or (f) a receiver is appointed for, or a writ or order of attachment, levy or garnishment is issued against, any Obligor or the property, assets or income of any Obligor.

If an event of default shall occur or if the undersigned shall fail to pay this Note in full at maturity, the entire unpaid balance of this Note and all accrued interest shall become immediately due and payable, at the option of Holder, without notice or demand to any Obligor. The remedies provided in this Note upon default and in other agreement between Holder and any Obligor are cumulative and not exclusive of any other remedies provided under any other agreement or at law or in equity.

Each Obligor hereby waives trial by jury in any action or proceeding to which such Obligor and Holder may be parties, arising out of, in connection with or in any way pertaining to, this Note. It is agreed and understood that this waiver constitutes a waiver of trial by jury of all claims against all parties to such action or proceeding, including claims against parties who are not parties to this Note. This waiver is knowingly, willingly and voluntarily made by each Obligor, and each Obligor hereby represents that no representations of fact or opinion have been made by any individual to induce this waiver of trial by jury and that each Obligor has been represented in the signing of this Note and in the making of this waiver by independent legal counsel, or has had the opportunity to be represented by independent legal counsel selected of its own free will, and that it has had the opportunity to discuss this waiver with its counsel.

The covenants, terms and conditions of this Note shall be binding upon the heirs, personal representatives, successors and assigns of each Obligor and shall inure to the benefit of Holder, its successors and assigns.

This Note shall be construed in all respects and enforced according to the laws of the State of Virginia.

WITNESS the following signature(s) and seal(s):

Maker: _____
(Enter Name of Entity Here)

By: _____

Printed Name: _____ Title: _____

Guarantors:

Signature of Guarantor

Signature of Guarantor

Printed Name of Guarantor

Printed Name of Guarantor

Home Address:

Home Address:

Signature of Guarantor

Signature of Guarantor

Printed Name of Guarantor

Printed Name of Guarantor

Home Address:

Home Address:

PROMISSORY NOTE- SOLE PROPRIETORSHIP,

\$ _____ Date _____
Chesapeake, VA

For and in consideration of good and valuable consideration, the undersigned promises to pay to the order of Silbar Franchise Group Corporation ["Holder"] at 133 Kempsville Road, Chesapeake, VA 23320, or at Holder's option, at such other place as may be designated from time to time by Holder, the amount stated above, together with interest at the rate of _____ percent (____%) per annum on the unpaid balance computed from the date provided above, payable as follows:

[insert repayment terms]

The undersigned represents and warrants to Holder that the loan evidenced by this Note is being made for business, commercial or investment purposes. The undersigned may prepay this Note, in whole or in part, without penalty, at any time.

The undersigned agrees to pay all attorney fees and other costs and expenses that Holder may incur in connection with the collection or enforcement of this Note or the preservation or disposition of any collateral for the payment of this Note.

Each person liable on this Note in any capacity, whether as maker, endorser, surety, guarantor or otherwise, and any holder (collectively hereafter "Obligor"), waives the benefit of the homestead exemption and of all other exemptions available to him and also waives presentment, demand, protest, notice of dishonor and all other notices of every kind and nature to which he would otherwise be entitled under the applicable law. Each Obligor agrees that Holder may take any one or more of the following actions, on one or more occasions, whether before or after the maturity of this Note, without any notice to such Obligor, without any further consent to such actions, and without releasing or discharging such Obligor from liability on the Note: (a) any extension or extensions of the time of payment of any principal, interest or other amount due and payable under this Note; (b) any renewal of this Note, in whole or in part; (c) any full or partial release or discharge from liability under this Note of any other Obligor; (d) any waiver of any default under this Note or other agreement between the Lender and any Obligor relating to the indebtedness evidenced by this Note; or (e) any agreement with the Maker changing the rate of interest or any other term or condition of this Note.

TIME IS OF THE ESSENCE with regard to the payment of any amounts due under this Note and the performance of the covenants, terms and conditions of this Note.

Any one or more of the following shall constitute an event of default under this Note: (a) any default in the payment of any installment or payment of principal, interest, or other amounts due and payable under this Note; (b) the death, dissolution, merger, consolidation or termination of existence of any Obligor; (c) any default by Obligor in the performance of, or compliance with,

any provision in this Note or other agreement, document or instrument to which any Obligor and Holder are parties; (d) any Obligor is unable to pay debts as they become due, or is or becomes insolvent or makes an assignment for the benefit of creditors; (e) any Obligor files or becomes the subject of any petition or other pleading for relief under the Federal bankruptcy laws or any state insolvency statute; or (f) a receiver is appointed for, or a writ or order of attachment, levy or garnishment is issued against, any Obligor or the property, assets or income of any Obligor.

If an event of default shall occur or if the undersigned shall fail to pay this Note in full at maturity, the entire unpaid balance of this Note and all accrued interest shall become immediately due and payable, at the option of Holder, without notice or demand to any Obligor. The remedies provided in this Note upon default and in other agreement between Holder and any Obligor are cumulative and not exclusive of any other remedies provided under any other agreement or at law or in equity.

Each Obligor hereby waives trial by jury in any action or proceeding to which such Obligor and Holder may be parties, arising out of, in connection with or in any way pertaining to, this Note. It is agreed and understood that this waiver constitutes a waiver of trial by jury of all claims against all parties to such action or proceeding, including claims against parties who are not parties to this Note. This waiver is knowingly, willingly and voluntarily made by each Obligor, and each Obligor hereby represents that no representations of fact or opinion have been made by any individual to induce this waiver of trial by jury and that each Obligor has been represented in the signing of this Note and in the making of this waiver by independent legal counsel, or has had the opportunity to be represented by independent legal counsel selected of its own free will, and that it has had the opportunity to discuss this waiver with its counsel.

The covenants, terms and conditions of this Note shall be binding upon the heirs, personal representatives, successors and assigns of each Obligor and shall inure to the benefit of Holder, its successors and assigns.

This Note shall be construed in all respects and enforced according to the laws of the State of Virginia.

WITNESS the following signature(s) and seal(s):

Signature of Maker

Signature of Maker

Printed Name of Maker

Printed Name of Maker

Home Address:

Home Address:

SCHEDULE 6 TO THE FRANCHISE AGREEMENT

STATE ADDENDA TO THE FRANCHISE AGREEMENT

CALIFORNIA ADDENDUM TO THE FRANCHISE AGREEMENT

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

Sections 10.2 and 10.3 are deleted and in their place are substituted the following:

10.2 Termination by Us Without Right to Cure. We may terminate this Agreement without notice and the opportunity to cure for any of the following reasons:

(a) The franchisee or the business to which the franchise relates has been judicially determined to be insolvent, all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or the franchisee admits his or her inability to pay his or her debts as they come due;

(b) The franchisee abandons the franchise by failing to operate the business for five consecutive days during which the franchisee is required to operate the business under the terms of the franchise, or any shorter period after which it is not unreasonable under the facts and circumstances for the franchisor to conclude that the franchisee does not intend to continue to operate the franchise, unless such failure to operate is due to fire, flood, earthquake, or other similar causes beyond the franchisee's control;

(c) The franchisor and franchisee agree in writing to terminate the franchise;

(d) The franchisee makes any material misrepresentations relating to the acquisition of the franchise business or the franchisee engages in conduct which reflects materially and unfavorably upon the operation and reputation of the franchise business or system;

(e) The franchisee fails, for a period of 10 days after notification of noncompliance, to comply with any federal, state, or local law or regulation, including, but not limited to, all health, safety, building, and labor laws or regulations applicable to the operation of the franchise;

(f) The franchisee, after curing any failure in accordance with Section 10.3 engages in the same noncompliance whether or not such noncompliance is corrected after notice;

(g) The franchisee breaches the franchise agreement three or more times in a 12-month period, whether or not corrected after notice;

(h) The franchised business or business premises of the franchise are seized, taken over, or foreclosed by a government official in the exercise of his or her duties, or seized, taken over, or foreclosed by a creditor, lienholder, or lessor, provided that a final judgment against the franchisee remains unsatisfied for 30 days (unless a supersedeas or other appeal bond has been filed); or a levy of execution has been made upon the license granted by the franchise agreement or upon any property used in the franchised business, and it is not discharged within five days of such levy;

(i) The franchisee is convicted of a felony or any other criminal misconduct which is relevant to the operation of the franchise;

(j) The franchisee fails to pay any franchise fees or other amounts due to the franchisor or its affiliate within five days after receiving written notice that such fees are overdue; or

(k) The franchisor makes a reasonable determination that continued operation of the franchise by the franchisee will result in an imminent danger to public health or safety.

10.3 Termination by Us with Opportunity to Cure. We may terminate this Agreement, after sending you notice and a 60 day opportunity to cure, for any other breach of this Agreement.

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

Initial Fee Deferral:

The Franchise Agreement is modified by adding the following language: “The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business. For any development agreement, the payment of the development and initial fee attributable to a specific unit is deferred until that unit is open.”

FRANCHISEE:

FRANCHISOR:

Silbar Franchise Group Corporation

By:_____

By:_____

Brandon Dean, CEO

By:_____

Date:_____

**ILLINOIS ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. Illinois law governs the Franchise Agreement.

2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

3. Franchisee rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

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

FRANCHISEE:

FRANCHISOR:

Silbar Franchise Group Corporation

By:_____

By:_____

Brandon Dean, CEO

By:_____

Date:_____

**MARYLAND ADDENDUM
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

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

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

3. This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

4. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

5. Section 22 of the Franchise Agreement, titled "Acknowledgments," is deleted.

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

7. Initial Fee Deferral-

The Franchise Agreement is amended to also provide as follows: "Based upon the franchisor's financial condition, the Maryland Securities Commissioner has requested a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement."

FRANCHISEE:

FRANCHISOR:

Silbar Franchise Group Corporation

By:_____

By:_____

Brandon Dean, CEO

By:_____

Date:_____

EXHIBIT D
RELEASE

THIS RELEASE is made and given by _____,
("Releasor") with reference to the following facts:

1. Releasor and Silbar Franchise Group Corporation (Releasee) are parties to one or more franchise agreements.
2. The following consideration is given:

_____ the execution by Releasor of a successor Franchise Agreement or other renewal documents renewing the franchise (the "Franchise"); or

_____ Releasor's consent to Releasee's transfer of its rights and duties under the Franchise Agreement; or

_____ Releasor's consent to Releasee's assumption of rights and duties under the Franchise Agreement; or

_____ [insert description]

3. Release- Franchisee and all of Franchisee's guarantors, members, employees, agents, successors, assigns and affiliates fully and finally release and forever discharge Releasee, its past and present agents, employees, officers, directors, members, Franchisees, successors, assigns and affiliates (collectively "Released Parties") from any and all claims, actions, causes of action, contractual rights, demands, damages, costs, loss of services, expenses and compensation which Franchisee could assert against Released Parties or any of them up through and including the date of this Release.
4. THIS IS A SPECIFIC RELEASE GIVING UP ALL RIGHTS WITH RESPECT TO THE TRANSACTIONS OR OCCURRENCES THAT ARE BEING RELEASED UNDER THIS AGREEMENT.
5. California Releasor- You represent and warrant that YOU EXPRESSLY WAIVE ANY AND ALL RIGHTS AND BENEFITS UNDER CALIFORNIA CIVIL CODE §1542, which provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

6. The above Release shall not apply to any liabilities arising under the California Franchise Investment Law, the California Franchise Relations Act, Indiana Code § 23-2-2.5.1 through 23-2-2.7-7, the Maryland Franchise Registration and Disclosure Law, Michigan Franchise Investment Law, Minnesota Franchise Act, North Dakota franchise laws, the Rhode Island

Investment Act, and the Washington Franchise Investment Protection Act.

Franchisee:

By:_____

Printed Name:_____

Title:_____

Franchisor:

Silbar Franchise Group Corporation

By:_____
Brandon Dean, CEO

Date:_____

EXHIBIT E

CURRENT FRANCHISEES

The following is a list of the names of all Franchisees and the address and telephone number of each of their outlets as of the end of our most recently completed fiscal year.

Operational Outlets: (as of 12/31/2023):

Arizona

Silbar Security of Phoenix
~~4022209~~ East ~~Broadway~~Baseline Road
Suite ~~103E~~203, Office #2
~~Phoenix~~Tempe, AZ ~~85040~~85283
(480) 487-5418
phoenix@silbarsecurity.com

Florida

Silbar Security of ~~Orlando~~Central Florida
1400 Jordan Avenue
Suite 2
Orlando, Florida 32809
(407) 552-1971
orlando@silbarsecurity.com

~~Massachusetts~~

~~Silbar Security of New England~~
~~34 Hayden Rowe Street~~
~~Hopkinton, Massachusetts 01748~~
~~(774) 265-5735~~
~~boston@silbarsecurity.com~~

Texas

Silbar Security of Dallas
~~801 E Plano Parkway~~
~~805 Central Expy S~~
Suite ~~130~~100
~~Plano~~Allen, TX ~~75074~~75013
~~(214) 718-7712~~
~~(469) 626-0906~~
Dallas@silbarsecurity.com

Silbar Security of Houston
1201 Fannin Street
Suite 202
Houston, TX 77002
(713) 632-3008
Houston@silbarsecurity.com

Virginia

Silbar Security of Northern Virginia
~~7405 Alban Station Court~~
585 Grove Street
Suite B200145, PMB 1016
SpringfieldHerndon, VA 22150-20170
(844) 995-9899
(804) 893-5061
northernva@silbarsecurity.com

Silbar Security of Richmond
~~3007 E. Boundary Terrace~~
~~Midlothian~~7410 Hull Street Road
Suite 200, Box 3091
North Chesterfield, VA 2311223235
(804) 908-2310893-5061
Richmond@silbarsecurity.com

Franchise Agreement Signed But Outlet Not Yet Open (as of 12/31/~~2023~~2021):

Texas

~~Silbar Security of Houston~~
~~801 E Plano Parkway~~
~~Suite 130~~
~~Plano, TX 75074~~
~~(214) 718-7712~~
~~Houston@silbarsecurity.com~~Georgia

Silbar Security of Savannah
98 Riley Court
Springfield, GA 31329
(360) 440-8171
Savannah@silbarsecurity.com

EXHIBIT F
FORMER FRANCHISEES

The following is a list of Franchisees who had an outlet terminated, cancelled, not renewed or otherwise ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who had not communicated with us within ten weeks of the date of the disclosure document issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Massachusetts

Donavan Seay
34 Hayden Rowe Street
Arizona

Jason Cvancara
4140 E. Baseline Road
Suite 101172
Hopkinton, MA 01748
(774) 625-5735

Virginia

Mike McGraw
7405 Alban Station Court
Mesa, AZ 85205
(480) 532-8311
(Transfer)
Suite B200
Springfield, VA 22150
(703) 995-9899

EXHIBIT G

Financial Statements

The following statement applies to the unaudited portion of the financial statements which follows:

~~THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.~~

Silbar Franchise Group Corporation

Unaudited Balance Sheet

As of May 15, 2023

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
Wells Fargo Bank - Operations Account	51,681.69
Total Bank Accounts	\$51,681.69
Accounts Receivable	
Accounts Receivable (A/R)	0.00
Total Accounts Receivable	\$0.00
Other Current Assets	
Loans to Stockholders	57,057.21
Undeposited Funds	0.00
Total Other Current Assets	\$57,057.21
Total Current Assets	\$108,738.90
Fixed Assets	
Accumulated Depreciation	-2,862.93
Equipment	3,918.57
Furniture & Fixtures	2,482.70
Total Fixed Assets	\$3,538.34
TOTAL ASSETS	\$112,277.24
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable (A/P)	-20,150.83
Total Accounts Payable	\$ -20,150.83
Total Current Liabilities	\$ -20,150.83
Total Liabilities	\$ -20,150.83
Equity	
Common Stock	25,000.00
Distributions	-181,279.64
Paid-In Capital or Surplus	50,000.00
Retained Earnings	217,681.78
Net Income	21,025.93
Total Equity	\$132,428.07
TOTAL LIABILITIES AND EQUITY	\$112,277.24

Silbar Franchise Group Corporation

Unaudited Profit and Loss

January - March, 2023

	TOTAL
Income	
Merchandise	3,910.02
Royalties	48,367.17
Total Income	\$52,277.19
Cost of Goods Sold	
Uniforms	3,422.63
Vehicle Equipment	5,182.54
Total Cost of Goods Sold	\$8,605.17
GROSS PROFIT	\$43,672.02
Expenses	
Advertising & Marketing	19,831.76
Business License Fee	1,127.89
Computer Software	5,918.00
Franchise Trade Show	3,000.00
Job Supplies	171.46
Legal & Professional Services	7,323.40
Meals & Entertainment	3,435.61
Office Supplies & Software	1,064.71
QuickBooks Payments Fees	387.90
Shipping, Freight & Delivery	320.02
Travel	21,000.00
Parking	168.00
Total Travel	21,168.00
Total Expenses	\$63,748.75
NET OPERATING INCOME	\$ -20,076.73
NET INCOME	\$ -20,076.73

SILBAR FRANCHISE GROUP CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022



SILBAR FRANCHISE GROUP CORPORATION

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Barnes, Brock, Cornwell & Painter, PLC
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
of Silbar Franchise Group Corporation
Chesapeake, Virginia

Opinion

We have audited the accompanying financial statements of Silbar Franchise Group Corporation (a Virginia corporation), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income and shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Silbar Franchise Group Corporation as of December 31, 2023 and 2022 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Barnes, Beach, Carmell & Painter PLLC

Chesapeake, Virginia
March 6, 2024

SILBAR FRANCHISE GROUP CORPORATION

**BALANCE SHEETS
DECEMBER 31, 2023 AND 2022**

ASSETS		
	2023	2022
Cash and cash equivalents	\$ 5,621	\$ 1,217
Accounts receivable	28,170	29,612
Loan to shareholders	58,627	57,057
Furniture and equipment, net	5,341	3,538
TOTAL ASSETS	\$ 97,759	\$ 91,424
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Deferred revenue	\$ 27,000	\$ -
SHAREHOLDERS' EQUITY:		
Common stock, \$1 par value, 25,000 shares authorized and issued	\$ 25,000	\$ 25,000
Additional paid-in capital	50,000	50,000
Retained earnings (deficit)	(4,241)	16,424
Total shareholders' equity	\$ 70,759	\$ 91,424
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 97,759	\$ 91,424

See independent auditor's report and accompanying notes to the financial statements.

SILBAR FRANCHISE GROUP CORPORATION

**STATEMENTS OF INCOME AND SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
REVENUES		
Royalty income	\$ 329,186	\$ 295,246
Product sales	25,508	39,625
TOTAL REVENUES	\$ 354,694	\$ 334,870
COST OF PRODUCT SALES	30,505	76,375
GROSS PROFIT	\$ 324,189	\$ 258,496
OPERATING EXPENSES		
Advertising expenses	\$ 57,700	\$ 57,026
Depreciation	1,178	963
General and administrative expenses	15,401	13,459
Professional fees	55,280	17,107
Shipping and delivery	985	825
Supplies and materials	60,528	36,279
Travel and entertainment	79,454	44,212
TOTAL OPERATING EXPENSES	\$ 270,527	\$ 169,869
Net income before other income and expenses	\$ 53,662	\$ 88,627
OTHER INCOME		
Interest income	\$ 1,570	\$ 1,570
NET INCOME	\$ 55,232	\$ 90,197
SHAREHOLDERS' EQUITY - BEGINNING OF THE YEAR	91,424	61,736
SHAREHOLDERS' DISTRIBUTIONS	(75,897)	(60,507)
SHAREHOLDERS' EQUITY - END OF THE YEAR	\$ 70,759	\$ 91,424

See independent auditor's report and accompanying notes to the financial statements.

SILBAR FRANCHISE GROUP CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 55,232	\$ 90,197
Adjustments to reconcile net income to net cash provided by operating and other activities:		
Depreciation	1,178	963
(Increase) decrease in assets:		
Accounts receivable	1,442	(29,613)
Loan to shareholders	(1,570)	(1,570)
Increase (decrease) in liabilities:		
Deferred revenue	27,000	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 83,283</u>	<u>\$ 59,977</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	<u>\$ (2,982)</u>	<u>\$ (3,901)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Shareholders' distributions	<u>\$ (75,897)</u>	<u>\$ (60,507)</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	<u>\$ 4,404</u>	<u>\$ (4,432)</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,217</u>	<u>5,649</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 5,621</u></u>	<u><u>\$ 1,217</u></u>

See independent auditor's report and accompanying notes to the financial statements.

SILBAR FRANCHISE GROUP CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS

Silbar Franchise Group Corporation (the "Company") is a Virginia Corporation, formed in December 17, 2013, to offer franchises to operate security services businesses.

The Company offers armed and unarmed security officers, emergency response services, foot patrol services, roving vehicle patrol services, residential and commercial security services and special event security service either on an as-needed basis or at regularly schedule intervals at any franchised location.

The estimated initial investment to open a franchise ranges from \$62,400 to \$102,400. The Franchisee's initial investment will vary depending upon the location, time of year when Franchisee starts business, and the amount of equipment, products and supplies a Franchisee purchases.

The initial term of the franchise is 5 years. Franchisees have the option to renew the agreement for up to two additional terms of five (5) years each. There is a monthly royalty fee of 5% and 1% each for the system advertising fee and technology fee based on the franchises' monthly gross revenue. There is also a local minimum advertising requirement of \$250 per month.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States. The accrual basis of accounting recognizes income when earned and expenses when incurred. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Credit Risk

Financial instruments, which potentially subject the Company to concentration of credit risk, consist principally of cash, temporary cash investments and receivables. The Company places its cash and cash equivalents on deposit with financial institutions in the United States. All of a depositor's accounts are at an insured depository institution, including all non-interest bearing transaction accounts, are insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard deposit insurance amount of \$250,000, for each deposit insurance ownership category. As of December 31, 2023 and 2022, the Company did not have any demand deposits on hand in financial institutions which exceeded FDIC amounts.

Estimates

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

See independent auditor's report. Notes continued on next page.

SILBAR FRANCHISE GROUP CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are recorded for amounts due based on the terms of the executed franchise agreement for franchise sales, royalty fees, and other related revenues. These receivables are recognized and carried at original contracted amount less an allowance for any uncollectible amounts, if necessary. Management reviews the adequacy of the allowance for doubtful accounts on an ongoing basis using aging of receivables. Management also periodically evaluates individual customer's financial condition, credit history, and the current economic conditions to adjust the allowance when it is necessary. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Management has determined that an allowance for uncollectible accounts is not necessary at December 31, 2023 and 2022.

Advertising

Advertising costs are expensed as incurred or the first time the advertising takes place. During the years ending December 31, 2023 and 2022 the Company incurred marketing expenses of \$57,700 and \$57,026, respectively.

Revenue Recognition

The Company recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Per ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, the guidance requires an entity to follow a five-step model to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation. In determining the transaction price, an entity may include variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved.

The Company records its revenues based on the performance obligation under the contract with its franchisees and the determination of fee collectability. Initial franchise fees from the sales of franchises are recorded when the performance obligations are completed based on the franchise agreement related to the opening of the store. Royalty fees, which are based on the percentage of the franchisee's monthly gross sales, are recognized as earned upon recognition of sales by franchisees. Product sales are recognized when the delivery of the products has occurred, and the risk of loss is transferred to the franchisees.

Income Taxes

The Company has elected to be treated as an "S" corporation under Subchapter S of the Internal Revenue Code. Accordingly, no provision has been made for federal income taxes since the income or loss of the Company is allocated to the stockholder for inclusion in the individual's personal income tax. The Company's federal and state income tax returns remain open for examination for the years ending December 31, 2023, 2022, 2021 and 2020, generally for three years after they were filed.

The Company files its income tax return in the U.S. federal and state jurisdictions.

Compensated Absences

The Company does not have a compensated absences policy, and as such, no amount has been accrued.

See independent auditor's report. Notes continued on next page.

SILBAR FRANCHISE GROUP CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Capital assets are recorded at cost and included major expenditures, which increase productivity or substantially increase useful lives. Maintenance, repairs, and minor renewals are charged to expense when incurred. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts, and any gain or loss included in the statement of income. Depreciation is computed on the straight-line method over 3-5 years.

NOTE 3 - RELATED PARTY TRANSACTIONS

In January 2, 2017, the Company loaned \$40,000 to a shareholder. A promissory note was formally executed, which provided for interest of 3% per annum, to be accrued, on the unpaid principal balance. The principal and accrued interest is payable on demand. As of December 31, 2023 and 2022, the total unpaid principal plus accrued interest is \$58,627 and \$57,057, respectively.

NOTE 4 - FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following at December 31, 2023 and 2022:

	2023	2022
Equipment	\$ 3,920	\$ 3,919
Furniture	5,464	2,483
	\$ 9,384	\$ 6,401
Less: accumulated depreciation	(4,041)	(2,863)
Furniture and equipment, net	<u>\$ 5,341</u>	<u>\$ 3,538</u>

Depreciation expense amounted to \$1,178 and \$963 for the years ended December 31, 2023 and 2022, respectively.

NOTE 5 - DEFERRED REVENUE

In compliance with the Financial Accounting Standards Board ("FASB") new accounting standards for revenue recognition ("Topic 606") as adjusted by ASU 2021-02 deferred revenue represents the initial franchise fee as deferred revenues, to be allocated over the length of the franchise agreement. As of December 31, 2023 and 2022 deferred revenue was \$27,000 and \$0, respectively.

NOTE 6 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, are comprised of:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	\$ 5,621	\$ 1,217
Accounts receivable	28,170	29,612
Financial assets available to meet general expenditures within one year	<u>\$ 33,791</u>	<u>\$ 30,829</u>

See independent auditor's report. Notes continued on next page.

SILBAR FRANCHISE GROUP CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 7 - SUBSEQUENT EVENTS

Subsequent events were evaluated through March 6, 2024, which is the date the financial statements were available to be issued. No events have occurred subsequent to March 6, 2024 that would require adjustment to, or disclosure in, the financial statements.

See independent auditor's report.

SILBAR FRANCHISE GROUP CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021



SILBAR FRANCHISE GROUP CORPORATION

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Barnes, Brock, Cornwell & Painter, PLC
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
of Silbar Franchise Group Corporation
Chesapeake, Virginia

Opinion

We have audited the accompanying financial statements of Silbar Franchise Group Corporation (a Virginia corporation), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income and shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Silbar Franchise Group Corporation as of December 31, 2022 and 2021 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Barnes, Brack, Carmell & Painter PLLC

Chesapeake, Virginia
April 15, 2023

SILBAR FRANCHISE GROUP CORPORATION

**BALANCE SHEETS
DECEMBER 31, 2022 AND 2021**

ASSETS		
	2022	2021
Cash and cash equivalents	\$ 1,217	5,649
Accounts receivable	29,612	-
Loan to shareholders	57,057	55,487
Furniture and equipment, net	3,538	600
TOTAL ASSETS	\$ 91,424	\$ 61,736
SHAREHOLDERS' EQUITY		
SHAREHOLDERS' EQUITY:		
Common stock, \$1 par value, 25,000 shares authorized and issued	\$ 25,000	25,000
Additional paid-in capital	50,000	50,000
Retained earnings (deficit)	16,423	(13,264)
TOTAL SHAREHOLDERS' EQUITY	\$ 91,424	\$ 61,736

See independent auditor's report and accompanying notes to the financial statements.

SILBAR FRANCHISE GROUP CORPORATION

**STATEMENTS OF INCOME AND SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
REVENUES		
Royalty income	\$ 295,244	\$ 157,932
Franchise sales	-	10,000
Product sales	39,625	34,190
TOTAL REVENUES	\$ 334,869	\$ 202,122
COST OF PRODUCT SALES	76,375	48,627
GROSS PROFIT	\$ 258,494	\$ 153,495
OPERATING EXPENSES		
Advertising expenses	\$ 57,026	\$ 4,126
Depreciation	963	500
General and administrative expenses	13,459	4,672
Professional fees	17,107	25,185
Shipping and delivery	825	848
Supplies and materials	36,277	39,953
Travel and entertainment	44,212	19,029
TOTAL OPERATING EXPENSES	\$ 169,869	\$ 94,313
Net income before other income and expenses	\$ 88,626	\$ 59,182
OTHER INCOME		
Interest income	\$ 1,570	\$ 1,570
NET INCOME	\$ 90,196	\$ 60,752
SHAREHOLDERS' EQUITY - BEGINNING OF THE YEAR	61,736	121,582
SHAREHOLDERS' DISTRIBUTIONS	(60,507)	(120,598)
SHAREHOLDERS' EQUITY - END OF THE YEAR	\$ 91,424	\$ 61,736

See independent auditor's report and accompanying notes to the financial statements.

SILBAR FRANCHISE GROUP CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 90,196	\$ 60,752
Adjustments to reconcile net income to net cash provided by operating and other activities:		
Depreciation	963	500
(Increase) decrease in accounts receivable	(29,612)	21,422
(Increase) decrease in loan to shareholders	(1,570)	(1,570)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 59,977</u>	<u>\$ 81,104</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	<u>\$ (3,901)</u>	<u>\$ -</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Shareholders' distributions	<u>\$ (60,508)</u>	<u>\$ (120,598)</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	\$ (4,432)	\$ (39,494)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>5,649</u>	<u>45,143</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,217</u></u>	<u><u>\$ 5,649</u></u>

See independent auditor's report and accompanying notes to the financial statements.

SILBAR FRANCHISE GROUP CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS

Silbar Franchise Group Corporation (the "Company") is a Virginia Corporation, formed in December 17, 2013, to offer franchises to operate security services businesses.

The Company offers armed and unarmed security officers, emergency response services, foot patrol services, roving vehicle patrol services, residential and commercial security services and special event security service either on an as-needed basis or at regularly schedule intervals at any franchised location.

The estimated initial investment to open a store ranges from \$62,400 to \$92,500. The Franchisee's initial investment will vary depending upon the location, time of year when Franchisee starts business, and the amount of equipment, products and supplies a Franchisee purchases.

The initial term of the franchise is 5 years. Franchisees have the option to renew the agreement for up to two additional terms of five (5) years each. There is a monthly royalty fee of 5% and 1% each for the system advertising fee and technology fee based on the franchises' monthly gross revenue. There is also a local minimum advertising requirement of \$250 per monthly.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States. The accrual basis of accounting recognizes income when earned and expenses when incurred. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Credit Risk

Financial instruments, which potentially subject the Company to concentration of credit risk, consist principally of cash, temporary cash investments and receivables. The Company places its cash and cash equivalents on deposit with financial institutions in the United States. All of a depositor's accounts are at an insured depository institution, including all non-interest bearing transaction accounts, are insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard deposit insurance amount of \$250,000, for each deposit insurance ownership category. As of December 31, 2022 and 2021, the Company did not have any demand deposits on hand in financial institutions which exceeded FDIC amounts.

Estimates

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

See independent auditor's report. Notes continued on next page.

SILBAR FRANCHISE GROUP CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are recorded for amounts due based on the terms of the executed franchise agreement for franchise sales, royalty fees, and other related revenues. These receivables are recognized and carried at original contracted amount less an allowance for any uncollectible amounts, if necessary. Management reviews the adequacy of the allowance for doubtful accounts on an ongoing basis using aging of receivables. Management also periodically evaluates individual customer's financial condition, credit history, and the current economic conditions to adjust the allowance when it is necessary. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Management has determined that an allowance for uncollectible accounts is not necessary at December 31, 2022 and 2021.

Advertising

Advertising costs are expensed as incurred or the first time the advertising takes place. During the years ending December 31, 2022 and 2021 the Company incurred marketing expenses of \$57,026 and \$4,126, respectively.

Revenue Recognition

The Company recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Per ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, the guidance requires an entity to follow a five-step model to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation. In determining the transaction price, an entity may include variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved.

The Company records its revenues based on the performance obligation under the contract with its franchisees and the determination of fee collectability. Initial franchise fees from the sales of franchises are recorded when the performance obligations are completed based on the franchise agreement related to the opening of the store. Royalty fees, which are based on the percentage of the franchisee's monthly gross sales, are recognized as earned upon recognition of sales by franchisees. Product sales are recognized when the delivery of the products has occurred, and the risk of loss is transferred to the franchisees.

Compensated Absences

The Company does not have a compensated absences policy, and as such, no amount has been accrued.

See independent auditor's report. Notes continued on next page.

SILBAR FRANCHISE GROUP CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Company has elected to be treated as an "S" corporation under Subchapter S of the Internal Revenue Code. Accordingly, no provision has been made for federal income taxes since the income or loss of the Company is allocated to the stockholder for inclusion in the individual's personal income tax. The Company's federal and state income tax returns remain open for examination for the years ending December 31, 2022, 2021, 2020 and 2019, generally for three years after they were filed.

The Company files its income tax return in the U.S. federal and state jurisdictions.

Property and Equipment

Capital assets are recorded at cost and included major expenditures, which increase productivity or substantially increase useful lives. Maintenance, repairs, and minor renewals are charged to expense when incurred. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts, and any gain or loss included in the statement of income. Depreciation is computed on the straight-line method over 3-5 years.

NOTE 3 - RELATED PARTY TRANSACTIONS

In January 2, 2017, the Company loaned \$40,000 to a shareholder. A promissory note was formally executed, which provided for interest of 3% per annum, to be accrued, on the unpaid principal balance. The principal and accrued interest is payable on demand. As of December 31, 2022 and 2021, the total unpaid principal plus accrued interest is \$57,057 and \$55,487, respectively.

NOTE 4 - FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following at December 31, 2022 and 2021:

	2022	2021
Equipment	\$ 3,919	\$ -
Furniture	2,483	2,500
	\$ 6,402	\$ 2,500
Less: accumulated depreciation	(2,863)	(1,900)
Furniture and equipment, net	<u>\$ 3,538</u>	<u>\$ 600</u>

Depreciation expense amounted to \$963 and \$500 for the years ended December 31, 2022 and 2021, respectively.

NOTE 5 - SUBSEQUENT EVENTS

Subsequent events were evaluated through April 15, 2023, which is the date the financial statements were available to be issued. No events have occurred subsequent to April 15, 2023 that would require adjustment to, or disclosure in, the financial statements.

See independent auditor's report.

SILBAR FRANCHISE GROUP CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020



SILBAR FRANCHISE GROUP CORPORATION

**FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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Barnes, Brock, Cornwell & Painter, PLC
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Silbar Franchise Group Corporation
Chesapeake, Virginia

We have audited the accompanying financial statements of Silbar Franchise Group Corporation (the "Company"), which comprise the balance sheet as of December 31, 2021, and the related statements of income and shareholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Silbar Franchise Group Corporation as of December 31, 2021 and the results of operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement 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 the financial statement that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Prior period Financial Statements

The financial statements of Silbar Franchise Group Corporation as of December 31, 2020, were audited by other auditor whose report dated April 15, 2021 expressed an unmodified opinion on those statements.

Barnes, Bruch, Carmell & Painter PLLC

Chesapeake, Virginia
May 6, 2022

SILBAR FRANCHISE GROUP CORPORATION

**BALANCE SHEETS
DECEMBER 31, 2021 AND 2020**

ASSETS			
	2021	2020	
Cash and cash equivalents	\$ 5,649	\$ 45,143	
Accounts receivable	-	21,422	
Loan to shareholders	55,487	53,917	
Property and equipment, net	600	1,100	
TOTAL ASSETS	\$ 61,736	\$ 121,582	
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY			
Common stock, \$1 par value, 25,000 shares authorized and issued	\$ 25,000	\$ 25,000	
Additional paid-in capital	50,000	50,000	
Retained earnings (deficit)	(13,264)	46,582	
Total shareholders' equity	\$ 61,736	\$ 121,582	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 61,736	\$ 121,582	

See independent auditor's report and accompanying notes to the financial statements.

SILBAR FRANCHISE GROUP CORPORATION

**STATEMENTS OF INCOME AND SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
REVENUES		
Royalty income	\$ 157,932	\$ 104,299
Franchise sales	10,000	46,000
Product sales	34,190	24,191
TOTAL REVENUES	\$ 202,122	\$ 174,490
COST OF PRODUCT SALES	\$ 48,627	\$ 7,540
GROSS PROFIT	\$ 153,495	\$ 166,950
OPERATING EXPENSES		
Advertising expenses	\$ 4,126	\$ 4,518
Depreciation	500	500
General and administrative expenses	4,672	5,990
Professional fees	25,185	11,184
Travel and entertainment	19,029	7,023
Shipping and delivery	848	425
Supplies and materials	39,953	35,584
TOTAL OPERATING EXPENSES	\$ 94,313	\$ 65,224
Net income (loss) before other income and expenses	\$ 59,182	\$ 101,726
OTHER INCOME		
Interest income	\$ 1,570	\$ 1,570
NET INCOME	\$ 60,752	\$ 103,296
SHAREHOLDERS' EQUITY - Beginning of the year	121,582	62,790
SHAREHOLDERS' DISTRIBUTIONS	(120,598)	(44,504)
SHAREHOLDERS' EQUITY - End of the year	\$ 61,736	\$ 121,582

See independent auditor's report and accompanying notes to the financial statements.

SILBAR FRANCHISE GROUP CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 60,752	\$ 103,296
Adjustments to reconcile net income to net cash provided by operating and other activities:		
Depreciation	500	500
(Increase) decrease in accounts receivable	21,422	(16,275)
(Increase) decrease in loan to shareholders	(1,570)	(1,570)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 81,104	\$ 85,951
CASH FLOWS FROM FINANCING ACTIVITIES		
Shareholders' distribution	\$ (120,598)	\$ (44,504.00)
NET CHANGES IN CASH AND CASH EQUIVALENTS	\$ (39,494)	\$ 41,447
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	45,143	3,696
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,649	\$ 45,143

See independent auditor's report and accompanying notes to the financial statements.

SILBAR FRANCHISE GROUP CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS

Silbar Franchise Group Corporation (the "Company") is a Virginia Corporation, formed in December 17, 2013, to offer franchises to operate security services businesses.

The Company offers armed and unarmed security officers, emergency response services, foot patrol services, roving vehicle patrol services, residential security services, commercial security services and special event security service either on an as-needed basis or at regularly schedule intervals at any franchised location.

The estimated initial investment to open a store range from \$62,400 to \$92,500. The Franchisee's initial investment will vary depending upon the location, time of year when Franchisee starts business, amount of equipment, products and supplies Franchisee purchases.

The initial term of the franchise is 5 years. Franchisees have the options to renew the agreement for up to two additional terms of five (5) years each. There is a monthly royalty fee of 5% and 1 % each for the system advertising fee and technology fee based on the franchises' monthly gross revenue. There is also a local minimum advertising requirement of \$250 per monthly.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States. The accrual basis of accounting income is recognized when earned and expenses when incurred. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Cash and cash equivalents

For the purposes of the statement of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Credit Risk

Financial instruments, which potentially subject the Company to concentration of credit risk, consist principally of cash, temporary cash investments and receivables. The Company places its cash and cash equivalents on deposit with financial institutions in the United States. All of a depositor's accounts are at an insured depository institution, including all non-interest bearing transaction accounts, are insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard deposit insurance amount of \$250,000, for each deposit insurance ownership category. As of December 31, 2021 and 2020, the Company did not have any demand deposits on hand in financial institutions which exceeded FDIC amounts.

SILBAR FRANCHISE GROUP CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are recorded for amounts due based on the terms of the executed franchise agreement for franchise sales, royalty fees, and other related revenues. These receivables are recognized and carried at original contracted amount less an allowance for any uncollectible amounts, if necessary. Management reviews the adequacy of the allowance for doubtful accounts on an ongoing basis using aging of receivables. Management also periodically evaluates individual customer's financial condition, credit history, and the current economic conditions to adjust the allowance when it is necessary. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Management has determined that an allowance for uncollectible accounts is not necessary at December 31, 2021 and 2020.

Advertising

Advertising costs are expensed as incurred or the first time the advertising takes place. During the years ending December 31, 2021 and 2020 the Company incurred marketing expenses of \$4,126 and \$4,518, respectively.

Revenue Recognition

The Company recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Per ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, the guidance requires an entity to follow a five-step model to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation. In determining the transaction price, an entity may include variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved.

The Company records its revenues based on the performance obligation under the contract with its franchisees and the determination of fee collectability. Initial franchise fees from the sales of franchises are recorded when the performance obligations are completed based on the franchise agreement related to the opening of the store. Royalty fees, which are based on the percentage of the franchisee's monthly gross sales, are recognized as earned upon recognition of sales by franchisees. Product sales are recognized when the delivery of the products has occurred, and the risk of loss is transferred to the franchisees.

Estimates

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

See independent auditor's report. Notes continued on next page.

SILBAR FRANCHISE GROUP CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Company has elected to be treated as an "S" corporation under Subchapter S of the Internal Revenue Code. Accordingly, no provision has been made for federal income taxes since the income or loss of the Company is allocated to the stockholder for inclusion in the individual's personal income tax.

In accordance with GAAP, the Company is required to determine whether a tax position of the Company is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of the benefit that is greater than fifty percent likely of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized could result in the Company recording a tax liability that would reduce stockholders' equity. This policy also provides guidance on thresholds, measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transitions that is intended to provide better financial statement comparability among different entities. Management's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof.

The Company files its income tax return in the U.S. federal and state jurisdictions.

Compensated Absences

The Company does not have a compensated absences policy, and as such, no amount has been accrued.

Property and equipment

Capital assets are recorded at cost and included major expenditures, which increase productivity or substantially increase useful lives. Maintenance, repairs, and minor renewals are charged to expense when incurred. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts, and any gain or loss included in the statement of income. Depreciation is computed on the straight-line method over 3-5 years.

NOTE 3 - RELATED PARTY TRANSACTIONS

In January 2, 2017, the Company loaned \$40,000 to a shareholder. A promissory note was formally executed, which provided for interest of 3% per annum, to be accrued, on the unpaid principal balance. The principal and accrued interest is payable on demand. As of December 31, 2021 and 2020, the total unpaid principal plus accrued interest is \$55,487 and \$53,917, respectively.

SILBAR FRANCHISE GROUP CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2021 and 2020:

	2021	2020
Machinery	\$ 2,000	\$ 2,000
Furniture	500	500
	\$ 2,500	\$ 2,500
Less: accumulated depreciation	(1,900)	(1,400)
Property and equipment, net	<u>\$ 600</u>	<u>\$ 1,100</u>

Depreciation expense amounted to \$500 for the years ended December 31, 2021 and 2020.

NOTE 5 - COVID-19

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the United States have declared a state of emergency. It is anticipated that these impacts will continue for some time. The future effect of this issue is unknown.

NOTE 6 - SUBSEQUENT EVENTS

Subsequent events were evaluated through May 6, 2022, which is the date the financial statements were available to be issued. No events have occurred subsequent to May 6, 2022 that would require adjustment to, or disclosure in, the financial statements.

See independent auditor's report.

EXHIBIT H

TABLE OF CONTENTS OF OPERATIONS MANUAL



Silbar Security Franchise Operations Manual

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EXHIBIT I STATE EFFECTIVE DATES

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

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

State	Effective Date
California	June 12, 2023 <u>Pending</u>
Maryland	June 8, 2023 <u>Pending</u>
Michigan	July 24, 2023
New York	August 24, Pending <u>2023</u>
Virginia	May 31, Pending <u>2023</u>

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

EXHIBIT J RECEIPT

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

If Silbar Franchise Group Corporation offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 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.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit B.

The franchisor Silbar Franchise Group Corporation located at 133 Kempsville Road, Chesapeake, VA 23320. Its telephone number is (757) 663-6400.

Issuance Date: ~~May 16, 2024~~ March 8, 2024

The franchise sellers for this offering are

X	Brandon Dean, 133 Kempsville Road, Chesapeake, VA 23320, (757) 663-6400
X	Kandice Dean, 133 Kempsville Road, Chesapeake, VA 23320, (757) 663-6400
X	Chuck Lovelace <u>Nathan Haffke</u> , 133 Kempsville Road, Chesapeake, VA 23320, (757) 663-6400

We authorize the respective state agencies identified in Exhibit B to receive service of process for us in the particular state.

I have received a disclosure document dated ~~May 16, 2023~~ March 8, 2024 that included the following Exhibits:

- A. State Addenda to the Disclosure Document
- B. List of State Administrators and Registered Agents
- C. Franchise Agreement
 - Schedule 1-Territory
 - Schedule 2-Automatic Bank Draft Authorization
 - Schedule 3-Telephone Number Assignment
 - Schedule 4-Franchisee Questionnaire
 - Schedule 5-Promissory Notes

Schedule 6-State Addenda to the Franchise Agreement

- D. Release
- E. List of Current Franchisees
- F. List of Former Franchisees
- G. Financial Statements
- H. Table of Contents of Operations Manual
- I. State Effective Dates
- J. Receipts

PROSPECTIVE FRANCHISEE:

Date you received this Disclosure Document

If an individual:

If a business entity:

Name of Business Entity

By:

Signature

Signature

Printed Name

Printed Name/Title

Address

Address

(Telephone number)

(Telephone number)

Please sign, date, and retain this copy for your records.

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Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 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.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit B.

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The franchise sellers for this offering are

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X	Kandice Dean, 133 Kempsville Road, Chesapeake, VA 23320, (757) 663-6400
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- D. Release
- E. List of Current Franchisees
- F. List of Former Franchisees
- G. Financial Statements
- H. Table of Contents of Operations Manual
- I. State Effective Dates
- J. Receipts

PROSPECTIVE FRANCHISEE:

Date you received this Disclosure Document

If an individual:

If a business entity:

Name of Business Entity

Signature

By:

Signature

Printed Name

Printed Name/Title

Address

Address

(Telephone number)

(Telephone number)

Please sign, date, and return this copy to us