

## FRANCHISE DISCLOSURE DOCUMENT

Signal 88 Franchise Group, Inc.  
Nebraska Corporation  
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Security Re-Engineered®



The franchise described in this disclosure document is for the establishment and operation of a security services business to include patrol and dedicated service under the service mark and trade name Signal 88 Security. Specifically, franchisees will engage in the provision of onsite and off-site surveillance, executive security services, and security consulting services for contracting clients.

The total investment necessary to begin operation of a Signal 88 Security franchise ranges from \$85,350 to \$135,650. This includes a minimum franchise fee of \$40,000 that must be paid to the franchisor or affiliate. Further information regarding the franchisee's anticipated investment can be found in Item 7 of this Disclosure Document.

The total investment necessary to begin operations under a development agreement for multiple Signal 88 Security franchise will depend on the number of businesses we grant you the right to open. By way of example, the total investment necessary to begin operations under a development agreement for the right to open and operate three (3) Signal 88 Security franchises is \$135,350 to \$220,650, which includes \$90,000 that must be paid to the franchisor or its affiliates. This estimate includes the appropriate development fee you must pay to franchisor upon execution of the development agreement, as well as the total estimated initial investment to open and commence operations of your first Signal 88 Security franchise.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Reed L. Nyffeler at 3880 South 149<sup>th</sup> Street, Suite 102, Omaha, Nebraska 68144 and (402) 502-1181.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at [www.ftc.gov](http://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.

**Date of Issuance: April 18, 2014, as amended June 13, 2014.**

## STATE COVER PAGE

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

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

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

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

1. THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT REQUIRE YOU TO RESOLVE DISPUTES WITH US BY MEDIATION, AT OUR OPTION, IN DOUGLAS COUNTY, NEBRASKA. OUT-OF-STATE MEDIATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO MEDIATE WITH US IN NEBRASKA THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT REQUIRE THAT CERTAIN DISPUTES WITH US NOT SUBJECT TO MEDIATION MUST BE RESOLVED BY LITIGATION IN DOUGLAS COUNTY, NEBRASKA. IT MAY COST YOU MORE TO LITIGATE WITH US IN NEBRASKA THAN IN YOUR OWN STATE.
3. THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT STATE THAT NEBRASKA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
4. THE FRANCHISOR HAS MINIMUM SALES VOLUME STANDARDS THAT YOU MUST MAINTAIN IN THE FIRST YEAR AFTER OPENING A LOCATION. FAILURE TO MEET THESE STANDARDS MAY RESULT IN AN ALTERNATION OR ELIMINATION OF YOUR TERRITORY.
5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

Effective Date: See effective dates page.

## STATE EFFECTIVE DATES

The following states require that the 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 disclosure document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates.

<b>State</b>	<b>Effective Date</b>	<b>State</b>	<b>Effective Date</b>
California	July 25, 2014	Minnesota	June 24, 2014
Hawaii	Not Registered	New York	August 29, 2014
Illinois	June 23, 2014	Rhode Island	June 23, 2014
Indiana	August 3, 2014	Virginia	July 23, 2014
Maryland	September 2, 2014	Washington	June 23, 2014
Michigan	September 27, 2013	Wisconsin	June 23, 2014
Florida	July 15, 2014	North Dakota	Not Registered
South Dakota	Effective	Utah	March 17, 2014

In all the other states not mentioned above, the effective date of this Franchise Disclosure Document is the issuance date of April 18, 2014, as amended June 13, 2014.

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## ITEM 1

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

To simplify the language in this disclosure statement, the terms “we,” “Company,” “Signal 88,” “Signal 88 Security,” “Franchisor,” and/or “our” shall mean Signal 88 Franchise Group, Inc., the Franchisor. The terms “we,” “Company,” “Signal 88,” “Signal 88 Security,” and/or “our” do not include the officers, directors or shareholders of Signal 88 Franchise Group, Inc. “You” and “Franchisee” mean the individual or individuals or the business organization that is awarded and/or operates the franchise, as well as any owners of such a business organization. “You” may also refer to other similarly situated franchise operators or prospective franchise operators.

#### OUR NAME, BUSINESS FORM, PREDECESSORS, AFFILIATES

Signal 88 Franchise Group, Inc. is a Nebraska corporation which was incorporated on November 13, 2007. Our principal business address is 3880 S. 149<sup>th</sup> Street, Ste. 102, Omaha, Nebraska 68144. We do not have a parent company. Signal 88’s predecessor is Signal 88 Security Group, L.L.C., a Nebraska limited liability company. Signal 88 Security Group, LLC, had its principal business address at 3880 S. 149<sup>th</sup> Street, Ste. 107, Omaha, Nebraska 68144. Another one of our affiliates is Lyconic, LLC, a Nebraska limited liability company, which is owned in part by Shea Degan. Lyconic’s address is 3880 S. 149<sup>th</sup> Street, Suite 105, Omaha, Nebraska 68144. Another affiliate, Sage 5, Inc., which is owned in part by Shea Degan, is located at 3880 S. 149<sup>th</sup> Street, Suite 107, Omaha, Nebraska 68144.

#### BUSINESS NAME, ADDRESS, AGENTS FOR SERVICE

We do business under our corporate name and under the names “Signal 88,” “Signal 88 Security,” “Signal 88 Franchise Group, Inc.,” “Signal 88 - Planning. Prevention. Protection.”, and “Signal 88 Security - Security Re-Engineered”. The principal business address of Signal 88 Franchise Group, Inc., is 3880 S. 149<sup>th</sup> Street, Ste. 102, Omaha, Nebraska 68144. The agents for service of process for Signal 88 Franchise Group, Inc., and its affiliates are disclosed in Exhibit B of this disclosure document.

#### OUR BUSINESS AND FRANCHISES TO BE OFFERED

We have developed a comprehensive system (the “System”) for the opening and operation of a security-services business specializing in security patrols and surveillance, security consulting, executive protection, and training in personal safety, risk avoidance, and threat management for the workplace. Some of the distinguishing characteristics of the System include: (1) use of highly trained security personnel; (2) use of software known as Inteliguide, Patrolguide, Salesguide, and other proprietary software applications; (3) distinctive uniform designs and logos; (4) standards and specifications for equipment, supplies, and signs; (5) technical assistance and training; (6) sales and management assistance and training; and (7) specialized methods and techniques for cost controls, record-keeping and reporting, and personnel management, all of which we may periodically change, improve and develop.

We identify the System by certain trademarks, trade names, service marks, logos, emblems, and other indications of origin, including “Signal 88”, “Signal 88 Security<sup>®</sup>”, “Signal 88 - Planning. Prevention. Protection.”, “Signal 88 Security - Security Re-Engineered”, “88 University”, and other trade names, service marks and trademarks that we have already designated (and that we may later designate) for you to use under the System (the “Marks”).

You will be licensed to use the Marks and the System, as they may be periodically changed, improved, and further developed. Your franchise agreement (“Agreement”) and Operations Manual<sup>1</sup> will specify the types of services you will offer.

We begin the franchise award process by having you sign the Agreement. The grant of a franchise is conditioned on the following: (1) your completing and signing the Franchisee Questionnaire Acknowledgment in Exhibit J; (2) your signing an Agreement and associated security documents; (3) your submitting financial statements and demonstrating your fitness to operate a franchised business to our satisfaction; (4) your payment of a Franchise Fee; (5) your obtaining the necessary insurance and providing us proof of insurance; (6) your attendance and satisfactory completion of all phases of our initial training program; (7) your obtaining all required business licenses needed to operate the franchised business; and (8) your compliance with the terms of the Agreement.

Once you complete the initial obligations under the Agreement, we will authorize you to open and operate a security services business operated under the name “Signal 88 Security” (“Franchised Business”). The Franchised Business will specialize in the sale and performance of security services, including security patrols and surveillance, security consulting, executive protection, and training in personal safety, risk avoidance, and threat management in the workplace. The term of your Agreement is for five (5) years and will begin on the date you sign an Agreement.

The security services market is developing. If you qualify to operate a Signal 88 Security franchise, you will sell security services primarily to business customers in need of site surveillance and security consulting. You will also sell services to individuals and businesses who need executive protection services or safety training. You will compete with independent, regional, and national security firms offering similar services. Sales are not seasonal. We and our affiliates also reserve the right to establish other franchises or Company-owned offices selling and performing the same or similar services both under the same or a different trade name or trademark outside your designated territory.

In addition to granting franchises for the operation of a single Franchised Business, we offer qualified individuals the right to open three (3) or five (5) Franchised Businesses in a designated area (“Development Area”) through a development agreement attached as Exhibit F (“Development Agreement”). The total investment necessary to begin operation under a Development Agreement will vary depending upon the number of Franchised Businesses we agree you will open in your Development Area. You must pay us a development fee equal to: (i) \$90,000 for the right to open and operate three (3) Franchised Businesses within your Development Area; or (ii) \$125,000 for the right to open and operate five (5) Franchised Businesses within your Development Area (“Development Fee”). As a developer, you will be required to open and operate a specified number of Businesses within a series of time periods listed in a table in your Development Agreement (the “Development Schedule”). You must open the second Franchised Business and each subsequent Franchised Business you are required to open under the Development Agreement no later than thirty (30) days after signing the Franchise Agreement for that Franchised Business.

Signal 88 Security Group, L.L.C., from which Signal 88 initially obtained its assets,

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<sup>1</sup> All capitalized terms used but not defined in this disclosure document will have the meanings ascribed to them in the Agreement.

operated a business substantially similar to the one we franchise from 2003 until 2013. We have operated businesses substantially similar to the one we franchise since July 2009. Signal 88 Security franchises will usually have a protected territory. Neither we nor our affiliates offer franchises in other lines of business. Our business activities include offering and supporting Signal 88 Security franchises and entering into agreements with area representatives who develop and provide support for Signal 88 Security franchises in specified geographical areas. We have no other business activities.

The services you perform in your Franchised Business will be subject to certain federal, state, and local laws and regulations, which may include state and local licensing laws or ordinances for security guards and security agencies. There may be other local laws and regulations which are not mentioned in this disclosure document. The Lanham Act, 15 U.S.C. § 1051, and the rules and regulations of the Federal Trade Commission may constrain the advertising or representation you can make about services and prohibit you from selling certain services in some cases. You must submit all advertising to us for approval before you use it.

You must permit us and our agents to enter your business premises at any reasonable time, with or without advance notice, to conduct inspections and to evaluate your compliance with, among other things, the Agreement, the Operations Manual, and any applicable laws and regulations. If these inspections reveal that you are not in compliance with all applicable requirements, you must, either on your own initiative or after you receive notice from us, take immediate action to correct any deficiency and bring the Franchised Business into compliance. If you fail or refuse to take all necessary corrective measures, we will have the right to do so and to charge you for all costs and expenses associated with these corrective measures. You must reimburse us fully for our costs and expenses on demand or as soon as applicable law allows. We also have the right to terminate your franchise in accordance with the contract and applicable law if you fail to comply with the applicable requirements.

Despite our oversight of your compliance with applicable law as described in the previous paragraph, it is still your responsibility to comply with all applicable laws and regulations of the federal, state, and local governments. You must also obtain all certifications, permits, and/or other licenses which are necessary for you to operate the Franchised Business. You must research and become familiar with the laws and regulations applicable to your business.

#### OUR BUSINESS EXPERIENCE AND THE BUSINESS EXPERIENCE OF OUR PREDECESSOR AND AFFILIATES

Shea Degan formed Signal 88 Security Group, L.L.C. on July 16, 2003 under the laws of Nebraska to operate a security services business. On November 13, 2007, Mr. Degan, together with Reed Nyffeler and Tim Nass, formed Signal 88 Franchise Group, Inc., in order to begin franchising the concept developed by Signal 88 Security Group, L.L.C. Signal 88 Franchise Group, Inc., has chosen to sell the franchising concept under the name Signal 88 Security. Signal 88 Security Group, L.L.C., continued operating until June 2013, at which time Signal 88 Security Franchise Group, Inc. purchased its assets and began operating a company-owned security business in the Omaha, Nebraska area.

Lyconic, LLC, was formed on August 8, 2008 to operate a business developing and licensing computer software. Shea Degan is a part owner of Lyconic, which developed and owns Intelguide, PatrolGuide, and SalesGuide software.



We have been offering to sell franchises for security-services businesses since January 1, 2008. None of our affiliates have conducted a business of the type you as a franchisee would operate, other than Signal 88 Security, LLC, which operated a security-services business from 2003 through 2013, and 88 Capital Group, Inc., which has operated a security services business since 2009. None of our affiliates has ever offered franchises of any kind, and neither we nor our affiliates have offered franchises in other lines of business. We obtained the franchise concept from our predecessor, Signal 88 Security Group, L.L.C., which conducted a security-services business from 2003 to 2013. Our predecessor has not offered franchises for a security-services business or any other line of business.

## ITEM 2

### BUSINESS EXPERIENCE

#### OFFICERS AND MANAGEMENT BOARD MEMBERS:

**Reed Nyffeler: Chief Executive Officer, Director, President, Treasurer**

From March 2002 until August 2007, Mr. Nyffeler was the marketing and sales director for Brite Ideas, Inc., a Christmas-lighting company located in Omaha, Nebraska. Mr. Nyffeler joined Signal 88 Security Group, L.L.C., in Omaha, Nebraska, in August 2007, working as Director of Sales and Marketing from that time until he became President and Chief Executive Officer of Signal 88 Franchise Group, Inc., also in Omaha, Nebraska, in November 2007. Mr. Nyffeler continues to hold that position.

**Paul Hogan: Director**

Mr. Hogan became a director of Signal 88 in June 2011. Mr. Hogan and his wife, Lori, founded the Home Instead Senior Care franchise network in 1994. From December 2005 to July 2010, Mr. Hogan was Chief Executive Officer of Home Instead, Inc. Mr. Hogan has been Chairman of Home Instead, Inc., since July 2010. Since January 2011, Mr. Hogan has served on the World Economic Forum's Global Agenda Council on Ageing. In his current and prior positions above, Mr. Hogan is and was located in Omaha, Nebraska.

**Michael Simmonds: Director**

Mr. Simmonds became a director of Signal 88 in June 2011. Since 1977, Mr. Simmonds has been the Chairman and CEO of Simmonds Restaurant Management, Inc., which currently manages a variety of investments, and operates a restaurant facilities maintenance company. Mr. Simmonds has also been manager of Simmonds Properties, Ltd., LLP, since September 2008. Mr. Simmonds serves as the director and manager of The Simmonds Foundation, a philanthropic organization, and has done so since June 2008. Mr. Simmonds has also been the managing member of Simmonds Financial Services, LLC, since January 2009, and has been managing member of Nordquist Simmonds Medical Network, LLC, since July 2010. Since April 2012, Mr. Simmonds has owned an interest in 88 Capital Group, Inc., which is one of our franchisees. In his current and prior positions above, Mr. Simmonds is and was located in Omaha, Nebraska.

**Shea Degan: Director**

Mr. Degan has ten-years of experience as a deputy sheriff in Douglas County, Nebraska. Mr. Degan entered the security-services business in July 2003 when he formed Signal 88

Security Group, L.L.C. Mr. Degan operated Signal 88 Security Group from that time until 2013, when the company's assets were purchased by Signal 88 Franchise Group, Inc. Mr. Degan has been an owner and member of Lyconic, LLC, located in Omaha, Nebraska, since August 2008. Mr. Degan has held an interest in Sage 5, Inc., located in Omaha, Nebraska, which provides online officer training, since October 2010, as well as an interest in Degan Holdings, LLC, located in Omaha, Nebraska, which owns a hunting and shooting facility in Nebraska, since January 2011. Mr. Degan is also an owner of 88 Tactical Franchise Group, LLC, which he has owned since April 2012, and 88 Tactical Group, Inc., which he has owned since June 2013.

**Hank Pfeiffer: Executive Vice President of Business Operations**

Mr. Pfeiffer joined Signal 88 in February 2014 as Executive Vice President of Business Operations. Before coming to Signal 88, Mr. Pfeiffer was employed as Chief Operating Officer of Reward Wall Systems, Inc. in Omaha, Nebraska, from January 1998 to January 2014.

**Laura Vodvarka: Vice President of Administration, Secretary**

Ms. Vodvarka is Signal 88's Vice President of Administration. From September 2007 through March 2009, Ms. Vodvarka worked as Director of Marketing for Signal 88 Security Group, LLC, in Omaha, Nebraska, and she joined Signal 88 Franchise Group, Inc., in April 2009.

**Josh Minturn: Franchise Sales Executive**

Mr. Minturn is Signal 88's Vice President of Franchise Development. Mr. Minturn began this position with Signal 88 in January 2009. Before joining Signal 88, Mr. Minturn worked as National Sales Director for Brite Ideas Decorating, Inc., in Omaha, Nebraska, from October 2004 to January 2009.

**Dan Cisar: Vice President of Franchise Standards**

Mr. Cisar is Signal 88's Vice President of Franchise Standards. Mr. Cisar began this position with the Signal 88 Franchise Group in March 2012. Before joining the Franchise Group, Mr. Cisar worked in the field of corporate security for Infogroup in Omaha, Nebraska from February 2008 to October 2010. Mr. Cisar later worked at the Omaha Signal 88 Office as Vice President of Operations from November 2010 to March 2012 before joining the Signal 88 Franchise Group, Inc.

**Wendy Staskiewicz: Franchise Sales Executive**

Ms. Staskiewicz is Signal 88's Franchise Advisor. Ms. Staskiewicz began her position with Signal 88 in July 2012. Before joining Signal 88, Ms. Staskiewicz worked as a sales associate for Kay Jewelers in Papillion, Nebraska, from April 2012 through July 2012. From October 2010 through March 2012, Ms. Staskiewicz worked as a sales associate for Elisa Ilana in Omaha, Nebraska. From August 2008 through October 2010, Ms. Staskiewicz worked as a sales associate for Rogers Jewelers in Omaha, Nebraska.

**Mike Kramer: Executive Vice President of Franchise Development**

Mr. Kramer has been Signal 88's Executive Vice President of Franchise Development since June 2014. Previously, Mr. Kramer served as the CEO and President of Handyman

Matters in Denver, Colorado from June 2013 to May 2014. Prior to that, Mr. Kramer served as the Senior Vice President of Proxibid in Omaha, Nebraska from March 2012 to July 2013. From October 2009 to April 2012, Mr. Kramer served as the CEO and President of My Sign Company located in Omaha, Nebraska. From October 2008 to April 2012, Mr. Kramer served as the CEO and President of Mobile Equipment Revive located in Omaha, Nebraska. From July 2007 to March 2010, Mr. Kramer served as the Vice President of Remco located in Omaha, Nebraska.

### ITEM 3

#### LITIGATION

##### Pending Actions:

Salena M. Robinson, Plaintiff v. HLF Rock, Inc., dba Venue 112, and Signal 88 Franchise Group, Inc., and Tidewater Protection, LLC, and Secure Staffing & Consultation, LLC, Case No. CL 13-2203 (Virginia Circuit Court of the City of Virginia Beach filed 01.09.14) This suit was filed by the alleged invitee to a residential apartment and states she was assaulted and that the security guards failed to provide security and she was assaulted. Alleged incident occurred on 11.10.12.

Ashley Colon, v. Signal 88 Security of New Britain D/B/A Brett Beatty Corporation, Signal 88 Franchise Group, Inc., and Brett Beatty, Case No. 419987, (State of Connecticut, Superior Court filed 03.13.14) This suit was filed initially as a discrimination suit with the Connecticut Commission on Human Rights. Ashley Colon has now filed a civil lawsuit alleging sexual harassment and has stated she is seeking damages in excess of \$15,000.00.

Rigoberto Paez and Ana M. Lopez-De Paez v. Brian Aveny, Signal 88 Franchise Group, Inc. d/b/a/ Signal 88 Security, Does I-V, inclusive, and Roe Business Entities I-V, inclusive, Case No. A-12-672961-C (Dist. Ct. Clark County, Nevada, Filed on December 4, 2012) This suit relates to an automobile collision involving a Signal 88 vehicle in Las Vegas, Nevada. The plaintiffs seek a judgment in excess of \$10,000.00 and Signal 88 has filed an answer denying liability. The case is in the discovery stage and no judgment has been entered.

##### Prior Actions:

No actions or proceedings are required to be disclosed under this category.

##### Governmental Actions:

No actions or proceedings are required to be disclosed under this category.

##### Actions against Franchisees:

No actions or proceedings are required to be disclosed under this category.

Other than these actions, no litigation is required to be disclosed in this disclosure document.

## ITEM 4

### BANKRUPTCY

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

## ITEM 5

### INITIAL FEES

#### FRANCHISE FEE

Before you are awarded a Signal 88 Security franchise, you must sign an Agreement with us and pay us an initial franchise fee ("Franchise Fee"). The Franchise Fee is fully earned and due and payable in a lump sum when the Agreement is signed. The minimum Franchise Fee is Forty Thousand Dollars (\$40,000.00), but the actual Franchise Fee will be determined based on the following formula:

The greater of \$40,000.00 or \$0.40 per capita in the designated Territory.

#### REFUNDS OF THE FRANCHISE FEE

The Franchise Fee is deemed fully earned upon execution of the Agreement, in consideration of granting the option to franchise, and is not refundable. Our Agreement has various requirements for opening a Franchised Business, and you must meet all of the requirements in the Agreement before you may open a Franchised Business, including the initial training required by Franchisor. If you do not satisfactorily complete our initial training programs or fail to meet the other requirements in the Agreement, that failure would be a default under the Agreement, which would allow us to terminate the Agreement. You will not be entitled to a refund of the Franchise Fee if you should fail to complete the initial training satisfactorily.

#### INCENTIVE PROGRAMS

Signal 88 is a member of the International Franchise Association and participates in IFA's VetFran Program, which provides special financial incentives to qualified veterans of the U.S. military. Signal 88 currently offers honorably discharged veterans a 10% discount on the Franchise Fee.

Signal 88 has established a Franchise Referral Program to compensate current Franchisees for identifying a qualified individuals and referring them for an opportunity at franchise ownership. Should an individual referred by a current Franchisee, become a Franchise Candidate and ultimately purchase a new Franchise in an unoccupied territory, the current Franchisee may receive a \$1,000 Referral Fee for the time and effort contributed.

We also reserve the right to offer special incentive programs at any time in the future which may decrease any of the fees listed in Items 5, 6 and 7 of this disclosure document. Generally, these incentive programs will be conditioned upon your execution of an Agreement and opening a Signal 88 Security franchise by a specified date and may only be available in specified markets, which we determine in our sole discretion. We may alter or discontinue these programs at any time in our sole discretion without notice to you. These incentive programs may not be combined with any other incentive offer unless otherwise indicated by us in writing.

Furthermore, if you have signed an Agreement before the dates specified for the incentive programs, you are not eligible to receive the incentive program.

#### DEVELOPMENT FEE

You must pay us a Development Fee equal to: (i) \$90,000 for the right to open and operate three (3) Franchised Businesses within your Development Area; or (ii) \$125,000 for the right to open and operate five (5) Franchised Businesses within your Development Area. The Development Fee is deemed fully earned upon execution of your Development Agreement, and is not refundable under any circumstances. Upon payment of your Development Fee, you will not be required to pay any additional Franchise Fee under our then-current form of Franchise Agreement(s) that you must enter into for each Franchised Business you are required to open under the Development Agreement.

#### ITEM 6

#### OTHER FEES

<u>TYPE OF FEE</u>	<u>AMOUNT</u>	<u>DUE DATE</u>	<u>REMARKS</u>
Royalty Fee <sup>1</sup>	4% of Gross Revenues during the previous month	Payable on the 15th of the month via electronic funds transfer ("EFT") program.	Gross revenues include all revenues from the sale of Services. Gross revenues do not include sales tax or use tax.
Administrative Fee <sup>1, 5, 6</sup>	2% of Gross Revenues during the previous month	Same as Royalty Fee	This is for billing, collection, and other administrative services provided by Franchisor to Franchisee.
Franchise Growth Support Fee <sup>1</sup>	2% of Gross Revenues during the previous month	Same as Royalty Fee	We have sole and absolute discretion to determine the amount and nature of expenditures from the Franchise Growth Support Fees, including the type of media used for advertisements and the markets in which to make such expenditures, if any.
Technology Fee <sup>1</sup>	1% of Gross Revenues during the previous month	Same as Royalty Fee	This allows access to software for operations, patrol, payroll, and job applications.

Finder's Fee <sup>1</sup>	2% of Gross Monthly Revenues derived from contract obtained by Franchisor or its affiliates, as determined exclusively by Franchisor	Same as Royalty Fee	
Additional Training <sup>1</sup>	Initial training is included in Franchise Fee; we reserve the right to charge a reasonable fee for additional training, to be determined in our sole discretion; if the additional training is at your site, we reserve the right to charge you for our travel expenses	Charges for additional training will be due prior to the commencement of such training; charges for travel expenses will be due on demand once they are incurred	Initial training includes training for you and up to two managers.
Additional Assistance <sup>1</sup>	N/A	N/A	We reserve the right, but are not obligated, to provide ongoing assistance free of charge during the term of the Agreement.
Transfer Fee <sup>1</sup>	\$5,000 per 100,000 people in the Territory, plus actual expenses	The transfer fee is due prior to consummation of the transfer.	This arises if you sell or transfer your franchise or some or all of your Territory. No charge for one-time transfer to a corporation that you control. All transfers are subject to Signal 88's approval.
Audit <sup>1</sup>	Actual Expenses of audit	Thirty days (30) after billing.	If any inspection, review or audit reveals that your reported Gross Revenues have been understated by five

			percent (5%) or more, you must also pay and reimburse us for all costs of the inspection, review, or audit, including without limitation all travel, lodging, dining, and wage costs and reasonable accounting and legal fees.
Renewal Fee <sup>1</sup>	None if sales goals are met; otherwise \$0.20 per capita in the Territory	Due thirty days prior to end of the then-current term	
Late Charge <sup>1,2</sup>	Interest at 25% APR or highest rate allowed by law on outstanding overdue amounts		
Service Fee <sup>1,3</sup> (Failure to Cure Default)	\$250 per day, plus expenses	Thirty days after billing	
Service Fee <sup>1,4</sup> (Incapacity or Death of Franchisee)	\$200 per day, plus expenses	Thirty days after billing	

## NOTES

- <sup>1</sup> All fees are imposed by, payable to, and collected by Signal 88 Franchise Group, Inc. All fees are non-refundable. Fees may not be uniformly imposed among franchisees. All fees will be used to fund the operations of Signal 88 Franchise Group, Inc.
- <sup>2</sup> If you fail to pay any fee to the Company when due, such amount will bear interest at the lesser of twenty-five percent (25%) per year or the highest contract rate of interest allowed by law.
- <sup>3</sup> In the event you are notified of a default under the Agreement and fail to cure such default within thirty (30) days after the receipt of such notice, you must pay a service fee of not less than Two Hundred Fifty Dollars (\$250 US) per day plus expenses to the Company for services rendered by the Company as a result of the failure to cure such default.
- <sup>4</sup> The Company may operate the Franchised Business in the event you are unable to operate the facility(s) due to illness, incapacity or death. You must pay a service fee of Two Hundred Dollars (\$200 US) per day plus all expenses incurred.

- <sup>5</sup> If you finance your purchase of the Franchised Business with the assistance of the United States Small Business Administration, you will need to sign an Addendum to the Agreement, which among other things will grant you the right to perform billing, collection, and other administrative services yourself or to hire a third party to perform such services for you.
- <sup>6</sup> If you choose to have us keep and preserve your books, records and accounts, an additional transaction-based fee may be charged beyond the 2% Administrative Fee.

## ITEM 7

### ESTIMATED INITIAL INVESTMENT

#### A. FRANCHISE AGREEMENT

#### YOUR ESTIMATED INITIAL INVESTMENT

<u>Expenditure</u>	<u>Amount</u>	<u>Method of Payment</u>	<u>To Whom Payment Is To Be Made</u>	<u>When Due</u>
Initial Franchisee Fee <sup>1</sup>	\$40,000 (minimum)	Lump Sum	Franchisor	Signing of Agreement
Licenses <sup>2</sup>	\$500-\$5,850	As Incurred	Governing Agencies	Prior to Opening
Vehicle <sup>3</sup>	\$2,100 - \$26,000	As Incurred	Franchisor and Approved Suppliers	Prior to Opening
Equipment <sup>4</sup>	\$10,000	As Incurred	Franchisor and Approved Suppliers	Prior to Opening
Transportation of vehicle <sup>5</sup>	\$300-\$1,250	As Incurred	Out of Pocket Expenses, etc.	Prior to Opening
Tax, Title, & License Fees <sup>6</sup>	\$2,000 - \$3,000	As Incurred	Governing Agencies	Prior to Opening
Insurance <sup>7</sup>	\$3,800-\$6,000	Monthly or Lump Sum	Insurance Carrier	Prior to Opening
Workers' Compensation Insurance <sup>8</sup>	\$150-\$800	Monthly	Insurance Carrier	As Incurred
Training <sup>9</sup>	\$1,000-\$2,250	As incurred	Airlines, hotels, restaurants, etc.	Prior to Opening
Wages <sup>10</sup>	\$10,000	As Incurred	Employees	For first three (3) months of operation
Local Advertising <sup>11</sup>	\$500	As Incurred	Advertisers	As Incurred
Additional Funds Operating Capital for First 90 Days of Operation (combine	\$15,000-\$30,000	As Incurred	Out of Pocket Expenses, etc.	As Needed



w/Wages) <sup>12</sup>				
Rent or Mortgage <sup>13</sup>	n/a	As Incurred	Landlord or Lender	Monthly or As required under the Lease
Deposits <sup>14</sup>	n/a	Lump Sum	Landlord and Utility Companies	Prior to Opening
Remodeling <sup>15</sup>	n/a	As Incurred	Contractors	As Incurred
Signs <sup>16</sup>	n/a	As Incurred	Franchisor and Approved Suppliers	Prior to Opening
Fixtures and Furnishings <sup>17</sup>	n/a	As Incurred	Franchisor and Approved Suppliers	As Incurred
Estimated Total Range <sup>18</sup>	\$85,350 - \$135,650			

We reserve the right to offer special incentive programs at any time in the future which may decrease any of the fees listed in this Item. Generally, these incentive programs will be conditioned upon your executing an Agreement and may only be available in specified markets which we determine in our sole discretion. We may alter or discontinue these programs at any time in our sole discretion without notice to you.

#### NOTES

- 1 FRANCHISE FEE - We generally will not finance any of your fees. We have had no past practice, or have no present practice, or any intent to sell, assign or discount to a third party any note, contract or other obligation of the franchisee or subfranchisor in whole or in part. The Franchise Fee is generally not refundable.
- 2 LICENSES - You will be required to obtain certain business licenses from specific governing agencies to operate your Franchised Business and in some states a surety bond from a surety company qualified to do business in that state. You must secure these licenses and bond prior to the opening of your Franchised Business. These fees are refundable only as provided by specific governing agencies and bonding company.
- 3 VEHICLE - We require you to lease or purchase an approved vehicle from us or our approved suppliers. If you were to finance your vehicle purchase, your initial vehicle investment for the first ninety days (not including tax, title, insurance, and fuel) would be approximately \$2,100. 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 \$26,000.
- 4 EQUIPMENT- Your approved vehicle must be properly equipped with an approved vehicle wrap, a light bar, go-light, and a mobile computer with a wireless phone card. The foregoing items will vary in price and must be purchased prior to opening. Other initial equipment you may wish to purchase includes items such as computers, computer hardware, office equipment, two-way camera, and supplies. You may purchase such items from us or any other supplier, provided that items such as letterhead and other similar items that will be visible to customers must be properly branded in accordance with the requirements in the Operations Manual. Amounts paid for equipment purchased from us

are not refundable and amounts paid for equipment purchased from other suppliers are refundable only as provided by the specific supplier.

5 TRANSPORTATION TO MOVE VEHICLE - Once your approved vehicle has been equipped with the proper equipment, it is your responsibility to have the vehicle transported to your territory by any means you deem fit.

6 TAX, TITLE, & LICENSE - Your approved vehicle will need to be taxed, titled, and licensed in the state in which your territory is located.

7 GENERAL LIABILITY AND AUTOMOBILE INSURANCE - You are required by Signal 88 and in most cases by customers to have adequate general liability and automobile insurance coverage. The cost of this insurance will vary based on total payroll in the case of general liability coverage, and the number of vehicles in the case of automobile insurance. Premiums may be paid in a lump sum annually, quarterly and sometimes monthly and are refundable only as provided by the specific insurer.

8 WORKERS' COMPENSATION INSURANCE - You are required by Signal 88 and in most cases by customers to have adequate workers' compensation insurance coverage. The cost of this insurance will vary based on applicable state law. Premiums will generally be between 1.5% and 8% of monthly payroll and will generally be paid monthly. The amount listed in the table above is based on this percentage range as applied to the estimated wage expense for the first three months of operation listed in the table above. Premiums paid for insurance are refundable only as provided by the specific insurer.

9 TRAINING - You are required to attend the Company's training program, prior to opening the Franchised Business, at a location we will determine. You are solely responsible for training expenses, which will vary based on the number of people required to be trained, distance traveled, mode of travel, time in training, choice of accommodations, food and entertainment and salaries paid by you to your employees. The initial training fee is included in the Franchise Fee. Trainees will not be compensated by the Company during training.

10 WAGES - This figure represents the average cost for wages for the first three (3) months of operation. This figure will vary depending on the number of employees hired and various local factors where your Franchised Business is located.

11 LOCAL ADVERTISING - This figure estimates the amount that you will pay for local advertising to promote the opening of your franchise. Fees for local advertising are refundable only as provided by the specific media outlet.

12 ADDITIONAL FUNDS - This estimates the amount that you will need to cover additional miscellaneous expenses, including fuel and a personal draw, for the first ninety (90) days of operation of the Signal 88 Business. These estimates are based on the data we gathered from 130 franchise launches in the Signal 88 franchise system. Additional funds are determined by examining financial figures of current franchisees for the first year of operations to cover the operating expenses through this ninety (90) day period. In the event the Franchisor's annual convention occurs during the first ninety (90) days of operation, the costs to attend the convention would be expected to be within this estimated amount. These figures are estimates, and the Company cannot guarantee that you will not exceed this dollar amount in additional expenses while starting the business. Your costs will depend on factors such as the extent to which you follow the Company's

methods and procedures; your management skills, experience and business acumen; local economic conditions; the local market for the products and services; competition; and the sales level reached during the initial period.

- 13 RENT OR MORTGAGE - You will not be required to purchase or lease office space until six months after the end of the first fiscal year in which your sales exceed \$1,000,000.00. You are required to maintain any property so purchased or leased in accordance with the requirements of the Operations Manual. Rent or mortgage payments will vary based on a number of factors, including square footage, location, condition of the space, and lease arrangements. Rent or mortgage payments are refundable only as provided by the lessor or mortgagor.
- 14 LEASE AND UTILITY DEPOSITS AND FEES - Since a physical office site ("Site") is not required until six months after the end of the first fiscal year in which your sales exceed \$1,000,000.00, you will not need to make any lease and utility deposits and fees. If you do establish an office, you may have to pay a landlord or utility companies security deposits or other fees prior to occupation of the premises or prior to the beginning of utility services. This figure will vary depending on the fees charged by the utilities and/or landlords. Lease and utility deposits and fees are refundable only as provided by the landlord and utility companies.
- 15 CONSTRUCTION/REMODELING - You are not required to incur construction or remodeling costs in the first ninety days of operation, because you are not required to operate from a Site until six months after the end of the first fiscal year in which your sales exceed \$1,000,000.00. If you do establish an office, the costs of construction and remodeling will vary depending on many factors including size of space, condition, location of the space and price difference between various suppliers and contractors. All construction materials and fixtures must be in compliance with the specifications of the Company and the landlord. The cost of the construction and remodeling will be your sole responsibility to be paid up front to the landlord or third parties prior to occupancy or it may be included in the monthly rental amount. This is an important factor for you to consider in choosing an office space. The Company may sublease or assign an existing lease to you in some instances, or you may sublease or be assigned an existing lease from a third party. These fees are refundable only as provided by the suppliers and contractors.
- 16 SIGNS - In light of note 14 above, you will not be required to purchase signs in the first ninety days of operations, as you do not need to operate from a Site until six months after the end of the first fiscal year in which your sales exceed \$1,000,000.00. If you are required to establish an office Site, you are responsible for the cost of an external sign that meets the Company's specifications. Sign costs will vary and may exceed the projected amounts based on the size of the sign, the material used, the shipping fees, and local permit contractor fees. The amounts shown reflect signs that are obtainable through currently approved suppliers. Fees for signs are refundable only as provided by the specific supplier.
- 17 FIXTURES AND FURNISHINGS - In light of note 14 above, you are not required to purchase fixtures and furnishings in the first ninety days of operations, as you do not need to operate from a Site until six months after the end of the first fiscal year in which your sales exceed \$1,000,000.00. If you are later required under the Agreement to maintain a physical office Site, you must purchase various fixtures and furnishings for your Franchised Business from the Company or approved suppliers. These items may include, but are not limited to, tables, chairs, internal signs, and a front desk for greeting clients.

Fees for fixtures and furnishings purchased from us are not refundable and fees for fixtures and furnishings purchased from suppliers are refundable only as provided by the specific supplier.

- <sup>18</sup> The table above sets forth our estimates of the minimum initial capital requirements necessary to begin operation of a single Franchised Business during the first ninety (90) days of operation in an average territory. These estimates are based on the data we gathered from 130 franchise launches in the Signal 88 franchise system. With respect to each category, you are cautioned to allow for the effects of local cost and market variations, discretionary expenditures, delays, and inflation, which can result in rapid, substantial, unforeseen and uncontrolled increases in costs.

We may offer you a financing option for your ordinary, reasonable, and necessary business expenses.

## B. DEVELOPMENT AGREEMENT

### YOUR ESTIMATED INITIAL INVESTMENT

<u>Expenditure</u> <sup>1</sup>	<u>Amount</u>	<u>Method of Payment</u>	<u>To Whom Payment Is To Be Made</u>	<u>When Due</u>
Development Fee <sup>2</sup>	\$90,000	Lump Sum	Franchisor	Signing of Agreement
Initial Investment for First Franchised Business <sup>3</sup>	\$45,350 - \$90,650	See Chart 7(A) above.		
Estimated Total Range <sup>4</sup>	\$135,350 - \$220,650			

### NOTES

- <sup>1</sup> All fees and payments are non-refundable, unless otherwise stated or permitted by the payee.
- <sup>2</sup> DEVELOPMENT FEE - We generally will not finance any of your fees. The Development Fee will vary based on the number of Franchised Businesses we grant you the right to develop as described more fully in Item 5 of this Disclosure Document. The Development Fee of \$90,000 in Chart 7(B) above assumes you will be purchasing the right to develop a total of three (3) Franchised Businesses within your Development Area. Payment of this Development Fee reserves your right to exclusively develop the Development Area over the term of the Development Schedule.
- <sup>3</sup> INITIAL INVESTMENT FOR FIRST FRANCHISED BUSINESS - This figure represents the total estimated initial investment required to open your initial Franchised Business under the Franchise Agreement you must enter into with us contemporaneously with the execution of your Development Agreement. This range includes all the estimated fees in Chart 7(A), except for the Franchise Fee because that cost is included in the Development Fee and you will not be required to pay a Franchise Fee under your initial Franchise Agreement or any other Franchise Agreement you must enter into for each of the

Franchised Businesses we grant you the right to open under your Development Agreement.

- 4 TOTAL RANGE - This total estimate in Chart 7(B) above encompasses the investment you might incur in connection with signing a Development Agreement to open three (3) Franchised Businesses, as well as the total investment to open and commence operations of your initial Franchised Business within your Development Area. It does not include any of the costs you will incur in opening any additional Franchised Businesses that you will be required to open and operate within the Development Area because these costs will not likely be incurred during the first three (3) months of operating your initial Franchised Business.

## ITEM 8

### RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

#### REQUIRED PURCHASES AND LEASES

If you purchase or lease any vehicles, computers, office equipment, furniture, fixtures, signs, supplies, forms, or other items used in your Franchised Business, the Agreement obligates you to purchase or lease those items from us, our affiliates, or our approved suppliers, with whom we do not generally negotiate purchasing arrangements for your benefit. The estimated proportion of required purchases (i.e., those made from us or our affiliates or from approved suppliers or suppliers who must meet our specifications) and leases in relation to all purchases and leases you will make in establishing the business is approximately 73%, and the proportion of required purchases and leases in relation to all purchases and leases you will make in operating the business is approximately 75%. The following is a list of the items that, if purchased, we require you to purchase either from us or approved suppliers in order to establish and/or operate your franchise. Except as disclosed below, no officer of Signal 88 has an ownership interest in any of the approved suppliers. Signal 88 derives some revenue or other material consideration from required purchases or leases by franchisees. In particular, Signal 88's total revenues in the year ending December 31, 2013 were \$27,312,105; its revenues in 2013 from franchisee purchases or leases of products and services were \$558,637, which constitute approximately 2.04% of Signal 88's total revenues.

1. Vehicles. We require you to purchase a minimum of one vehicle. Any vehicle purchases you make are subject to the requirements of the Company as to make, model, color, decals, and other specifications, as established by the Company from time to time. We derive revenue from vehicles purchased or leased by Franchisees. In particular, we receive a payment from our vehicle supplier for each vehicle purchased relating to our installation of equipment on the vehicle. This payment constitutes about 25-29% of the total vehicle cost.

2. Equipment. We require you to purchase or lease from us or our approved suppliers a computer system and associated equipment that meet the specifications and configurations established by the Company and have the capability of running our Inteliguide, Patrolguide, and Salesguide systems and networking with the Company's System. We receive revenue from equipment sold or leased directly to Franchisees, but our approved suppliers generally do not pay us a rebate on franchisee purchases and leases of equipment.

3. Signs, Uniforms, Forms, Other Supplies and Background Checks. If you purchase background checks or any signs, uniforms, forms, or other items bearing the Marks,

you must do so from us or our approved suppliers, in accordance with the specifications we establish. We derive revenue from items purchased directly from us, but our approved suppliers generally do not pay us a rebate on franchisee purchases.

4. **Software and Internet Hosting.** You are required to use Inteliguide, Patrolguide, and other software designated by us and to use Internet hosting services of our affiliate, Lyconic, in the operation of the Franchised Business. Mr. Degan owns a 51% interest in Lyconic. You will pay for your use of such software and Internet hosting services by means of the monthly Technology Fee you pay directly to us.

5. **Office Construction/Lease.** You will be required to purchase or lease office space and begin operating from the Site six months after the end of the first fiscal year in which your sales exceed \$1,000,000.00. You will be responsible for all actual construction and leasing costs and any improvements we may require. All construction and remodeling plans for the Site must be approved by us in writing. You may not install or permit others to install, without our prior written consent, any fixtures, furnishings, signs, equipment, or other improvements that we have not previously approved.

6. **Business Insurance.** You must purchase and maintain, at your expense, adequate insurance coverage which meets the specifications outlined in your Agreement from an approved supplier. We estimate that the cost of business insurance to be between \$1,000 and \$10,000 per year. The insurance policy or policies must name us as an additional insured and must contain waivers of subrogation that are in our favor and are reasonably approved by us. Your insurance policy or policies must be written by an insurance company that has been approved by us, in writing, and must include the following minimum requirements: Comprehensive general liability insurance, including product liability, contractual liability, personal injury, professional liability, property damage, and independent contractor's coverage and auto hired and non-owned vehicles of at least \$1,000,000 per occurrence and \$3,000,000 aggregate; automobile liability insurance of at least \$1,000,000 combined single limit; worker's compensation insurance that an applicable state may require; employer's liability insurance with limits of \$500,000 per occurrence, \$500,000 per employee, and \$500,000 policy limit. Your obligation to obtain and maintain these insurance policies will not be affected by any insurance which we may obtain for Signal 88 Franchise Group, Inc., or its affiliates. Developers must maintain insurance as required under their individual franchise agreements for Franchised Businesses to be open within the Development Area.

After you obtain the required insurance, and on each policy renewal date, you must promptly give us proof of such insurance and provide us with proof of payment and copies of all policies and policy amendments. You must also provide us with proof of coverage no less than once per year. The evidence of insurance must include a statement by the insurer that the policy or policies will not be canceled or materially altered without at least thirty (30) days' prior written notice to us. If, for any reason, you fail to procure or maintain the insurance required, we will have the right and authority (but not the obligation) immediately to procure insurance and to charge you with the full cost of that insurance and up to \$250 for our reasonable expenses in acquiring the policy or policies. You must pay this amount immediately after we request it. Failure to procure and maintain the required insurance in a timely manner is a default under your Agreement.

We have the right to increase or otherwise modify the minimum insurance requirements. We will provide you with prior written notice of the modification, and you must comply with any modification within the time specified in the notice. We will receive no rebates or payments relating to insurance coverage.

## APPROVAL OF ALTERNATE SUPPLIERS

You must purchase or lease all equipment, inventory, fixtures, signs, and other products and materials required for the operation of the Franchised Business from suppliers (including distributors, manufacturers, and other sources) who demonstrate to our continuing reasonable satisfaction, the ability to meet our standards and specifications for such items, who possess adequate quality control and capacity to meet your needs promptly and reliably, and who have been approved in writing by us and not disapproved thereafter. There exist no purchasing or distribution cooperatives. We do not generally negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees. We do not provide material benefits to a franchisee based on a franchisee's purchase of particular products or services or use of particular suppliers. If you desire to purchase any items from an unapproved supplier, you must submit to us a written request for approval. Our approval will not be unreasonably withheld, but may be dependent upon our representatives personally inspecting the supplier's facilities and receiving samples of the product in question. We will notify you of our decision within thirty (30) days after your request for approval of a supplier. We may impose charges for testing or inspecting the products and for evaluating the suitability of a potential supplier. Our criteria for approving suppliers will not be available to franchisees. We reserve the right to revoke our approval of the supplier at any time if the supplier fails to meet our standards and specifications. We will notify you in writing if we revoke our approval of any supplier.

## ISSUANCE OF MODIFICATION OF SPECIFICATIONS

To insure that you maintain the highest degree of quality and service, you must strictly conform to our current or later prescribed methods, standards, and specifications. Our methods, standards, and specifications may be found in the confidential Operations Manual, which we may modify from time to time, or other writings we issue. You must maintain a sufficient supply of, and use at all times, only those vehicles, computers, associated hardware and other equipment, furniture, signs, fixtures, supplies, forms, and other items that conform to our written standards and specifications, and you must refrain from using non-conforming items or selling non-conforming services without our prior written consent.

## 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.

	<u>OBLIGATION</u>	<u>SECTION IN FRANCHISE AGREEMENT</u>	<u>SECTION IN DEVELOPMENT AGREEMENT</u>	<u>ITEM IN DISCLOSURE DOCUMENT</u>
a.	Business Location selection and acquisition/lease	Agreement §§ 1, 6, Exhibit C	1 and Exhibit A	Item 12
b.	Pre-opening purchase/leases	Agreement §§ 1, 6, Exhibit C	Not Applicable.	Item 6,7,8,9,10,11,12
c.	Business Location	Agreement §§ 6, 10	1 and Exhibit A	Item 5

	development and other pre-opening requirements			
d.	Initial and ongoing training	Agreement §§ 3, 6, 14	Not Applicable.	Item 11
e.	Opening	Agreement §§ 6, 10	5	Item 1
f.	Fees	Agreement §§ 3, 4, 5, 6	2	Items 5, 6
g.	Compliance with standards and policies / operating manual	Agreement §§ 4, 6	Not Applicable.	Item 8 & 14
h.	Trademarks and proprietary information	Agreement §§ 1, 3, 6, 11, 13, 16, Exhibit A	Not Applicable.	Items 13, 14
i.	Restrictions on products/services offered	Agreement § 6	Not Applicable.	Items 8, 16
j.	Warranty and customer service requirements	Agreement § 6	Not Applicable.	Not Applicable
k.	Territorial development and sales quotas	Agreement § 6	1 and 5	Not Applicable
l.	Ongoing product/service purchases	Agreement § 6	Not Applicable.	Item 8
m.	Maintenance, appearance and remodeling requirements	Agreement § 6	Not Applicable.	Item 1
n.	Insurance	Agreement § 10	Not Applicable.	Item 7
o.	Advertising	Agreement §§ 4, 5, 6, 11, 13	Not Applicable.	Items 9
p.	Indemnification	Agreement §§ 6, 7	Not Applicable.	Not Applicable
q.	Owner's participation/management/staffing	Agreement §§ 3, 6	Not Applicable.	Item 1
r.	Records and reports	Agreement § 6	Not Applicable.	Item 8
s.	Inspections and audits	Agreement § 6	Not Applicable.	Items 8
t.	Transfer	Agreement §§ 5, 14	8	Item 17
u.	Renewal	Agreement §§ 4, 5	Not Applicable.	Item 17
v.	Post-termination obligations	Agreement § 13	Not Applicable.	Item 17
w.	Non-competition covenants	Agreement § 17	Not Applicable.	Item 17
x.	Dispute resolution	Agreement § 19	12-15	Item 17
y.	Other: Guaranty, <sup>1</sup> Security	Agreement Exhibits		Item 15



	Agreement, <sup>2</sup> Confidentiality and Non-Competition Agreement; Telephone Assignment, Domain Name Assignment, Financing Agreement	D, G, I, J, K, L		
<p>Note 1: Each individual who owns an interest in a franchisee that is a corporation or other business entity must sign an agreement not to compete (Exhibit I to the Franchise Agreement) and an agreement assuming and agreeing to discharge all obligations of the “franchisee” under the Agreement (Exhibit D to the Franchise Agreement).</p> <p>Note 2: Each franchisee must sign a Security Agreement, granting us a first-priority security interest in all of the franchisee’s assets. (Exhibit G to the Franchise Agreement).</p>				

**ITEM 10**

**FINANCING**

We offer you financing for your ordinary, reasonable, and necessary business expenses once you begin operating your Franchised Business. We may also, from time to time, and at your request, assist you in obtaining financing from a third-party for all or part of your investment; however, we will not guarantee all or any part of your note, lease or obligations and we will not receive any revenue from your placement of financing. Other than the financing described in this Item 10, we do not offer you any financing.

**[See table.]**

### Item 10: Summary of Financing Offered

Item Financed	Source of Financing	Down Payment	Amount Financed	Term	Interest Rate	Monthly Payment	Prepay Penalty	Security Required	Liability on Default	Loss of Legal Right on Default
Ordinary, reasonable, and necessary expenses of the Franchised Business	Signal 88 Franchise Group, Inc.	None	Up to 50% of uncollected Gross Revenue (defined in Agreement) that is less than 60 days past due	60 days after the date of the advance	5.5% per annum	None	None	Security interest in substantially all assets; all obligations guaranteed by Franchisee's principals	Accelerated obligation to pay entire amount of debt; default interest rate of 18% or highest legal rate; collection costs, including attorney's fees and court costs; termination of franchise; repossession of assets	Borrower waives protest, presentment for payment, demand for payment, notice of nonpayment, notice of dishonor, and protest of dishonor; consents to and waives notice of any extension, renewal, or modification of this note or any installment of principal; and waives his right to trial by jury.

**Notes:**

1. You may apply to us for a loan, subject to the terms of the applicable agreements (see Exhibit G), for the purpose of funding your ordinary, reasonable, and necessary business expenses, provided that you meet our credit qualifications at the time of the initial loan and at the time of each advance, and further provided that we will not make an advance if the sum of the outstanding balance of your loan and the requested advance exceeds fifty percent of the uncollected Gross Revenue (as defined in the Agreement) that is less than sixty days past due. Advances under this loan shall be paid in full within sixty days after the date of the advance. Interest on this loan accrues at a rate of 5.5% per annum. We require that your obligations be secured by all your assets. Your obligations must be guaranteed by your principals. The amounts due may be prepaid without penalty at any time. If you do not pay on time, we can call the loan and demand immediate payment of the full outstanding balance and obtain court costs and attorney's fees if a collection action is necessary. If you do not make your payments on time, you also will be in breach of your Agreement and may have your franchise terminated. (Franchise Agreement, Section 12.1(b).) You waive your right to protest, presentment for payment, demand for payment, notice of nonpayment, notice of dishonor, and protest of dishonor; consent to and waive notice of any extension, renewal, or modification of this note or any installment of principal; and waive your right to trial by jury (Promissory Note.) We do not discount and sell notes to third parties. Other than the interest you will pay to us as disclosed in the Note, neither we nor our affiliates will receive any consideration for placing financing with a lender. Neither we nor our affiliates will guarantee your obligations to any lender.

2. We have no past or present practice of selling, assigning, or discounting to a third party, wholly or partly, any note, contract, or other obligation of franchisees, nor any intent to sell, assign, or discount to a third party, wholly or partly, a note, contract, or other obligation franchisees owe us.

## ITEM 11

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

**Except as listed below, Signal 88 Franchise Group, Inc. is not required to provide you with any assistance.**

#### OBLIGATIONS WE MUST MEET PRIOR TO OPENING

Before you open your Franchised Business, we will:

- (1) Designate your protected territory, if any (Agreement - Section 2);
- (2) Grant you access to the System (Agreement - Section 2);
- (3) Grant you a license for use of our trademarks and trade names (Agreement—Section 2);
- (4) Grant you a license for use of our Promotional Materials and other indicia of the Franchised Business owned or licensed by us (Agreement—Sections 2, 5);
- (5) Train you and/or no more than two designated managers in our franchise training program. (Agreement - Sections 3, 6, 14);
- (6) Provide you one physical copy of (on loan), or electronic access to, our confidential Operations Manual (Agreement - Section 1), containing mandatory and suggested specifications, standards and procedures, and approved suppliers which we may modify from time to time, thus altering your status and rights under the Agreement (Note: The table of contents of the confidential Operations Manual is in Exhibit C.); and
- (7) Cooperate in the registration of the Name as a trade name in your state, if required by your state (Agreement - Section 6).

#### OBLIGATIONS WE MUST MEET WHILE YOU OPERATE YOUR FRANCHISE

During the operation of your Franchised Business, we will do the following:

- (1) Make available to you standard specifications for fixtures, furnishings and signs necessary to operate a typical franchised business (Agreement - Section 1);
- (2) Provide billing services to you and assist you in collection (Agreement - Section 5);
- (3) Make available additional training programs and refresher courses that we decide are appropriate (Agreement - Sections 3, 6, 14);

(4) Review advertising that you have submitted to us (Agreement - Section 6); and

(5) Review all proposed leases, subleases, amendments, renewals, extensions or modifications to a lease or sublease for any leased premises, only if you are required by the Agreement to establish a physical office Business Location (Note: We have no obligation to assist you in locating a Business Location and negotiating the purchase or lease of the Business Location) (Agreement - Section 6).

In addition, our policy is that, although we are not required to do so, we will generally provide you continuing advisory support to assist you in operating the Franchised Business, including providing periodic advice and materials on new sales and marketing developments, operational techniques and problems, bulletins regarding the System, and hiring and training of employees.

You generally shall establish prices for the Services you provide to customers in operation of the Franchised Business, provided that to the extent permitted by applicable law, we will have the right to establish maximum prices for any Services we have approved.

Except as stated in this Item 11, we are not required by the Agreement to provide aid or assistance to you in training, obtaining locations for conducting business, or in marketing our product or service.

Please note that some of the services we provide you may be performed by an independent area representative with whom we have contracted, depending on the state where your Territory is to be located.

## ADVERTISING

Although we are not required by the Agreement to conduct any advertising, for regional and national media coverage, we direct all advertising, promotional and marketing programs and make all decisions regarding concepts, materials and media. We create and conduct print advertising campaigns as well as radio and television campaigns, if we deem them appropriate. We create and distribute the materials you will use for advertising and reserve the right to employ advertising agencies and consultants.

You may advertise locally in your Territory, provided you obtain our prior approval in writing of any advertising or marketing materials and activities that you use, create, or conduct. We may approve or deny your request for approval for any or no reason, in our sole discretion. You must use only advertising or marketing material prepared by us, or materials which have been approved by us if we have not prepared them. We reserve the right to revoke our approval of any advertising at any time without prior notice.

The Agreement specifically requires that, at your own expense, you shall permanently display at your Business Location, if applicable, and on all vehicles you use in the operation of the Franchised Business, signs as we designate in the Operations Manual or otherwise approve in writing. The Agreement also requires that you maintain at all times during the term of the Agreement, advertisements, previously approved by us, in local telephone directories.

You and our other franchisees are required to pay a non-refundable Franchise Growth Support Fee in an amount equal to two percent 2% of your monthly Gross Revenue. Other franchisees may be required to make a contribution equal to a different percentage of their monthly Gross Revenue. The Franchise Growth Support Fee is used in part to meet all costs of

maintaining, administering, directing, preparing and reviewing advertising materials and programs, and all promotional materials and activities, including, but not limited to covering expenses for trade shows, area representatives, travel for sales personnel, telephone charges for calls soliciting customer contracts, national membership fees, newsletters, national public-relations firm fees, the annual Company convention and other programs supporting franchise sales, but may also be used to meet any of our other business expenses. This fee is in addition to and exclusive of any sums that you may be required to spend on local advertising and promotion.

We have sole and absolute discretion to determine the amount and nature of expenditures from the Franchise Growth Support Fees, including the type of media used for advertisements and the markets in which to make such expenditures, if any. The type of media used may include internet, magazine, newspaper, television, or direct-mailing advertisements. We maintain the exclusive right to decide whether and in what proportions such funds will be allocated to advertising, research, marketing, public relations, sales promotions or other areas, and to select materials, programs, media and agencies we deem appropriate. We may use the advertising materials and programs we develop locally, regionally, or nationally, in our discretion. We are not required to spend a certain amount on advertising in any particular area located near your Franchised Business, nor to make any expenditure for any franchisee in proportion to its Franchise Growth Support Fee, nor to ensure that any franchisee benefits directly or pro rata from expenditures on advertising. We will not prepare an unaudited report of advertising operations and expenditures. You may obtain an unaudited accounting of how the Franchise Growth Support Fees were spent during the last fiscal year by providing a written request to us. The advertising programs we develop will likely be developed by in-house personnel in conjunction with outside advertising agencies.

The Franchise Growth Support Fees do not constitute an advertising fund and will not be accounted for separately from other funds of the Company. Consequently, any franchisor-owned outlets will not pay Franchise Growth Support Fees. If Franchise Growth Support Fees collected from franchisees are not spent during the fiscal year in which they accrue, we may use those amounts for any purpose we deem appropriate in the general operation of our business. The percentage of advertising funds, if any, the Company uses to solicit new franchise sales is no more than one percent (1%). The Company has no obligation to you to account for its administration of or expenditures of the Franchise Growth Support Fees. No advertising fund existed during the most recently concluded fiscal year.

There is no advertising council of franchisees that advises us on advertising policy. You have no obligation to participate in any local or regional advertising cooperative or other advertising fund.

#### REQUIRED PURCHASE OR USE OF COMPUTER SYSTEM

You will be required to purchase or lease a computer system and associated equipment, consisting of a laptop computer to be installed in your required vehicle. It must have the capability of (1) running Inteliguide (i.e., our information management software for administration, personnel, and client information), Patrolguide (our patrol routing software), and SalesGuide (our sales software) systems and (2) networking with the Company's System. This computer system must also have a 486/66-MHz processor or higher and have a Microsoft windows operating system. The data stored on the computer system will include customer data, sales data, and other security patrol information. The cost of such a computer system is estimated to be \$4,900, if the equipment is purchased, which is included in the range of equipment prices listed in Item 7 above. You will be responsible for ongoing maintenance,

repairs, upgrades, and updates of such equipment, which we estimate to cost \$100 per year. There are no contractual limitations on the frequency or cost of this obligation.

The Company will have independent access to your records regarding sales, operations and expenses stored on the required computer system and associated equipment. There is no contractual limit on our right to access these records.

## INTERNET

You must have and maintain adequate hardware and software in order to access the Internet at the bit speed we require from time to time. You are prohibited, however, from establishing any website or other presence on the Internet, except as provided in your Agreement.

The only domain names and Sites that you may use relating to the Franchised Business are those assigned or approved by us in writing. You must also obtain our prior written approval concerning: (a) the listing of any Marks on any third-party Site ("Marked Sites"); (b) any proposed links between Marked Sites and any other Site ("Linked Sites"); and (c) any proposed modifications to Marked Sites and Linked Sites. We reserve the right to withhold approval, to withdraw any prior approval, and to modify any requirements. You may not, without a valid license or other legal right, post on Marked Sites any material in which any third party has any direct or indirect ownership interest (including, but not limited to video clips, photographs, sound bites, copyrighted text, trademarks or service marks, or any other text or image in which any third party may claim an interest). You must incorporate on Marked Sites any information required by us in the manner we deem necessary to protect the Marks.

Except as approved in advance in writing by us, you may not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the Franchised Business, including any profile on Facebook, MySpace, Twitter, LinkedIn, Plaxo, YouTube or any other social media and/or networking site. If such approval is granted by us, you must: (i) establish and operate such Internet site in accordance with System standards and any other policies we designate, including but not limited to our Internet privacy policies; and (ii) utilize any templates that we provide to create and/or modify such site(s). We shall have the right to modify the provisions of the Agreement relating to Internet websites as we deem necessary or appropriate in the best interest of the System.

## TABLE OF CONTENTS OF THE OPERATIONS MANUAL

The table of contents of the current version of the confidential Operations Manual is attached as Exhibit C. The total number of pages in the manual as of this date is 137. This Manual is used for all franchises.

## BUSINESS LOCATION SELECTION

You will be responsible for securing any Site that might be required under the Agreement; however, you are not required to open a Site until six months after your first fiscal year in which your revenues exceed \$1,000,000.00. We have no obligation to assist you in, and you are solely responsible for, obtaining any financing necessary to open a Site. The terms of financing will be such as your lender may require. You are not required to open a Site in connection with your execution of the Agreement. We do not have a binding obligation for the procurement of any site. Your use of any particular site will not entitle you to become affiliated

with any existing enterprise. Your use of a site may create an obligation for you to the owner or landlord of the site, but we will not have any obligation to such an owner or landlord or any other third party.

In selecting a Business Location for a physical office, you must ensure that the lease includes certain clauses giving us the right to enter the premises to protect the Marks; a collateral assignment of the lease, a right to receive notice of and to cure any default under the lease; the right to act as prime lessee; a right, in the event that we exercise our rights under the collateral assignment, to acquire all fixtures, equipment and other leasehold improvements that were on the Business Location at fair market value; and a right to sublease or assign the lease. The lease must also be for a term that, with renewal options exercisable by the Franchisee, is not less than the Franchise Term of the Agreement. We strongly suggest and recommend that you explain and fully disclose to any prospective landlord that all lease commitments are subject to our prior approval.

Once the lease terms have been negotiated, we will review the final version of the negotiated lease terms for our approval, and although the Agreement does not specify a time period for notifying you of our approval or disapproval, we will notify you within 30 days of receipt of all of the required materials. If we approve the lease terms, you may request a lease that incorporates the required clauses described previously. When you have concluded your lease negotiations with the landlord, you may submit the written lease to us for final approval. Approval of the lease is dependent on whether the required lease clauses are present. If the required clauses are not present, we will inform you, and you must either re-negotiate with the landlord or select an alternative location.

All costs associated with purchase, lease, and/or construction of your office are your responsibility. We strongly encourage and recommend that you retain legal counsel to assist you in directly leasing/purchasing a Business Location. We also suggest that you submit the lease or your purchase agreement to your attorney for review before you sign the same. All costs associated with the lease negotiations, legal fees, accounting fees, lease review, and Business Location construction are your sole responsibility. If the landlord will not accept a lease based solely on your signature, you must procure an alternate Business Location; we will not guarantee the lease on your behalf. Furthermore, we cannot predict, represent, or warrant success, suitability, or income levels for any location.

*If you are required under the Agreement to procure office space and you fail to purchase land or sign a lease for an office within the time allowed by the Agreement (including situations where you and we do not agree on a site), you will be in default under the Agreement.*

#### LENGTH OF TIME BETWEEN SIGNING OF AGREEMENT AND OPENING

You must begin operating the Franchised Business and servicing customer contracts (the "Opening") within one hundred eighty (180) days after the effective date of your Agreement (the "Opening Period"). Typically, after you sign the Agreement it will take approximately thirty (30) days for your Franchised Business to be ready to begin operations. However, the time required to open a new business may vary depending upon factors beyond our control, such as shortages, delayed installation of equipment, your ability to secure financing, and the timing of your completion of the required training program. If you, by your actions or words, evidence an intention to abandon the potential franchise, we have the option to terminate the franchise.

## TRAINING PROGRAM

You and the manager(s) of the Franchised Business must successfully complete our initial training program to our satisfaction before Opening, and you must ensure that all employees charged with the performance of Services for customers complete the training required by the Operations Manual, in order to be eligible to open your Franchised Business. The Operations Manual contains the primary instruction material for training, in addition to other relevant materials which we will provide during training.

After execution of the Agreement, but before you may open your Franchised Business, we will provide you and no more than two other managers one (1) initial training course, the cost of which is included in the Franchise Fee. This training program consists of classes conducted over the telephone, online or at your location. Training classes are offered as needed. This training will cover basic aspects of establishing and operating a Franchised Business, including all phases of selling, marketing, performance, pricing, customer service issues, employee training and relations, accounting, cash management, budgeting, forms, purchasing, job functions and maintenance of quality standards.

The duration of this training will depend upon your experience, aptitude and progress. The initial training is anticipated to last for five to seven (5-7) days or until we feel you are fully competent to operate an independent Franchised Business. We may terminate the Agreement if we feel that you are not competent to operate an independent Franchised Business. The following is an outline of the training you will receive:

## TRAINING PROGRAM

Subjects	Hours of Classroom Training	Hours of Virtual Classroom Training	Number of E-Learning Modules	Hours of In-Market Training	Location
Business Model	3.75 hours	3.5 hours	3		Omaha/Virtual Classroom/E-Learning
Business Operations	7.5 hours	2.5 hours			Omaha/Online
Business Standards	7 hours		2		Omaha/Virtual Online/E-learning
Leadership	3.75 hours	7.5 hours			Omaha/Virtual Classroom/E-Learning
Operations Management Training		7.5 hours	5	4 hours	Virtual Classroom/E-Learning
Human Resources		2.5 hours	3		Virtual Classroom/E-Learning
Sales Training	14 hours		2	7.5 hours	Omaha/Online/In-market
Sales Management Training	7 hours			3.5 hours	Omaha/Online/In-market



Field Training	2 hours				Determined by Location
<b>Total Hours</b>	45 hours	23.5 hours	15	15 hours	

The cost of the initial training (Franchise Owner Training) is included in the Franchise Fee. The required initial training (Franchise Owner Training) will consist of seven days of in-person classroom training sessions, four virtual classroom training sessions and fifteen self-directed E-learning modules. You are responsible for all travel, entertainment, lodging, living expenses and compensation incurred for you or any of your staff or employees while attending any training program. Training will be conducted under the supervision of 88University in coordination with highly qualified Subject Matter Experts in the areas of operations, administration, sales, and accounting. The instructor for technology and administration will be Laura Vodvarka, who has five years' experience in working with Signal 88 software, nine years' experience working in business administration, and who has been with Signal 88 for six years. The instructor for sales training will be Josh Minturn, who has eleven years' experience in sales and has been with Signal 88 for five years, or Tyler Hughes, who has seven years' experience in sales and has been with Signal 88 since 2011. The instructor for operations training will be Dan Cisar, who has twenty-nine years' experience with the police and/or private security, and who has been with Signal 88 since 2011. The instructor for accounting training will be Mary Groff, who has twenty-four years' experience in accounting, is a Certified Public Accountant and has been with Signal 88 since 2014. The instructor for e-learning is Tony Clair who has been with Signal 88 since 2013.

We may also offer additional mandatory, field, operational, refresher, advanced or other training programs of seminars from time to time, addressing common problems you experience or addressing new services or techniques to be utilized by the Franchised Business. We may establish reasonable fees for attendance to such events. Such seminars and training programs may discuss sales techniques, personnel training, bookkeeping and accounting, performance standards, advertising programs and merchandising procedures. As with the initial training course, the franchisee is responsible for all travel, lodging living expenses and compensation for you and your manager and/or employees incurred while attending any training program. If additional training is done in your Territory, we reserve the right to charge you for our travel expenses.

#### OBLIGATIONS AND ASSISTANCE UNDER THE DEVELOPMENT AGREEMENT

Our obligations regarding site selection assistance, training, computer hardware and software selections, and advertising for additional Franchised Businesses developed under a Development Agreement will be governed by the form of single-unit franchise agreement you sign for each additional Franchised Business.

## ITEM 12

### TERRITORY

#### DESCRIPTION OF THE TERRITORY

##### 1. Determination of Territory

In the Agreement, we grant you the right to operate a Signal 88 Security business in a defined territory or territories (referred to in this Disclosure Document as your "Territory" or "Territories"). A Territory is an area having a population of approximately 100,000 people, depending on the geography and local demographics of the area. Except as provided in this Item 12, you will receive one or more protected Territories, which will be defined by ZIP codes, county lines, or city limits and will be stated in Exhibit B to the Franchise Agreement. We reserve the right to reduce or alter your Territory or Territories upon renewal of the franchise. If you are granted a Territory or Territories, we will not locate another franchised or company-owned Signal 88 Security business within your Territory.

Despite our grant of an exclusive Territory, we reserve the right to promote and solicit, and to enter into arrangements with contractors to promote and solicit contracts for accounts that may involve furnishing Services within your Territory. You shall have a right of first refusal to perform any Services relating to such accounts within the Territory. However, should you fail to accept any request to perform such Services within a time period specified by us, we may perform or enter into arrangements with contractors to perform such Services and may locate employees or contractors within your Territory for these purposes, without any further obligation to you relating to such accounts.

You may not use the Marks, the System, the Promotional Materials or any other indicia of the Franchised Business owned or licensed by us, and you may not perform any Services in any other jurisdiction or geographical area other than the Territory, without first requesting permission in writing and obtaining written permission from us to do so. In the event we grant you the privilege to perform Services in a jurisdiction or geographic area other than your Territory, we may revoke such privilege at any time for any reason, in our sole discretion, and without any compensation to you.

##### 2. Right of First Refusal

You do not have a right of first refusal or any other right to acquire additional franchises.

##### 3. Continuation of Territory

Our willingness to continue your Territory (as described above) under the Agreement depends on whether you achieve certain sales volumes of \$150,000 in the Territory in the first year after the opening, \$225,000 in the Territory the second year, and \$300,000 in the Territory the third year. Should you at any time fail to meet these volumes, we will have the right to alter or eliminate your Territory in accordance with the terms of the Agreement.

#### RESTRICTIONS UPON SOLICITATION OR ACCEPTANCE OF ORDERS

We do not place restrictions upon any orders or contracts you solicit inside your Territory as long as the solicitation meets the criteria outlined in Section 6 of your Agreement and does not otherwise violate the Agreement. All customer contracts, however, must be signed by

Signal 88, not you, regardless of who initiated the sale with the customer. Moreover, you may not solicit orders from customers outside your Territory. In addition, we reserve the right to solicit or accept orders and contracts for services from customers with locations inside your Territory, including by means of the Internet and other alternative means of solicitation, provided that you will be afforded the first opportunity to provide Services as to any customer locations within your Territory. If you should fail to provide Services to such customers, we may use alternative means for providing them with Services, including by having other franchisees or contractors do so. We do not have to pay you any compensation for soliciting or accepting orders from inside your Territory.

#### RELOCATION OF YOUR FRANCHISE

Your right to relocate your Franchised Business is restricted. You may operate your Franchised Business only at a location within your Territory that meets the requirements established by the Company. You may relocate your office, provided that the location to which you move meets all of the requirements established by the Company for a franchisee's physical office. Any relocation will be at your sole expense, including any costs incurred by the Company, and a reasonable fee for the Company's services relating to any relocation of your Franchised Business.

#### ACQUISITION OF ADDITIONAL FRANCHISES

You have no right to acquire additional franchises. However, if you are an existing franchisee in good standing with us and our affiliates, you may apply for additional franchises, and we may award or not award you with such additional franchises in our sole discretion. If you are awarded an additional franchise, you must sign the franchise agreement then being offered to prospective franchisees, which may include a general release, as well as terms that are materially different from those in the Agreement.

#### DEVELOPMENT AGREEMENT

If you enter into a Development Agreement, you will obtain the right to own and operate a specified number of Franchised Businesses in the Development Area which you must open in accordance with the Development Schedule. Each Development Agreement will grant the right and obligation and to open three (3) or five (5) Franchised Businesses. The size of the Development Area will vary depending upon the number of Franchised Businesses we grant you the right and obligation to open and operate under your Development Agreement, as well as the population and demographics, including whether the Development Area is primarily urban or suburban. Provided you comply with the terms of the Development Agreement, and any Franchise Agreements signed for Franchised Businesses within the Development Area, we will not locate another Franchised Business operating under the Marks, whether franchised or company-owned, in your Development Area.

You must comply with your development obligations in order to maintain your Development Area exclusivity. In the event that you fail to meet your development obligations and the Development Agreement is terminated, you will retain your rights to any individual Franchised Businesses you timely opened during the term of the Development Agreement. This includes the territorial rights in the Franchise Agreement for those timely-opened Franchised Businesses, provided that the Development Agreement was not terminated as a result of your failure to comply with the terms of your existing Franchise Agreement(s). Your rights to any Franchised Businesses for which there is no Franchise Agreement and your exclusivity in the Development Area will terminate immediately upon termination of the Development Agreement.

Thereafter, we will have the right to develop the Development Area on our own or through third parties.

#### COMPANY-OWNED BUSINESSES USING OUR TRADEMARKS

Our trademarks include any names, registered trademarks, logos and other commercial symbols used to identify Signal 88 Security.

We retain the rights, among others, at our discretion and without granting you any additional rights: (i) to use, and to license others to use, the System and Marks to operate a Signal 88 Security franchise or any other business at any location outside the Territory; (ii) to sell, directly or indirectly, any services under any other Marks to businesses or individual consumers located within or outside the Territory, provided that you will be afforded the first opportunity to provide services for customer locations within your Territory.


Neither we nor our affiliates currently plan to establish other franchises or company-owned businesses that sell or distribute similar services under a different trade name or trademark, but we nevertheless reserve the right to do so at any time in the future. We therefore cannot at this time identify the type of similar goods or services, the different trademark, whether outlets will be franchisor-owned or operated, whether franchisor or its franchisees who use the different trademark will solicit or accept orders within the franchisee's territory, the timetable for the plan, how the franchisor will resolve conflicts between the franchisor and franchisees and between the franchisees of each system regarding territory, customers, and franchisor support, or the principal business address of the franchisor's similar operating business.


#### ITEM 13

#### TRADEMARKS

The Company grants you the right to operate a security services business under the name and mark, SIGNAL 88 SECURITY<sup>®</sup>. You may also use the other current or future Marks we own or license to operate your Franchised Business.

We have acquired the trademark SIGNAL 88 SECURITY<sup>®</sup> from the previous owner, and have the right to grant licenses of the trademark to franchisees. We have federally registered the 88UNIVERSITY<sup>®</sup> logo mark, the 88 UNIVERSITY<sup>®</sup> word mark, and the SECURITY RE-ENGINEERED<sup>®</sup> word mark on the Principal Register of the United States Patent and Trademark Office ("USPTO"). Use of the 88 University<sup>®</sup> logo and word mark, however, is specific to our training services and is not licensed to you. We have filed all required affidavits and renewals for the Marks. The trademarks listed in the chart below have been registered on the Principal Register of the USPTO.

<u>MARK</u>	<u>APPLICATION NUMBER</u>	<u>REGISTRATION DATE</u>	<u>REGISTRATION NUMBER</u>
	76/634,802 85/678,038	9/5/2006 3/19/2013	3,137,643 4,304,874
SIGNAL 88 SECURITY	76/634,803 85/678,052	9/5/2006 3/19/2013	3,137,644 4,304,875

	85/671,776	2/19/2013	4,292,287
88 UNIVERSITY	85/671,753	3/19/2013	4,304,681
SECURITY RE-ENGINEERED	85/686,476	3/19/2013	4,305,085

We do not have federal registrations for INTELIGUIDE, PATROLGUIDE, or SALESGUIDE, which are the trademarks that identify software that we use, or PLANNING. PREVENTION. PROTECTION., which is another trademark that we use. We also have not filed any trademark applications for INTELIGUIDE, PATROLGUIDE, SALESGUIDE, or PLANNING. PREVENTION. PROTECTION. Therefore, these trademarks do not have many legal benefits and rights as a federally registered trademark. If our right to use a trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

There exist no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court regarding the Marks. There also are no pending infringement, opposition, or cancellation proceedings regarding the Marks. There also is no pending material federal or state court litigation regarding our use or ownership rights in the Marks. No effective agreements significantly limit our rights to use or license the trademarks listed in this section in a manner material to us.

#### PROTECTIONS OF RIGHTS

We are not obligated by the Agreement, or otherwise, to protect any rights we have granted you in the Marks, or to protect you against claims of infringement or unfair competition which are based on your use of Marks. However, in the Agreement, we represent that we may, in our sole discretion, prosecute or defend any action involving the Marks, the System, the Promotional Materials, or the Software. If we, in our sole discretion, determine that you have used the Marks in accordance with the Agreement, we will pay the cost of defending the action, including the cost of any judgment or settlement.

If we, in our sole discretion, determine that you have not used the Marks in accordance with the Agreement, you will be required to pay for the defense or to reimburse us for costs we incur in providing the defense, including the cost of any judgment or settlement. In the event of any litigation relating to your use of the Marks, you are required to sign all documents and assist us, as we deem necessary, to carry out the defense or prosecution including, without limitation, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Marks in a manner inconsistent with the terms of the Agreement, we will reimburse you for your out-of-pocket costs in performing such acts.

You acknowledge and agree by executing the Agreement that we are not required to defend or prosecute any action involving the Marks, or the intellectual property rights in the System, the Promotional Materials, or the Software. The Agreement requires that you sign all documents which we or our counsel request for the purpose of obtaining protection for the Marks or maintaining their continued validity and enforceability. We have the right to control, should we decide to do so in our sole discretion, any proceedings or litigation involving the Marks, and you agree that the rights and remedies in Section 11.6 of the Agreement constitute your exclusive remedy for any claim alleging that (I) any third party has infringed the Marks, or any intellectual property rights in the System, Promotional Materials, or Software; or (II) the

Marks, the System, any Promotional Materials created by Franchisor, or the Software infringe on any third party's intellectual property rights.

By executing the Agreement, you agree to notify us promptly of (a) any actual or threatened infringement or dilution of the Marks; (b) any actual or threatened infringement of the intellectual property rights in the System, the Promotional Materials, or the Software; (c) any actual or threatened claim that any of the Marks infringe upon or dilute any third-party trademark or service mark; and (d) any actual or threatened claims that the System, the Promotional Materials, or the Software infringe upon any third-party intellectual property rights.

#### SUPERIOR PRIOR RIGHTS AND/OR INFRINGING USES

We do not know of any superior prior rights or infringing uses that could materially affect your use of the Marks in the state where your Franchised Business will be located or elsewhere in the United States.

The Agreement provides that we will consider any use of the Marks that is not authorized by the terms of that agreement to be an infringement. You are prohibited from using the Marks as part of your corporate or other legal name or in any way that is inconsistent with our System.

#### ITEM 14

#### PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

##### PATENTS AND COPYRIGHTS

We do not own any rights in, or licenses to, any patents or registered copyrights that are material to the franchise. We assert ownership in any copyrightable material contained in the Promotional Materials or the Operations Manual. We also do not have any pending patent applications that are material to the franchise. There exist no current material determinations of the USPTO, the Board of Patent Appeals and Interferences, the United States Copyright Office, or a court regarding a patent or copyright, in part because there are no patents, pending patent applications, or registered copyrights material to the franchise. We are not aware of any patent or copyright infringement that could materially affect you. No agreement limits the use of any patent, patent application, or copyright, in part because there are no patents, pending patent applications, or registered copyrights material to the franchise. We are not obligated by the Agreement, or otherwise, to protect any rights in any patent, patent application, or copyright, to defend you against claims arising from your use of any patented items, if such items existed, or copyrighted items, to take affirmative action when notified of infringement.

##### CONFIDENTIAL INFORMATION

The Company possesses certain proprietary information (referred to in this Disclosure Document as "Confidential Information"), which includes, but is not limited to, our Manuals (as defined below), sources of supply, software, sales techniques, standards, processes, customer lists and other customer information, methods, techniques, operating procedures and other information, which is valuable and considered by the Company as proprietary in nature and a trade secret. You must not, during the term of the Agreement or after the expiration of the Agreement, communicate, divulge, or use for your benefit or the benefit of any other person, persons, partnerships, associations, or corporation any Confidential Information, trade secret, knowledge, or know-how concerning the methods of operation of the Franchised Business which we may communicate to you or of which you may be apprised due to your operation of the

Franchised Business under the terms of the Agreement. You may divulge this Confidential Information only to your employees who must have access to it in order to operate the Franchised Business. Any information, knowledge, know-how or techniques including, drawings, materials, equipment, specifications, and other data we designate as confidential, and any information, knowledge or know-how which you derive by analysis of these items, are deemed confidential for purposes of the Agreement, except information which you can demonstrate came to your attention before our disclosure or which was publicly known by publication or communication by others, at or after the time of our disclosure. The Confidentiality and Non-Competition Agreement is in Exhibit I to the Franchise Agreement.

You must sign and you must require your manager(s) and all personnel who have access to our Confidential Information to sign covenants, on our approved form (see Agreement, Exhibit I), providing that they will maintain the confidentiality of information they receive in connection with their employment by you at the Franchised Business. Our form will also specifically identify us and deem us a third-party beneficiary of these covenants with independent rights to enforce them.

### CONFIDENTIAL MANUALS

You must conduct your business according to the Operations Manual, and any other manuals, other written directives, or modifications to such documents that we may issue to you (collectively, the "Manuals"). You will receive one copy of the Operations Manual on loan from us during the training program required under the Agreement, and you must retain it for the term of the Agreement. The Manuals constitute a compilation of current operating policies and procedures, which you must follow to operate your Franchised Business and which you must treat as trade secrets and Confidential Information. You must not at any time copy, duplicate, record or reproduce these materials or make them available to any unauthorized person. We reserve the right to charge a replacement fee for any replacement Manuals you request.

The Manuals will at all times remain our property. The Agreement requires you to assign to us any Improvements in and to the Operations Manual, and any intellectual property rights associated with such Improvements. We may revise the contents of the Manuals from time to time, and you must comply with each new or changed standard and ensure that your Manuals are kept current. You must keep the Manuals in a secure place on the premises of the Franchised Business at all times. If there arises any dispute concerning the contents of the Manuals, the terms of the master copies of the Manuals that we maintain at our home office will control.

## ITEM 15

### **OBLIGATION OF THE FRANCHISEE TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS**

We prefer owner-operated franchises and encourage you to participate personally in the direct operation of the Franchised Business. We require you and/or your designated manager to devote your full-time energy and best efforts to managing the Franchised Business. We do not require you to have an on-premises supervisor. However, we highly recommend on-site supervision for all franchisees who are required to maintain a physical office site.

We do not control whom you may hire as a manager, except to the extent that the Operations Manual provides requirements for hiring employees, which include but are not limited to fitting our branding strategies. However, the training-program provisions of the Agreement require that you notify us if you change managers, and state that we retain the right to require any manager to attend and successfully complete our training programs at any time during the term of the Agreement under the same terms as described in Item 11. The manager must sign a written agreement to maintain confidentiality of the trade secrets described in Item 14 and to conform with the covenants not to compete described in Item 17. If a corporation or partnership owns the franchise, the manager need not have an ownership interest in the franchise.

Each individual who owns an interest in the franchisee must sign the Personal Guaranty in the Exhibit D of the Agreement assuming and agreeing to discharge all obligations of the "Franchisee" under the Agreement.

You must attend the training programs described in Item 11 of this disclosure document, unless we specify otherwise in writing.

## ITEM 16

### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

Your business is confined by the Agreement, which requires the operation of a Signal 88 Security business. You may sell only services we approve. You may not sell armed security services, unless we expressly approve such services in writing and you fulfill any conditions we may impose upon such services. We retain the right to change the types of authorized services you may offer at any time. There are no limits on this right. You are not required to sell all services we authorize, provided that you nevertheless meet the sales requirements in the Agreement. Please note, however, that while you are authorized and encouraged to sell approved security services to customers, only Signal 88 may enter into customer contracts; you may not do so. Under the Agreement, any customer contract you enter will be deemed to be assigned to Signal 88.

Except as stated in Item 12, you may only sell and perform services for customers at locations inside the Territory described in your Agreement. Furthermore, except as stated in Item 12, you must not operate a telemarketing, Internet, direct mail, or other similar practice which would permit you to solicit contracts or perform services outside your Territory. You generally shall establish prices for the Services you provide to customers in operation of the Franchised Business, provided that to the extent permitted by applicable law, we will have the right to establish maximum prices for any Services we have approved. If we exercise that right, you must abide by the prices we establish.



ITEM 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

A. FRANCHISE AGREEMENT

<u>PROVISION</u>	<u>SECTION IN FRANCHISE OR OTHER AGREEMENT</u>	<u>SUMMARY</u>
a. Term of the franchise	Section 4	The Franchise Term will commence the day you sign the Agreement and will continue in effect for three (3) years unless terminated earlier in accordance with Section 12.
b. Renewal or extensions of the term	Section 4	Renewal of the Agreement is for successive terms of five (5) years each, contingent on your satisfaction of the Renewal Conditions described in Section 4.2 of the Agreement.
c. Requirements for you to renew or extend	Section 4	Give us written notice of intent to renew; obtain our written approval; sign new agreement or renewal addendum, as we shall elect in our sole discretion; meet the sales goals and performance standards we establish; pay renewal fee; complete renewal application; sign release; renewal of lease; agree to make necessary capital expenditures; must not be in Breach or Default of your obligations under your existing franchise agreement or any other agreement or obligation with Signal 88; and execute a general release of Signal 88 for your past dealings with Signal 88, except to the extent that such release may be superseded by law. The renewal addendum or new agreement may contain terms and conditions that are materially different than those in your original agreement.
d. Termination by you	Not applicable	You do not have the contractual right to terminate the Franchise Agreement.
e. Termination by the Company without cause	Not applicable	None

f. Termination by the Company with cause	Section 12	We have the right to terminate your Agreement with cause.
g. "Cause" defined - defaults which can be cured	Section 12	Unauthorized use of Name or Marks; failure to satisfy opening conditions; failure to satisfy minimum sales quota; failure to allow inspection of books and records; refusal to sell and perform services; failure to comply with Operations Manual; or any other breach of your Agreement. You have thirty (30) days to cure these defaults before we may terminate the Agreement. We may, however, enforce other remedies at any time in the event of such defaults.
h. "Cause" defined - defaults which cannot be cured	Section 12	You file for bankruptcy, or make an assignment for the benefit of creditors, or are adjudicated bankrupt or insolvent; unauthorized transfer; you fail to meet the Franchise Conditions and we do not extend the time to do so; you fail to timely pay fees due to us; you are convicted of a crime or falsify records; the Franchised Business becomes an imminent danger to public health & safety; sale of unauthorized services; or violation of anti-terrorism provision.
i. Your obligations on termination/non-renewal	Section 13	Cease operation, cease use of System, cease use of trademarks and trade names, pay all sums due, refrain from competing, allow us to re-enter the premises, return our property, assign and transfer security and business licenses to us, notify the telephone company, listing agencies and directory publishers, including internet domain name and internet service providers and web search engines of the termination or expiration of your right to use the Marks, Trade Name, any telephone number, any directory listings, internet domain names, website names, electronic mail addresses and search engine metatags and authorize and assign their transfer to us
j. Assignment of contract by the Company	Section 14	No restriction
k. "Transfer" by you - definition	Section 14	Includes transfer of any interest in the Agreement and transfer of controlling interest in franchisee.
l. The Company's approval of transfer by franchisee	Section 14	We must approve any transfers but will not unreasonably withhold approval.

m. Conditions for the Company's approval of transfer	Section 14	Give notice, new franchisee must qualify, you are not in default, pay transfer fee, sign release, except where superseded by state law, we receive a copy of the purchase agreement, transferee obtains all permits and licenses, the lessors or other parties have consented, the transfer is made in compliance with applicable laws, and we may withhold or condition our consent to any transfer as we deem appropriate.
n. The Company's right of first refusal to acquire your business	Section 14	We have a right of first refusal to match any offer for your business
o. The Company's option to purchase your business	Not Applicable	None
p. Your death or disability	Section 14	Transfer must occur within 6 months after death
q. Non-competition covenants during the term of the franchise	Section 6; Exhibit I	You must not be involved in a competing business, solicit business from customers of your former Franchised Business or contact any of our suppliers or vendors for any competitive business purpose, nor solicit any employees of us, our affiliates or System franchisees to cease their employment with us, our affiliates or System franchisees.
r. Non-competition covenants after the franchise is terminated or expires	Section 17	No competing business within 75 miles for 2 years after expiration or termination of the Agreement and you must not solicit business from customers of your former Franchised Business or contact any of our suppliers or vendors for any competitive business purpose, nor solicit any employees of us, our affiliates or System franchisees to cease their employment with us, our affiliates or System franchisees.
s. Modification of the agreement	Section 22	No modification unless agreed to by both parties in writing, except that the Operations Manual is subject to periodic change by Franchisor.
t. Integration/merger clause	Section 21	Only the terms of the Agreement and Manuals are binding or enforceable, provided that nothing in the Agreement shall disclaim the representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	Not Applicable	At our option, claims or disputes between you and us must first be brought to our President or CEO for internal dispute resolution, and then, if this fails, at our option claims or disputes will be submitted to non-binding mediation in Douglas County, Nebraska (subject to state law).

v. Choice of forum	Section 19	All claims not subject to mediation must be brought before the state or federal court nearest to Douglas County, Nebraska (subject to state law).
w. Choice of law	Section 19	The Agreement is governed by the laws of the state of Nebraska (subject to state law).

## B. DEVELOPMENT AGREEMENT

<u>PROVISION</u>	<u>SECTION IN DEVELOPMENT AGREEMENT</u>	<u>SUMMARY</u>
a. Term of the franchise	Section 6.1	The Development Agreement will commence on the date it is fully-executed and end on the last day of the calendar month that the final Franchised Business is required to be opened and operating under the Development Schedule.
b. Renewal or extensions of the term	Not Applicable	Not Applicable
c. Requirements for you to renew or extend	Not Applicable	Not Applicable
d. Termination by you	Not Applicable	Not Applicable.
e. Termination by the Company without cause	Not Applicable	Not Applicable.
f. Termination by the Company with cause	6.2	We may terminate your Development Agreement with cause.
g. "Cause" defined - defaults which can be cured	Not Applicable	Not Applicable.

h. "Cause" defined - defaults which cannot be cured	6.2	Your Development Agreement can be terminated by us if: (i) you cease to actively engage in development activities in the Development Area or otherwise abandon your development business for three (3) consecutive months, or any shorter period that indicates an intent by you to discontinue development of the Franchised Businesses within the Development Area; (ii) you become insolvent or are adjudicated bankrupt, or if any action is taken by you, or by others against you, under any insolvency, bankruptcy or reorganization act, or if you make an assignment for the benefit of creditors or a receiver is appointed by you; (iii) you fail to meet your development obligations under the Development Schedule for any one Development Period, and fail to cure such default within 30 days of receiving notice of the default; and (iv) any Franchise Agreement that is entered into in order to fulfill your development obligations under the Development Agreement is terminated or subject to termination by us, according to the terms of that Franchise Agreement.
i. Your obligations on termination/non-renewal	Not Applicable	Not Applicable.
j. Assignment of contract by the Company	8	We have the right to assign our rights under the Development Agreement.
k. "Transfer" by you - definition	8	Any transfer in you (if you are an entity) or your rights/obligations under the Development Agreement.
l. The Company's approval of transfer by franchisee	8	You may not transfer any rights or obligations under the Development Agreement without our prior written consent.
m. Conditions for the Company's approval of transfer	Not Applicable	Not Applicable.
n. The Company's right of first refusal to acquire your business	Not Applicable	Not Applicable.
o. The Company's option to purchase your business	Not Applicable	Not Applicable.

p. Your death or disability	Not Applicable	Not Applicable.
q. Non-competition covenants during the term of the franchise	Not Applicable	Nothing additional. Please see non-competition covenants in your Franchise Agreement(s) entered into under the Development Agreement.
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Nothing additional. Please see non-competition covenants in your Franchise Agreement(s) entered into under the Development Agreement.
s. Modification of the agreement	27	Any modification of the Development Agreement must be in writing and signed by both parties.
t. Integration/merger clause	25	Only the terms of the Development Agreement are binding (subject to state law). Any representations or promises made outside of the disclosure document and the Development Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	13	At our option, claims or disputes between you and us must first be brought to our President or CEO for internal dispute resolution, and then, if this fails, at our option claims or disputes will be submitted to non-binding mediation in Douglas County, Nebraska (subject to state law).
v. Choice of forum	15	All claims not subject to mediation must be brought before the state or federal court nearest to Douglas County, Nebraska (subject to state law).
w. Choice of law	11	The Development Agreement is governed by the laws of the state of Nebraska (subject to state law).

State addenda attached to the agreements, if applicable, may also describe certain state laws which may supersede the Agreement in your relationship with us, including the areas of termination and renewal of the franchise.

## ITEM 18

### PUBLIC FIGURES

We have neither given nor promised compensation or other benefit to any public figure which resulted from the use of a public figure in the name or symbol of the franchised business or from the endorsement or recommendation of the franchised business by a public figure to prospective franchisees or in advertisements. You are not prohibited by the Agreement from using the name of a public figure or celebrity in your promotional efforts or advertising but all advertising requires our prior approval. No public figure is involved in the actual management or control of the Company and no public figure has an ownership interest in the Company.

## 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.

#### Background

This Item sets forth certain historical gross revenue information for our franchised business units and our company-owned business units (each, a "Representative Business Unit") that have been open and operating and earning gross revenue during the previous fiscal years indicated below. In Item 20, we define "outlet" as a territory having a population of approximately 100,000. A given franchisee may have more than one outlet for purposes of Item 20. For that reason, we use the term "franchised business unit" in Item 19 to describe the overall operation of each franchisee and we use the term "company-owned unit" to describe each discrete company-owned operation.

There were two Representative Business Units (and no company-owned business units) that were open, operating and earning gross revenue during the 2008 fiscal year ("2008 Representative Business Units"). There were nineteen Representative Business Units (including one company-owned business unit) that were open, operating and earning gross revenue during the 2009 fiscal year ("2009 Representative Business Units"). There were forty-seven Representative Business Units (including one company-owned business unit) that were open, operating and earning gross revenue during the 2010 fiscal year ("2010 Representative Business Units"). There were sixty-five Representative Business Units (including one company-owned business unit) that were open, operating and earning gross revenue during the 2011 fiscal year ("2011 Representative Business Units"). There were seventy-four Representative Business Units (including three company-owned business units) that were open, operating and earning gross revenue during the 2012 fiscal year ("2012 Representative Business Units"). There were ninety-two Representative Business Units (including company-owned business units) that were open, operating and earning gross revenue during the 2013 fiscal year ("2013 Representative Business Units"). We have excluded from the numbers listed above all units that were not open, operating, and earning gross revenue during the applicable fiscal year.

Section I presents certain average annual gross revenue information for the period of operation from January 1, 2010 through December 31, 2013 (the "Parts I-IV Measurement Period") for the 2010 Representative Business Units, 2011 Representative Business Units, 2012 Representative Business Units, and 2013 Representative Business Units. Section II of this Item presents certain average monthly gross revenue information for the period of operation during the Parts III-VI Measurement Period for the 2010 Representative Business Units, 2011 Representative Business Units, 2012 Representative Business Units, and 2013 Representative Business Units. Section III of this Item presents information about the collective gross revenue of all of the Representative Business Units for the period of operation from January 1, 2008 to December 31, 2013 ("Parts III-VI Measurement Period"). Section IV of this item presents information about the peak monthly revenue for business units for the period of operation from

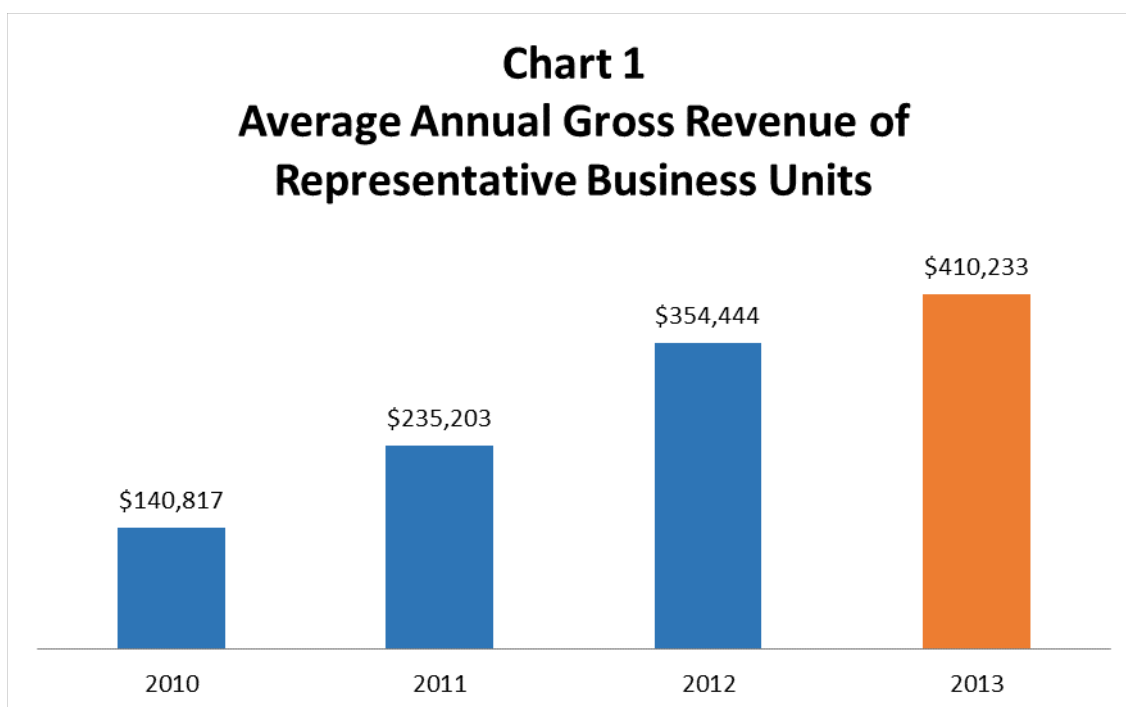
January 1, 2008 to December 31, 2013 (“Parts I-VI Measurement Period”). Neither we nor any of our affiliates make any promises or guarantees of any kind that you will achieve any particular results or level of sales or profitability in any particular year of operation, nor do we or any of our affiliates represent to you that there is a market in the Territory for the goods or services you will be selling.

Written substantiation of the financial-performance representation above will be made available to you upon reasonable request.

Importantly, the success of your franchise will depend largely upon your individual abilities and market, and the financial results of your franchise are likely to differ, perhaps materially, from the results summarized in this Item. We believe that the following financial data has been compiled using generally accepted accounting principles, but we have not audited the data and no assurance can be offered that the data does not contain inaccuracies that an audit might disclose.

### 1. Average Annual Gross Revenue of Representative Business Units

Below is the average annual gross revenue for the 2010 Representative Business Units, 2011 Representative Business Units, 2012 Representative Business Units and 2013 Representative Business Units during the Parts I-IV Measurement Period.



#### Notes to Chart 1:

1. Gross Revenue is defined as the total revenue resulting from the sale by Franchisee or Franchisee’s principals of any products or the performance by Franchisee or Franchisee’s principals of any services related to or developed in connection with the Representative



Business Unit or the security industry, whether approved by Signal 88 or not, including but not limited to the Services, security consulting, officer training, private investigation, GPS tracking services, vehicle or premises monitoring, and parking-enforcement services for customers, all whether from sales for cash, credit, in-kind transfers, or bartering exchanges, and irrespective of the collection of the Gross Revenue, but exclusive of all bank fees on credit sales, sales taxes, use taxes, gross receipts taxes, and other similar taxes added to the sales price and collected from the customer.

2. Average Annual Gross Revenue was calculated by totaling the Gross Revenue earned by each Representative Business Unit during the applicable fiscal year and dividing it by the total number of Representative Business Units in each fiscal year.

3. In 2010, sixteen out of forty-seven Representative Business Units (34%), including the company-owned Representative Business Unit, attained or exceeded the Average Annual Gross Revenue figure for the 2010 fiscal year.

4. In 2011, twenty out of sixty-five Representative Business Units (31%), including the company-owned Representative Business Unit, attained or exceeded the Average Annual Gross Revenue figure for the 2011 fiscal year.

5. Average Annual Gross Revenue for the 2011 Representative Business Units increased by 67% in 2011 compared to 2010. We calculated this figure by dividing the Average Annual Gross Revenue for 2010 by the Average Annual Gross Revenue for 2011 and converting that figure into a percentage.

6. In 2012, twenty-six out of seventy-four Representative Business Units (35%), including one of the company-owned Representative Business Units, attained or exceeded the Average Annual Gross Revenue figure for the 2012 fiscal year.

7. Average Annual Gross Revenue for open and operating business units increased by 55% in 2012 compared to 2011. We calculated this figure by dividing the Average Annual Gross Revenue for 2011 by the Average Annual Gross Revenue for 2012 and converting that figure into a percentage.

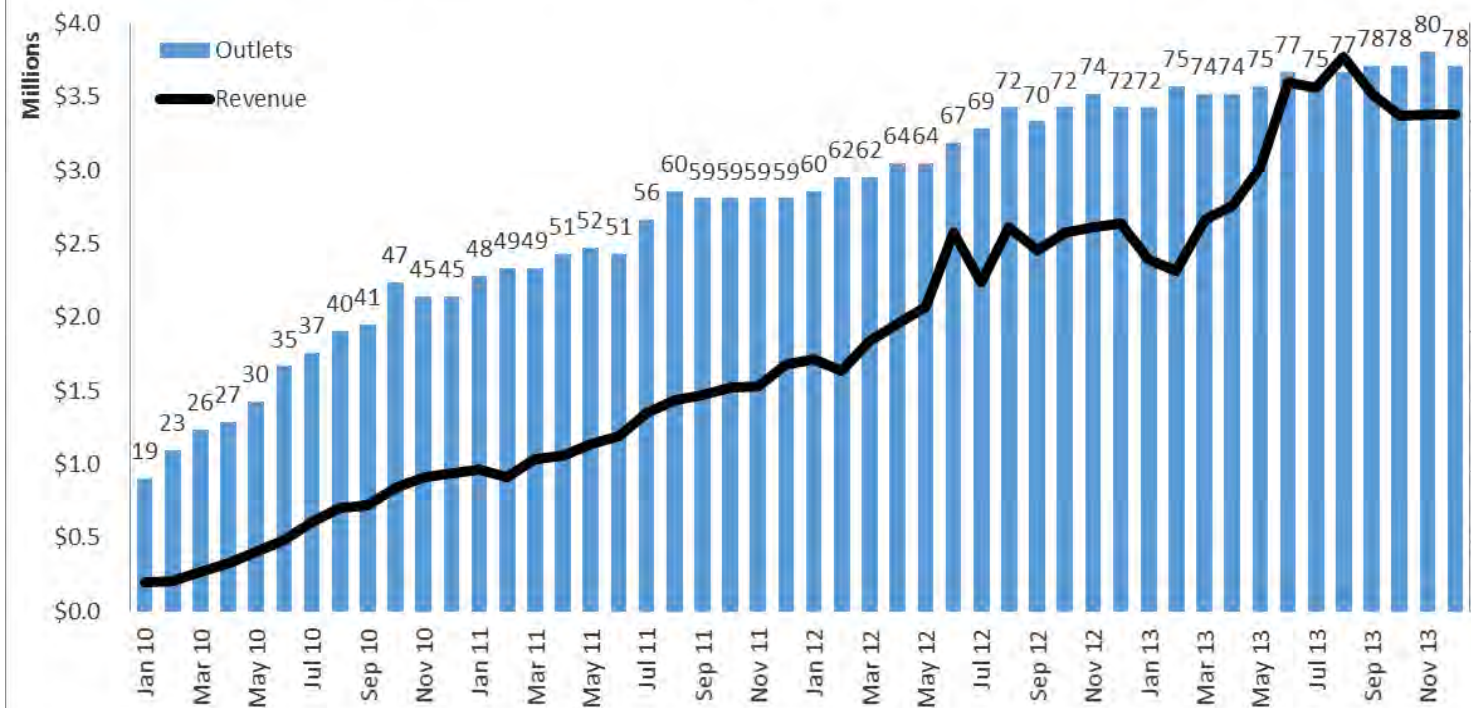
8. In 2013, thirty-three out of ninety-two Representative Business Units (35%), including four of the company-owned Representative Business Units, attained or exceeded the Average Annual Gross Revenue figure for the 2013 fiscal year.

9. Average Annual Gross Revenue for open and operating business units increased by 14.5% in 2013 compared to 2012. We calculated this figure by dividing the Average Annual Gross Revenue for 2012 by the Average Annual Gross Revenue for 2013 and converting that figure into a percentage.

## **2. 2010-2013 Monthly Gross Revenue**

Chart 2 below illustrates the number of outlets and combined monthly Gross Revenue of the 2010 Representative Business Units, 2011 Representative Business Units, 2012 Representative Business Units, and 2013 Representative Business Units for each month each Representative Business Unit was open and operating during the Parts III-VI Measurement Period.

**Chart 2**  
**2010-2013 Monthly Revenue of Representative Business Units**



[See Chart on following page.]

Chart 2 above is based on the information in Table 2. Although the representations above are not primarily intended to convey averages, Signal 88 acknowledges that averages may be derived from the information above and therefore discloses additional information concerning average revenues in the table below in order to comply with FTC regulations.

**Table 2**  
**Monthly Gross Revenue for Representative Business Units**

<u>Month</u>	<u>Total Units</u>	<u>Total Franchised Units</u>	<u>Total Company-Owned Units</u>	<u>No. of Open and Operating Units**</u>	<u>Total Revenue of All (100%) Open and Operating Units</u>	<u>Avg. Revenue Per Open and Operating Unit</u>	<u>No. of Units that Attained or Exceeded Avg.</u>	<u>Percentage of Open and Operating Units that Attained or Exceeded Avg.</u>
Jan '10	26	17	1	19	\$198,514	\$10,448.12	5	26.32%
Feb '10	29	28	1	23	\$205,018	\$8,913.82	6	26.09%
Mar '10	34	33	1	26	\$267,037	\$10,270.67	8	30.77%
Apr '10	35	34	1	27	\$327,052	\$12,113.03	9	33.33%
May '10	37	36	1	30	\$409,932	\$13,664.40	11	36.67%
June '10	37	36	1	35	\$481,058	\$13,744.52	10	28.57%
July '10	40	39	1	37	\$606,679	\$16,396.72	15	40.54%
Aug '10	44	43	1	40	\$704,379	\$17,609.48	17	42.50%
Sept '10	45	44	1	41	\$719,396	\$17,546.25	16	39.02%
Oct '10	48	47	1	47	\$845,166	\$17,982.26	16	34.04%
Nov '10	51	50	1	45	\$915,095	\$20,335.45	17	37.78%
Dec '10	52	51	1	45	\$939,497	\$20,877.71	15	33.33%
Jan '11	54	53	1	48	\$ 966,993	\$20,145.68	16	33.33%
Feb '11	56	55	1	49	\$912,635	\$18,625.20	18	36.73%
Mar '11	58	57	1	49	\$1,033,936	\$21,100.74	15	30.61%
Apr '11	60	59	1	51	\$1,057,679	\$20,738.81	17	33.33%
May '11	61	60	1	52	\$1,139,161	\$21,906.95	19	36.54%
June '11	63	62	1	51	\$1,187,799	\$23,290.17	19	37.25%
July '11	65	64	1	56	\$1,348,398	\$24,078.54	20	35.71%
Aug '11	66	65	1	60	\$1,433,470	\$23,891.16	21	35.00%
Sept '11	67	66	1	59	\$1,471,237	\$24,936.23	18	30.51%
Oct '11	67	66	1	59	\$1,526,114	\$25,866.34	19	32.20%
Nov '11	67	66	1	59	\$1,534,578	\$26,009.79	19	32.20%
Dec '11	70	69	1	59	\$1,676,834	\$28,420.92	19	32.20%
Jan '12	71	68	3	60	\$1,712,850	\$28,547.50	21	35.00%
Feb '12	72	69	3	61	\$1,639,410	\$26,875.57	21	34.43%
Mar '12	72	69	3	62	\$1,834,560	\$29,589.68	20	32.26%
Apr '12	72	69	3	64	\$1,955,980	\$30,562.19	24	37.50%
May '12	72	68	4	63	\$2,074,750	\$32,932.54	21	33.33%

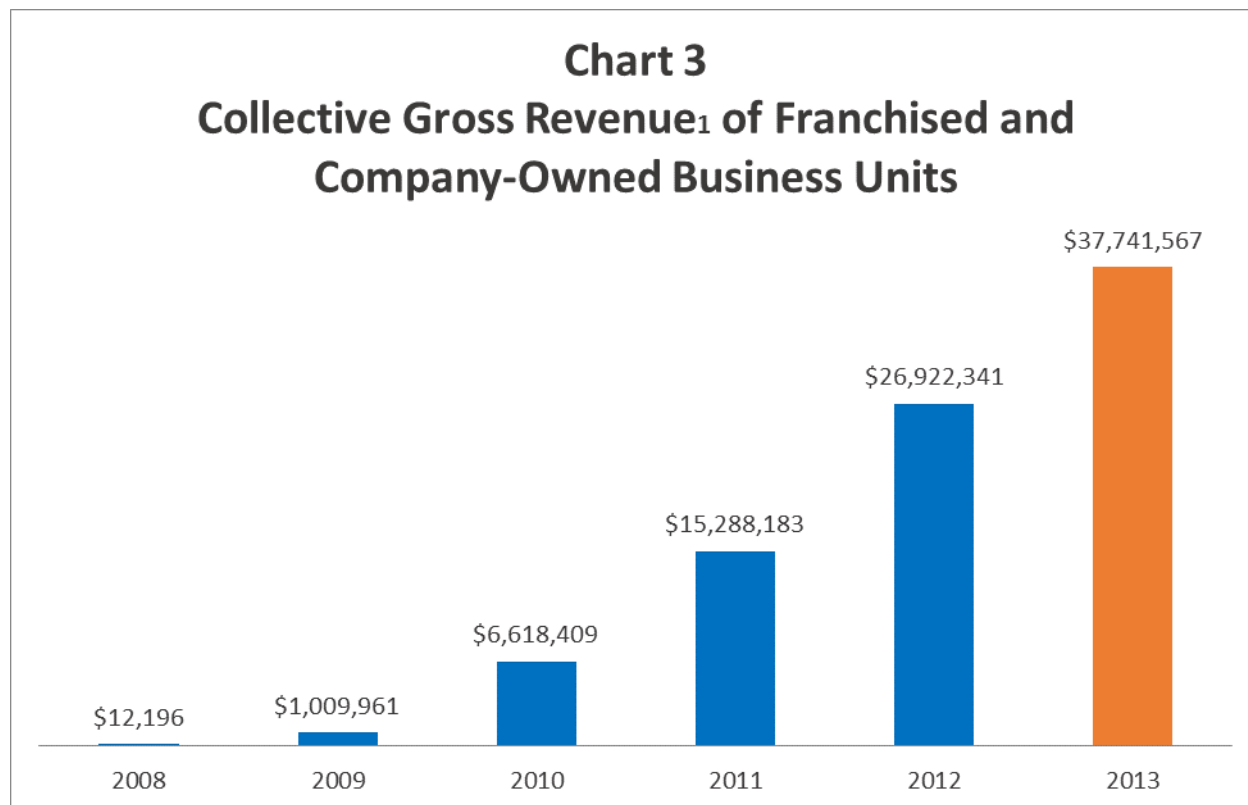
June '12	73	69	4	67	\$2,580,980	\$38,522.09	19	28.36%
July '12	76	72	4	68	\$2,240,190	\$32,943.97	22	32.35%
Aug '12	77	73	4	71	\$2,615,680	\$36,840.56	21	29.58%
Sept '12	77	73	4	70	\$2,454,450	\$35,063.57	22	31.43%
Oct '12	82	78	4	72	\$2,574,200	\$35,752.78	22	30.56%
Nov '12	85	82	3	73	\$2,602,130	\$35,645.62	25	34.25%
Dec '12	85	82	3	72	\$2,637,160	\$36,627.22	21	29.17%
Jan '13	87	83	4	68	\$2,393,195	\$35,194.04	24	35.29%
Feb '13	87	83	4	71	\$2,317,116	\$32,635.44	26	36.62%
Mar '13	89	85	4	70	\$2,663,851	\$38,055.02	28	40.00%
Apr '13	89	85	4	70	\$2,762,663	\$39,466.61	25	35.71%
May '13	92	88	4	71	\$3,022,844	\$42,575.26	23	32.39%
June '13	93	89	4	73	\$3,595,939	\$49,259.43	22	30.14%
July '13	93	89	4	71	\$3,563,003	\$50,183.14	23	32.39%
Aug '13	96	92	4	73	\$3,769,764	\$51,640.61	25	34.25%
Sept '13	97	93	4	74	\$3,522,744	\$47,604.65	28	37.84%
Oct '13	97	94	3	75	\$3,372,992	\$44,973.22	28	37.33%
Nov '13	99	95	4	76	\$3,381,166	\$44,489.02	27	35.53%
Dec '13	102	98	4	74	\$3,376,291	\$45,625.55	27	36.49%

**Notes to Table 2:**

1. Includes one company-owned unit for all of 2010 and 2011, three company-owned business units for the months January, February, March, April, November, and December 2012, four company-owned units for May, June, July, August, September, and October 2012, and four company-owned units for January, February, March, April, May, June, July, August, September, November, and December 2013. "Total Units" indicates the total number of franchise units that contributed revenue at any time during the period of measurement.
2. Gross Revenue is defined as the total revenue resulting from the sale by Franchisee or Franchisee's principals of any products or the performance by Franchisee or Franchisee's principals of any services related to or developed in connection with the Representative Business Unit or the security industry, whether approved by Signal 88 or not, including but not limited to the Services, security consulting, officer training, private investigation, GPS tracking services, vehicle or premises monitoring, and parking-enforcement services for customers, all whether from sales for cash, credit, in-kind transfers, or bartering exchanges, and irrespective of the collection of the Gross Revenue, but exclusive of all bank fees on credit sales, sales taxes, use taxes, gross receipts taxes, and other similar taxes added to the sales price and collected from the customer.

### 3. Collective Revenue of Representative Business Units

The chart below presents a summary of the collective Annual Gross Revenue for all Representative Business Units during the Parts I - VI Measurement Period.



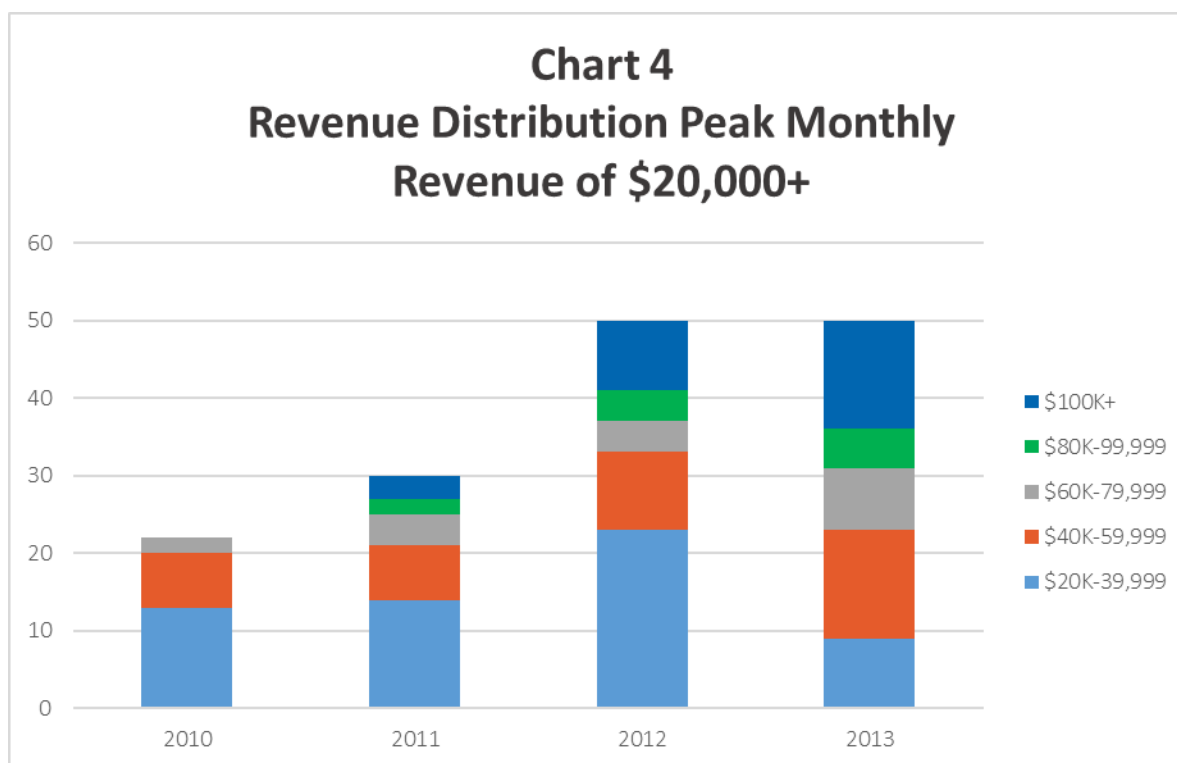
#### Notes to Chart 3:

1. Gross Revenue is defined as the total revenue resulting from the sale by Franchisee or Franchisee's principals of any products or the performance by Franchisee or Franchisee's principals of any services related to or developed in connection with the Representative Business Unit or the security industry, whether approved by Signal 88 or not, including but not limited to the Services, security consulting, officer training, private investigation, GPS tracking services, vehicle or premises monitoring, and parking-enforcement services for customers, all whether from sales for cash, credit, in-kind transfers, or bartering exchanges, and irrespective of the collection of the Gross Revenue, but exclusive of all bank fees on credit sales, sales taxes, use taxes, gross receipts taxes, and other similar taxes added to the sales price and collected from the customer.

#### 4. Peak-Monthly Revenue

The chart below illustrates the peak-monthly revenue of the franchised business units opened and operating during the listed years. Franchised business units listed are those who have achieved at least \$20,000 in peak-monthly revenue. As illustrated in the chart below, in 2010, twenty-two units produced peak-monthly revenue of \$20,000 or more. In 2011, thirty units produced peak-monthly revenue of \$20,000 or more. During 2012, fifty units produced peak-monthly revenue of \$20,000 or more.

Some business units have reached these peak-monthly revenue levels. There is no assurance you will do as well. If you rely upon our figures, you must accept the risk of not doing as well.



#### Notes to Chart 4:

1. "Peak-monthly revenue" refers to the highest monthly revenue a franchisee obtains during a given year. It does not refer to the average monthly revenue a franchisee obtains over the course of a year, which could be a lower number.
2. Revenue figures for the representation above were derived from the actual historical performance of all franchised and company-owned business units open and operating with revenue during 2010, 2011, 2012 and 2013, respectively. These figures show the number of franchisees whose highest monthly revenues were above \$20,000 in at least one month during each respective year.
3. There were one hundred and two business units in the Signal 88 network during 2013 (including ninety-eight franchised business units and four company-owned business units) of which seventy-eight (including four company-owned units) were open and operating with revenue at some time during the year. Fifty units (or 51% of the number of units open and

operating with revenue at some time during the year) (including four company-owned units) achieved peak-monthly revenue of \$20,000 or more. Of these fifty, nine units (14% of the number of units open and operating with revenue) (including two company-owned units) achieved peak-monthly revenue between \$20,000 and \$39,999. Three of these twenty-three units achieved this level in their first year operating with revenue. The rest were in business at least a year before achieving it. Fourteen units (14% of the number of units open and operating with revenue at some time during the year) (including one company-owned unit) achieved peak-monthly revenue between \$40,000 and \$59,999. These units were in business at least a year before achieving that level. Eight units (8% of the number of units open and operating with revenue at some time during the year) achieved peak-monthly revenue between \$60,000 and \$79,999. These units were in business at least a year before achieving that level. Five franchised units (5% of the number of units open and operating with revenue at some time during the year) achieved peak-monthly revenue between \$80,000 and \$99,999. These units were in business at least a year before achieving this level. Fourteen franchised units (15% of the number of units open and operating with revenue at some time during the year) (including one company-owned unit) achieved peak-monthly revenue of \$100,000 or more. These units were in business at least two years before achieving this level.

4. There were eighty-five business units in the Signal 88 network during 2012 (including eighty-two franchised business units and three company-owned business units) of which seventy-four (including three company-owned units) were open and operating with revenue at some time during the year. Fifty units (or 68% of the number of units open and operating with revenue at some time during the year) (including two company-owned units) achieved peak-monthly revenue of \$20,000 or more. Of these fifty, twenty-three units (31% of the number of units open and operating with revenue) (including one company-owned unit) achieved peak-monthly revenue between \$20,000 and \$39,999. Four of these twenty-three units achieved this level in their first year operating with revenue. The rest were in business at least a year before achieving it. Ten units (14% of the number of units open and operating with revenue at some time during the year) (including one company-owned unit) achieved peak-monthly revenue between \$40,000 and \$59,999. One of these ten units achieved this level in its first year operating with revenue. The rest were in business at least a year before achieving it. Four units (5% of the number of units open and operating with revenue at some time during the year) (including one company-owned unit) achieved peak-monthly revenue between \$60,000 and \$79,999. One of these four units achieved this level in its first year operating with revenue. The rest were in business at least a year before achieving it. Four franchised units (5% of the number of units open and operating with revenue at some time during the year) achieved peak-monthly revenue between \$80,000 and \$99,999. These units were in business at least a year before achieving this level. Nine franchised units (12% of the number of units open and operating with revenue at some time during the year) achieved peak-monthly revenue of \$100,000 or more. These units were in business at least two years before achieving this level.

5. There were seventy units in the Signal 88 network during 2011 (including sixty-nine franchised units and one company-owned unit), of which sixty-five (including the company-owned unit) were open and operating with revenue at some time during the year. Thirty units (or 46% of the number open and operating during the year) (including one company-owned unit) achieved peak-monthly revenue of \$20,000 or more. Of these thirty, fourteen units (22% of the number of units open and operating with revenue at some time during the year) (including one company-owned unit) achieved peak-monthly revenue between \$20,000 and \$39,999. Eight of these fourteen units achieved this level in their first year operating with revenue. The rest were in business at least two years before achieving it. Seven franchised units (11% of the number of units open and operating with revenue at some time during the year) achieved peak-monthly revenue between \$40,000 and \$59,999. These units were in business at least a year before

achieving this level. Four franchised units (6% of the number of units open and operating with revenue at some time during the year) achieved peak-monthly revenue between \$60,000 and \$79,999. These units were in business at least a year before achieving this level. Two franchised units (3% of the number of units open and operating with revenue at some time during the year) achieved peak-monthly revenue between \$80,000 and \$99,999. These units were in business at least two years before achieving this level. Three franchised units (5% of the number of units open and operating with revenue at some time during the year) achieved peak-monthly revenue of \$100,000 or more. These units were in business at least a year before achieving this level.

6. During 2010 there were fifty-two units in the Signal 88 network (including fifty-one franchised units and one company-owned unit), of which forty-seven were open and operating at some time during the year. Twenty-two units (or 47% of the number open and operating during the year) (including one company-owned unit) achieved peak-monthly revenue of \$20,000. Of these, thirteen units (28% of the number of units open and operating with revenue at some time during the year) (including one company-owned unit) achieved peak-monthly revenue between \$20,000 and \$39,999. Five of these units achieved this level in their first year operating with revenue. The rest were in business at least a year before achieving this level. Seven franchised units (15% of the number of units open and operating with revenue at some time during the year) achieved peak-monthly revenue between \$40,000 and \$59,999. Three of these units achieved this level in their first year. The rest were in business at least a year before achieving this level. Two franchised units (4% of the number of units open and operating with revenue at some time during the year) achieved peak-monthly revenue over \$60,000. These units were in business at least a year before achieving this level.

## General Notes

1. Security-service contracts provide the foundation of base revenue for franchised units, and due to the recurring nature of most security-service contracts, franchise units generally build on this foundation in successive months and years as existing contracts are maintained and new contracts are added. To generate this type of growth, franchised units must identify and pursue security contract opportunities within their respective territories. While there are special events as well as temporary and seasonal contracts, we expect that most Signal 88 contracts will continue to result in recurring monthly business-to-business revenue. As a result, the base revenue of franchise units is generally expected to increase as contracts are maintained and additional contracts are added. Revenue growth, however, is a function of several factors, including the demographics of the franchise territory, the sales abilities of the franchise owner or sales personnel, the effort and persistence put forth in identifying and pursuing contract opportunities, the revenue mix of dedicated and patrol services, and the relationship management of existing contracts, which leads to retention of such contracts and can lead to referrals and new contract opportunities. Thus, while we anticipate this growth process to continue for most franchisees, there is no guaranty that you will experience the same pattern of growth.

2. Other than the information provided in this Item 19, we do not furnish or provide prospective franchisees any oral or written information concerning the actual or potential sales, costs, income or profits of a franchised business. Actual results vary from unit to unit, and we cannot estimate the results of any particular franchise.

3. You are likely to achieve results that are different, possibly significantly, from the results shown below. Many factors, including length of operation, location, management capabilities, local market conditions and others, are unique to each franchised business unit and



may significantly affect the financial performance of your franchise. There is no assurance you will do as well as the franchised and company-owned business units included in these figures or even that you will be able to open and operate a franchise. If you rely upon our figures, you must accept the risk of not doing as well. Neither we nor any of our affiliates make any promises or guarantees of any kind that you will achieve any particular results or level of sales or profitability in any particular year of operation, nor do we or any of our affiliates represent to you that there is a market in the Territory for the goods or services you will be selling.

4. You are responsible for developing your own business plan for your franchised business, including capital budgets, financial statements, projections and other elements appropriate to your particular circumstances. Your expenses in the operation of your franchised business will include labor, including hourly wages, salaries and other compensation and related taxes and benefits; equipment purchases; vehicle registration costs; operating expenses, including fuel, repairs and maintenance, telephone, and office supplies; and bank charges, if applicable. If you open an office, your occupancy costs will include rent, utilities, area maintenance charges, property taxes, and city and state business licenses. In addition, you will have expenses for royalties, sales and marketing contributions and other periodic fees, interest on debt service, insurance, legal and accounting charges and depreciation-amortization. There may be other costs and expenses not identified.

5. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees listed in this disclosure document may be one source of information. We encourage you to consult with your own accounting, business, and legal advisors to assist you in identifying the expenses you likely will incur in connection with your franchised business, to prepare your budget, and to assess the likely or potential financial performance of your franchised business.

6. In developing a business plan for your franchised business, you are cautioned to make necessary allowances for changes in financial results to income, expenses, or both, that may result from operation of your franchised business during periods of or in geographic areas suffering from economic downturns, inflation, unemployment, or other negative economic influences.

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

8. Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing Outlet, however, we may provide you with the actual records of that Outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Reed L. Nyffeler at 3880 South 149th Street, Suite 102, Omaha, Nebraska 68144 and (402) 502-1181, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

<u>Table No. 1</u>				
SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2011 TO 2013 <sup>(1)</sup>				
<u>Outlet Type</u>	<u>Year</u>	<u>Outlets at the Start of the Year</u>	<u>Outlets at the End of the Year</u>	<u>Net Change</u>
Franchised	2011	157	205	+48
	2012	205	240	+35
	2013	240	308	+68
Company-Owned	2011	6	7	+1
	2012	7	12	+5
	2013	12	19	+7
TOTAL OUTLETS	2011	163	212	+49
	2012	212	252	+40
	2013	252	327	+75

Table No. 2

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS  
(OTHER THAN FRANCHISOR)  
FOR YEARS 2011 TO 2013

<u>State</u>	<u>Year</u>	<u>Number of Transfers</u>
Arizona	2011	1
	2012	2
	2013	0
California	2011	0
	2012	1
	2013	1
Colorado	2011	0
	2012	1
	2013	0
Connecticut	2011	0
	2012	0
	2013	1
Florida	2011	0
	2012	0
	2013	1
Georgia	2011	0
	2012	0
	2013	1
Iowa	2011	0
	2012	1
	2013	1
Massachusetts	2011	0
	2012	0
	2013	1
Michigan	2011	0
	2012	2
	2013	0
North Carolina	2011	0
	2012	2
	2013	0
Oklahoma	2011	0
	2012	2
	2013	0
South Carolina	2011	0
	2012	1
	2013	0
Tennessee	2011	1
	2012	0
	2013	1
Texas	2011	0
	2012	0
	2013	2
TOTAL	2011	2
	2012	12
	2013	9

Table No. 3

STATUS OF FRANCHISED OUTLETS FOR YEARS 2011 TO 2013

<u>State</u>	<u>Year</u>	<u>Outlets at Start of Year</u>	<u>Outlets Opened</u>	<u>Terminations</u>	<u>Non-Renewals</u>	<u>Reacquired by Franchisor</u>	<u>Ceased Operations- Other Reasons</u>	<u>Outlets at End of Year</u>
Alabama	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Alaska	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Arizona	2011	9	0	0	0	0	1	8
	2012	8	0	0	0	0	0	8
	2013	8	0	0	0	0	0	8
California	2011	19	27	0	0	1	0	45
	2012	45	3	0	1	0	0	47
	2013	47	9	0	0	4	0	52
Colorado	2011	4	2	0	0	0	0	6
	2012	6	0	0	0	0	0	6
	2013	6	1	0	0	1	0	6
Connecticut	2011	3	0	0	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	3	0	0	0	3	3
Delaware	2011	0	0	0	0	0	0	0
	2012	0	2	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Florida	2011	8	7	0	0	1	0	14
	2012	14	6	0	1	0	0	19
	2013	19	1	0	0	0	1	19
Georgia	2011	8	0	0	0	0	0	8
	2012	8	6	0	0	0	0	14
	2013	14	0	0	0	0	0	14
Hawaii	2011	0	1	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1

Idaho	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Illinois	2011	2	5	0	0	0	0	7
	2012	7	1	0	0	0	0	8
	2013	8	2	0	0	0	0	10
Indiana	2011	0	0	0	0	0	0	0
	2012	0	4	0	0	0	0	4
	2013	4	0	0	0	0	0	4
Iowa	2011	1	1	0	0	0	0	2
	2012	2	1	0	0	0	0	3
	2013	3	0	0	0	0	0	3
Kansas	2011	4	2	0	0	0	0	6
	2012	6	1	0	0	0	0	7
	2013	7	0	0	0	0	0	7
Kentucky	2011	1	1	0	0	0	0	2
	2012	2	5	0	0	0	0	7
	2013	7	0	0	0	0	0	7
Louisiana	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	2	0	0	0	0	3
Maryland	2011	33	0	0	0	0	0	33
	2012	33	0	0	0	0	0	33
	2013	33	0	0	0	11	0	22
Massachusetts	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	6	0	0	0	0	8
Michigan	2011	6	1	0	0	0	0	7
	2012	7	1	0	0	0	0	8
	2013	8	0	0	0	0	0	8
Minnesota	2011	3	0	0	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	1	0	0	0	0	4
Missouri	2011	3	0	0	0	1	0	2
	2012	2	1	0	0	0	0	3
	2013	3	0	0	0	0	0	3
Nebraska	2011	5	0	0	0	0	0	5
	2012	5	0	0	0	0	0	5
	2013	5	6	0	0	0	0	11
New Jersey	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0

	2013	0	1	0	0	0	0	1
New York	2011	1	0	0	0	1	0	0
	2012	0	4	0	0	0	0	4
	2013	4	1	0	0	0	0	5
North Carolina	2011	10	0	0	0	0	0	10
	2012	10	0	0	0	0	0	10
	2013	10	0	0	0	0	0	10
Ohio	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Oklahoma	2011	2	4	0	0	0	0	6
	2012	6	0	0	0	0	0	6
	2013	6	3	0	0	0	0	9
Oregon	2011	1	0	1	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Pennsylvania	2011	2	0	0	0	0	0	2
	2012	2	2	0	0	0	0	4
	2013	4	1	0	0	0	0	5
Rhode Island	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
South Carolina	2011	2	1	0	0	0	1	2
	2012	2	1	0	0	0	0	3
	2013	3	0	0	0	0	0	3
Tennessee	2011	2	0	0	0	0	0	2
	2012	2	2	0	0	0	0	4
	2013	4	0	0	0	0	0	4
Texas	2011	15	5	2	0	0	0	18
	2012	18	1	0	0	0	0	19
	2013	19	52	0	0	0	0	71
Virginia	2011	9	0	0	0	0	0	9
	2012	9	0	0	0	5	0	4
	2013	4	0	0	0	0	0	4
Washington	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
TOTALS	2011	157	57	3	0	4	2	205
	2012	205	42	0	2	5	0	240
	2013	240	88	0	0	16	4	308

Table No. 4  
STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2011 TO 2013

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
California	2011	0	0	1	0	0	1
	2012	1	0	1	0	1	1
	2013	1	0	0	0	0	1
Colorado	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	1	0	0	1
Florida	2011	0	0	1	0	1	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
Nebraska	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	6	0	0	0	6
Nevada	2011	6	0	0	0	0	6
	2012	6	0	0	0	0	6
	2013	6	0	0	0	0	6
Oklahoma	2011	0	0	0	0	0	0
	2012	0	0	2	0	2	0
	2013	0	0	0	0	0	0
Virginia	2011	0	0	0	0	0	0
	2012	0	0	5	0	0	5
	2013	5	0	0	0	0	5
TOTAL	2011	6	0	2	0	1	7
	2012	7	0	8	0	3	12
	2013	12	6	1	0	0	19

Table No. 5  
PROJECTED OPENINGS  
AS OF DECEMBER 31, 2013

State	Agreements Signed but Franchise Not Open	Projected New Franchises During Next Year	Projected Company-Owned Security Businesses Opening During Next Year
Alabama	0	1	0
Alaska	0	0	0
Arizona	0	2	0
California	0	4	0
Colorado	0	1	0
Connecticut	0	0	0
Florida	1	5	0
Georgia	0	1	0
Idaho	0	0	0
Illinois	0	3	0

Indiana	0	1	0
Iowa	0	0	0
Kansas	0	1	0
Kentucky	0	1	0
Louisiana	0	0	0
Maryland	0	1	0
Massachusetts	0	1	0
Michigan	0	2	0
Minnesota	0	0	0
Missouri	0	1	0
North Carolina	0	1	0
Nebraska	0	0	0
New Jersey	0	1	0
New York	1	2	0
Ohio	0	2	0
Oklahoma	0	0	0
Oregon	0	1	0
Pennsylvania	0	1	0
Rhode Island	1	0	0
South Carolina	0	0	0
Tennessee	0	1	0
Texas	1	5	0
Utah	0	1	0
Virginia	0	2	0
Washington	0	2	0
Wisconsin	0	1	0
Wyoming	0	0	0
TOTAL	4	45	0

**Note:**

In prior years, we have defined “outlets” as being synonymous with franchisees and company-owned operations. Thus, the number of outlets in Item 20 for prior years reflected the number of franchisees and company-owned operations. In 2013, we have modified the way we count outlets, defining them instead as the territories being served by Signal 88 and its franchisees. Each territory, including those served by franchisees and those served by Signal 88, covers an area that includes approximately 100,000 people, depending on the geography and demographics of the particular area. Accordingly, the numbers shown in the tables above reflect the number of territories being served and not the number of franchisees, given that some franchisees and company-owned operations cover more than one territory.

**Franchisee Contact Information**

Attached to this disclosure document as Exhibit H is a list which identifies the names, addresses and telephone numbers of all Signal 88 Security businesses owned and operated by the Company and its Franchisees, as of December 31, 2013.

Exhibit H also lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Agreement during our most recently completed fiscal year or who has not communicated with us within ten 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.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Signal 88. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

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

## ITEM 21

### FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit I are the audited financial statements for Signal 88 Franchise Group, Inc., for the years ending December 31, 2011, December 31, 2012 and December 31, 2013 and our unaudited financial statements as of April 30, 2014.

## ITEM 22

### CONTRACTS

The following agreements are attached to this disclosure document in the pages immediately following:

Exhibit E	Franchise Agreement
Exhibit D	Guaranty
Exhibit G	Security Agreement
Exhibit H	Subcontract Agreement
Exhibit L	SBA Addendum
Exhibit M	State Addenda
Exhibit F	Development Agreement
Exhibit G	Financing Agreement
Exhibit I	Franchisee Questionnaire Acknowledgment
Exhibit J	Release

**EXHIBIT A**  
(to Franchise Disclosure Document)

**FEDERAL AND STATE FRANCHISE ADMINISTRATORS AND REGULATORY AUTHORITIES**

<p>Federal Trade Commission Bureau of Consumer Protection Pennsylvania Ave. at 6<sup>th</sup> Street NW Washington, DC 20580 (202) 326-3128</p>	<p>Kentucky Kentucky Attorney General Consumer Protection Department 1024 Capital Center Drive Frankfurt, KY 40602 (502) 564-4002 Jean Hanks &amp; Beth Willis</p>	<p>South Dakota Dept. of Labor and Regulation Division of Securities 118 West Capitol Avenue Pierre, SD 57501-3158</p>
<p>Arizona Arizona Secretary of State 1700 West Washington Phoenix, AZ 85007 (602) 542-4285</p>	<p>Maryland Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360</p>	<p>Texas Secretary of State Statutory Document Section PO Box 13563 Austin, TX 78711 (512) 475-1769</p>
<p>California Dept. of Business Oversight 3700 Wilshire Blvd., Suite 600 Los Angeles, CA 90010 (213) 736-2741</p>	<p>Michigan Office of the Attorney General Consumer Protection Division 670 Law Building Lansing, MI 48913 (517) 373-7117</p>	<p>Utah Division of Consumer Protection Utah Department of Commerce 160 East 300 South P.O. Box 45804 Salt Lake City, UT 84145-0804 (801) 530-6601</p>
<p>Connecticut Assistant Director Securities and Business Investment Division Connecticut Department of Banking 44 Capitol Avenue Hartford, CT 06106 (203) 566-4560</p>	<p>Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101 (612) 296-6328</p>	<p>Virginia Division of Securities &amp; Retail Franchising 1300 East Main Street, 9<sup>th</sup> Floor Richmond, VA 23219 (804) 371-9051</p>
<p>Florida Florida Dept. of Agriculture &amp; Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0800 (904) 488-2221</p>	<p>Nebraska Nebraska Dept. of Banking &amp; Finance Bureau of Securities 1200 N Street, Suite 311 PO Box 65006 Lincoln, NE 68509(402) 471- 3445 Kristine K. Kluck, Atty. Karen Matejka</p>	<p>Washington Department of Financial Institution Securities Division PO Box 9033 Olympia, WA 98507-9033 (360) 920-8760</p>

<p>Commissioner of Securities of the State of Hawaii Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722</p>	<p>New York New York State Department of Law 120 Broadway, 23<sup>rd</sup> Floor New York, NY 10271 (212) 416-8211</p>	<p>Wisconsin Commissioner of Securities Division of Securities Department of Financial Institutions 201 W Washington Avenue 3rd Floor Madison, Wisconsin 53703 (608) 266-1064</p>
<p>Illinois Illinois Attorney General Office of the Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-446</p>	<p>North Dakota Securities Commissioner 600 East Boulevard, 5<sup>th</sup> Floor Bismarck, ND 58505 (701) 224-4712</p>	<p>Canada Alberta Securities Commission Agency 10<sup>th</sup> Floor Capitol Square Building Edmonton, Alberta T5J 3B1 Canada (403) 427-5201</p>
<p>Indiana Secretary of State Securities Division 302 W. Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681</p>	<p>Oregon Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 97310 (503) 378-4387</p>	
<p>Iowa Supervisor of Regulated Industries Unit Iowa Securities Bureau Lucas State Office Building, Second Floor Des Moines, IA 50319 (515) 281-4441</p>	<p>Rhode Island Division of Securities Securities Examiner 233 Richmond Street Providence, RI 02903 (401) 277-3048</p>	

**EXHIBIT B**  
(to Franchise Disclosure Document)

**AGENTS FOR SERVICE OF PROCESS**

<u>JURISDICTION / COMPANY</u>	<u>AGENT/OFFICE</u>
ALASKA Signal 88 Franchise Group, Inc.	Business Filings Incorporated 9360 Glacier Highway, Ste. 202 Juneau, Alaska 99801
ARIZONA Signal 88 Franchise Group, Inc.	Business Filings Incorporated 2390 E Camelback Rd. Phoenix, Arizona 85016
CALIFORNIA Signal 88 Franchise Group, Inc.	Business Filings Incorporated 555 Capitol Mall, Suite 1000 Sacramento, California 95814
COLORADO Signal 88 Franchise Group, Inc.	Business Filings Incorporated 1675 Broadway Ste. 1200 Denver, Colorado 80202
CONNECTICUT Signal 88 Franchise Group, Inc.	Business Filings Incorporated One Corporate Center 11th Fl Hartford, Connecticut 06103-3220
DELAWARE Signal 88 Franchise Group, Inc.	Business Filings Incorporated 108 West 13th Street Wilmington, Delaware 19801
FLORIDA Signal 88 Franchise Group, Inc.	Business Filings Incorporated 515 East Park Avenue Tallahassee, Florida 32301-2960

<p>GEORGIA</p> <p>Signal 88 Franchise Group, Inc.</p>	<p>Business Filings Incorporated 1201 Peachtree Street, N.E. Atlanta, Georgia 30361</p>
<p>HAWAII</p> <p>Signal 88 Franchise Group, Inc.</p>	<p>Commissioner of Securities of the State of Hawaii Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813</p> <p>Business Filings International, Inc. 1136 Union Mall, Suite 301 Honolulu, Hawaii 96813</p>
<p>IDAHO</p> <p>Signal 88 Franchise Group, Inc.</p>	<p>Business Filings Incorporated 921 S. Orchard Street, Suite G Boise, Idaho 83705</p>
<p>ILLINOIS</p> <p>Signal 88 Franchise Group, Inc.</p>	<p>Business Filings Incorporated 600 South Second Street, Suite 103 Springfield, Illinois 62704</p> <p>Illinois Attorney General Illinois Franchise Bureau 500 South Second Street Springfield, IL 62706</p>
<p>INDIANA</p> <p>Signal 88 Franchise Group, Inc.</p>	<p>Business Filings Incorporated 150 West Market Street, Suite 800 Indianapolis, Indiana 46204</p>
<p>IOWA</p> <p>Signal 88 Franchise Group, Inc.</p>	<p>Business Filings Incorporated 500 E. Court Ave. Des Moines, Iowa 50309</p>

<p>KANSAS</p> <p>Signal 88 Franchise Group, Inc.</p>	<p>Business Filings International, Inc. 112 S.W. 7<sup>th</sup> Street, Suite 3C Topeka, Kansas 66603</p>
<p>KENTUCKY</p> <p>Signal 88 Franchise Group, Inc.</p>	<p>Business Filings Incorporated 306 W. Main Street - Suite 512 Frankfort, KY 40601</p>
<p>LOUISIANA</p> <p>Signal 88 Franchise Group, Inc.</p>	<p>Business Filings International, Inc. 5615 Corp. Blvd. Suite 400B Baton Rouge, LA 70808</p>
<p>MAINE</p> <p>Signal 88 Franchise Group, Inc.</p>	<p>Business Filings Incorporated 1536 Main Street Readfield, MN 04355</p>
<p>MARYLAND</p> <p>Signal 88 Franchise Group, Inc.</p>	<p>Business Filings International Incorporated 351 West Camden St. Baltimore, Maryland 21201</p>
<p>MASSACHUSETTS</p> <p>Signal 88 Franchise Group, Inc.</p>	<p>Business Filings Incorporated 155 Federal Street, Ste 700 Boston, Massachusetts 02110</p>
<p>MICHIGAN</p> <p>Signal 88 Franchise Group, Inc.</p>	<p>Business Filings Incorporated 30600 Telegraph Road, Suite 2345 Bingham Farms, Michigan 48025-5720</p>
<p>MINNESOTA</p> <p>Signal 88 Franchise Group, Inc.</p>	<p>Business Filings Incorporated 100 South Fifth St., Suite 1075 Minneapolis, Minnesota 55402</p>

<p>MISSISSIPPI</p> <p>Signal 88 Franchise Group, Inc.</p>	<p>Business Filings International, Inc. 645 Lakeland East Drive, Suite 101 Flowood, MS 39232</p>
<p>MISSOURI</p> <p>Signal 88 Franchise Group, Inc.</p>	<p>Business Filings International, Inc. 120 South Central Avenue, Suite 400 Clayton, Missouri 63105</p>
<p>NEBRASKA</p> <p>Signal 88 Franchise Group, Inc.</p> <p>Signal 88 Security Group, L.L.C.</p> <p>Lyconic, LLC</p> <p>Sage 5, Inc.</p>	<p>Reed Nyffeler Signal 88 Franchise Group, Inc. 3880 S. 149th Street, Ste. 102 Omaha, NE 68144</p> <p>Shea Degan 3516 S. 201st St. Omaha, NE 68130</p> <p>Jeffrey T. Palzer Suite 240 11725 Arbor Street Omaha, NE 68144</p> <p>Jeffrey T. Palzer Suite 240 11725 Arbor Street Omaha, NE 68144</p>
<p>NEVADA</p> <p>Signal 88 Franchise Group, Inc.</p>	<p>Business Filings Incorporated 311 S. Division St. Carson City, Nevada 89703</p>
<p>NEW HAMPSHIRE</p> <p>Signal 88 Franchise Group, Inc.</p>	<p>Business Filings Incorporated 9 Capitol Street Concord, New Hampshire 03301</p>

NEW JERSEY  Signal 88 Franchise Group, Inc.	Business Filings Incorporated 820 Bear Tavern Road West Trenton, New Jersey 08628
NEW YORK  Signal 88 Franchise Group, Inc.	Business Filings Incorporated 187 Wolf Road, Suite 101 Albany, New York 12205  Secretary of State Department of State One Commerce Plaza 99 Washington Avenue Albany, NY 12231
NORTH CAROLINA  Signal 88 Franchise Group, Inc.	Business Filings International, Inc. 150 Fayetteville St., Box 1011 Raleigh, North Carolina 27601
NORTH DAKOTA  Signal 88 Franchise Group, Inc.	Business Filings Incorporated 314 E. Thayer Ave. Bismarck, ND 58501
OHIO  Signal 88 Franchise Group, Inc.	Business Filings Incorporated 4400 Easton Commons Way, Suite 125 Columbus, Ohio 43219
OKLAHOMA  Signal 88 Franchise Group, Inc.	Business Filings Incorporated 1833 South Morgan Road Oklahoma City, Oklahoma 73128
OREGON  Signal 88 Franchise Group, Inc.	Business Filings Incorporated 388 State Street, Suite 420 Salem, Oregon 97301



PENNSYLVANIA	Signal 88 Franchise Group, Inc.	Business Filings Incorporated 116 Pine Street, Suite 320 Harrisburg, Pennsylvania 17101
RHODE ISLAND	Signal 88 Franchise Group, Inc.	Business Filings International, Inc. 450 Veterans Memorial Parkway, Suite 7A East Providence, RI 02914
SOUTH CAROLINA	Signal 88 Franchise Group, Inc.	Business Filings International, Inc. 2 Office Park Court, Suite 103 Columbia, South Carolina 29223
TENNESSEE	Signal 88 Franchise Group, Inc.	Business Filings Incorporated 800 S. Gay Street, Suite 2021 Knoxville, Tennessee 37929-9710
TEXAS	Signal 88 Franchise Group, Inc.	Business Filings Incorporated 701 Brazos Street, Ste. 720 Austin, Texas 78701
UTAH	Signal 88 Franchise Group, Inc.	Business Filings Incorporated 1108 E. South Union Ave Midvale, UT 84047
VIRGINIA	Signal 88 Franchise Group, Inc.	Business Filings Incorporated 4701 Cox Road, Ste. 301 Glen Allen, Virginia 23060-6802
WASHINGTON	Signal 88 Franchise Group, Inc.	Business Filings Incorporated 505 Union Ave SE, Suite 120 Olympia, WA 98501

<p>WEST VIRGINIA</p> <p>Signal 88 Franchise Group, Inc.</p>	<p>Business Filings Incorporated 5400 D Big Tyler Road Charleston, WV 25313</p>
<p>WISCONSIN</p> <p>Signal 88 Franchise Group, Inc.</p>	<p>Business Filings Incorporated 8040 Excelsior Dr. Suite 200 Madison, Wisconsin 53717</p>
<p>WYOMING</p> <p>Signal 88 Franchise Group, Inc.</p>	<p>Business Filings International, Inc. 1712 Pioneer Ave, #120 Cheyenne, WY 82001</p>

**EXHIBIT C**  
**(to Franchise Disclosure Document)**

**TABLE OF CONTENTS OF FRANCHISE OPERATIONS MANUAL**



# Franchise Operations Manual

*A guide to processes, standards, and technology use.*

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**EXHIBIT D**  
**(to Franchise Disclosure Document)**

**STATE ADDENDA TO THE UNIFORM FRANCHISE DISCLOSURE DOCUMENT**

**ADDENDUM TO THE SIGNAL 88 SECURITY  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF CALIFORNIA**

The following additional disclosures pertain only to franchisees who are residents of or who locate their franchises in California.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

ITEM 1: The services you perform in your Franchised Business will be subject to certain federal, state, and local laws and regulations, which may include Cal. Bus. & Prof. Code 7850, et seq. and corresponding regulations. Pursuant to California law, you will need a Private Patrol Operator's License to operate the Franchised Business. To obtain this license, you will need to have 2000 hours experience as a patrolman, guard, watchman, or similar position and will need to file an application and other prescribed forms with the California Bureau of Security and Investigative Services ("BSIS"), pay a filing fee of \$500 to the BSIS, pass a written examination given by the BSIS, and pass a criminal history review by the Department of Justice and the FBI. Also, any security guards you employ each must have a security guard registration.

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

ITEM 17: California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy. This provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101, et. seq.)

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.

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

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

ADVERTISING: Our URL address is <http://www.signal88security.com>.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF OUR WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT [www.corp.ca.gov](http://www.corp.ca.gov).



**ADDENDUM TO THE SIGNAL 88 SECURITY  
FRANCHISE DISCLOSURE DOCUMENT FOR THE STATES OF  
FLORIDA, GEORGIA, INDIANA, MISSOURI, OHIO,  
TENNESSEE AND WEST VIRGINIA**

The following is a supplemental disclosure concerning our engagement of an area representative in Florida, Georgia, Indiana, Kentucky, Missouri, Ohio, Tennessee, and West Virginia, who will assist us to develop, support, and provide services to you and other franchisees in those states and who will also help you and us to locate customers and negotiate contracts for security services to be performed in those states.

**1. Area Representative Authorization**

We have authorized Stronghold Security Co., Inc. ("Stronghold"), which is a Michigan corporation incorporated on October 5, 2009, to act as our area representative in Florida, Georgia, Indiana, Kentucky, Missouri, Ohio, Tennessee, and West Virginia. Stronghold maintains its principal place of business at 9580 Bergin Road, Howell, Michigan, and may be contacted at (845) 988-6342 and tshoenberger@signal88.com. Stronghold conducts business under its corporate name only.

We have authorized Stronghold to solicit prospective franchisees on our behalf, and to provide certain ongoing services in the States of Florida, Georgia, Indiana, Kentucky, Missouri, Ohio, Tennessee, and West Virginia. Stronghold first began soliciting franchises in November 2009 and has not offered franchises in any other line of business. Stronghold has never operated a franchise. Stronghold has no predecessors.

Stronghold will receive a commission if it participates in the sale of the franchise to you. Stronghold has authority to solicit the sale of franchises but does not have authority to contract or to agree finally on terms with you on our behalf. We will not be bound by any statements or representations Stronghold may make, and we are under no obligation to offer a franchise agreement or any other rights to anyone whom Stronghold refers to us. However, we expect that Stronghold will be your main liaison with us during the franchise sales process and the duration of the term of your agreement with us.

**2. Area Representative Management (Item 2 and Item 11)**

The key people involved in the management of Stronghold are as follows:

Terry Shoenberger: President

Mr. Shoenberger has served as President of Stronghold since November 2009. Mr. Shoenberger was president of Aco Hardware, Inc. from March 2006 to April 2007. From 2001 to March 2006, Mr. Shoenberger was General Manager for Benjamin Moore Company. Mr. Shoenberger was retired from April 2007 to November 2009.

Robert Shoenberger: Senior Vice President

Mr. Shoenberger has served as Senior Vice President of Stronghold in Howell, Michigan, since January 1, 2012. He has also served as area manager for Rustoleum Paints, Gibsonia, Pennsylvania, from 2009 to the present. From 2007 to 2009, Mr. Shoenberger was area sales manager for Aco Hardware Stores in

Farmington Hills, Michigan.

**3. Area Representative Litigation History (Item 3)**

Neither Stronghold nor the persons affiliated with Stronghold noted above are or were parties to any litigation that is required to be disclosed to you under applicable law.

**4. Area Representative Bankruptcy History (Item 4)**

Neither Stronghold nor the persons affiliated with Stronghold noted above are or were parties to any bankruptcy matter that is required to be disclosed to you under applicable law.

**5. Financial Performance Representations (Item 19)**

Other than as noted in Item 19, neither we nor Stronghold use or furnish statements of actual, average, projected, or forecasted sales, costs, profits or earnings in marketing our franchises, and neither we nor Stronghold will guarantee, nor will we or Stronghold represent that you will or can expect to attain any specific amount or range of sales, profits or earnings from the operation of your business. Actual results may vary from business to business, and we cannot estimate the results of any franchisee.

Other than as noted in Item 19, neither we nor Stronghold authorize any of our or Stronghold's officers, employees or sales representatives to make any claims, statements or representations regarding the sales, costs, profits or earnings, or the prospects or chances of success, that you can expect to achieve or that any other franchisee has achieved. We and Stronghold specifically instruct our and its representatives not to make such claims, statements or representations, and you are cautioned not to rely on any claims, statements or representations any person makes in disregard of these instructions.

If you receive any statements of actual, average, projected or forecasted sales, costs, profits or earnings from us, Stronghold or their representatives in the marketing of our franchises, please contact Stronghold immediately at (845) 988-6342 and [tshoenberger@signal88.com](mailto:tshoenberger@signal88.com).

**6. Additional Disclosures Relating to Franchises in Ohio.**

The respective portions of the Franchise Disclosure Document noted below are amended to include the following disclosures:

**Cover Page:**

**READ THIS CAREFULLY**

**The state of Ohio has not reviewed and does not approve, recommend, endorse, or sponsor this or any other business opportunity plan. If you have any questions about this plan, the information contained in this disclosure document should be reviewed with an attorney or financial advisor before you sign any agreement**

**Items 3 and 4:** Neither the seller nor any person listed in Item 2 of this disclosure document (1) has been convicted in a criminal action involving allegations of fraud, embezzlement, fraudulent conversion, misappropriation of property, violation of a franchise law or law prohibiting unfair or

deceptive practices, during the previous seven years; (2) has been held liable in a civil action, resulting in a final judgment, involving allegations of fraud, embezzlement, fraudulent conversion, misappropriation of property, violation of a franchise law or law prohibiting unfair or deceptive practices, during the previous seven years; (3) is currently subject to an injunction or restrictive order, of any court or state or federal agency, relating to or affecting the sale or lease of business opportunity plans or the terms of any agreement between the seller and a purchaser; or (4) has filed a petition in bankruptcy, been adjudged a bankrupt, or has been an officer or director of a business entity that has filed a petition in bankruptcy or been adjudged a bankrupt in the last seven years.

**Item 19:** In reference to the financial performance representations contained in Item 19 of this FDD, the following notice applies:

#### **CAUTION**

**Some business opportunity plans have earned this amount. There is no assurance you will do as well. If you rely upon our figures, you must accept the risk of not doing as well.**

**ADDENDUM TO THE SIGNAL 88 SECURITY  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF HAWAII**

The following additional disclosures pertain only to franchisees who are residents of or who locate their franchises in Hawaii.

The services you perform in your Franchised Business will be subject to certain federal, state, and local laws and regulations, which may include H.R.S. § 463.1 et seq., and H.A.R. Chapter 67.

THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS OFFERING CIRCULAR CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Registered agents in the state authorized to receive service of process:

Business Filings International, Inc.  
900 Fort Street Mall, Suite 1800  
Honolulu, Hawaii 96813

Hawaii Department of Commerce and  
Consumer Affairs  
335 Merchant Street - Room 205  
Honolulu, HI 96813

**ADDENDUM TO THE SIGNAL 88 SECURITY  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF ILLINOIS**

The following additional disclosures pertain only to franchisees who are residents of or who locate their franchises in Illinois.

The risk factors on the State Cover Page are amended to read as follows:

1. THE FRANCHISE AGREEMENT DOES NOT REQUIRE YOU TO RESOLVE DISPUTES WITH US IN ANY PARTICULAR STATE. LITIGATION OF DISPUTES WITH US MAY THEREFORE BE CONDUCTED IN A STATE OTHER THAN YOUR HOME STATE, SUCH AS NEBRASKA. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE WITH US IN NEBRASKA THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT PROVIDES THAT ILLINOIS LAW APPLIES. YOU MAY WANT TO EXAMINE ILLINOIS LAW, AS IT APPLIES TO THE FRANCHISE AGREEMENT.
3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Item 1 is amended to include the following disclosure:

The services you perform in your Franchised Business will be subject to certain federal, state, and local laws and regulations, which may include 225 ILCS 447/5-3 et seq., and Ill. Admin. Code, tit. 68, § 1240.205 et seq., and § 1240.500 et seq. You will need a license under the Illinois Private Detective, Private Alarm, Private Security and Locksmith Act in order to operate the Franchised Business. To obtain this license, you will need (1) to submit an application, a \$500 application fee, and fingerprints; (2) to pass an examination; (3) to have minimum experience of three years out of the five years prior to the application working as a manager for a licensed security agency, a manager of a proprietary security force of thirty or more persons, or a supervisor for a law enforcement agency; (4) to submit a certificate of insurance showing at least \$1,000,000 in liability insurance, (5) to meet certain criteria for personal character. In the conduct of your business, you must also post your license, include your license number in any advertisements, ensure that your employees meet certain training and other requirements imposed by law, obtain registration cards for employees, issue identification cards to employees, and keep certain records and make certain filings with the Department of Financial and Professional Regulation, all as required by law.

Item 11 is amended to include the following disclosure in the section labeled "Business Location Selection":

You must establish a Site within the Territory no later than six months after the end of the first fiscal year in which your sales first exceed \$1,000,000.00. We have no obligation to assist you in locating a Site or in negotiating the purchase or lease of the Site, and our approval of a Site location within the Territory is not required. We generally will not own the premises where you establish an office Site. We will review all proposed leases,

subleases, amendments, renewals, extensions or modifications to a lease or sublease for any leased premises for compliance with the Franchise Agreement; review any construction or remodeling plans; and review any fixtures, furnishings, signs, improvements, and other equipment to be used at the Site. If you are required under the Agreement to procure office space (based on the volumes of Gross Revenue exceeding \$1,000,000 in a fiscal year) and you fail to establish a Site within the time allowed by the Agreement, you will be in default under the Agreement.

Item 17 is amended to include the following disclosure:

v. Choice of forum	Section 19	The Agreement does not contain a choice of forum clause. Illinois law prohibits contractual terms requiring litigation to be conducted outside Illinois.
w. Choice of law	Section 19	Illinois law applies.

**ADDENDUM TO THE SIGNAL 88 SECURITY  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF IOWA**

The following additional disclosures pertain only to franchisees who are residents of or who locate their franchises in Iowa.

1. This business opportunity does not have the approval, recommendation, or endorsement of the state of Iowa. The information contained in this disclosure document has not been verified by this state. If you have any questions or concerns about this investment, seek professional advice before you sign a contract or make any payment. You are to be provided ten (10) business days to review this document before signing a contract or making any payment to the seller or the seller's representative.
2. Item 1 is amended to include the following disclosure: The services you perform in your Franchised Business will be subject to certain federal, state, and local laws and regulations, which may include Iowa Code chapter 80A and 661 Iowa Administrative Code, chapter 2.
3. Item 5 is amended to include the following disclosure: Under Iowa law, a franchisee has a right to cancel the Agreement within three business days of the date the franchisee signs the Agreement or the date the Agreement is accepted by the franchisor, whichever is later, in which case the franchise fee would be refunded.
4. Pursuant to Iowa Code § 537A.10(6)(c), Signal 88 has established and will make available to you upon request its written policy setting forth its criteria to be used in determining whether an existing franchisee is eligible for a franchise for an additional outlet or location.

**ADDENDUM TO THE SIGNAL 88 SECURITY  
FRANCHISE DISCLOSURE DOCUMENT FOR THE STATES OF  
KANSAS AND OKLAHOMA**

The following is a supplemental disclosure concerning our engagement of an area representative in Kansas and Oklahoma, who will assist us to develop, support, and provide services to you and other franchisees in those states and who will also help you and us to locate customers and negotiate contracts for security services to be performed in those states.

**1. Area Representative Authorization**

We have authorized Kris Withrow, who is an individual living in Kansas, to act as our area representative in Kansas and Oklahoma. Mr. Withrow maintains his principal place of business at 1312 Brendonwood, Derby, Kansas 67037, and may be contacted at (316) 209-0436 and [kwithrow@signal88.com](mailto:kwithrow@signal88.com). Mr. Withrow conducts business under his name only.

We have entered into an agreement with Mr. Withrow, which grants him the right to solicit prospective franchisees on our behalf, and to provide certain ongoing services in the States of Kansas and Oklahoma. Mr. Withrow has not offered franchises in any other line of business. Mr. Withrow has operated a franchise since 2009.

**Mr. Withrow will receive a commission if he participates in the sale of the franchise to you. Mr. Withrow has authority to solicit the sale of franchises but does not have authority to contract or to agree finally on terms with you on our behalf. We will not be bound by any statements or representations Mr. Withrow may make, and we are under no obligation to offer a franchise agreement or any other rights to anyone whom Mr. Withrow refers to us. However, we expect that Mr. Withrow will be your main liaison with us during the franchise sales process and the duration of the term of your agreement with us.**

**2. Area Representative Management (Item 2 and Item 11)**

Mr. Withrow's background in the last five years is as follows:

Mr. Withrow has been a franchisee of Signal 88 since June 2009. From June 2008 to March 2010, Mr. Withrow was a Material Logistics Agent for Bombardier Aerospace Learjet in Wichita, Kansas. From December 2006 June 2008, Mr. Withrow was an Executive Team lead for Target Stores in Papillion, Nebraska. From October 2004 to November 2006, Mr. Withrow was a Financial Analyst for ConAgra Foods, Inc. in Omaha, Nebraska. Mr. Withrow will be primarily responsible for your initial and continuing training so long as he remains our area representative in Kansas and Oklahoma.

**3. Area Representative Litigation History (Item 3)**

Mr. Withrow is not and was not a party to any litigation that is required to be disclosed to you under applicable law.

**4. Area Representative Bankruptcy History (Item 4)**

Mr. Withrow is not and was not a party to any to any bankruptcy matter that is required to be disclosed to you under applicable law.



## 5. Financial Performance Representations (Item 19)

Other than as noted in Item 19, neither we nor Mr. Withrow use or furnish statements of actual, average, projected or forecasted sales, costs, profits or earnings in marketing our franchises in Kansas and Oklahoma, and neither we nor Mr. Withrow will guarantee, nor will we or Mr. Withrow represent, that you will or can expect to attain any specific amount or range of sales, profits or earnings from the operation of your business. Actual results may vary from business to business, and we cannot estimate the results of any franchisee.

Other than as noted in Item 19, neither we nor Mr. Withrow authorize any of our or Mr. Withrow's officers, employees or sales representatives to make any claims, statements or representations regarding the sales, costs, profits or earnings, or the prospects or chances of success, that you can expect to achieve or that any other franchisee has achieved. We and Mr. Withrow specifically instruct our and its representatives not to make such claims, statements or representations, and you are cautioned not to rely on any claims, statements or representations any person makes in disregard of these instructions.

If you receive any statements of actual, average, projected or forecasted sales, costs, profits or earnings from us, Mr. Withrow or his representatives in the marketing of our franchises in Kansas and Oklahoma, please contact Mr. Withrow immediately at (316) 209-0436 and [kwithrow@signal88.com](mailto:kwithrow@signal88.com).

**ADDENDUM TO THE SIGNAL 88 SECURITY  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF MARYLAND**

The following additional disclosures pertain only to franchisees who are residents of or who locate their franchises in Maryland.

Item 2 is amended to include the following disclosure:

**Justin Sandridge: Area Representative for Maryland**

Mr. Sandridge is an independent area representative in Maryland for the Signal 88 Security franchise system. Mr. Sandridge has been our area representative since October 2009. Mr. Sandridge has been President of Baltimore Security Consultants, LLC, one of our franchisees in Baltimore, Maryland, since July 2009. During the six years prior to the effective date of this document, Mr. Sandridge has also been a sergeant with the Baltimore County Police Department in Baltimore, Maryland.

Please note: Mr. Sandridge will receive a commission if he participates in the sale of the franchise to you. Mr. Sandridge has authority to solicit the sale of franchises but does not have authority to contract or to agree finally on terms with you on our behalf. We will not be bound by any statements or representations Mr. Sandridge may make, and we are under no obligation to offer a franchise agreement or any other rights to anyone whom Mr. Sandridge refers to us. However, we expect that Mr. Sandridge will be your main liaison with us during the franchise sales process and the duration of the term of your agreement with us.

Item 5 is amended to include the following disclosure: "Due to Franchisor's financial condition, the Maryland Division of Securities requires that Franchisor defer the receipt of all initial fees until after Franchisor completes its pre-opening obligations outlined in the Franchise Agreement."

Item 7, notes 3, 4, 5, and 6 are amended to include the following disclosure:

We believe the prevailing market price of the properly equipped vehicle you must purchase to be between approximately \$27,050 and \$36,050. Such vehicles may be available from outlets in Maryland, but we have made arrangements with suppliers in Nebraska to facilitate their availability.

As required by Maryland law, we authorize the Maryland Securities Commissioner to examine our financial records relating to the sale of franchises.

As required by Maryland law, we consent to being sued in the State of Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Item 17(c): As stated in COMAR 02.02.08.16L, the general release required as a condition of renewal, sale, and/or assignment or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Item 17(w): Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

**ADDENDUM TO THE SIGNAL 88 SECURITY  
FRANCHISE DISCLOSURE DOCUMENT FOR  
THE STATE OF MASSACHUSETTS**

The following additional disclosures pertain only to franchisees who are residents of or who locate their franchises in Massachusetts.

1. Item 1: In Massachusetts, our business is strictly limited to selling franchises, and we do not operate a business in Massachusetts that is substantially similar to the one we franchise.
  
2. Natural persons will not be permitted to sign Franchise Agreements in Massachusetts. Rather, only fictitious entities, such as corporations, limited liability companies, and the like, will be permitted to sign.

**ADDENDUM TO THE SIGNAL 88 SECURITY  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF MICHIGAN**

The following notice pertains only to franchisees who are residents of or who locate their franchises in Michigan.

**NOTICE PURSUANT TO MICHIGAN LAW**

**The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you:**

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a 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, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor

from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

1. The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
  2. The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.
  3. The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  4. 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 the Department of Attorney General, State of Michigan, 670 Law Building, Lansing, Michigan 48913, telephone (517) 373.7717.

#### **ADDITIONAL INFORMATION APPLICABLE TO FRANCHISES IN MICHIGAN**

The following is a supplemental disclosure concerning our engagement of an area representative in Michigan, who will assist us to develop, support, and provide services to you and other franchisees in that state and who will also help you and us to locate customers and negotiate contracts for security services to be performed in that state.

## 1. Area Representative Authorization

We have authorized Stronghold Security Co., Inc. ("Stronghold"), which is a Michigan corporation incorporated on October 5, 2009, to act as our area representative in Michigan. Stronghold maintains its principal place of business at 9580 Bergin Road, Howell, Michigan, and may be contacted at (845) 988-6342 and tshoenberger@signal88.com. Stronghold conducts business under its corporate name only.

We have authorized Stronghold to solicit prospective franchisees on our behalf, and to provide certain ongoing services in the State of Michigan. Stronghold first began soliciting franchises in November 2009 and has not offered franchises in any other line of business. Stronghold has never operated a franchise. Stronghold has no predecessors.

Stronghold will receive a commission if it participates in the sale of the franchise to you. Stronghold has authority to solicit the sale of franchises but does not have authority to contract or to agree finally on terms with you on our behalf. We will not be bound by any statements or representations Stronghold may make, and we are under no obligation to offer a franchise agreement or any other rights to anyone whom Stronghold refers to us. However, we expect that Stronghold will be your main liaison with us during the franchise sales process and the duration of the term of your agreement with us.

## 2. Area Representative Management (Item 2 and Item 11)

The key people involved in the management of Stronghold are as follows:

Terry Shoenberger: President

Mr. Shoenberger has served as President of Stronghold since November 2009. Mr. Shoenberger was president of Aco Hardware, Inc. from March 2006 to April 2007. From 2001 to March 2006, Mr. Shoenberger was General Manager for Benjamin Moore Company. Mr. Shoenberger was retired from April 2007 to November 2009.

Robert Shoenberger: Senior Vice President

Mr. Shoenberger has served as Senior Vice President of Stronghold in Howell, Michigan, since January 1, 2012. He has also served as area manager for Rustoleum Paints, Gibsonia, Pennsylvania, from 2009 to the present. From 2007 to 2009, Mr. Shoenberger was area sales manager for Aco Hardware Stores in Farmington Hills, Michigan.

## 3. Area Representative Litigation History (Item 3)

Neither Stronghold nor the persons affiliated with Stronghold noted above are or were parties to any litigation that is required to be disclosed to you under applicable law.

## 4. Area Representative Bankruptcy History (Item 4)

Neither Stronghold nor the persons affiliated with Stronghold noted above are or were parties to any bankruptcy matter that is required to be disclosed to you under applicable law.

## 5. Financial Performance Representations (Item 19)

Other than as noted in Item 19, neither we nor Stronghold use or furnish statements of actual, average, projected, or forecasted sales, costs, profits or earnings in marketing our franchises, and neither we nor Stronghold will guarantee, nor will we or Stronghold represent that you will or can expect to attain any specific amount or range of sales, profits or earnings from the operation of your business. Actual results may vary from business to business, and we cannot estimate the results of any franchisee.

Other than as noted in Item 19, neither we nor Stronghold authorize any of our or Stronghold's officers, employees or sales representatives to make any claims, statements or representations regarding the sales, costs, profits or earnings, or the prospects or chances of success, that you can expect to achieve or that any other franchisee has achieved. We and Stronghold specifically instruct our and its representatives not to make such claims, statements or representations, and you are cautioned not to rely on any claims, statements or representations any person makes in disregard of these instructions.

If you receive any statements of actual, average, projected or forecasted sales, costs, profits or earnings from us, Stronghold or their representatives in the marketing of our franchises, please contact Stronghold immediately at (845) 988-6342 and [tshoenberger@signal88.com](mailto:tshoenberger@signal88.com).

**ADDENDUM TO THE SIGNAL 88 SECURITY  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF MINNESOTA**

The following additional disclosures pertain only to franchisees who are residents of or who locate their franchises in Minnesota:

1. The FTC Cover Page is amended to include the following disclosures:

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

2. Item 1 is amended to include the following disclosures:

The services you perform in your Franchised Business will be subject to certain federal, state, and local laws and regulations, which may include Minnesota Statutes 326.32-326.339, and Administrative Rules 7506.0100 -7506.2900.

3. Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
4. With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60



days to cure) and 180 days' notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

5. The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
6. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
7. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
8. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

Also, a court will determine if a bond is required.

9. The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

**ADDENDUM TO THE SIGNAL 88 SECURITY  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF NEW YORK**

The following additional disclosures pertain only to franchisees who are residents of or who locate their franchises in New York.

1. The FTC Cover Page is amended to include the following disclosure:

Information comparing franchisors is available. Call the state administrators listed in Exhibit A or your public library for sources of information. Registration of this franchise by a State does not mean that the State recommends it or has verified the information in this disclosure document. If you learn that anything in the disclosure document is untrue, contact the Federal Trademark Commission and the appropriate State or provincial authority.

2. The State Cover Page is amended to include the following disclosure:

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. **REGISTRATION OF A FRANCHISE BY A STATE DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE DEPARTMENT OF LAW OR THAT IT HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.** Call the state franchise administrator listed in Exhibit A for information about the franchisor or about franchising in your state.

3. Item 1 is amended to include the following disclosure:

The services you perform in your Franchised Business will be subject to certain federal, state, and local laws and regulations, which may include the State of New York's Security Guard Act of 1992, N.Y. Gen. Bus. Law § 89-f – 89-w (2009) and New York's Private Investigators, Bail Enforcement Agents and Watch, Guard or Patrol Agencies License Law, N.Y. Gen. Bus. Law § 70 - 89-a (2009).

As required by N.Y. Gen. Bus. Law § 683(2)(s) (2009), this disclosure document does not knowingly omit any material fact or contain any untrue statement of a material fact.

4. Item 3 is amended to include the following disclosure:

Other than the litigation disclosed in Item 3 of the Franchise Disclosure Document, neither Signal 88 Security, its affiliates nor any person identified in Item 2 of this Franchise Disclosure Document:

- a. 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, including pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

- b. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.
  - c. 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.
5. Item 4 is amended to include the following disclosure:

Neither Signal 88 Security, its affiliates or any officers identified in Item 2 of this Franchise Disclosure Document has, during the 10-year period preceding the date of this Franchise Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer of franchisor held this position in the company or partnership.

6. Item 5 is amended to include the following disclosure:

We use the Franchise Fee to cover the costs we incur to operate our business, including costs for general sales and administrative expenses, market research, travel, long distance telephone calls, training, marketing and promotion, legal and accounting fees, compliance with federal and state franchising and other laws, and the initial services rendered by Signal 88 Security to you.

7. Item 7, footnote 2, is amended to include the following disclosure:

LICENSES - You may be required to obtain a license from and pay a license application fee to New York's Department of State, Division of Licensing Services pursuant to Private Investigators, Bail Enforcement Agents and Watch, Guard or Patrol Agencies License Law, N.Y. Gen. Bus. Law § 70 - 89-a (2009). Under such law, you also may be required to deliver and file a surety company bond in the amount of \$10,000 with the Secretary of State. You also may be required to pay an examination fee and take an examination to qualify for the license. Each security guard employed with you may be required to register with and attend initial and annual training prescribed by the

Department of State pursuant to the Security Guard Act of 1992, N.Y Gen. Bus. Law § 89-f - 89-w (2009). The estimated initial investment noted in the chart above includes the agency license application fee, the examination fee for one individual, the approximate cost of a surety company bond, as well as the registration card and fingerprinting fee and approximate initial training costs for one security guard. The initial training costs will vary depending on the security training school used; those schools are approved by the Division of Criminal Justice Services. You also may be required to obtain other business licenses from specific governing agencies to operate your Franchised Business. You must secure any required licenses prior to the opening of your Franchised Business. These fees are refundable only as provided by specific governing agencies.

8. Item 17 is amended to include the following disclosures:

d. Termination by you		You may terminate the Franchise Agreement on any grounds available under state law.
j. Assignment of contract by Franchisor	Section 14	No restriction; however, no assignment will be made except to an assignee who, in the good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the franchise agreement.
w. Choice of law	Section 19	Nebraska law applies except where applicable law provides for greater benefits to you. 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.

**ADDENDUM TO THE SIGNAL 88 SECURITY  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF NORTH CAROLINA**

**DISCLOSURES REQUIRED BY NORTH CAROLINA LAW**

The State of North Carolina has not reviewed and does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the State. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

No parent or affiliate of Signal 88 Franchise Group, Inc., is responsible for statements made by Signal 88 Franchise Group, Inc.

The names, addresses and titles of our officers and directors are as follows:

<b>Name</b>	<b>Address</b>	<b>Position</b>
Reed Nyffeler	3880 S. 149 <sup>th</sup> St., Ste. 102 Omaha, NE 68144	CEO, Director
Shea Degan	3516 S. 201 <sup>st</sup> Ave. Cir. Omaha, NE 68130	Director
Mike Simmonds	11404 W. Dodge Rd., Suite 650 Omaha, NE 68154	Director
Paul Hogan	13323 California St. Omaha, NE 68154	Director
Josh Minturn	3880 S. 149 <sup>th</sup> St., Ste. 102 Omaha, NE 68144	Vice President of Franchise Development
Dan Cisar	3880 S. 149 <sup>th</sup> St., Ste. 102 Omaha, NE 68144	Vice President of Franchise Standards
Laura Vodvarka	3880 S. 149 <sup>th</sup> St., Ste. 102 Omaha, NE 68144	Vice President of Administration
Ty Hughes	3880 S. 149 <sup>th</sup> St., Ste. 102 Omaha, NE 68144	Vice President of National Accounts
Randy Shoults	3880 S. 149 <sup>th</sup> St., Ste. 102 Omaha, NE 68144	Franchise Advisor
Wendy Staskiewicz	3880 S. 149 <sup>th</sup> St., Ste. 102 Omaha, NE 68144	Franchise Advisor

As required by North Carolina law, the seller has secured a bond issued by \_\_\_\_\_, a surety company authorized to do business in this State. Before signing a contract to purchase this business opportunity, you should check with the surety company to determine the bond's current status.

If the seller fails to deliver the product, equipment or supplies necessary to begin substantial operation of the business within forty-five days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled.

**ADDENDUM TO THE SIGNAL 88 SECURITY  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF RHODE ISLAND**

The following additional disclosures pertain only to franchisees who are residents of or who locate their franchises in Rhode Island:

1. Item 1 is amended to include the following disclosure:

The services you perform in your Franchised Business will be subject to certain federal, state, and local laws and regulations, which may include Rhode Island General Laws § 5-5.1-1 et seq.

**ADDENDUM TO THE SIGNAL 88 SECURITY  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF SOUTH CAROLINA**

The following additional disclosures pertain only to franchisees who are residents of or who locate their franchises in South Carolina:

1. As required by South Carolina law, the seller has secured a bond issued by Platte River Insurance Company, 1600 Aspen Commons, P.O. Box 5900, Middleton, WI 53562-4719, a surety company authorized to do business in this State. Before signing a contract to purchase this business opportunity, you should check with the surety company to determine the bond's current status.
2. If the seller fails to deliver the product, equipment or supplies necessary to begin substantial operation of the business within forty-five days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled.
3. The Disclosure Document is amended to include the following statement as a cover sheet:

**DISCLOSURES REQUIRED BY SOUTH CAROLINA LAW**

The State of South Carolina has not reviewed and does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the State. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

**ADDENDUM TO THE SIGNAL 88 SECURITY  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF VIRGINIA**

The following additional disclosures pertain only to franchisees who are residents of or who locate their franchises in Virginia:

1. Item 1 is amended to include the following disclosure:

The services you perform in your Franchised Business will be subject to certain federal, state, and local laws and regulations, which may include Va. Code §§ 9.1-138 et seq., and 6 VAC 20-171-10 et seq.

2. If you wish to renew your franchise, you will, in addition to other requirements and conditions stated in the Franchise Agreement, be required to sign a release substantially in the form of the sample release appearing below:

**RELEASE  
(Sample)**

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned hereby releases and forever discharges Signal 88 Franchise Group, Inc., its officers, agents, employees, attorneys, representatives and assigns, from any and all claims, demands, damages, actions, causes of action or suits of any kind or nature whatsoever, that the undersigned may now have or that may subsequently accrue, arising out of or in any way relating to the Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ and/or the business relationship between the undersigned and Signal 88 Franchise Group, Inc., its officers, agents, employees, attorneys, representatives successors and/or assigns. The undersigned hereby declares that the terms of this release have been completely read and are fully understood and voluntarily accepted for the express purpose of precluding forever any claims arising out of the aforesaid Franchise Agreement and business relationship.

IN WITNESS WHEREOF, this Release is executed and is to be effective on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
FRANCHISEE,

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Position: \_\_\_\_\_



**ADDENDUM TO THE SIGNAL 88 SECURITY  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF WASHINGTON**

The following additional disclosures pertain only to franchisees who are residents of or who locate their franchises in Washington:

1. Item 1 is amended to include the following disclosure:

The services you perform in your Franchised Business will be subject to certain federal, state, and local laws and regulations, which may include Chapter 18.170 RCW, Chapter 18.235 RCW, and Chapter 308-18 WAC.

2. The State of Washington has a statute, RCW 19.100.180, which may supersede the franchise agreement in your relationship with us, including areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with us, including the areas of termination and renewal of your franchise.
3. A release or waiver of rights you sign will not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the franchise agreement is in effect and where the parties are represented by independent counsel. Provisions that unreasonably restrict or limit the statute of limitations period for claims under the Act, and rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
4. Transfer fees are collectable to the extent that they reflect our reasonable estimated or actual costs in effecting a transfer.
5. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

**EXHIBIT E**  
**(to Franchise Disclosure Document)**  
**FRANCHISE AGREEMENT**



**FRANCHISE AGREEMENT**

**between**

**SIGNAL 88 FRANCHISE GROUP, INC.**

3880 South 149<sup>th</sup> Street - Suite 102  
Omaha, NE 68144  
telephone: (877) 498-8494  
facsimile: (402) 502-2078

**and**

\_\_\_\_\_  
**[NAME OF FRANCHISEE]**

**EFFECTIVE DATE OF FRANCHISE AGREEMENT**

\_\_\_\_\_, 20\_\_\_\_

## FRANCHISE AGREEMENT

This FRANCHISE AGREEMENT ("Agreement") is dated the \_\_\_ day of \_\_\_\_\_, 201\_\_\_ (the "Effective Date"), and is between Signal 88 Franchise Group, Inc., a Nebraska corporation with its principal office located at 3880 South 149<sup>th</sup> Street, Suite 102, Omaha, Nebraska 68144 ("Franchisor") and \_\_\_\_\_, with an address of \_\_\_\_\_ ("Franchisee").

### RECITALS

Franchisor is the owner of a business model for marketing and selling security services, executive protection services, and security consulting services.

Franchisor also owns the service mark and trade name Signal 88 Security®, as well as other marks and logos, which are used for identifying equipment and personnel in connection with the operation of the business model the Franchisor owns.

Franchisor has developed and acquired a unique and proprietary marketing, management, and operations plan to market and sell its services.

Franchisor has the right to license, and Franchisee desires to license from Franchisor, use of such names, marks, and plans for the purpose of operating a business that provides security services, executive protection services, and security consulting services to businesses, organizations, and individuals.

Franchisee acknowledges and agrees that the franchise and license grant in this Agreement is contingent upon Franchisee satisfactorily completing the Franchise Conditions and receiving a Franchise Approval from Franchisor.

### AGREEMENT

The parties therefore agree as follows:

1. Definitions.

1.1 Business Location refers to the premises the Franchisor has approved for the location of any physical office the Franchisee may be required to maintain, pursuant to Section 6.13 of this Agreement.

1.2 Disclosing Party refers to a party that discloses Confidential Information (as later defined in this Agreement) in connection with or pursuant to this Agreement.

1.3 Franchise Conditions refers to the conditions set forth in Section 3 of this Agreement.

1.4 Franchised Business refers to the security services business operated under the Marks and the System to market and sell the Services.

1.5 Gross Revenue is defined as the total revenue resulting from the sale by Franchisee or its principals of any products or the performance by Franchisee or its principals of any services related to or developed in connection with the Franchised Business or the security industry, whether approved by Signal 88 or not, including but not limited to the Services, security

consulting, officer training, private investigation, GPS tracking services, vehicle or premises monitoring, and parking-enforcement services for customers, all whether from sales for cash, credit, in-kind transfers, or bartering exchanges, and irrespective of the collection thereof, but exclusive of all bank fees on credit sales, sales taxes, use taxes, gross receipts taxes, and other similar taxes added to the sales price and collected from the customer.

1.6 Name refers to the service mark and trade name, Signal 88 Security.

1.7 Marks refer to the Name, trade names, service marks, trademarks, and logos set forth on Exhibit A attached to this Agreement, as well as any other service marks, logos or trade dress that Franchisor may designate from time to time.

1.8 Operations Manual refers to the book owned by Franchisor and loaned to Franchisee and any directives issued by the Franchisor from time to time, which contain guides, rules, and requirements for operation of the Franchised Business, whether in electronic, printed, or other form.

1.9 Promotional Materials collectively refers to all labels, packaging, advertising, web site materials, and other marketing materials created by Franchisor for use in operation and promotion of the Franchised Business.

1.10 Receiving Party refers to a party that receives Confidential Information (as later defined in this Agreement) in connection with or pursuant to this Agreement.

1.11 Services refers to the list of services approved by Franchisor to be sold and performed by the Franchised Business that are set forth in the Operations Manual or that Franchisor may designate from time to time.

1.12 Site means domain names, the World Wide Web, the Internet, computer network or distribution systems, or other electronic communications sites.

1.13 Software refers to Inteliguide, Patrolguide, and Salesguide software and any other proprietary or other software Franchisor may license from third parties or develop itself for use in connection with the System.

1.14 System refers to the advertising, customer service, equipment, purchasing, management, marketing, operations, sales, Software, and training plans owned or licensed by Franchisor and used in operation of the Franchised Business, as Franchisor may modify from time to time.

1.15 Territory refers to the geographical territory or territories set forth on Exhibit B attached to this Agreement.

1.16 Trade Secrets refers to information or data about Franchisor or any of its products, services, technical or non-technical data, formulae, methods, techniques, drawings, processes, financial data, financial plans, product and promotional plans, lists of actual or potential advertisers, lists of customers or suppliers, that (a) derives economic value, actual or potential, from not being generally known to, or generally ascertainable by, proper means by others persons who can obtain economic value from their disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

## 2. Franchise Grant.

2.1 Subject to Franchisee's fulfillment of the Franchise Conditions and compliance with the terms and conditions of this Agreement, Franchisor grants to Franchisee the right, franchise, and license to use the Marks, the System, the Promotional Materials and other indicia of the Franchised Business owned or licensed by Franchisor, solely to operate the Franchised Business in the Territory for the purpose of marketing and selling the Services.

2.2 Franchisee acknowledges and agrees that the license and franchise grant in Section 2.1 of this Agreement is expressly limited to the Territory and that Franchisee may not use the Marks, the System, the Promotional Materials or any other indicia of the Franchised Business owned or licensed by Franchisor and may not perform any Services in any other jurisdiction or geographical area other than the Territory, without first requesting permission in writing and obtaining written permission from Franchisor to do so, which permission may be withheld in the sole discretion of Franchisor. Franchisee further acknowledges and agrees that nothing contained in this Agreement will prevent Franchisor from using and licensing third parties to use the Marks, the System, or the Promotional Materials in any jurisdiction or geographical area other than the Territory. Notwithstanding anything to the contrary herein, in the event Franchisor grants Franchisee the privilege to use the Marks, the System, and/or the Promotional Materials or any indicia of the Franchised Business owned or licensed by Franchisor or to perform Services in a jurisdiction or geographic area other than the Territory, Franchisee acknowledges that Franchisor may revoke such privilege at any time for any reason, in its sole discretion, and without any compensation to Franchisee.

2.3 Notwithstanding anything to the contrary in this Agreement, Franchisor shall have the exclusive right to enter into contracts with customers for the performance of Services, and Franchisee shall be prohibited from doing so. If, in spite of the prohibition contained in this Section 2.3, the Franchisee for any reason enters into any customer contracts, all of Franchisee's right, title, and interest in such contracts shall be deemed assigned to Franchisor immediately upon the execution of such contracts. Franchisee agrees that, notwithstanding anything to the contrary herein, all customer contracts calling for the performance of Services, the accounts receivable generated under such contracts, and the proceeds of such accounts receivable, shall be solely and exclusively the property of Franchisor, and Franchisee shall have no interest therein. Franchisee shall not perform any Services for any customer without the customer first having signed a contract for such Services with Franchisor. Franchisee shall execute the Subcontract contained in Exhibit H contemporaneously herewith, and the terms of the Subcontract and this Agreement shall govern the Franchisee's performance of Services. Franchisee shall not perform any Services for customers unless and until the Subcontract is signed.

2.4 Notwithstanding anything to the contrary in this Agreement, Franchisor reserves the right to promote and solicit, and to enter into arrangements with contractors to promote and solicit, contracts for accounts that may involve furnishing Services within the Territory. Franchisee shall have a right of first refusal to perform any Services under any customer contract to the extent that such Services are to be performed within the Territory. However, should Franchisee fail to accept any request to perform such Services within a time period specified by Franchisor, Franchisor may perform or enter into arrangements with other franchisees or contractors to perform such Services and may locate employees or contractors within the Territory for these purposes, without any further obligation to Franchisee relating to such accounts.

2.5 Franchisor reserves all other rights that are not expressly granted to Franchisee pursuant to this Agreement.

3. Conditions to Franchise.

3.1 THE PARTIES AGREE THAT THE GRANT TO FRANCHISEE OF THE FRANCHISE AND LICENSE SET FORTH IN SECTION 2.1 IS CONDITIONED ON FRANCHISEE'S COMPLETION, TO THE SATISFACTION OF THE FRANCHISOR, OF THE FOLLOWING FRANCHISE CONDITIONS:

- (a) Franchisee will sign and return to Franchisor the original executed Agreement, including Exhibits D (Guaranty), G (Security Agreement), H (Subcontract), I (Confidentiality Agreement), J (Assignment of Telephone Number and Service, and K (Assignment of Domain Name and E-Mail Addresses), and will retain a copy of the fully executed Agreement for Franchisee's records.
- (b) Franchisee will pay to Franchisor the Franchise Fee (as later set forth in this Agreement) by certified check, cashier's check, or electronic fund transfer upon execution of this Agreement.
- (c) Financial Qualifications.
  - (i) Franchisee will submit to Franchisor true and accurate financial statements of Franchisee and, if applicable, its owners, prepared in accordance with generally accepted accounting principles, in such form as Franchisor may require, within thirty days after the Effective Date of this Agreement.
  - (ii) Franchisee must demonstrate, to the satisfaction of Franchisor, Franchisee's fitness to operate the Franchised Business successfully.
  - (iii) Franchisee will grant to and create in favor of Franchisor a security interest under the Uniform Commercial Code in and to all Franchisee's personal property, including all Franchisee's rights to any payments, all accounts, accounts receivable, chattel paper, consumer goods, inventory, equipment, vehicles, instruments, documents, deposit accounts, bonds, money, letters of credit, general intangibles, payment intangibles, supporting obligations, machinery, office and computer equipment, licenses, permits, customer lists, sales records, purchase records, software, fixtures, trademarks and the goodwill of the business associated therewith, copyrights, patents and all other forms of intellectual property, contract rights, investments, securities, and all products and proceeds from such personal property, whether cash, non-cash or insurance proceeds, all whether now owned or hereafter acquired (the "Collateral"), by executing a security agreement in the form attached as Exhibit G.

- (iv) Franchisee will execute one or more financing statements and continuation statements as Franchisor may reasonably require in a form satisfactory to Franchisor. Franchisee will pay the costs to file such statements with the proper authorities and/or governmental office.
  - (v) Franchisee will irrevocably appoint Franchisor as its agent and attorney-in-fact to execute any such financing statements in Franchisee's name. Franchisee will execute such additional or supplemental documents and agreements to perfect Franchisor's security interest in the Collateral as Franchisor may reasonably request.
  - (vi) Franchisee shall return to Franchisor the personal guaranty attached as Exhibit D to this Agreement, executed by Franchisee's spouse, if Franchisee is an individual, or all owners of a beneficial interest in Franchisee, if Franchisee is a legal entity. Franchisor may, in its sole discretion, require said guaranty to be secured by any or all of the assets of any or all of the persons signing the guaranty.
- (d) Franchisee or (i) if Franchisee is a legal entity, such owners of a beneficial interest in such entity as Franchisor may request, or (ii) if Franchisee is more than one individual, then each individual, will, along with one or two designated managers of Franchisee, attend and complete an initial training program conducted by Franchisor. The costs of travel, lodging, and meals to attend and complete such a program will be borne by the Franchisee.

3.2 Franchisee will have sixty (60) days from the Effective Date ("Condition Period") to complete the Franchise Conditions and send a written request to Franchisor for a determination whether the Franchise Conditions have been completed to the Franchisor's satisfaction. Franchisee agrees that it will provide such other documentation and proof that such Franchise Conditions have been completed as Franchisor may reasonably request.

3.3 If Franchisee is unable to complete the Franchise Conditions within the Condition Period due to circumstances beyond the Franchisee's control, Franchisee may request in writing that Franchisor extend the Condition Period. Such request must be sent at least ten (10) business days prior to the expiration of the Condition Period. Franchisor may, in its sole discretion, extend the Condition Period for a time period to be determined by Franchisor.

3.4 Within thirty (30) days after receipt of Franchisee's request pursuant to Section 3.2, Franchisor will notify Franchisee in writing whether the Franchise Conditions have been satisfactorily completed. If Franchisor determines that the Franchise Conditions have been met, Franchisor will send to Franchisee a written Approval. If Franchisor determines that such Franchise Conditions have not been met, (a) Franchisor will send to Franchisee a written Rejection, in which case Franchisor may terminate this Agreement in accordance with Section 12; or (b) Franchisor may, in its sole discretion, allow Franchisee additional time to complete the Franchise Conditions to the Franchisor's satisfaction. Franchisee agrees that Franchisor, in its sole discretion, will determine whether such Franchise Conditions have been satisfactorily completed.



3.5 If Franchisor allows Franchisee additional time to complete the Franchise Conditions, then before the expiration of such extension period, Franchisee will send a written request to Franchisor to determine whether the Franchise Conditions have been satisfactorily completed. Upon receipt of Franchisee's request, Franchisor will follow the steps in Section 3.4.

#### 4. Term.

4.1 Franchise Term. The franchise term of this Agreement will commence upon the execution of this Agreement and will continue in effect for five (5) years thereafter unless terminated earlier in accordance with Section 12 of this Agreement ("Franchise Term").

4.2 Renewal. Franchisor may decline a renewal of this Agreement in accordance with applicable law. Subject to the foregoing, Franchisee may apply to renew this Agreement and extend the Franchise Term or any Renewal Term(s) for successive five (5) year periods ("Renewal Term"), subject to Franchisee satisfying each of the following conditions before any Renewal Term takes effect ("Renewal Conditions"). **FRANCHISEE'S FAILURE TO SATISFY ALL OF THE RENEWAL CONDITIONS WILL RESULT IN NON-RENEWAL OF THE FRANCHISE.**

- (a) Franchisee must deliver to Franchisor written notice of Franchisee's intent to renew not less than one hundred eighty (180) days and not more than two hundred forty days (240) days prior to the end of the then-current term.
- (b) At least thirty days before the expiration of the Franchise Term or any Renewal Term, Franchisee must execute a renewal addendum or a new franchise agreement, as Franchisor shall elect. Any new franchise agreement may, in Franchisor's discretion, contain materially different terms from those contained in this Agreement. In lieu of a Franchise Fee, however, Franchisee will pay a Renewal Fee as set forth in Section 5.2 of this Agreement, or, if Franchisor so elects, such other amount as may be indicated in the franchise agreement Franchisor offers at the time of any renewal.
- (c) Franchisee must pay the Renewal Fee or other amount required under Section 4.2 of this Agreement not less than thirty (30) days prior to the expiration of the then-current term.
- (d) Franchisee must have met, to the satisfaction of the Franchisor, the sales goals and performance standards established by the Franchisor for the Franchised Business.
- (e) Franchisee must not, on the date of the notice of intent to renew or at any time thereafter, be in Breach or Default under Franchisee's existing franchise agreement or any other agreement or obligation Franchisee may have with Franchisor, including, but not limited to, all obligations to pay Franchise Royalties, Franchise Growth Support Fees, Technology Fees, Referral Fees, Administrative Fees (all as defined in Section 5 below), interest and late charges, and obligations to comply with the performance standards and requirements set forth in this Agreement.

- (f) Franchisee must agree to make such capital expenditures as Franchisor may deem necessary to provide the full range of Services of the Franchised Business, and such other expenditures as Franchisor may reasonably require from time to time to renovate and modernize the Franchised Business's equipment, vehicles, uniforms, supplies, furniture, fixtures, and (if required under Section 6.13) the Site, so as to reflect the then-current image of the Franchised Business, as established by Franchisor.
- (g) Franchisee and its directors, officers, owners, shareholders, and members must execute a general release of Franchisor for their past dealings with Franchisor, except to the extent such release may be superseded by law.

4.3 Expired Agreement. If Franchisee does not initiate and comply with the renewal procedures outlined in Section 4.2 prior to the expiration of this Agreement and fails to sign a new franchise agreement, but continues to accept the benefits of this Agreement after its expiration, then, Franchisor may, at its sole option, treat this Agreement as either (a) expired as of the date of expiration, with Franchisee then operating a Franchise without the right to do so and in violation of Franchisor's rights or (b) continued on a month-to-month basis (the "Interim Period") until Franchisor or Franchisee provides the other party with written notice of such party's intention to terminate the Interim Period, in which case the Interim Period will terminate upon the expiration of thirty (30) days (or such longer period as may be required by law) after the notice to terminate the Interim Period is given. If Franchisor opts to continue the Agreement on a month-to-month basis, all obligations of Franchisee shall remain in full force and effect during the Interim Period as if this Agreement had not expired, and all obligations and restrictions imposed upon Franchisee on the expiration of this Agreement shall be deemed to take effect upon the termination of the Interim Period. Notice given by either party to terminate the Interim Period will not limit Franchisor's option to exercise its rights under Sections 12.1 and 12.2.

## 5. Fees and Royalties.

5.1 Franchise Fee. In exchange for Franchisor's license and franchise grant set forth in Section 2.1 of this Agreement, Franchisee will pay to Franchisor a non-refundable fee as provided in Exhibit E-1 ("Franchise Fee"), which shall be due and deemed fully earned upon the execution of this Agreement.

5.2 Renewal Fee. In exchange for the Franchisor's license and franchise grant for a Renewal Term, Franchisee will pay to Franchisor a non-refundable Renewal Fee as provided in Exhibit E-1 ("Renewal Fee") at least thirty (30) days prior to the end of the then-current term.

5.3 Franchise Royalties. During the Franchise Term and any Renewal Terms of this Agreement, Franchisor shall be entitled each month to a franchise royalty in an amount determined in accordance with Exhibit E-1 ("Franchise Royalties"), provided that during any Renewal Terms, the Franchise Royalties shall be determined at the rate indicated in the renewal addendum or franchise agreement Franchisor offers at the time of renewal, as Franchisor shall elect.

5.4 Franchise Growth Support Fee. During the Franchise Term and any Renewal Term and in consideration of the Promotional Materials that Franchisor will provide to Franchisee, Franchisor shall be entitled each month to a franchise growth support fee in an

amount determined in accordance with Exhibit E-1 (“Franchise Growth Support Fee”), provided that during any Renewal Term, the Franchise Growth Support Fee shall be determined at the rate indicated in the renewal addendum or franchise agreement Franchisor offers at the time of renewal, as Franchisor shall elect.

5.5 Technology Fee. During the Franchise Term and any Renewal Term and in consideration of the software and other technology provided to the Franchisee pursuant to this Agreement, Franchisor shall be entitled each month to a technology fee in an amount determined in accordance with Exhibit E-1 (“Technology Fee”), provided that during any Renewal Term, the Technology Fee shall be determined at the rate indicated in the renewal addendum or franchise agreement Franchisor offers at the time of renewal, as Franchisor shall elect.

5.6 Transfer Fee. Except in the case of a sale, transfer, or assignment to a legal entity formed pursuant to Section 14.8 of this Agreement, Franchisee or the transferee will pay to Franchisor the transfer fee set forth on Exhibit E-1 (“Transfer Fee”) prior to the effective date of any sale, transfer, assignment, lease or sublease by Franchisee of any or all of its interest in this Agreement or any interest in Franchisee, provided that during any Renewal Terms, Franchisee will be obligated to pay the Transfer Fee indicated in the renewal addendum or franchise agreement Franchisor offers at the time of renewal, as Franchisor shall elect.

5.7 Referral Fees. In the event that Franchisor refers to Franchisee the performance of any Services under a customer contract solicited and obtained through the efforts of Franchisor, and Franchisee agrees to perform the referred Services under such contract, Franchisee shall perform the required Services in accordance with the terms of the customer contract, and Franchisor shall be entitled to a Referral Fee in an amount determined in accordance with Exhibit E-1 (“Referral Fee”). This Referral Fee will not include the cost of any Franchisor personnel who perform any services associated with the customer contract, which shall be billed separately. If Franchisee fails to accept Franchisor’s referral of the performance of Services under a customer contract, to meet the requirements of the customer contract, or to perform the referred Services under the customer contract in accordance with its terms, Franchisor may, in addition to any other remedies it may have, perform such Services itself or refer such Services to any other franchisee or other contractor (whether or not the Services provided thereunder are to be performed in the Territory) and shall owe no further obligation to Franchisee concerning such customer contract. The Referral Fee shall not apply to customer contracts solicited and obtained solely through the efforts of Franchisee.

5.8 Administrative Fee. During the Franchise Term and any Renewal Term and in consideration of the billing, collection assistance, and other administrative services provided by Franchisor to Franchisee, Franchisor shall be entitled each month to the administrative fee set forth in Exhibit E-1 (“Administrative Fee”), provided that during any Renewal Term, the Administrative Fee shall be determined at the rate indicated in the renewal addendum or franchise agreement under which Franchisor is then operating, as Franchisor may elect.

5.9 Service Fees. In the event that Franchisor notifies Franchisee of a default under the Franchise Agreement and Franchisee fails to cure the default within thirty (30) days after such notice, Franchisor shall be entitled to service fees in an amount determined in accordance with Exhibit E-1 for services rendered by Franchisor or its authorized agent as a result of the default. In the event that Franchisee is unable to operate the Franchised Business due to illness, incapacity, or death, Franchisor may operate the Franchised Business and shall

be entitled to service fees in an amount determined in accordance with Exhibit E-1 for services the Franchisor may provide.

5.10 Payment of Fees.

- (a) Any fees and other amounts owed by Franchisee to Franchisor shall be paid via an electronic funds transfer program (the "EFT Program"). Before opening the Franchised Business, Franchisee shall provide Franchisor with Franchisee's bank name, address and account number, a voided check from such bank account, and shall sign and give to Franchisor and Franchisee's bank all documents, including the form included as Exhibit E-2 to this Agreement, necessary to effectuate the EFT Program and Franchisor's ability to withdraw and deposit funds from and to such bank account via electronic funds transfer. Franchisee shall immediately notify Franchisor of any change in Franchisee's banking relationship, including changes in account numbers. Franchisor reserves the right to require Franchisee to pay any fees due under this Agreement by such other means as Franchisor may specify from time to time.
- (b) Franchise Royalties, Franchise Growth Support Fees, Technology Fees, Referral Fees, Administrative Fees, and Service Fees and any other amounts owed by Franchisee to Franchisor shall be due on the fifteenth (15th) day of each month. Franchisee shall be responsible for paying such amounts regardless of whether or not the Gross Revenue upon which they are based is ultimately collected.
- (c) Franchisee shall have primary responsibility for collecting all amounts customers owe as a result of the Franchisee's performance of Services. Subject to the immediately preceding sentence and subsection (b), above, Franchisor shall bill customers for all Services provided by Franchisee, directing that customers make payments to Franchisor; and upon receiving payments from customers, Franchisor shall, within thirty (30) days after the receipt of such payments, remit to Franchisee the portion of such payments that is attributable to Services performed by Franchisee, less any amounts due from Franchisee to Franchisor for any reason and any amounts due to other franchisees or independent contractors (if applicable) of which Franchisor is aware.
- (d) Any amounts not paid by Franchisee when due hereunder shall bear interest at a rate per annum equal to the lesser of twenty-five percent (25%) or the maximum rate allowed by law.

6. Franchisee Obligations.

6.1 Best Efforts. Franchisee acknowledges that its success and profitability resulting from performing Services for customers depends substantially upon the efforts and management of Franchisee. Therefore, Franchisee agrees to promote actively the sale of Services and to devote its best efforts and adequate time to cultivating, developing, and expanding the Franchised Business and performing Services for its customers in the Territory.

Neither Franchisee nor any shareholder or owner of Franchisee shall enter into any conflicting business enterprise or other activity that would be detrimental to or interfere with the business conducted hereunder, whether or not in the Territory. Franchisee must either devote its full-time effort to manage the Franchised Business or cause to be managed the operation of the Franchised Business. Franchisee must, irrespective of any delegation of responsibility, reserve and exercise ultimate authority and responsibility with respect to the management and operation of the Franchised Business.

6.2 Opening. Franchisee must begin operation of the Franchised Business and servicing customer contracts (“the Opening”) within one hundred eighty (180) days after the Effective Date (“Opening Period”).

6.3 Extension of Opening Period. If, due to circumstances beyond Franchisee’s control, Franchisee is unable to begin operations and service of customer contracts by the expiration of the Opening Period, Franchisee may request in writing that Franchisor extend the Opening Period. Such a request (which must comply with the requirements of Section 20 of this Agreement) must be sent at least thirty (30) days before the expiration of the Opening Period. For purposes of this Agreement, “circumstances beyond Franchisee’s control” include only a *force majeure* as defined in Section 12.2.1 of this Agreement. If Franchisee is unable to open the Franchised Business by the expiration of the extended Opening Period, Franchisee may request in writing that Franchisor grant a further extension. The final determination as to any extension will be in Franchisor’s sole discretion.

6.4 Opening Conditions. Prior to the Opening, Franchisee must satisfy each of the following conditions (“Opening Conditions”):

- (a) Franchisee must obtain all required business licenses needed to operate the Franchised Business from the proper authorities and/or governmental offices, including but not limited to any security licenses that may be required under applicable law, and must provide a copy of such licenses to Franchisor within thirty (30) days after obtaining them;
- (b) Franchisee must execute all documents required to be executed by the terms of this Agreement;
- (c) Franchisee must present to Franchisor a Certificate of Insurance evidencing the coverage set forth in Section 10 of this Agreement;
- (d) Franchisee (or (i) if Franchisee is a legal entity, such owners of a beneficial interest in such entity as Franchisor may request, or (ii) if Franchisee is more than one individual, then each individual), the manager of the Franchised Business, and all employees charged with the performance of Services for customers must attend and complete all required training programs described in the Operations Manual and/or required by the Franchisor, from time to time, provided that the costs of travel, lodging, meals and other incidental expenses relating to such training will be borne by the Franchisee, and provided further that Franchisor may charge a reasonable fee for additional training beyond the initial training and, for any training taking place at Franchisee’s location, may require Franchisee to pay Franchisor’s costs of travel, lodging, meals and other incidental expenses relating thereto. Franchisee

shall pay charges for training prior to the commencement of the training and shall pay Franchisor's travel expenses upon demand after they have been incurred.

6.5 Equipment, Supplies, Prices for Services.

- (a) Franchisee shall purchase or lease a vehicle of the make, model and specifications set forth in the Operations Manual.
- (b) Franchisee shall purchase or lease all vehicles, equipment, forms (including customer contract forms), marketing materials, signage, software, other supplies used in the operation of the Franchised Business, and any other items bearing the Marks, only from Franchisor, Franchisor's affiliates, or any approved suppliers as may be set forth in the Operations Manual or designated by Franchisor from time to time. Franchisor reserves the right to approve, disapprove, or revoke approval of any supplier at any time, in its sole discretion, and without notice to Franchisee.
- (c) Notwithstanding Section 6.5(b) above, Franchisee may purchase computers (other than the computer onboard the required vehicle), computer hardware, office equipment, and supplies from Franchisor or any supplier, provided that any items that will be visible to customers must be properly branded in accordance with the requirements of the Operations Manual.
- (d) Franchisor reserves the right to require full payment in cash in advance for any equipment, supplies, signage, vehicles, marketing materials, software, and other supplies ordered from Franchisor.
- (e) At all times during the operation of the Franchised Business, Franchisee will sell and perform only such Services as Franchisor has approved, as set forth in the Operations Manual. Franchisee may not at any time provide armed security services, unless Franchisor expressly approves the performance of such armed Services in writing and Franchisee meets all legal requirements and any conditions Franchisor may establish before performing any such armed Services.
- (f) Franchisee generally shall establish prices for the Services it provides, provided that to the extent permitted by applicable law, Franchisor will have the right to establish maximum prices for any Services Franchisor has approved, as set forth in the Operations Manual. Franchisee acknowledges that Franchisor and/or any of its other franchisees or licensees may sell Services at discounted prices or other prices above or below those established by Franchisee.

6.6 Advertising.

- (a) Franchisee shall, at its own expense, permanently display on Franchisee's Site and on all vehicles used by Franchisee in the operation of the Franchised Business signs of such nature, form, color, number, location, configuration and size, and containing

such legends, as Franchisor may from time to time designate in the Operations Manual or otherwise approve in writing.

- (b) Franchisee shall establish and maintain at all times during the term of this Agreement advertisements, previously approved by Franchisor, in local telephone directories covering the Territory. Franchisee shall annually provide Franchisor with proof of Franchisee's subscription for the next editions of the respective directories no later than thirty days prior to the directories' respective deadlines for receiving advertisements.
- (c) At all times during the operation of the Franchised Business, Franchisee must use, display, publish, broadcast, or otherwise disseminate such Promotional Materials as required by the Operations Manual or by Franchisor.
- (d) Franchisor does not warrant or represent that any or all of the Promotional Materials will achieve any particular result.
- (e) Franchisee must not use, display, publish, broadcast, or otherwise disseminate in any manner any advertising or marketing materials other than the Promotional Materials unless Franchisor has first approved in writing that Franchisee may use, display, publish, broadcast, or otherwise disseminate such advertising or marketing materials. Franchisor may approve or disapprove any such materials and may revoke its approval at any time in its sole discretion without prior notice.
- (f) Franchisee covenants that all advertising and marketing materials created by Franchisee and approved by Franchisor to be used, displayed, published, broadcasted, or otherwise disseminated as set forth in subsection 6.6(e) of this Agreement will be completely factual, and will conform to the highest standards of ethical advertising. Franchisee will maintain sole responsibility for complying with all applicable laws and regulations for any advertising and marketing materials it creates. Under no circumstances will Franchisor be deemed liable for the violation of any laws or regulations by virtue of its approval of any of Franchisee's advertising or marketing materials, and Franchisee shall indemnify, defend, and hold harmless Franchisor for any and all claims relating thereto.
- (g) Franchisor may market at its discretion the services offered by Signal 88 franchises, including within the Territory, but is not required to spend a certain amount on advertising in any particular area located near your Franchised Business or within the Territory, nor to make any expenditures for any franchisee in proportion to its advertising contribution, nor to ensure that any franchisee benefits directly or pro rata from advertising expenditures. Franchisee shall therefore be solely responsible for marketing within the Territory.

6.7 Minimum Sales Quota. During the Franchise Term and any Renewal Terms, annual Gross Revenues must be at least the amounts respectively set forth on Exhibit F or, in the case of a Renewal Term, such amounts as may be set forth in the renewal addendum

or the franchise agreement Franchisor offers at the time of renewal. If in any year Franchisee should fail to satisfy the minimum sales quotas as set forth in Exhibit F or the renewal addendum or franchise agreement Franchisor offers at the time of renewal, Franchisee will pay to Franchisor a shortfall payment in the applicable amount set forth on Exhibit F. Any shortfall payment that Franchisee is required to make must be paid by no later than the 60<sup>th</sup> day after the end of the year in which the shortfall occurred.

#### 6.8 Books, Records, Accounting, Inspection, Audits.

- (a) Franchisee shall keep accurate books, records, and accounts of all operations and transactions relating to the Franchised Business using an accounting system approved by Franchisor. Franchisee may contract with an approved vendor (including Franchisor) for any of the services required to keep and preserve accurate books, records, and accounts of all operations and transactions relating to the Franchised Business using an accounting system approved by Franchisor. Additional fees may apply if Franchisor provides the services. Franchisee will preserve such books, records, and accounts for a period of at least five (5) years from the date of their preparation. All such books and records shall be open to the inspection and copying of Franchisor or its authorized representatives at all times during normal business hours, without prior notice to Franchisee.
- (b) Franchisee shall submit to Franchisor, within sixty (60) days after the end of each fiscal year, a complete income statement and balance sheet for such fiscal year.
- (c) Upon request by Franchisor, Franchisee will also provide to Franchisor, within ten days after such request, a copy of the tax returns and tax schedules of Franchisee for the Franchised Business that cover any fiscal year prior to the year in which the request is made.
- (d) Upon request by Franchisor, Franchisee will also submit to Franchisor such other forms, bank statements, employment tax returns, or proof of payment of any tax. Franchisee shall sign all such statements, returns, and reports, attesting that they are true and correct.
- (e) Franchisor may, at its option, after reasonable notice to Franchisee, undertake an audit of all books and records kept by Franchisor in connection with the business conducted by Franchisee. Franchisee shall, at its cost, provide Franchisor with photocopies of all records requested by Franchisor or its auditors.
- (f) Franchisor and its duly authorized agents (including Franchisor's accountants and attorneys) are authorized to inspect and review all financial statements, tax returns, and other books and records provided to Franchisor pursuant to this or any other agreement between the parties.
- (g) In the event that any inspection of records, review of financial and tax information of Franchisee, or audit of books and records reveals that the Gross Revenues reported by Franchisee to



Franchisor are less than the Gross Revenues ascertained by such inspection and review, then Franchisee must immediately pay to Franchisor the amount by which Franchisee underpaid Franchisor, together with interest required to be paid in Section 5.10(d) of this Agreement on the amount by which Franchisee underpaid Franchisor. If any inspection, review or audit reveals that Franchisee's reported Gross Revenues have been understated by five percent (5%) or more, Franchisee shall also pay and reimburse Franchisor for all costs of the inspection, review, or audit, including without limitation all travel, lodging, dining, and wage costs and reasonable accounting and legal fees.

6.9 Inspection of Premises. Franchisee must permit Franchisor or its duly authorized agent or attorney, with or without prior notice to Franchisee, to enter upon Franchisee's premises for the purpose of conducting inspections and evaluating Franchisee's compliance with the requirements of this Agreement, the Operations Manual, and any other agreement between Franchisor and Franchisee. In the event that any inspection reveals that Franchisee is not in compliance with the requirements set forth above, Franchisee will take immediate steps to correct such deficiency. If Franchisee fails to correct such deficiencies, Franchisee shall be in default, and Franchisor will have the right to enter upon the Franchisee's premises without being deemed liable for trespass or any other tort and to correct such deficiencies or cause them to be corrected at the expense of the Franchisee, which expense the Franchisee will pay on demand. In the event that Franchisee fails to comply substantially with the requirements set forth above, Franchisee will be in Default as provided in Section 12 of this Agreement.

6.10 Complaints. Franchisee must respond promptly to customer complaints in accordance with (1) the requirements set forth in the Operations Manual, as amended by Franchisor from time to time, and (2) any directive issued by Franchisor. Franchisee shall take such other steps as may be required to ensure good customer relations.

6.11 Compliance with Operations Manual and Applicable Laws. Franchisee must operate the Franchised Business in strict conformity with the rules, requirements and standards of operation set forth in the Operations Manual, as amended by Franchisor from time to time, including but not limited to rules regarding the hiring, training, management, and termination of employees, and with all applicable laws.

6.12 Standards of Performance and Conduct. Franchisee must perform the Services competently and in a professional manner. Franchisee will be governed by, and agrees to abide by, the highest standards of honesty, integrity, fair dealing, and ethical conduct in all business dealings with members of the public and Franchisor. Franchisee will not discredit, dishonor, reflect adversely upon, or injure in any manner the reputation of Franchisor, Franchisee, or any other franchisee of the Franchisor. In order to ensure the Franchisee meets the standards set forth herein, the Franchisee shall train all employees in accordance with the provisions of the Operations Manual. Franchisee shall also notify Franchisor within ten (10) business days whenever it experiences a change in managers. Franchisor may require any manager to attend and to complete successfully Franchisor's training programs at any time during the term of the franchise, at Franchisee's expense.

6.13 Physical Office. Franchisee shall be expected to establish a Business Location within six months after the end of the first fiscal year in which Franchisee's sales exceed \$1,000,000.00. Once it opens a Business Location, Franchisee shall thereafter maintain

such Business Location within the Territory so long as this Agreement or another franchise agreement with Franchisor shall remain in effect.

- (a) Franchisee shall obtain Franchisor's approval of any construction or remodeling plans prior to commencement of construction. Franchisee must maintain any required Business Location in a clean, wholesome, attractive, and safe condition, at Franchisee's sole expense, in accordance with the specifications set forth in the Operations Manual.
- (b) Franchisee must purchase, install, operate and maintain, at Franchisee's sole expense, such fixtures, furnishings, signs, improvements, and other equipment set forth in the Operations Manual, including such upgrades as Franchisor may designate from time to time. Franchisee will not, without Franchisor's prior written consent, install or operate any fixtures, furnishings, signs, improvements, or other equipment in the Franchised Business that has not been previously approved by Franchisor.
- (c) Franchisee may relocate its operations to a new Business Location, provided that the new Business Location is located within the Territory and meets all of the requirements set forth in this Agreement and the Operations Manual. Franchisee shall bear all costs associated with any relocation, including any costs incurred by the Franchisor and a reasonable fee for any services provided by Franchisor related to the relocation.

6.14 Leases. Franchisee will submit to Franchisor, for Franchisor's written approval, all proposed leases, subleases, amendments, renewals, extensions or modifications to a lease or sub-lease for any leased premises ("Lease Proposals"). Upon Franchisor's written approval of such Lease Proposals, Franchisee will send to Franchisor a copy of the fully executed lease, sublease, amendment, renewal, extension or modification in order that Franchisor may have on file a copy of the current lease or sublease with all applicable amendments and renewals. All leases shall contain provisions in accordance with Exhibit C.

6.15 Trade Names. Franchisee must operate the Franchised Business under the Name, without the addition of any prefix or suffix. Franchisee agrees to cooperate in the registration of the Name, or filing of statements of its use of such name with the proper authorities and/or governmental offices, upon the request of Franchisor. Franchisee agrees to execute all papers reasonably requested by Franchisor to effect the registration, maintenance, and renewal of such registration or filing, including the filing of any documents in the name of Franchisee. Franchisee hereby assigns to Franchisor all of its right, title and interest in and to such registration and filing, if any, without any requirement of further consideration. Franchisee agrees to execute all papers reasonably requested by Franchisor to effectuate such assignment.

6.16 Corporate Names and Bank Accounts. Subject to the provisions of Section 6.15 of this Agreement, the name of Franchisee and any corporation, partnership, limited liability company, or other organization formed by Franchisee for the purpose of operating the Franchised Business must not include the Name, or any derivation or form of the Marks. Franchisee further agrees not to use the Name or any derivation or form of the Marks in the name of any bank account of Franchisee, provided however, that Franchisee may use the Name in its bank account if the Name is designated as a trade name or "D.B.A." Notwithstanding Franchisee's obligations set forth in Section 13 upon termination or expiration

of this Agreement, Franchisee will, upon request by Franchisor (which request will comply with the requirements of Section 20 of the Agreement), promptly discontinue the use of the Name or any derivation or form of the Marks, or any and all names or words confusingly similar to the Name or the Marks from Franchisee's bank accounts, or from the name of any corporation, partnership, limited liability company, or other organization formed by Franchisee for the purpose of operating the Franchised Business.

6.17 Web Sites. Franchisee must have and maintain adequate hardware and software in order to access the Internet at the bit speed Franchisor requires from time to time. Franchisee is prohibited, however, from establishing any website or other presence on the Internet, except as provided herein. The only domain names and Sites that Franchisee may use relating to the Franchised Business are those assigned or approved by Franchisor in writing. Franchisee must also obtain Franchisor's prior written approval concerning: (a) the listing of any Marks on any third-party Site ("Marked Sites"); (b) any proposed links between Marked Sites and any other Site ("Linked Sites"); and (c) any proposed modifications to Marked Sites and Linked Sites. Franchisor reserves the right to withhold approval, to withdraw any prior approval, and to modify any requirements. Franchisee acknowledges that it may not, without a valid license or other legal right, post on Marked Sites any material in which any third party has any direct or indirect ownership interest (including, but not limited to video clips, photographs, sound bites, copyrighted text, trademarks or service marks, or any other text or image in which any third party may claim an interest). Franchisee must incorporate on Marked Sites any information required by Franchisor in the manner Franchisor deems necessary to protect the Marks. Except as approved in advance in writing by Franchisor, Franchisee must not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the Franchised Business, including any profile on Facebook, MySpace, Twitter, LinkedIn, Plaxo, YouTube or any other social media and/or networking site. If such approval is granted by Franchisor, Franchisee must: (i) establish and operate such Internet site in accordance with System standards and any other policies Franchisor designates in the Operations Manual or otherwise in writing from time to time, including but not limited to Franchisor's Internet privacy policies; and (ii) utilize any templates that Franchisor provides to Franchisee to create and/or modify such site(s). Franchisor shall have the right to modify the provisions of this Section 6.17 relating to Internet websites as Franchisor deems necessary or appropriate in the best interest of the System.

6.18 Stock of Franchisee. If Franchisee is a corporation or limited liability company, all shares of Franchisee, whether already or later issued by Franchisee, will bear a legend sufficient under applicable law to constitute notice on such stock of the restrictions contained in this Agreement and will allow such restrictions to be enforceable. Such legend will appear in substantially the following form:

"The sale, transfer, pledge or hypothecation of this stock is restricted pursuant to a Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_, between Signal 88 Franchise Group, Inc. and the issuer of these shares."

6.19 Annual Convention. Franchisee or, if Franchisee is an entity, then at least one beneficial owner of Franchisee must attend Franchisor's annual convention each year during the term of this Agreement.

6.20 Articles of Incorporation or Organization. If it is an entity, Franchisee shall provide Franchisor with its articles of incorporation or organization no later than ten (10) days

after the execution of this Agreement. In the event of any changes in Franchisee's articles of incorporation or organization during the Franchise Term or any Renewal Term, Franchisee shall provide Franchisor with a copy of the revised articles of incorporation or organization within ten (10) days after the effective date of the change.

6.21 Prohibition Against Providing Services. Except as provided in Section 14.8, neither Franchisee nor any owner of Franchisee shall operate a Franchised Business or provide any Services under or through any entity other than Franchisee during the Franchise Term or any Renewal Term. If at any time Franchisee forms an entity with the intent to operate a Franchised Business or perform Services under or through such entity, Franchisee may only carry out such intent by assigning this Agreement to the entity in accordance with the terms of Section 14.8 and by meeting all of the conditions set forth therein.

6.22 Capital Expenditures. Franchisee agrees to make such capital expenditures as Franchisor may deem necessary to provide the full range of Services of the Franchised Business, and such other expenditures as Franchisor may reasonably require from time to time to renovate and modernize the Franchised Business's equipment, vehicles, uniforms, supplies, furniture, fixtures, and (if required under Section 6.13) the Business Location, so as to reflect the then-current image of the Franchised Business, as established by Franchisor.

7. Indemnification. Franchisee agrees to defend, indemnify, and hold harmless Franchisor, its parent, subsidiaries, affiliates, officers, directors, shareholders, employees and agents, from and against any and all debts, liabilities, claims and obligations of any nature (including attorney's fees and investigation costs) arising out of or relating to (i) the inaccuracy or breach, as applicable, of any obligation, representation, covenant or warranty made by Franchisee in this Agreement, or (ii) the operation of the Franchised Business. In no event will Franchisee be required to indemnify Franchisor, its parent, subsidiaries, affiliates, officers, directors, shareholders, employees and agents, from and against any and all third-party debts, liabilities, claims and obligations solely arising out of or relating to the wilful misconduct or gross negligence of Franchisor.

8. Waivers and Disclaimers.

8.1 No failure of Franchisor to exercise any power reserved to it by this Agreement and no custom or practice of the parties at variance with the terms of this Agreement will constitute a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement. No waiver or approval by Franchisor of any particular breach or default by Franchisee, nor any delay, forbearance, or omission by Franchisor to act or give notice of Default or to exercise any power or right arising by reason of such default under this Agreement, nor acceptance by Franchisor of any payments due under this Agreement will be considered a waiver or approval by Franchisor of any preceding or subsequent breach or Default by Franchisee of any provision of this Agreement.

8.2 Franchisor makes no warranty or representation (express or implied) that use of the System will achieve any particular result.

8.3 Franchisor makes no warranty or representation that all agreements executed by Franchisor for the Franchised Business do or will contain terms substantially similar to those contained in this Agreement. Franchisee acknowledges and agrees that Franchisor may, in its discretion, due to local business conditions or otherwise, waive or modify comparable

provisions of other franchise agreements now or later granted to other Franchised Business franchise owners in a non-uniform manner.

9. Taxes, Permits, Indebtedness, Compliance with Laws.

9.1 Franchisee will promptly file and pay when due any and all federal, state and local taxes, including but not limited to, unemployment and sales taxes, levied or assessed with respect to any Services furnished, used or licensed pursuant to this Agreement and all accounts or other indebtedness of every kind incurred by Franchisee in operation of the Franchised Business.

9.2 Franchisee will comply with all applicable federal, state and local laws, rules and regulations. Franchisee will also timely obtain any and all permits, certificates and licenses for the full and proper operation of the Franchised Business.

9.3 Franchisee covenants and agrees to accept full and sole responsibility for any and all debts and obligations incurred in the operation of the Franchised Business.

9.4 Franchisee agrees that Franchisor shall not be liable for any delays in obtaining any licenses that may be necessary to operate the Franchised Business in the Territory.

10. Insurance. No later than the Opening, Franchisee shall obtain minimum insurance coverage (as set forth in Section 10.1) and submit proof thereof to the Franchisor. Franchisee shall maintain such coverage during the Franchise Term and any Renewal Terms, and shall submit proof of such coverage to Franchisor no less than once per calendar year. Such coverage must be primary and non-contributory as to any insurance maintained by Franchisor, and must be written with an insurance company that has an A.M. Best rating of "A" or better. Franchisee's policies must require its insurers to give Franchisor at least thirty (30) days' written notice of any cancellation, expiration, or material alteration of coverage.

10.1 Franchisee shall be required to maintain the following minimum insurance coverage:

- (a) Commercial general liability insurance (including bodily injury, property damage, products, professional liability, completed operations', independent contractors', and advertising liability coverage) on an occurrence basis which provides minimum single limit protection of no less than one million dollars (\$1,000,000) per occurrence, three million dollars (\$3,000,000) aggregate;
- (b) Workers' compensation insurance in accordance with the legal requirements of the state where Franchisee operates its Franchised Business;
- (c) Employer's liability insurance on an occurrence basis which provides protection of no less than five hundred thousand dollars (\$500,000) per occurrence, five hundred thousand dollars (\$500,000) per employee, and five hundred thousand dollars (\$500,000) policy limit, to cover all of Franchisee's employees;

- (d) Automobile liability insurance to cover all owned, non-owned, and hired vehicles in the amount of at least one million dollars (\$1,000,000) combined single limit; and
- (e) Franchisee must name Franchisor as an additional insured on all policies, and all policies shall include waivers of subrogation provisions which are in favor of and reasonably acceptable to Franchisor.

10.2 If, for any reason, Franchisee should fail to procure or maintain the insurance required, Franchisor shall have the right and authority (but not the obligation) immediately to procure insurance and to charge Franchisee with the full cost of that insurance and up to \$250 for its reasonable expenses in acquiring the policy or policies. Franchisee must pay this amount upon demand.

10.3 Franchisor has the right, in its sole discretion, to increase or otherwise modify the minimum insurance requirements upon thirty (30) calendar days' prior written notice to Franchisee, and Franchisee shall comply with any such modification within the time specified in said notice.

## 11. Ownership and Protection of the Marks and System.

11.1 Franchisee acknowledges and agrees that Franchisor is the owner or authorized licensee of all right, title and interest in and to the Marks, the System, any intellectual property rights in the Promotional Materials, any transliteration of the Marks into the characters of any language, any registrations or pending applications for the Marks, and any goodwill associated with the Marks. Franchisee further acknowledges and agrees that Franchisor is the exclusive licensee of the Software.

11.2 Franchisee agrees that it will not directly or indirectly challenge Franchisor's rights, or directly or indirectly claim or assert any contrary rights or interests in and to the Marks, the System, any intellectual property rights in the Promotional Materials, or any transliteration of the Marks into the characters of any language, any registrations or pending applications for the Marks, any goodwill associated with the Marks, or any rights in the Software. Franchisee further agrees that any and all rights that may be acquired by the use by Franchisee of the Marks, and any transliteration of the Marks into the characters of any language, will inure to the sole benefit of Franchisor or its licensor.

11.3 Franchisee acknowledges and agrees that it will not directly or indirectly register or attempt to register the Marks, any service mark or trademarks confusingly similar to the Marks, any transliteration of the Marks into the characters of any language, any logos or trade dress associated with the Marks, the copyrights in the Promotional Materials, or any rights in the Software with any governmental agency in any country, jurisdiction or territory.

11.4 Franchisee agrees to use such legends, markings and notices of registration and ownership as Franchisor may reasonably request on all advertising and signs used in connection with the Franchised Business.

11.5 Franchisee agrees promptly to notify Franchisor of any of the following:

- (a) any actual or threatened infringement or dilution of the Marks;

- (b) any actual or threatened infringement of the intellectual property rights in the System, the Promotional Materials, or the Software;
- (c) any actual or threatened claim that any of the Marks infringe upon or dilute any third-party trademark or service mark; or
- (d) any actual or threatened claim that the System, the Promotional Materials, or the Software infringe upon any third-party intellectual property rights.

11.6 In the event that Franchisor, in its sole discretion, should determine to prosecute or defend any action involving the Marks, the System, the Promotional Materials, or the Software, Franchisee will, at Franchisor's expense, provide reasonable information and assistance to Franchisor in connection with such prosecution or defense. If Franchisor, in Franchisor's sole discretion, determines that Franchisee has used the Marks in accordance with this Agreement, Franchisor will bear the cost of such defense, including the cost of any judgment or settlement. If Franchisor, in Franchisor's sole discretion, determines that Franchisee has not used the Marks in accordance with this Agreement, Franchisee shall bear the cost of such defense, including the cost of any judgment or settlement. In the event of any litigation relating to Franchisee's use of the Marks, Franchisee shall execute all documents and do such acts as may, in Franchisor's opinion, be necessary to carry out such defense or prosecution including, without limitation, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of Franchisee's use of the Marks in a manner inconsistent with the terms of this Agreement, Franchisor agrees to reimburse Franchisee for its out of pocket costs incurred in performing such acts. Franchisee agrees and acknowledges that Franchisor is not required to defend or prosecute any action involving the Marks, or the intellectual property rights in the System, the Promotional Materials, or the Software.

11.7 THE RIGHTS AND REMEDIES SET FORTH IN SUBSECTION 11.6 CONSTITUTE THE ENTIRE OBLIGATION OF FRANCHISOR AND THE EXCLUSIVE REMEDY OF FRANCHISEE FOR ANY CLAIM ALLEGING THAT: (I) ANY THIRD PARTY HAS INFRINGED THE MARKS, OR ANY INTELLECTUAL PROPERTY RIGHTS IN THE SYSTEM, PROMOTIONAL MATERIALS, OR SOFTWARE; OR (II) THE MARKS, THE SYSTEM, ANY PROMOTIONAL MATERIALS CREATED BY FRANCHISOR, OR THE SOFTWARE INFRINGE ON ANY THIRD PARTY'S INTELLECTUAL PROPERTY RIGHTS.

11.8 FRANCHISOR MAKES NO WARRANTIES OR REPRESENTATIONS AS TO THE USE, VALIDITY, OR ENFORCEABILITY OF THE MARKS, THE SYSTEM, OR THE INTELLECTUAL PROPERTY RIGHTS IN THE PROMOTIONAL MATERIALS, OR THE SOFTWARE.

11.9 Franchisee acknowledges and agrees that any improvements, modifications, enhancements, customizations or revisions to, or discoveries, inventions, recommendations or other feedback relating to the Operations Manual, Promotional Materials, or System, which are made, created, conceived or provided by Franchisee, its principals, employees, subcontractors, or agents ("Improvements"), and any and all intellectual property rights in such Improvements, are and shall be owned exclusively by Franchisor. Franchisee hereby assigns to Franchisor all of its right, title and interest in such Improvements, and any and all intellectual property rights in and to such Improvements, without any requirement of further consideration. Franchisee agrees to execute all papers reasonably requested by Franchisor to effectuate such assignment(s). Franchisee represents that it has agreements in place with its personnel sufficient to protect Franchisor's rights under this section.

12. Termination. Franchisor may terminate this Agreement as permitted by the terms of this Agreement and applicable law. To the extent that applicable law allows a franchisor additional grounds and/or shorter notice periods for termination than those set forth in this Agreement, the grounds and notice periods established by such law shall control, notwithstanding anything to the contrary herein. To the extent that this Agreement provides for grounds of termination or periods of notice not allowed by applicable law, such grounds and notice periods shall not be effective, and Franchisor shall comply with the grounds and notice periods established by applicable law.

12.1 This Agreement shall automatically terminate without notice or an opportunity to cure upon the occurrence of any of the following:

- (a) Any sale, transfer, assignment, lease or sub-lease by Franchisee of its duties or obligations under this Agreement, by operation of law or otherwise, that does not comply with the terms of Section 14.
- (b) If Franchisee makes an assignment for the benefit of creditors, files a voluntary petition in bankruptcy, is adjudicated bankrupt or insolvent, files or acquiesces in the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consents to or acquiesces in the appointment of a trustee or receiver for Franchisee or the Franchised Business.
- (c) If proceedings are commenced to have Franchisee adjudicated bankrupt or to seek Franchisee's reorganization under any state or federal bankruptcy or insolvency law, and such proceedings are not dismissed within sixty (60) days, or a trustee or receiver is appointed for Franchisee or the Franchised Business without Franchisee's consent, and the appointment is not vacated within sixty (60) days.

12.2 Franchisor may terminate this Agreement immediately upon written notice (which notice will comply with the requirements of Section 21 of this Agreement) if any of the following events occur:

- (a) Franchisee fails to meet the Franchise Conditions as provided in Section 3.1 of this Agreement;
- (b) Franchisee fails timely to pay the Franchise Fee, Franchise Royalties, Franchise Growth Support Fee, Technology Fee, Referral Fee, Administrative Fee, Service Fees, or any other obligation to Franchisor or an affiliate of Franchisor, as provided in Section 5 of this Agreement;
- (c) Franchisee, a manager of the Franchised Business, or (a) if Franchisee is a corporation, any shareholder of such corporation, (b) if Franchisee is a partnership, any partner of such partnership, (c) if Franchisee is a limited liability company, any member of such limited liability company, or (d) if Franchisee is more than one individual, then any such individual, is convicted in a court of competent jurisdiction of an indictable offense related to the business of the Franchised Business;



- (d) Franchisee falsifies records or reports required by the Franchisor to be submitted under any Section of this Agreement;
- (e) The Franchised Business presents an imminent danger to public health or safety;
- (f) Any act by Franchisee of selling services that are not Services approved by Franchisor as set forth in Section 6.5 of this Agreement; or
- (g) If Franchisee fails to comply with the anti-terrorism provisions of Section 22.

### 12.3 Abandonment of Franchised Business.

(a) Franchisor may terminate this Agreement upon fifteen (15) days' written notice (which notice will comply with the requirements of Section 20 of this Agreement) to Franchisee if Franchisee abandons the Franchised Business by failing to perform the Services for three (3) consecutive days during which Franchisee is required to operate the Franchised Business as set forth in the Operations Manual, not including any circumstance where Franchisee's failure to perform the Services for three (3) consecutive days is due to a *force majeure*. For purposes of this Agreement, only the following circumstances constitute a *force majeure*: (a) a change in any law, order, rule, or regulation that becomes effective after the Effective Date and that makes a Franchisee's performance illegal; (b) hurricane, tornado, flood, earthquake, or other natural disaster; (c) bomb blast, explosion or fire; and (d) war, riot, or acts of terrorism.

(b) If Franchisee claims excuse from performance as a result of a *force majeure*, Franchisee must notify Franchisor in writing within (2) business days after becoming aware of any *force majeure* that prevents, interrupts, or delays its performance under this Agreement. The notice must include a description of the *force majeure* and an estimate of the expected duration of the *force majeure*.

### 12.4 Termination for Default.

- (a) A "Default" of this Agreement shall include, but is not limited to, the occurrence of any of the following events:
  - (i) Any use of the Name or the Marks by Franchisee that exceeds the scope of the license and franchise granted in Section 2 of this Agreement.
  - (ii) Any failure by Franchisee to open the Franchised Business upon the expiration of the Opening Period or an extended Opening Period set by Franchisor.
  - (iii) Any failure by Franchisee to satisfy any of the Opening Conditions prior to Opening.
  - (iv) Any failure by Franchisee to meet the minimum sales quota set forth in Section 6.7 of this Agreement.
  - (v) Any failure to allow inspection of books and records in accordance with Section 6.8 of this Agreement.

- (vi) Any failure to sell and perform the Services approved by Franchisor as required under Section 6.5 of this Agreement.
  - (vii) Any failure to comply with the requirements of the Operations Manual as provided in Section 6.11 of this Agreement.
  - (viii) Any other breach of the terms of this Agreement not specified in Section 12.1.
- (b) If a party is in Default, the non-defaulting party may, upon written notice to the defaulting party, enforce any remedy, other than termination, that it may have by contract, at law, or in equity, including, but not limited to, (in the event that the Franchisor is the non-defaulting party) taking over the performance of any customer contracts, altering or eliminating the Territory, and exercising a setoff of amounts due from Franchisee to Franchisor or its affiliates against amounts owed by Franchisor or its affiliates to Franchisee. In that connection, Franchisee acknowledges and agrees that an important consideration Franchisor is receiving in exchange for its grant of a Franchised Business to Franchisee is the ability to setoff or net against amounts owed by Franchisee to Franchisor and/or its affiliates any credit balances or amounts owed (including any pre-paid amounts) to Franchisee by Franchisor and/or any of its affiliates. Therefore, notwithstanding anything to the contrary in this Agreement, Franchisee agrees that Franchisor may so net and setoff any such obligations whether owed directly between Franchisee and Franchisor, or owed between Franchisee and any affiliate of Franchisor.
- (c) If a party is in Default and has not cured the Default within thirty (30) days after notice of the Default from the non-defaulting party, the non-defaulting party may immediately terminate this Agreement.

13. Obligations upon Expiration or Termination of this Agreement.

13.1 Upon termination or expiration of this Agreement, Franchisee will immediately cease operating the Franchised Business. Franchisee will immediately discontinue the use of the Name, the Marks, the Promotional Materials, the System, the Software, the signs (including any wraps on vehicles used in the Franchised Business), structures and forms of advertising indicative of Franchisor or the Franchised Business, and Franchisee will make or cause to be made changes in such signs, buildings and structures as the Franchisor may reasonably direct so as to distinguish effectively the premises on which the Franchised Business is located and the vehicles used in the Franchised Business from their former appearance and from any other franchise granted by the Franchisor.

13.2 If Franchisee fails or omits to make such changes or cause them to be made within sixty (60) days after the expiration or termination of this Agreement, then upon written notice (which notice will comply with the requirements of Section 20 of this Agreement), Franchisor will have the right to enter upon the Business Location without being deemed guilty

of trespass or any other tort, and will have the right to make such changes or cause them to be made at the expense of the Franchisee, which expense the Franchisee will pay on demand.

13.3 Upon termination or expiration of this Agreement, Franchisee will deliver to Franchisor all Promotional Materials and any other materials containing the Marks upon request by Franchisor.

13.4 Franchisee will promptly return to Franchisor all documents and materials containing Confidential Information (defined in Section 16 below) and all copies of such documents and materials, including, but not limited to, the Operations Manual.

13.5 Within thirty (30) days after the termination or expiration of this Agreement, Franchisee will pay all Franchise Royalties and other monies due and owing to Franchisor, less any amounts due and owing to Franchisee from Franchisor. Any amounts not paid when due hereunder shall bear interest at a rate per annum equal to the lesser of twenty-five percent (25%) or the maximum rate allowed by law.

13.6 Franchisee will promptly assign and transfer to Franchisor, to the extent allowed by applicable law, all of Franchisee's security and other business licenses, and will take any action necessary to effect the assignment or transfer of such licenses to Franchisor, including but not limited to making any filings required by the governmental agencies that issued the licenses. Franchisee hereby appoints Franchisor as its true and lawful attorney in-fact, irrevocably, with full power of substitution to execute on Franchisee's behalf all documents and to take any other action necessary or advisable, in the sole discretion of Franchisor, to assign or transfer any and all of Franchisee's business licenses to Franchisor upon termination of this Agreement.

13.7 Franchisee will immediately (i) cancel all assumed name or equivalent registrations relating to any use of the Marks by Franchisee; (ii) notify the telephone company and all listing agencies and directory publishers, including Internet domain name granting authorities, Internet service providers, and web search engines of the termination or expiration of Franchisee's right to use the Marks, the Trade Name, and any telephone number, any classified or other telephone directory listings, Internet domain names, uniform resource locators, website names, electronic mail addresses and search engine metatags and keywords associated with Signal 88; and (iii) authorize the transfer of the same to Franchisor (as directed by Franchisor). Prior to Opening, Franchisee must execute the Assignment of Telephone Number and Service attached hereto as Exhibit J and the Assignment of Domain Names and E-mail Addresses attached hereto as Exhibit K.

13.8 Franchisee will:

- (a) irrevocably assign and transfer to Franchisor all of Franchisee's right, title and interest in any domain name listings and registrations that contain any reference to the Marks or the System;
- (b) notify the applicable domain name registrars of the termination of Franchisee's right to use any domain name or Sites associated with the Marks or the System;
- (c) authorize and instruct the cancellation of the domain name or transfer the domain name to Franchisor, as Franchisor elects; and

- (d) delete all references to the Marks or the System from any Sites owned by Franchisee, maintained or operated beyond the termination or expiration of the Agreement.

#### 14. Transfer.

14.1 Transfer by Franchisor. Franchisor may assign any or all of its interest in this Agreement or the Franchised Business to any third-party or legal entity without the prior consent of Franchisee.

14.2 Right of First Refusal. Except in the event of a transfer by Franchisee to an entity pursuant to Section 14.8 of this Agreement, Franchisor will have a right of first refusal whenever Franchisee seeks to sell, transfer, assign, lease or sublease any or all of its interest in the Franchised Business and in this Agreement (including its rights to all or any portion of the Territory) to a third party ("Right of First Refusal"). Prior to offering to transfer its rights under this Agreement to a third-party or accepting an offer from any third party, Franchisee will send to Franchisor a written offer to sell such interest, under the same terms as those involved in the proposed transaction with the third party. If Franchisor rejects or does not respond to Franchisee's offer within thirty (30) days after receipt of the written offer from Franchisee, Franchisee may transfer or assign its interest, provided that Franchisee complies with the requirements of this Section 14 of the Agreement and that any transferee meets the qualifications set forth in this Agreement.

#### 14.3 Approval by Franchisor.

- (a) Franchisee agrees and acknowledges that all of its rights and obligations under this Agreement are personal to Franchisee.
- (b) In the event that Franchisor rejects the offer for a Right of First Refusal or does not respond to such offer within thirty (30) days after the receipt of the written offer from Franchisee, Franchisee may not sell, transfer, assign, lease or sublease any or all of its interest in the Franchised Business, any or all of its interest in this Agreement, its interest in the Territory or any portion thereof, or any interest in Franchisee to a third-party or legal entity until Franchisee sends to Franchisor written notice of its intention, and Franchisor approves in writing the sale, transfer, assignment, lease or sublease, except that Franchisor's approval is not required for a transfer of less than a five percent (5%) interest if Franchisee is a publicly-held corporation.
- (c) Such notice of Franchisee's intention must contain the prospective transferee's name, address, statement of financial qualification and business experience.
- (d) Within sixty (60) days after receipt of notice of Franchisee's intention, Franchisor must send a written approval or rejection of such sale, transfer, assignment, lease or sublease. If Franchisor sends a written rejection of such sale, transfer, assignment, lease or sublease, then Franchisor must specify the reasons for such rejection.
- (e) Any sale, transfer, assignment, lease or sublease approved by Franchisor pursuant to this subsection 14.3 is subject to

Franchisee's and transferee's completion of the conditions in Section 3.1 of this Agreement, and, if applicable, the conditions of transfer in Section 14.4 of this Agreement.

- (f) Any sale, transfer, assignment, lease or sublease, by operation of law or otherwise, that does not have the approval of Franchisor, or prior to which the conditions of transfer set forth in Section 14 of this Agreement have not been satisfied, will be null and void and will constitute a Default by Franchisee under this Agreement, as provided in Section 12 of this Agreement.

#### 14.4 Conditions of Transfer.

- (a) All Transfers. Franchisee and the transferee must satisfy all of the following conditions prior to the effective date of any sale, transfer, assignment, lease, or sublease approved by Franchisor pursuant to subsection 14.3 of this Agreement.
  - (i) The transferee must satisfy each of the financial qualifications and obligations set forth in Section 3.1(c) of this Agreement.
  - (ii) The transferee must agree in writing to comply with the obligations and duties set forth in this Agreement, or must sign a franchise agreement which will be in the same form as Franchisor is then offering to new franchisees, and which may contain materially different terms from those contained in this Agreement. Any sale, transfer, assignment, lease or sublease for which the prospective franchisee does not agree in writing to comply with this Agreement or does not sign a franchise agreement in the form as Franchisor is then offering to new franchisees, will be null and void.
  - (iii) Franchisee or transferor, or the Franchisee's or transferor's personal representative if the Franchisee or transferor is deceased, or Franchisee and the holders of ownership interests in Franchisee if Franchisee is a business entity, must execute a general release in a form prescribed by Signal 88, of any and all claims, known and unknown, against Signal 88 and its shareholders, officers, directors, agents, attorneys, accountants, employees, affiliates, successors and assigns.
  - (iv) Except in the case of a sale, transfer, assignment, lease, or sublease to a legal entity formed pursuant to Section 14.8 of this Agreement, the Franchisee or transferee shall pay the Transfer Fee set forth in Section 5.6 of this Agreement.
  - (v) The transferee and any prospective manager approved by Franchisor, if transferee is not the manager, must attend the initial training session as required of Franchisee in Section 6.4 of this Agreement.

- (vi) Franchisee or transferee shall provide Franchisor a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and schedules, including transferee's assumption of and agreement to faithfully perform all of Franchisee's obligations under this Agreement.
  - (vii) Transferee must obtain, within the time limits set forth by Franchisor, and maintain thereafter, all permits and licenses required for the operation of the Franchised Business.
  - (viii) 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.
  - (ix) 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.
  - (x) In any event, Franchisor may withhold or condition Franchisor's consent to any transfer as Franchisor deems appropriate based on the circumstances of the transfer or otherwise.
- (b) Transfers of a Controlling Interest. Franchisee and the transferee must satisfy all of the following conditions prior to the effective date of any sale, transfer, assignment, lease or sublease that, alone or together with other previous, simultaneous, or proposed transfers, would have the effect of transferring a controlling interest in this Agreement, Franchisee, or a major portion of the assets of the Franchised Business:
- (i) Franchisee must pay all Franchise Royalties and other monies due and owing to Franchisor, less any amounts due and owing to Franchisee from Franchisor.
  - (ii) Franchisee must not be in Breach or Default of any provision of this Agreement or any other agreement between Franchisee and Franchisor or Franchisor's affiliates.
  - (iii) The transferee must enter into a written assignment, in a form approved by Franchisor, assuming and agreeing to fulfill all of Franchisee's obligations under this Agreement.
  - (iv) Franchisee and each guarantor of this Agreement shall remain liable for all obligations incurred by the Franchised Business prior to the effective date of the sale, transfer, assignment, lease or sublease, and Franchisee will provide such documentation and proof of such liability as Franchisor may reasonably request.

14.5 Assignment as Security. Any sale, transfer, assignment, hypothecation, or pledge of all or any part of the assets of the Franchised Business, or if Franchisee is a legal entity, of all or any part of the stock of such entities to banks or other lending institutions as security for loans made to or for the benefit of the Franchised Business, must first be approved by Franchisor.

14.6 Transfer Upon Death or Mental or Physical Incapacity. Within one hundred eighty (180) days after the death or mental or physical incapacity of Franchisee or any person with any interest in Franchisee, the executor, administrator, or personal representative of such person shall transfer such person's interest to a third party or entity approved by Franchisor. Such transfer will be subject to the requirements and conditions set forth in Sections 14.3 and 14.4 of this Agreement. In the event of a transfer by devise or inheritance, if the transferee is unable to meet the requirements and conditions set forth in Sections 14.3 and 14.4 of this Agreement within one hundred eighty (180) days after the death or mental or physical incapacity of Franchisee or any person with any interest in Franchisee, the transferee will have a reasonable time to dispose of the interest transferred to him. Such disposition will be subject to the requirements and conditions set forth in Sections 14.3 and 14.4 of this Agreement. The rights granted pursuant to this Section 14.6 are subject to the transferee maintaining all standards and obligations of the Franchisee under this Agreement.

14.7 Death or Mental or Physical Incapacity. Franchisee will immediately send notice to Franchisor in the event of the death or mental or physical incapacity of any manager of the Franchised Business, the effect of which would cause the Franchised Business permanently or temporarily to fail to operate in full compliance with this Agreement. Franchisor will have the right to enter upon the Site without being deemed guilty of trespass or any other tort, and will have the right to install a manager to manage and operate the Franchised Business for such time as Franchisor deems necessary or Franchisor approves a new manager selected by Franchisee.

14.8 Transfer to Entity. Notwithstanding the requirements of this Section 14, Franchisor and Franchisee acknowledge and agree that if Franchisee is an individual or more than one individual, Franchisee may assign this Agreement, or any of Franchisee's rights and obligations under this Agreement, on *one* occasion to a legal entity organized by Franchisee for that purpose only, provided that at least a majority of all the issued and authorized shares of voting stock and/or equity interest of such entity shall be owned and voted continuously by Franchisee, that Franchisor must have approved in writing in advance all other shareholders of such entity or others holding equity or voting interests, that Franchisee will provide Franchisor with copies of all documents relating to the assignment, and that the transferee entity will acknowledge in writing the assignment of rights and the assumption of all Franchisee's obligations, including but not limited to the Security Interest granted by Franchisee in favor of Franchisor, as provided in Section 3.1 above. After the effective date of such assignment, the term "Franchisee" as used in this Agreement will refer to the transferee entity, provided that such assignment shall in no way affect the obligations under this Agreement of the individual or individuals above designated "Franchisee," who shall remain fully bound by and responsible for the performance of all such obligations, jointly and severally, with the transferee entity. The transferee entity shall at no time engage in any business or activities other than the exercise of the rights granted to Franchisee in this Agreement and the performance of its obligations as Franchisee under this Agreement.

15. Independent Contractors.

15.1 The relationship between Franchisor and Franchisee will at all times be deemed that of independent contractors. This Agreement is not intended to create between the parties a relationship of partners, principal and agent, employer and employee, joint venturers, or any other similar relationship. Franchisee acknowledges and agrees that Franchisor does not supervise or direct the daily affairs of Franchisee and that Franchisee has exclusive control over its daily affairs.

15.2 Franchisee acknowledges and agrees that it has no authority to create or assume in Franchisor's name or on Franchisor's behalf any obligation or responsibility (express or implied) or to act or purport to act as the agent or representative of Franchisor for any purpose whatsoever.

15.3 Franchisee's employees are not (and will not be deemed to be) employees of Franchisor within the meaning or application of any federal, state, or other jurisdiction's law or regulation relating to unemployment insurance, Social Security, workers' compensation, industrial accident, tax, or labor. At its own expense, Franchisee must comply with all such laws and must assume all obligations imposed by such laws with respect to this Agreement.

16. Confidential Information.

16.1 Franchisor possesses certain confidential information, which includes all (a) proprietary information that pertains to Franchisor's business and is disclosed to or obtained, known, generated, or observed by Franchisee as a consequence of the parties' relationship under this Agreement; (b) the Manuals, System, Software, and all other proprietary information that relates to or is embodied in the System or the Software, including but not limited to the methods, techniques, formats, specifications, procedures, information, systems and knowledge of and experience in the operation and franchising of security services, know-how, ideas, concepts, and sales and cost data, regardless of whether such materials, data, and other information are disclosed to Franchisee in writing, orally, visually, on magnetic, electronic, digital, or other media, or by virtue of any presentation, tour, or inspection of any objects, facilities, documents, processes, or information, whether tangible or intangible; and (c) certain information regarding customers, including (i) current customer and prospective customer names and addresses; (ii) information about credit extensions to customers; (iii) customer service purchasing histories; (iv) rates charged to customers; and (v) sources of suppliers (collectively, "Confidential Information").

16.2 Confidential Information does not include any information, knowledge or know-how that:

- (a) Was present in the public domain at the time of its disclosure to the Receiving Party or enters the public domain through no fault or neglect of the Receiving Party after its disclosure to the Receiving Party;
- (b) Is received by the Receiving Party from a Third-Party, and, at the time of the Receiving Party's receipt, is free of any obligation of confidence to or other restriction in favor of the Disclosing Party; or



- (c) Is required to be disclosed pursuant to any statute, law, rule, or regulation of any governmental authority or pursuant to any order of any court of competent jurisdiction, but only if the Receiving Party has notified the Disclosing Party in writing prior to such required disclosure and cooperates with the Disclosing Party if the Disclosing Party elects to contest such required disclosure or to seek a protective order or other form of protection.

Franchisee has the burden of proving that the elements of this section apply to any information, knowledge or know-how.

16.3 Franchisee acknowledges and agrees that (a) the Confidential Information is proprietary and involves trade secrets of Franchisor; (b) the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition; (b) Franchisee has no interest and will not acquire any interest in the Confidential Information, other than the right to use the Confidential Information in the operation of the Franchised Business in compliance with this Agreement during the term of this Agreement.

16.4 Franchisee covenants that it will: (a) hold the Confidential Information in strict confidence during the term of this Agreement and any renewal thereof and after the expiration or termination of this Agreement or any renewal thereof, by using the same safeguards that it uses to protect its own confidential and proprietary information and trade secrets, but at least by using reasonable care; (b) use the Confidential Information only to the extent necessary to perform its obligations and duties under this Agreement and not in any other business or capacity; (c) not use or disclose the Confidential Information for its own account or for its own purposes, nor engage in any other unauthorized use of the Confidential Information during or after the term of this Agreement; (d) not disclose Confidential Information at any time to any third party, including without limitation a third party vendor, unless and until Franchisor has consented in writing and such third party has signed an appropriate confidentiality agreement agreeing, among other things, that such party will maintain the absolute confidentiality of all Confidential Information disclosed to such party by Franchisee, its owners, managers, agents or employees; (e) not make unauthorized copies of the Confidential Information, nor disclose, publish, or otherwise make available any Confidential Information other than to those of its employees during the Franchise Term or any Renewal Terms who have a bona fide need to know such Confidential Information in order to perform their duties; and (f) adopt and implement all reasonable procedures prescribed by Franchisor to prevent unauthorized use or disclosure of the Confidential Information, including but not limited to restrictions on disclosures to employees of the Franchised Business.

16.5 Franchisee shall: (a) require all of Franchisee's owners, officers, directors, management and supervisory-level employees to sign a confidentiality, non-solicitation and non-competition agreement ("Confidentiality Agreement") in form and substance satisfactory to Franchisor (Exhibit I), unless prohibited by state law or regulation; (b) maintain a record of all such Confidentiality Agreements and provide a copy of them to Franchisor within seven (7) business days of Franchisor's request; (c) ensure that its employees safeguard all Confidential Information in accordance with the requirements of Section 16 of this Agreement; and (d) indemnify Franchisor for any violation of Section 16 by any person who was an employee of Franchisee when the Confidential Information was obtained or disclosed.

16.6 Upon termination or expiration of this Agreement, Franchisee will comply with the requirements of Section 13.4 of this Agreement relating to the return of Confidential Information.

16.7 Franchisee agrees that Franchisor has the perpetual right to use and authorize other Franchised Businesses to use all ideas, concepts, methods and techniques relating to the development or operation of a Franchised Business. All ideas, concepts, techniques or other materials relating to the Franchised Business, including but not limited to any improvements or additions to the System or in the method of operation, copyrightable works, Internet web pages, trade names, trademarks, service marks, commercial symbols related to the Franchised Business, any advertising and promotional ideas, whether or not protectable intellectual property and whether created by or for Franchisee or its employees, must be promptly disclosed to Franchisor, without the disclosure to others, and will be deemed to be Franchisor's sole and exclusive property and, to the extent applicable, will be deemed works made-for-hire. To the extent that any item does not qualify as a work made-for-hire, Restricted Party hereby assigns ownership of that item, and all related rights to that item, to Franchisor, and agrees to sign any assignments or other documents as Franchisor reasonably requests to evidence its ownership of or to otherwise assist Franchisor in obtaining intellectual property rights in the item.

16.8 Franchisee acknowledges that: (a) the Confidential Information has been and is being developed by the Disclosing Party through the expenditure of substantial time, effort, and money; (b) the Confidential Information is a valuable, special, and unique asset of the Disclosing Party; and (c) the use or disclosure of the Confidential Information in violation of Section 16 would cause the Disclosing Party immediate, substantial, and irreparable harm, the value of which would be extremely difficult to determine. Accordingly, Franchisee agrees that, in addition to any other remedies that may be available to Franchisor for any violation of Section 16, Franchisor will be entitled to seek and obtain any form of equitable relief against the continuance of such breach without being required to post a bond or other undertaking or prove injury as a condition for relief. Franchisee will be required to pay all court costs and attorneys' fees incurred by Franchisor in obtaining equitable relief for a violation of Section 16.3.

17. Covenant Not to Compete.

17.1 Franchisee acknowledges that: (a) the System has been and is being developed by Franchisor through the expenditure of substantial time, effort, and money; (b) the System is a valuable, special and unique asset of Franchisor; (c) Franchisee has regular and continuing access to Confidential Information related to, or embodied in the System, (d) it would be impossible for Franchisee to engage in a similar business without making use of or revealing Franchisee's Confidential Information or System; (e) Franchisee has an obligation to promote sales of the Franchised Business; and (f) that Franchisor would be unable to protect its Trade Secrets against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among Franchised Businesses if Franchisee were permitted to hold interests in other security-service businesses.

17.2 In consideration of the Franchisor's disclosure of its System and Confidential Information, Franchisee agrees that during the term of this Agreement and for a period of two (2) years after the termination or expiration of this Agreement, Franchisee, will not:

- (a) engage in or have an interest in, whether directly, indirectly, individually or as a member of any business organization, or whether as an employee, owner, investor, partner (inactive or otherwise), agent, stockholder, director or officer of a corporation or other business entity, the provision or sale of Services sold by the Franchised Business within a distance of seventy-five (75)

miles or the maximum distance allowed by law, whichever is less, of the Territory or any territory of any other Signal 88 franchisee; or

- (b) solicit business from customers of Franchisee's former Franchised Business or contact any of Franchisor's suppliers or vendors for any competitive business purpose, nor solicit any employees of Franchisor, its affiliates or System franchisees to cease their employment with Franchisor, its affiliates or System franchisees.

17.3 The restrictions in Sections 17.2 will apply (a) to each shareholder of a corporation, if Franchisee is a corporation; (b) to each partner of a partnership, if Franchisee is a partnership; (c) to each member of a limited liability company, if Franchisee is a limited liability company; (d) to each individual jointly and severally, if Franchisee is more than one person, and (e) to each individual who signs the Guaranty attached hereto as Exhibit D, provided however that the restrictions in Sections 17.2 will not apply to investment in the share or stock of a publicly traded company, which at the time of investment is listed on a recognized stock exchange.

17.4 The restrictions in Sections 17.2 will be severable in accordance with Section 22 of this Agreement, and the covenant not to compete will be construed as an agreement independent of any other provisions in this Agreement. The existence of any claim or cause of action of the Franchisee against Franchisor will not constitute a defense to the enforcement by Franchisor of the covenants not to compete. To the extent the restrictions in Section 17.2 depend for their enforcement on the reformation of either its geographical or durational scope, the parties agree that a court of competent jurisdiction should reform the geographical or durational scope so as to render the covenant enforceable.

17.5 Franchisee hereby agrees that the existence of any claim Franchisee may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to Franchisor's enforcement of the covenants contained in this Section 17. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) which Franchisor incurs in connection with the enforcement of this Section 17.

18. Limitation of Liability: FRANCHISEE EXPRESSLY ACKNOWLEDGES AND AGREES THAT FRANCHISOR SHALL NOT, UNDER ANY CIRCUMSTANCES, BE LIABLE TO FRANCHISEE OR ANY THIRD PARTY FOR ANY INDIRECT, SPECIAL, CONSEQUENTIAL, INCIDENTAL, PUNITIVE, OR EXEMPLARY DAMAGES OR LOSSES OF ANY KIND WHATSOEVER, INCLUDING WITHOUT LIMITATION, ANY ECONOMIC LOSS, PROPERTY DAMAGE, PHYSICAL INJURY, LOST PROFITS, OR LOST SAVINGS ARISING OUT OF THIS AGREEMENT, FRANCHISEE'S USE OF THE MARKS, THE SYSTEM, THE PROMOTIONAL MATERIALS, OR THE SOFTWARE, OR FRANCHISEE'S INABILITY TO USE THE MARKS, THE SYSTEM, THE PROMOTIONAL MATERIALS, OR THE SOFTWARE, REGARDLESS OF WHETHER ARISING UNDER BREACH OF CONTRACT, WARRANTY, TORT, STRICT LIABILITY, OR ANY OTHER LEGAL OR EQUITABLE THEORY OR CLAIM, EVEN IF FRANCHISOR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSS OR DAMAGE OR IF SUCH LOSS OR DAMAGE COULD HAVE BEEN REASONABLY FORESEEN.

19. Dispute Resolution.

19.1 Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Nebraska (without reference to its conflict of laws principals).

19.2 Internal Dispute Resolution. Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor's President and/or Chief Executive Officer, after providing notice as set forth in Section 20 below. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

19.3 Mediation. At Franchisor's option, all claims or disputes between Franchisee and Franchisor or its affiliates arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor or its affiliates, or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Section 19.2 above, must be submitted first to non-binding mediation, in Douglas County, Nebraska under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's right to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party shall bear its own cost of mediation and Franchisor and Franchisee shall share mediation costs equally. This agreement to mediate shall survive any termination or expiration of this Agreement. The parties shall not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 19.3 if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating) any federally protected intellectual property rights in the Marks, the System, or in any Confidential Information, or any of the restrictive covenants contained in this Agreement.

19.4 Selection of Venue. Except for Franchisor's right to seek injunctive relief in any court of competent jurisdiction as set forth in Section 19.7, the parties expressly agree to the jurisdiction and venue of any state court of general jurisdiction in Douglas County, Nebraska and the jurisdiction and venue of the United States District Court for the District of Nebraska. Franchisee acknowledges that this Agreement has been entered into in the State of Nebraska, and that Franchisee is to receive valuable and continuing services emanating from Franchisor's headquarters in Omaha, Nebraska, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Nebraska as set forth above.

19.5 Third Party Beneficiaries. Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the mediation provision set forth in this Section 19, each having authority to specifically enforce the right to mediate/litigate claims asserted against such person(s) by Franchisee.

19.6 No Right to Offset. Franchisee shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Franchisee under this Agreement or any related agreements.

19.7 Injunctive Relief. Nothing in this Agreement shall prevent Franchisor from seeking to obtain injunctive relief, without posting a bond, against threatened conduct that will cause Franchisor loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions in any court of competent jurisdiction. If injunctive relief is granted, Franchisee's only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, Franchisee expressly waives all claims for damages Franchisee incurred as a result of the wrongful issuance.

19.8 Limitation of Action. Franchisee further agrees that no cause of action arising out of or under this Agreement may be maintained by Franchisee against Franchisor unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after the Franchisee becomes aware of facts or circumstances reasonably indicating that Franchisee may have a claim against Franchisor hereunder, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off. Franchisee hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises/licenses, or any regulation or rules promulgated thereunder.

19.9 Waiver of Punitive Damages. Franchisee hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that Franchisee's recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

**19.10 WAIVER OF JURY TRIAL AND CLASS ACTION WAIVER. THE PARTIES TO THIS AGREEMENT HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE LICENSE AND/OR ANY GOODS OR SERVICES. THE PARTIES ALSO HEREBY AGREE THAT ALL PROCEEDINGS WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS, AND FRANCHISOR OR ITS AFFILIATES OR EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER PERSON OR ENTITY.**

20. Notification of Claims. Franchisee agrees to notify Franchisor of any actual or threatened claim or suit by a third party against Franchisee within ten days after Franchisee first learns of the claim or suit.

21. Notices. All notices, requests, offers, and other communications required or permitted to be given under this Agreement must be in writing and must be delivered in person, electronically, by prepaid overnight commercial delivery service, or by prepaid overnight mail, registered or certified, with return-receipt requested, and addressed as set forth below:

<i><b>If to FRANCHISOR:</b></i>	<i><b>If to FRANCHISEE:</b></i>
Signal 88 Franchise Group, Inc. Attn: Reed Nyffeler 3880 South 149th Street, Suite 102 Omaha, NE 68144 rnyffeler@signal88.com	_____ _____ _____ _____
<i><b>With a copy to:</b></i>	<i><b>With a copy to:</b></i>
McGrath North Mullin & Kratz, PC LLO Attn: Michael T. Eversden 3700 First National Tower 1601 Dodge Street Omaha, NE 68102 meversden@mcgrathnorth.com	_____ _____ _____ _____

Notice will be deemed to have been received on the earlier of: 1) receipt or first refusal of delivery if personally delivered; 2) if electronically delivered, receipt by the sending party of either a “read receipt” notice or a reply electronic message from the receiving party evidencing receipt of the electronic notice; 3) one (1) day after posting if sent via overnight commercial delivery service or overnight United States Mail, postage prepaid, return receipt requested; or 4) three (3) days after placement in the United States mail.

21.1 Change of Address. Either party may change its name, address or e-mail address for notice by providing the other party with such change in writing, signed by a duly authorized representative, designating a single address for notice, which may not be a P.O Box, in compliance with this Subsection.

21.2 Calculation of Time Periods. In calculating time periods for notice, when a period of time measured in days is prescribed for the exercise of any privilege or the discharge of any duty, the first day notice is deemed to have been given will not be counted but the last day will be counted.

21.3 Notices of Termination and Non-Renewal. All notices of termination or non-renewal shall contain a statement of intent to terminate or not renew the franchise, together with the reason for termination or non-renewal.

22. Anti-Terrorist Activities. Franchisee certifies that neither Franchisee, nor Franchisee’s owners, principals, employees or anyone associated with Franchisee is listed in the Annex to Executive Order 13224. Franchisee agrees not to hire or have any dealings with a person listed in the Annex. Franchisee certifies that Franchisee has no knowledge or

information that, if generally known, would result in Franchisee, Franchisee's owners, principals, employees, or anyone associated with Franchisee being listed in the Annex to Executive Order 13224. Franchisee agrees to comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee certifies, represents, and warrants that none of Franchisee's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and Franchisee's owners or principals are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that Franchisee's indemnification responsibilities as provided in Section 7 of this Agreement pertain to Franchisee's obligations under this Section 22. Any misrepresentation by Franchisee under this Section or any violation of the Anti-Terrorism Laws by Franchisee, Franchisee's owners, principals or employees shall constitute grounds for immediate termination of this Agreement and any other agreement Franchisee has entered into with Franchisor or one of Franchisor's affiliates in accordance with the terms of Section 12.2(g) of this Agreement. As used herein, "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies lists and any other requirements of any governmental authority (including without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts or acts of war.

23. No Personal Liability. Franchisee agrees that fulfillment of any and all of Franchisor's obligations written in this Agreement or based on any oral communications which may be ruled to be binding in a court of law shall be Franchisor's sole responsibility and none of Franchisor's agents, representatives, nor any individuals associated with Franchisor's license company shall be personally liable to Franchisee for any reason. This is an important part of this Agreement. Franchisee agrees that nothing that Franchisee believes Franchisee has been told by Franchisor or Franchisor's representatives shall be binding unless it is written in this Agreement. This is an important part of this Agreement. Do not sign this Agreement if there is any question concerning its contents or any representations made.

24. Entire Agreement. This Agreement constitutes the entire understanding and agreement between the parties with respect to the franchising of the Franchised Business and supersedes all prior agreements, whether oral or written, concerning the subject matter of this Agreement. There are no representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the franchising of the Franchised Business, other than those set forth herein and in any promissory notes, and no party has relied on any representation, inducement, promise, agreement, arrangement, or undertaking, of any type or form, that is not set forth in this Agreement or any promissory note. No agreement of any kind relating to the matters covered by this Agreement shall be binding upon either party unless and until the same has been made in writing and executed by all interested parties. This provision and Section 23 are not intended to disclaim the representations the Franchisor made solely in the franchise disclosure document that the Franchisor furnished to the Franchisee.

25. Modification. This Agreement may not be amended, modified, or rescinded, and no performance requirement may be waived, except in writing signed by an authorized representative of Franchisee and an authorized representative of Franchisor. This provision does not apply to changes in the Operations Manual or Franchisor's directives relating to

changes in the System, which Franchisor may modify unilaterally. The parties expressly agree that this Agreement may not be amended or modified and performance standards may not be changed by course of dealing, by special indulgences or benefits the Franchisor bestows on Franchisee, or by inference from a party's conduct.

26. Acknowledgements.

26.1 FRANCHISEE ACKNOWLEDGES THAT IT IS ENTERING INTO THIS AGREEMENT SOLELY AS A RESULT OF ITS OWN INDEPENDENT INVESTIGATION AND NOT AS A RESULT OF ANY REPRESENTATIONS MADE BY FRANCHISOR OR ITS AGENTS—INCLUDING ANY REPRESENTATIONS CONCERNING THE FRANCHISOR, THE SYSTEM, THE FINANCIAL PERFORMANCE ACHIEVED BY OTHER FRANCHISEES OR COMPANY-OWNED OUTLETS, THE FINANCIAL PERFORMANCE THAT FRANCHISEE MIGHT ACHIEVE OR MIGHT EXPECT TO ACHIEVE, OR ANY OTHER ASPECT OF THE FRANCHISE OFFERING—THAT ARE NOT CONTAINED IN THIS AGREEMENT.

26.2 FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR DOES NOT FURNISH AND DOES NOT AUTHORIZE ITS EMPLOYEES OR AGENTS TO FURNISH, IN CONNECTION WITH THE OFFER AND SALE OF ITS FRANCHISES, ANY ORAL OR WRITTEN INFORMATION CONCERNING ACTUAL PERFORMANCE OF EXISTING FRANCHISES AND OTHER OUTLETS, OR ACTUAL OR POTENTIAL SALES, COSTS, INCOME, OR PROFITS OF THE FRANCHISED BUSINESS, OTHER THAN THOSE CONTAINED IN THIS AGREEMENT OR IN ANY DISCLOSURE DOCUMENT GIVEN TO FRANCHISEE PURSUANT TO APPLICABLE LAW.

26.3 FRANCHISEE UNDERSTANDS AND ACKNOWLEDGES THAT THE FRANCHISED BUSINESS INVOLVES RISKS, MAKING THE SUCCESS OF THE VENTURE LARGELY DEPENDENT UPON THE BUSINESS ABILITIES AND PARTICIPATION OF FRANCHISEE AND ITS EFFORTS AS AN INDEPENDENT BUSINESS OPERATOR. ANY REPRESENTATIONS OR ESTIMATES PROVIDED TO FRANCHISEE CONCERNING FINANCIAL PERFORMANCE ARE ONLY ESTIMATES. THE ACTUAL RESULTS OF THE FRANCHISED BUSINESS WILL DEPEND ON MANY FACTORS, INCLUDING BUT NOT LIMITED TO FRANCHISEE'S BUSINESS ABILITIES, FRANCHISEE'S PARTICIPATION AND EFFORTS, AND LOCAL MARKET CONDITIONS. FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED OR RELIED UPON ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE FRANCHISED BUSINESS CONTEMPLATED BY THIS AGREEMENT.

26.4 FRANCHISEE HAS NO KNOWLEDGE OF ANY REPRESENTATIONS BY FRANCHISOR OR ITS AGENTS OR FRANCHISEES, ABOUT THE FRANCHISED BUSINESS CONTEMPLATED BY THIS AGREEMENT THAT ARE CONTRARY TO THE TERMS OF THIS AGREEMENT OR ANY DISCLOSURE DOCUMENT GIVEN TO FRANCHISEE PURSUANT TO APPLICABLE LAW. FRANCHISEE REPRESENTS, AS AN INDUCEMENT TO FRANCHISOR'S ENTRY INTO THIS AGREEMENT, THAT IT HAS MADE NO MISREPRESENTATIONS IN OBTAINING THIS AGREEMENT.

26.5 FRANCHISEE ACKNOWLEDGES THAT IT HAS HAD AMPLE OPPORTUNITY TO CONSULT WITH ITS OWN ATTORNEYS, ACCOUNTANTS AND OTHER ADVISORS AND THAT THE ATTORNEYS FOR FRANCHISOR HAVE NOT ADVISED OR REPRESENTED FRANCHISEE WITH RESPECT TO THIS AGREEMENT OR THE RELATIONSHIP THEREBY CREATED.



26.6 FRANCHISEE, TOGETHER WITH ITS ADVISORS, HAS SUFFICIENT KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS TO MAKE AN INFORMED INVESTMENT DECISION WITH RESPECT TO THIS AGREEMENT.

26.7 FRANCHISEE ACKNOWLEDGES THAT THIS AGREEMENT AND FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT HAVE BEEN IN FRANCHISEE'S POSSESSION FOR AT LEAST FOURTEEN (14) CALENDAR DAYS BEFORE FRANCHISEE SIGNED THIS AGREEMENT OR PAID ANY MONIES TO FRANCHISOR OR AN AFFILIATE AND THAT ANY MATERIAL CHANGES TO THIS AGREEMENT WERE IN WRITING IN THIS AGREEMENT FOR AT LEAST SEVEN (7) CALENDAR DAYS BEFORE FRANCHISEE SIGNED THIS AGREEMENT.

27. Severability. If any provision of this Agreement (or any part of any provision) is held to be unenforceable, such provision (or such part of an affected provision) will be inoperative only to the extent necessary to comply with applicable law and will be severed from the remainder of this Agreement. The remaining provisions of this Agreement (and the remaining portion of any affected provision) will continue in full force and effect. To the extent of any conflict between any provision of this Agreement and applicable law, the parties shall comply with applicable law rather than the conflicting provision of this Agreement.

28. Counterparts and Facsimile Execution. This Agreement may be executed in one or more counterparts (including by means of signature pages transmitted via facsimile or other electronic means), any one of which need not contain the signatures of more than one party. Each such signature will be deemed to be: (a) an original; and (b) valid, binding, and enforceable. All such counterparts taken together will constitute one and the same instrument.

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

SIGNAL 88 FRANCHISE GROUP, INC.,  
Franchisor,

\_\_\_\_\_,  
Franchisee,

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

The undersigned holders of Ownership Interests in the Franchisee hereby agree to be bound by the terms and conditions of this Agreement.

HOLDERS



PERCENTAGE OF OWNERSHIP

\_\_\_\_\_  
  
\_\_\_\_\_  
  
\_\_\_\_\_  
  
\_\_\_\_\_

%  
  
%  
  
%  
  
%

**Exhibit A**  
**(to the Franchise Agreement)**

**Marks**

<b>Mark</b>	<b>App. #</b>	<b>Reg. #</b>
PATROLGUIDE	N/A	N/A
INTELIGUIDE	N/A	N/A
SALESGUIDE	N/A	N/A
PLANNING. PREVENTION. PROTECTION	N/A	N/A
SECURITY RE- ENGINEERED®	<u>85/686,476</u>	<u>4,305,085</u>
88 University®	<u>85/671,753</u>	<u>4,304,681</u>
	<u>85/671,776</u>	<u>4,292,287</u>
SIGNAL 88 SECURITY®	<u>76/634,803</u> <u>85/678,052</u>	<u>3,137,644</u> <u>4,304,875</u>
	<u>76/634,802</u> <u>85/678,038</u>	<u>3,137,643</u> <u>4,304,874</u>

**Exhibit B**  
**(to the Franchise Agreement)**

**Territory**

The Territory shall include the following area:

Territory 1: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Territory 2: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Territory 3: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Territory 4: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Territory 5 : \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Territory 6 : \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## Map of Territory

[INSERT MAP OF TERRITORY]

**Exhibit C**  
**(to the Franchise Agreement)**

**Lease Requirements**

1. All leases will provide Franchisor:
  - (a) the right to enter the Business Location to make any modification necessary to protect the Marks and a “Collateral Assignment of Lease” executed by Franchisee and the lessor of the Business Location, providing Franchisor notice of Franchisee’s default of the lease, a right to cure such default and the right to assume the lease, as well as the right to sublease or assign the lease to another Franchised Business franchise owner (and if Franchisor exercises its right under the Collateral Assignment of Lease, Franchisee will have the option to acquire all fixtures, equipment and other lease hold improvements that was on the Business Location at fair market value) and
  - (b) the right to act as prime lessee under the lease and to sublease such Business Location to Franchisee.
2. Any lease of the Business Location shall be for a term that, with renewal options exercisable by Franchisee, is not less than the total time period in the Franchise Term of this Agreement combined.

**Exhibit D**

**(to the Franchise Agreement)**

**CONTINUING UNCONDITIONAL GUARANTY**

FOR VALUABLE CONSIDERATION, including the inducement of Creditor (as hereinafter defined) to enter into a franchise agreement with Debtor (as hereinafter defined), receipt of which is hereby acknowledged, the undersigned, \_\_\_\_\_ (referred to as "Guarantor" herein), absolutely and unconditionally guarantees to Creditor the full and prompt payment of all Indebtedness (as hereinafter defined) owing from \_\_\_\_\_, a (circle one: corporation/limited liability company/partnership) organized under the laws of the State of \_\_\_\_\_, and any of its subsidiaries, affiliates, successors, or assigns (hereinafter, "Debtor"), which exists now or which may arise hereafter, and agrees to be personally bound by, and personally liable for the breach of, each and every provision in the franchise agreement between Debtor and Creditor, including but not limited to the covenant not to compete in Section 17 of the franchise agreement. This Guaranty is made without any agreement or expectation of indemnity from Debtor.

"Creditor" means Signal 88 Franchise Group, Inc., a Nebraska corporation, and all its subsidiaries, affiliates, and divisions, as well as its successors and assigns.

"Indebtedness" means all debts, liabilities, and obligations owing by Debtor to Creditor of any nature, including, without limitation, those arising under the Franchise Agreement executed by Debtor and Creditor, and any other account, promissory note, guaranty, invoice, statement, bill, contract, understanding, or agreement, and any extension, modification, restatement, renewal, or replacement thereof, whether now existing or hereafter created between Debtor and Creditor, and including, without limitation, all attorney's fees, costs and expenses incurred in the enforcement of any such debt or obligation and in connection with any bankruptcy case filed by the Debtor. Guarantor's obligations under this Guaranty are continuing and unconditional and are not subject to any setoffs, adjustments or credits.

Creditor may enforce this Guaranty without first resorting to the Debtor or realizing upon any collateral or other security. Guarantor agrees that Creditor has full authority to and may, without notice to or further consent from Guarantor or Debtor and without releasing Guarantor from any of the obligations contained herein or otherwise affecting in any manner the Guarantor's liability hereunder, (a) substitute or release any security; (b) release any Debtor, guarantor, surety, or any other person who may be responsible for payment, of all or a portion of the Indebtedness; (c) renew, extend, or modify, in whole or in part, the terms relating to the Indebtedness, including extending the time for payment; (d) settle or compromise the terms of the Indebtedness and accept partial payments from Debtor, Guarantor, or any third party; (e) delay or forbear from exercising Creditor's rights against Debtor, Guarantor, any third party, or any collateral, given as security for the Indebtedness; (f) accept partial payments from Debtor or anyone else on account of Indebtedness; (g) fail to perfect any security interest or otherwise impair any collateral given as security for the Indebtedness; (h) release or substitute any collateral given as security for the Indebtedness; (i) procure additional security or guarantees of persons who agree to be liable for any of the Indebtedness; (j) delay, refuse, or fail to enforce the collection of the Indebtedness; (k) extend new, additional, or unrelated credit to Debtor; and (l) assign the Indebtedness, in whole or in part, to any third party.

Guarantor waives notice of acceptance of this Guaranty, notice of the creation, existence

or maturity of all Indebtedness, notice of default, extension of time, protest, presentment, demand for payment, and notice of dishonor and diligence in collection.

Notwithstanding anything to the contrary in this Guaranty, Guarantor hereby irrevocably waives all rights he may have at law or in equity (including, without limitation, any law subrogating the Guarantor to the rights of the Creditor) to seek contribution, indemnification, or any other form of reimbursement from the Debtor, any other guarantor, or any other person now or hereafter primarily or secondarily liable for any obligations of the Debtor to Creditor, for any disbursement made by the Guarantor under or in connection with this Guaranty or otherwise.

Guarantor hereby agrees to indemnify and hold Creditor harmless from and against any liability asserted against Creditor based upon any claim or legal action filed against Creditor based in whole or part upon a claim under 11 U.S.C. §547(b) or 11 U.S.C. §550 resulting from or connected with this Guaranty.

Guarantor hereby understands and agrees that the invalidity of any provision of this Guaranty as determined by a court of competent jurisdiction shall in no way affect the validity of any other provision hereof, and to this end, the provisions of this Guaranty are declared to be severable.

Guarantor represents and warrants to Creditor that (i) Guarantor is an individual who has had an opportunity to review the terms of this Guaranty, understands the terms hereof, and enters into this Guaranty freely and voluntarily, (ii) this Guaranty is given to guaranty a non-consumer business debt, and (iii) the Guaranty is given voluntarily by the Guarantor, who is actively involved in the Debtor's business operations or will otherwise benefit therefrom such that good and valuable consideration, in addition to any other consideration sufficient to support this Guaranty, has been received.

This Guaranty shall be effective upon delivery to Creditor, without further act, condition or acceptance by the Creditor, shall be binding upon the Guarantor and his heirs and assigns, and shall inure to the benefit of the Creditor and its successors and assigns.

This Guaranty represents the final agreement of the parties with respect to the subject matter hereof and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements. This Guaranty may not be waived, modified, amended, terminated, released or otherwise changed except in writing signed by the Guarantor and the Creditor.

Any notice to Guarantor shall be sufficient if addressed to Guarantor at the address listed below and sent via certified or registered mail or by overnight carrier or express mail.

This Guaranty is continuing and covers all Indebtedness, whether such Indebtedness now exists or arises hereafter, regardless whether at any point in time the Indebtedness to the Creditor may be paid in full or otherwise extinguished.

Guarantor acknowledges and agrees that this Guaranty may be revoked only by a writing signed by all parties hereto and that any such revocation shall be effective only as to any Indebtedness incurred after the effective date of the revocation.

The Guarantor agrees to pay Creditor for reasonable attorney's fees, costs and out-of-pocket expenses incurred in the enforcement of this Guaranty.



Guarantor, by signing below, acknowledges its credit history and financial condition may be a necessary factor in the extension of credit and evaluation of this Guaranty, and hereby expressly consents to and authorizes Creditor to obtain, review, and utilize a credit report on the undersigned from time to time as Creditor may deem appropriate.

This Guaranty shall be governed and construed in accordance with the laws of the State of Nebraska. TO THE EXTENT PERMITTED BY APPLICABLE LAW, GUARANTOR HEREBY WAIVES A JURY TRIAL OF ANY MATTERS RELATED TO THE INDEBTEDNESS, INCLUDING THIS GUARANTY, AND AGREES TO VENUE AND JURISDICTION IN STATE OR FEDERAL COURTS IN NEBRASKA.

IN WITNESS WHEREOF, the undersigned Guarantor has executed this document on the date hereafter written.

DATED \_\_\_\_\_, 20\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Guarantor's Printed Name

\_\_\_\_\_  
Guarantor

\_\_\_\_\_  
Guarantor's Printed Name

\_\_\_\_\_  
Guarantor

\_\_\_\_\_  
Guarantor's Printed Name

**Exhibit E**  
**(to the Franchise Agreement)**  
**Fees and Payment**

**Exhibit E-1**  
**List of Fees**

**Franchise Fee:** The greater of \$35,000 or \$0.35 per capita in the Territory.

**Renewal Fee:** \$0.20 per capita in the Territory, provided that there shall be no renewal fee if all of the following sales goals are met:

1. \$150,000.00 Gross Revenue the first year following the Effective Date
2. \$225,000 Gross Revenue the second year following the Effective Date
3. \$300,000 Gross Revenue the third year following the Effective Date.

**Franchise Royalties:** Four Percent (4%) of Gross Revenue during the previous month.

**Franchise Growth Support Fee:** Two Percent (2%) of Gross Revenue during the previous month.

**Technology Fee:** One Percent (1%) of Gross Revenues during the previous month.

**Transfer Fee:** Actual expenses, plus \$5,000 for every 100,000 people in the Territory.

**Referral Fee for Referrals from Franchisor or its Affiliates:** Two Percent (2%) of Gross Revenue derived from the referred contract attributable to Franchisee's performance of Services under said contract.

**Administrative Fee:** Two Percent (2%) of Gross Revenue during the previous month.

**Service Fees:** \$250 per month for services provided as a result of a default, plus all expenses incurred.

\$200 per month for services provided as a result of an illness, incapacity or death, plus all expenses incurred.

Exhibit E-2

Electronic Funds Withdrawal Authorization

**Bank Name** : \_\_\_\_\_

**ABA#** : \_\_\_\_\_

**Acct. No.** : \_\_\_\_\_

**Acct. Name** : \_\_\_\_\_

Effective as of the date of the signature below, \_\_\_\_\_ (“Franchisee”) hereby authorizes Signal 88 Franchise Group, Inc. (“Company”) or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to make any and all payments that the Company may impose under the terms of Franchisee’s Franchise Agreement from time to time. Such withdrawals shall occur on a monthly basis, or on such other schedule as Company shall specify. Company is also authorized to deposit funds into the above-referenced account, electronically or otherwise. This authorization shall remain in full force and effect until terminated in writing by Company. Franchisee shall provide Company, in conjunction with this authorization, a voided check from the above-referenced account.

**AGREED:**

**ATTEST:**

**FRANCHISEE**

**By:** \_\_\_\_\_

**Print name:** \_\_\_\_\_

**Its:** \_\_\_\_\_

**Exhibit F**

**(to the Franchise Agreement)**

**Minimum Sales Quota**

If this Agreement represents the initial franchise agreement between Franchisee and Franchisor concerning a Franchised Business, the Minimum Sales Quotas shall be:

First Year Following the Effective Date: \$150,000.00.

Second Year Following the Effective Date: \$225,000.00.

Third Year Following the Effective Date: \$300,000.00.

Fourth Year Following the Effective Date: \$\_\_\_\_\_

Fifth Year Following the Effective Date: \$\_\_\_\_\_

If this Agreement represents a renewal of the Franchisee's rights to operate a Franchised Business, the Minimum Sales Quota shall be:

First Year Following the Effective Date: \$350,000.00.

Second Year Following the Effective Date: \$400,000.00.

Third Year Following the Effective Date: \$450,000.00.

Fourth Year Following the Effective Date: \$\_\_\_\_\_.

Fifth Year Following the Effective Date: \$\_\_\_\_\_.

**Shortfall Payment**

None

**Exhibit G**  
**(to the Franchise Agreement)**  
**SECURITY AGREEMENT**

Debtor Name & Address ("Debtor"):	Creditor Name & Address ("Creditor"):  Signal 88 Franchise Group, Inc. 3880 South 149 <sup>th</sup> Street, Suite 102 Omaha, NE 68144
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Creditor and Debtor whose addresses appear above, agree as follows:

1. **Security Interest/Collateral.** To secure payment of the "Indebtedness" as defined below, and all obligations of Debtor to Creditor, Debtor hereby grants to Creditor a security interest in all the collateral described below, together with all substitutions, replacements, products and proceeds thereof, including insurance proceeds, all whether now owned or hereafter acquired, (the "Collateral"):

All of Debtor's accounts, accounts receivable, rights to any payments, chattel paper, contract rights, instruments, documents, letters of credit, money, deposit accounts, notes, general intangibles, payment intangibles, investments, securities, supporting obligations, and all books records and other documents related to any of the foregoing; all equipment, vehicles, machinery, inventory, fixtures, accessions, furniture, consumer goods, office and computer equipment, and software, including without limitation any developed or undeveloped software, processes, or computer code; all Debtor's trademarks, trade names, copyrights, patents, and all other intellectual property, and the goodwill of the business associated therewith; all bonds, licenses, and permits; all customer lists, sales records, and purchase records, and all replacements, substitutions, products, and proceeds of any of the foregoing, whether cash, non-cash or insurance proceeds, all whether now owned or hereafter acquired, and all whether now existing or hereafter created.

In addition, the Collateral shall include \_\_\_\_\_, and all replacements, substitutions, products, and proceeds of any of the foregoing, whether cash, non-cash or insurance proceeds, all whether now owned or hereafter acquired, and all whether now existing or hereafter created.

2. **Indebtedness.** The security interest in the Collateral is given to secure the payment and performance of all obligations owed to Creditor by Debtor of any nature, including, without limitation, those arising under the Franchise Agreement executed by Debtor and Creditor, any purchase order, promissory note, invoice, contract, agreement, understanding, open account, guaranty, loan agreement, mortgage, deed of trust, stock pledge agreement, security agreement (including this Agreement), or other obligation of Debtor in favor of Creditor, and any modifications, replacements, substitutions, extensions, refinancings, or renewals of any of the foregoing, together with any and all expenses, including attorney's fees, incurred or paid by Creditor in the preservation or enforcement of Creditor's rights under any of the foregoing, all whether now existing or hereafter created or otherwise arising. The foregoing obligations shall be collectively referred to herein as the "Indebtedness."

3. **Preservation of Collateral/Inspection/Inventory.** Debtor hereby agrees to do all things necessary to maintain, preserve, and protect the Collateral and to be responsible to Creditor for any loss or damage thereto. Debtor agrees not to cause any waste or unreasonable depreciation of the Collateral. The risk of loss of the Collateral shall be on Debtor at all times and Debtor shall promptly pay when due all taxes, assessments, liens or encumbrances levied on or against the Collateral hereunder or for its use or operations, except such as it may in good faith contest or as to which a bona fide dispute may arise. Debtor shall allow access to the Collateral and any documents or records related thereto for inspections by Creditor on demand, and shall provide upon request by Creditor a detailed inventory

of all Collateral, including serial and VIN numbers, and the addresses and legal descriptions where any inventory or other Collateral is stored or otherwise located.

4. **Cooperation.** Debtor will from time to time, at its expense, perform all acts and execute all documents requested by Creditor, including the obtaining, executing, delivering or filing of financing statements, amendments, assignments of government payments, or insurance proceeds, and renewals thereof, in order to create, perfect, maintain and enforce a valid lien upon, pledge of, or security interest in all of the Collateral in Creditor's favor. Creditor is expressly authorized by Debtor to file financing statements on Debtor's behalf, without Debtor's signature, as allowed by the Uniform Commercial Code ("UCC") or other applicable law; or to sign as necessary, on behalf of Debtor, any documents necessary or desirable to perfect or maintain Creditor's security interest in all of the Collateral, including notices to Debtor's other creditors of its purchase money or other security interest in such Collateral. Debtor shall provide to Creditor, upon request, any financial statements, state and federal tax returns, and accounting reports, as Creditor shall reasonably request.

5. **Power of Attorney.** Debtor hereby appoints Creditor as its true and lawful attorney in-fact, irrevocably, with full power of substitution to do the following: (a) to demand, collect, receive, receipt for, sue and recover all sums of money or other property which may now or hereafter become due, owing or payable from, or in connection with the Collateral; (b) to execute, sign and endorse any and all claims, instruments, receipts, checks, drafts or warrants issued in payment of the Collateral; and, (c) to settle or compromise any and all claims arising with respect to the Collateral, and, in the place and stead of Debtor, to execute and deliver its release and settlement for any such claim; (d) to execute on Debtor's behalf all documents necessary to assign or direct payments of any government subsidies, allocations, or payments of any nature and of any insurance proceeds of any nature; and, (e) to file any claim or claims or to take any action or institute or take part in any proceedings, either in its own name or in the name of Debtor, or otherwise, which in the discretion of Creditor are necessary or advisable. This power is coupled with an interest in the Collateral and is given as security for the Indebtedness, and the authority hereby conferred is and shall be irrevocable and shall remain in full force and effect until renounced by Creditor in writing. Provided Creditor agrees not to exercise the rights under this power of attorney unless an event of default as defined herein has occurred and has not been cured.

6. **Affirmative Representations, Warranties and Covenants.** Debtor represents, covenants, and warrants the following: (a) The information supplied and statements made by Debtor in any financial, credit or accounting statement or credit applications or in any reports, lists, or statements are true and correct when made, and have not become untrue or incorrect by subsequent actions or events that have not been disclosed to Creditor by Debtor in writing; (b) The person executing this Agreement is duly authorized and empowered to execute this Agreement on Debtor's behalf, and, the execution, delivery and performance hereof are within Debtor's power, have been duly authorized, are not in contravention of law or the terms of Debtor's Charter, Articles, Bylaws, or other incorporation papers or of any indenture, agreement, or undertaking to which Debtor is a party or by which it is bound; (c) Debtor shall immediately notify Creditor if Debtor's place of organization, or principal place of business changes from the address listed herein or if any Collateral is to be removed from the Debtor's principal place of business; and (d) Debtor has good and marketable title to the Collateral, and the Collateral is free of all liens, encumbrances, and security interests; (e) Debtor is now in compliance and shall comply with each and every law, rule, regulation and order as applicable, including, but not limited to, the timely payment of any taxes, assessments, and governmental charges against Debtor or its property and assets, except such as may be diligently contested in good faith through the appropriate legal procedures; (f) Debtor shall promptly inform Creditor in writing of any occurrence that might adversely affect its ability to perform its obligations hereunder or render untrue, incorrect, or misleading any representation or warranty under this Agreement; and (g) Debtor shall not create or suffer to exist any security interest or other lien or encumbrance on the Collateral.

7. **Events of Default.** Debtor shall be in default under this Agreement upon the occurrence of any of the following events or conditions: (a) Failure by Debtor to pay timely any Indebtedness to Creditor, including, but not limited to, principal, interest, or finance charges, when due; (b) Debtor's breach, default, failure to perform, or termination of any obligation, covenant, warranty, agreement, or promise, under any purchase order, contract, agreement, guaranty, note, mortgage, deed of trust, security agreement, stock pledge, or undertaking in favor of Creditor or any affiliate of Creditor, including, without limitation, those existing under this Agreement; (c) Any warranty, representation, or statement, including financial statements and inventories of Collateral provided by Debtor to Creditor, that is false or misleading in any material respect; (d) This Agreement, or any related note, contract, agreement, open account, invoice or guaranty ceases to be in full force and effect or is in any manner deemed unenforceable, including the failure of any such documents to create or maintain a valid perfected security interest; (e) The commencement of any suit, foreclosure, or forfeiture proceeding against Debtor, entry of any judgment, restraining order, or injunction against Debtor, or the instigation of any action to enforce any such judgment, restraining order or injunction, which, in Creditor's sole discretion, materially and adversely affects Debtor's operations or ability to repay the Indebtedness or perform its obligations under this Agreement; (f) Death, dissolution, termination of existence, or insolvency of Debtor; appointment of a receiver over any of the property of Debtor;

assignment for the benefit of Creditors; or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Debtor ("insolvency" meaning that Debtor is unable generally to pay its debts in the ordinary course of business as they become due or that Debtor's liabilities exceed its assets), it being understood by the parties that the continuation of Debtor's solvency is an integral and necessary condition of the Creditor's willingness to extend credit to Debtor; and, (g) The sale or other disposition of any of the Collateral without Creditor's prior express consent.

8. **Remedies Upon Default.** Upon the occurrence of any event of default, Creditor shall be entitled, without further notice, to have and enforce all the rights and remedies available under this Agreement, by statute, contract, at law and/or in equity, including but not limited to the right to declare all Indebtedness owed to Creditor immediately due and payable and to remove peaceably any and all of the Collateral from Debtor's premises, custody or control, and to dispose of the same as allowed under the Uniform Commercial Code. Creditor may require Debtor to deliver to Creditor all or any portion of the Collateral and any and all certificates of title and other documents relating to the Collateral. Creditor may require Debtor to assemble the Collateral and make it available to Creditor at a place to be designated by Creditor. If the Collateral contains other goods not covered by this Agreement at the time of repossession, Debtor agrees Creditor may take such other goods, provided that Creditor makes reasonable efforts to return them to Debtor after repossession. Debtor acknowledges and agrees that an important consideration Creditor is receiving in exchange for its extension of credit to Debtor is the ability to setoff or net against amounts owed by Debtor to Creditor, any credit balances or amounts owed (including any pre-paid amounts) to Debtor by Creditor, or any parent, subsidiary or affiliate of Creditor. Debtor therefore agrees that Creditor may so net and setoff any such obligations whether owed directly between Debtor and Creditor, or owed between Debtor and any parent, subsidiary, or affiliate of Creditor.

9. **Remedies Cumulative.** All of Creditor's rights and remedies, whether evidenced by this Agreement or by any other agreement, note, contract or understanding between Debtor and Creditor, shall be cumulative and may be exercised singularly or concurrently. Election of Creditor to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Debtor under this Agreement, after Debtor's failure to perform, shall not affect Creditor's right to declare a default and to exercise its remedies.

10. **Miscellaneous.** (a) All agreements, covenants and warranties are severable, and in the event any of them shall be held to be invalid, this Agreement shall be interpreted as if such invalid agreement or covenant was not contained herein; (b) This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective affiliates, heirs, successors and assigns; (c) This Agreement and any purchase order or other document generated by Creditor pursuant hereto shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings, oral and written, among the parties hereto with respect to the subject matter hereof; (d) All representations, warranties and covenants made in or pursuant to this Agreement are continuing, and shall survive the execution hereof; (e) This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute the same Agreement; (f) This Agreement shall be governed by and construed in accordance with the laws of the State of Nebraska, and in any suit or proceeding relating to this Agreement, the parties mutually waive trial by jury; and, (g) All notices which are required or may be given pursuant to the terms of this Agreement shall be in writing and shall be sufficient in all respects if given in writing and delivered personally, or by facsimile and confirmed by mail, or mailed by registered, certified or express mail, postage prepaid, or reputable overnight courier, to the respective addresses set forth above for Debtor and Creditor.

EXECUTED AND EFFECTIVE as of this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

Signal 88 Franchise Group, Inc., Creditor, \_\_\_\_\_, Debtor,

By: \_\_\_\_\_ By: \_\_\_\_\_

Its: \_\_\_\_\_ Its: \_\_\_\_\_



**Exhibit H**  
**(to the Franchise Agreement)**

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**SUBCONTRACT AGREEMENT**

SUBCONTRACTOR: \_\_\_\_\_  
ADDRESS: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
PHONE NUMBER: \_\_\_\_\_  
FAX NUMBER: \_\_\_\_\_  
DATE OF FRANCHISE  
AGREEMENT BETWEEN  
SUBCONTRACTOR AND  
SIGNAL 88: \_\_\_\_\_

This Subcontract Agreement (“Agreement”) is made on this \_\_\_ day of \_\_\_\_\_, 20\_\_ by and between Signal 88 Franchise Group, Inc. (“Signal 88”) and the Subcontractor listed above. Signal 88 and Subcontractor are herein referred to individually as a “Party” and collectively as “Parties”.

WHEREAS, Signal 88 has entered and will enter into certain contracts (the “Contracts”) to provide security services, executive protection services and/or security consulting services to certain parties (each a “Customer” and collectively “Customers”) at certain locations operated by the Customers (each a “Location” and collectively “Locations”);

WHEREAS, Signal 88 and Subcontractor are parties to the Franchise Agreement described above along with certain related agreements and documents, including, without limitation, an Operations Manual (collectively, the “Franchise Agreement”);

WHEREAS, pursuant to the Franchise Agreement, Signal 88 desires to engage Subcontractor to provide Services (as hereinafter defined) to the Customers and Subcontractor desires to accept such engagement to provide the Services to the Customers, upon and subject to the terms of this Agreement;

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Scope of Services. Subject to such additions or deletions as may from time to time be made pursuant to this Agreement, Subcontractor agrees to perform the Services described in each work order issued by Signal 88 to Subcontractor in connection with a Contract (“Work Order”) at the Locations and on the dates described in each respective Work Order.

2. Payment for Services. As consideration for the performance of the Services by Subcontractor, Signal 88 agrees to pay to Subcontractor, with respect to the Services provided by Subcontractor to each Customer, according to the payment terms set forth in the Franchise Agreement between Signal 88 and Subcontractor. Subcontractor acknowledges and agrees that

all payments by Customers under the Contracts shall be made directly to, and shall be owned exclusively by, Signal 88, and that Subcontractor shall have no rights thereto. Signal 88 shall have the absolute right to offset against and deduct from any amounts due or to become due Subcontractor hereunder any sum or sums owed by Subcontractor to Signal 88 under this Agreement, the Franchise Agreement or any other agreement between the Parties. In the event of any breach of this Agreement, the Franchise Agreement or any other agreement between the Parties by Subcontractor or the assertion of any claim or lien against Signal 88, any Customer, or any Location, arising out of or in any way related to Subcontractor's performance of this Agreement, or any action taken or omitted by Subcontractor or any of its representatives, agents, employees or contractees in connection therewith, Signal 88 shall have the right to retain all amounts due Subcontractor hereunder, until such matters have been resolved to Signal 88's satisfaction.

3. Performance of Services. The following shall apply to the performance of the Services by Subcontractor and shall be provided or performed by Subcontractor at no additional cost to Signal 88:

3.1 Subcontractor shall furnish all labor, supervision, tools, equipment, materials and supplies necessary to perform the Services in accordance with the Contracts and the terms and conditions of this Agreement.

3.2 Subcontractor shall pay for all materials, skill, labor and instrumentalities used in, or in connection with the performance of this Agreement when and as bills or claims therefor come due, and shall save and protect Signal 88, Customers and the Locations from all claims and liens on account thereof, and shall furnish satisfactory evidence to Signal 88, when and if required, that Subcontractor has complied with such requirements.

3.3 Subcontractor shall perform all Services in accordance with the Contracts and the Franchise Agreement and in a proper, efficient and workmanlike manner.

3.4 Subcontractor shall at all times afford to Signal 88 access to the Locations and the full opportunity for inspection of the Services.

3.5 Subcontractor shall designate competent personnel, satisfactory to Signal 88, to provide the Services. Signal 88 may, by notice in writing, require Subcontractor to remove any employee from a Location, if the employee is deemed to be objectionable, by Signal 88, in its sole discretion.

3.6 Subcontractor shall, at its sole cost and expense, comply with all applicable federal, state and local laws and all rules and regulations promulgated thereunder, specifically including, but not limited to, all laws and regulations relating to safety, health, records, permits, licenses and employee welfare. Subcontractor shall be responsible for any violation by it or its employees, agents, or subcontractors of such laws, rules and regulations and shall immediately correct any condition, which created such violation. Subcontractor shall further take all safety and other precautions necessary to protect persons and property from damage or injury arising out of the Services. Signal 88 hereby expressly disclaims and shall have no responsibility whatsoever for the safety of Subcontractor's work or the safety of Subcontractor's employees, agents, representatives or contractees, all of which is assumed solely by Subcontractor.

3.7 Subcontractor shall pay all taxes such as sales or use taxes imposed on or in connection with all materials, supplies and equipment used in, or incorporated into the Services. Furthermore, Subcontractor will furnish to Contractor, at Contractor's request, proof that all such taxes have been paid.

3.8 If Subcontractor fails to provide the Services as provided in this Agreement, Signal 88 shall be entitled to order Subcontractor, at Subcontractor's sole cost and expense, to provide additional work forces, overtime and additional shifts, so as to avoid delaying, hindering or interfering with the Services.

3.9 All Services are provided wholly at Subcontractor's risk. Subcontractor shall take all precautions to prevent damage to the Locations and to private and public property.

4. Independent Contractor Status. For all purposes under this Agreement, the relationship between Signal 88 and Subcontractor shall be that of an "independent contractor." Nothing in this Agreement shall be deemed or construed to create an agency, employer-employee, partnership or joint venture relationship between Signal 88 and Subcontractor. All representatives, agents, employees or contractees retained or assigned by Subcontractor to perform the Services shall, at all times, be acting and performing as employees, representatives or agents of Subcontractor. Signal 88 shall neither have nor exercise any control or direction over the method by which Subcontractor's representatives, agents, employees or contractees perform their work and functions, except that Subcontractor agrees to cause its representatives, agents, employees and contractees to perform at all times in accordance with the terms of this Agreement and the Franchise Agreement. Nothing in this Agreement shall be interpreted as authorizing Subcontractor to act for Signal 88. Subcontractor may not enter into any contract, extend credit, accept service of process, or make any commitment binding Signal 88 to any contract or agreement whatsoever.

5. Subcontractor's Employees. Subcontractor shall be responsible for all taxes, insurance, including worker's compensation insurance, on employees of Subcontractor who are engaged to complete Subcontractor's obligations under this Agreement. Subcontractor shall ensure that persons hired by Subcontractor to perform hereunder are trained, qualified and capable of competently performing tasks for which Subcontractor has been retained. Subcontractor agrees to compensate any employee retained by Subcontractor to perform the Services as required by applicable statute, law or regulation and to otherwise comply with the terms of such statutes, laws and regulations. Subcontractor shall be responsible for the supervision of any of Subcontractor's employees at the Locations.

6. Indemnification.

6.1 Subcontractor agrees to indemnify Signal 88 and its officers, directors, shareholders, agents and employees against and hold them harmless from any and all claims, suits, liabilities, losses, expenses or damages of any kind, nature or description, including, but not limited to court costs and reasonable attorney's fees suffered or incurred in connection with any injuries to property or to persons, including death, to the extent the same relate to, arise out of or are in any way connected with Subcontractor's performance of this Agreement or any action taken or omitted by Subcontractor or any of its representatives, agents, employees or contractees.

6.2 Subcontractor agrees to indemnify Signal 88 and its officers, directors, shareholders, agents and employees against, and hold them harmless from, any and all

third-party claims, suits or investigations and all liabilities, losses, damages or expenses which may be incurred by any one or more of said indemnified parties in connection therewith, including, but not limited to, court costs and reasonable attorney fees, to the extent the same relate to, arise out of or are in any way connected with any breach of this Agreement by Subcontractor or any action taken or omitted by Subcontractor or its representatives, agents, employees or contractees.

6.3 Subcontractor agrees to indemnify Signal 88 and the Customer, their officers, directors, shareholders, agents and employees against, and hold them harmless from any and all liens, lien claims and bond claims, including, but not limited to court costs and reasonable attorney's fees, and/or cost of bonds incurred to remove liens, to the extent the same relate to, arise out of, or are in any way connected with Subcontractor's performance of this Agreement or any action taken or omitted by Subcontractor or any of its representatives, agents, employees or contractees.

7. Insurance. In addition to all insurance that Subcontractor is required to carry under the Franchise Agreement, Subcontractor shall at its sole cost and expense, purchase and maintain in effect the insurance coverage set forth in any Work Order and any other order or agreement issued or executed in connection with a Contract. All such insurance shall be purchased from insurance companies acceptable to Signal 88. Prior to commencement of the Services and from time to time thereafter, at Signal 88's request, Subcontractor shall furnish Signal 88 with evidence that: (i) Subcontractor has in place insurance complying with the terms of this Agreement and the Franchise Agreement; (ii) Signal 88 is named as an additional insured on a primary non-contributory basis on all such policies, and (iii) that such insurance may not be canceled or modified without giving thirty (30) days prior written notice to Signal 88. Subcontractor further agrees to provide such certificates for up to one (1) year after it has last provided Services under this Agreement. Subcontractor agrees to waive any and all rights of subrogation against Signal 88 and provide copies evidencing such waivers of subrogation exist as required in this Section.

8. Liens. If at any time it shall appear that there is any lien or any other claim or demand of any kind whatsoever for which Signal 88, a Customer or a Location may be liable or so held, and for which Signal 88 or Subcontractor is chargeable, Subcontractor will immediately cause all such liens or claims to be paid and discharged and dissolved, and Signal 88 may, in its sole discretion, retain out of any money due, or to become due, to Subcontractor the amount necessary to satisfy such lien or claim until such time as Subcontractor has caused such lien or claim to be paid and discharged, or Signal 88 may make payment of such lien or claim by payment in the amount of the lien or claim made jointly to Subcontractor and such claimant.

9. Assignment and Subcontracting. Neither this Agreement nor any interest herein or in the proceeds hereof shall be pledged, assigned or otherwise encumbered by Subcontractor without the prior written consent of Signal 88, which consent may be granted or withheld by Signal 88 in its sole discretion. Further, none of the Services or any part thereof to be performed by Subcontractor hereunder shall be subcontracted out to any other person, firm or entity without Signal 88's prior written consent, which consent may be granted or withheld by Signal 88 in its sole discretion. In the event Subcontractor further sublets or assigns any part or interest of this Agreement with the consent of Signal 88, Subcontractor shall be bound by the terms and conditions of this Agreement and Subcontractor shall be fully responsible for all acts and omissions of its subcontractors.

10. Rights in Event of Subcontractor's Nonperformance or Breach. If Subcontractor fails to perform the Services, or fails to perform the Services in conformity with this Agreement,

or otherwise breaches any provision of this Agreement, Signal 88 may, in addition to other legal rights or remedies available to it hereunder or under the Franchise Agreement, exercise one or more of the following rights or remedies:

10.1 In the case of an emergency, as determined by Signal 88 in its sole discretion, correct the deficiencies without notice to Subcontractor. The costs of such correction, including additional managerial and administrative expenses incurred by Signal 88, shall be payable by Subcontractor.

10.2 In all other cases, correct the deficiencies, if after giving Subcontractor three (3) days' written notice, such deficiencies complained of are not corrected to the satisfaction of Signal 88. The costs of such correction, including additional managerial and administrative expenses incurred by Signal 88, shall be payable by Subcontractor.

10.3 Make an equitable deduction, to be determined by Signal 88 in its reasonable discretion, from the Payment Amount if, after giving Subcontractor three (3) days' written notice, the deficiencies complained of are not corrected to the satisfaction of Signal 88 and Signal 88 decides not to correct the deficiencies pursuant to Section 10.1 or 10.2 above.

## 11. Termination.

11.1 Termination of Franchise Agreement. This Agreement shall automatically terminate upon expiration or termination of the Franchise Agreement.

11.2 Termination for Convenience. This Agreement may be terminated by Signal 88 for any reason and at any time, in whole or in part, and with respect to one or more Customers, Work Orders, or Locations, by providing ten (10) days' written notice to Subcontractor. In the event of such a termination for convenience, Subcontractor will stop providing the Services as directed by Signal 88 and follow Signal 88's directions for transitioning from the Customer(s) and/or Location(s). In such event, Subcontractor will be entitled to payment for that portion of the Services which have been satisfactorily completed up to the date on which such termination takes effect. Subcontractor will not be entitled to payment for any portion of the Services that have not been performed in accordance with the terms of this Agreement.

11.3 Termination for Default. In the event Subcontractor is in default, Signal 88 may terminate this Agreement, in whole or in part, and with respect to one or more Customers, Work Orders, or Locations, upon three (3) days' prior written notice to Subcontractor. For purposes of this Agreement, a default of Subcontractor shall mean:

11.3.1 Subcontractor's failure to provide or complete the Services or any constituent part thereof in accordance with this Agreement or the directions of Signal 88;

11.3.2 Subcontractor's failure to comply with any of the terms and conditions of this Agreement, or Subcontractor becoming, in the reasonable opinion of Signal 88, unable to comply with any of the terms or conditions of this Agreement;

11.3.3 Subcontractor being in breach of the terms of the Franchise Agreement or any other agreement between the parties hereto and any affiliates thereof.

In the event Signal 88 terminates this Agreement in whole or in part as provided in this Section,

Signal 88 may take over and complete the Services by whatever method it deems expedient, including the hiring of other subcontractors under such terms and conditions as Signal 88 may deem advisable in its sole discretion. In such event, Subcontractor shall not be entitled to receive any further payment hereunder until the Services have been completed and accepted by Signal 88. Subcontractor shall be responsible for any additional expense incurred by Signal 88 for completing the Services, including compensation for additional services, and such other incidental and consequential costs and damages as Signal 88 may suffer. Subcontractor shall continue the performance of this Agreement to the extent not terminated under the provisions of this Section.

12. Disputes. The existence of any dispute between Signal 88 and Subcontractor pertaining to the Services or the terms or conditions of this Agreement shall not operate to release or otherwise excuse Subcontractor from its obligations to perform under this Agreement. In the event a dispute arises, Subcontractor shall proceed diligently with performance of all the Services required to be performed by it hereunder, including any Services in dispute and shall continue to perform in accordance with the directions of Signal 88 and the terms and conditions of this Agreement pending resolution of such dispute.

13. Customer Complaints. Unless provided otherwise on the Addenda, Subcontractor shall be responsible, in the first instance, for addressing any complaints from Customers with respect to the Services. Subcontractor shall promptly notify Signal 88 of any Customer complaint received by Subcontractor and shall keep Signal 88 apprised of how all complaints are addressed. Signal 88 may at any time, and in its sole discretion, take over the handling of any or all Customer complaints and in such event Subcontractor shall provide any assistance reasonably requested by Signal 88 with respect to such complaints.

14. Confidentiality. Subcontractor acknowledges that Signal 88 and Customer may from time to time transmit information to Subcontractor which is of a confidential and proprietary nature, including, but not limited to, the existence and terms of this Agreement and the Contract ("Confidential Information"). Subcontractor agrees not to disclose or allow to be disclosed, other than to Subcontractor's authorized personnel with a need to know, any Confidential Information either during the term of this Agreement or thereafter, except with the express prior written consent of Signal 88 at its sole and absolute discretion. Upon request by Signal 88, Subcontractor shall cause its employees, agents and any authorized subcontractors that may have access to such Confidential Information to sign agreements restricting the disclosure and use of such information. Upon termination of this Agreement, Subcontractor shall return all Confidential Information and any copies thereof to Signal 88 and shall thereafter not make use of any such Confidential Information either for its own business or in connection with the business of others.

15. Miscellaneous.

15.1 Coordination with Franchise Agreement. This Agreement is executed in connection with, and not as a replacement of, the Franchise Agreement. To the extent of any inconsistencies between this Agreement and the Franchise Agreement, the terms of the Franchise Agreement shall control.

15.2 No Third-Party Beneficiaries. This Agreement shall be for the sole benefit of the Parties hereto and their respective heirs, successors, permitted assigns, and legal representatives and is not intended, nor shall it be construed, to give any person, other than the Parties hereto and their respective heirs, successors and permitted assigns, any legal or equitable right, remedy or claim hereunder.

15.3 Notices. All notices, requests, offers, and other communications required or permitted to be given under this Agreement will be made in writing and will be considered given and received when personally delivered to the other Party in accordance with the Franchise Agreement.

15.4 Governing Law. This Agreement will be governed by and construed in accordance with the substantive laws (as compared to conflict of law provisions) of the State of Nebraska applicable to contracts entered into and fully performed in Nebraska, provided however, that to the extent that the provisions of this Agreement provide for termination, cancellation, non-renewal or other requirements other than in accordance with applicable law, said provisions will not be effective, and Signal 88 will comply with applicable law in connection with each of these matters. Any litigation arising under or in any way related to this Agreement or arising out of the relationship between Signal 88 and Subcontractor, regardless of the Party initiating such action, will be brought in the appropriate state or federal courts located in Douglas County, Nebraska. The Parties agree to waive any and all challenges based on lack of jurisdiction or improper venue.

15.5 Entire Agreement. This Agreement, the Work Orders, the Franchise Agreement, and any other documents or agreements executed or issued by Signal 88 in accordance with the Franchise Agreement or this Agreement collectively constitute the entire understanding and agreement between the Parties with respect to the subject matter of this Agreement and supersede all prior agreements, whether oral or written, concerning the subject matter of this Agreement.

15.6 Severability. If any provision of this Agreement (or any part of any provision) is held to be unenforceable, such provision (or such part of an affected provision) will be inoperative only to the extent necessary to comply with applicable law and will be severed from the remainder of this Agreement. The remaining provisions of this Agreement (and the remaining portion of any affected provision) will continue in full force and effect. To the extent of any conflict between any provision of this Agreement and applicable law, the parties shall comply with applicable law rather than the conflicting provision of this Agreement.

15.7 Counterparts and Facsimile Execution. This Agreement may be executed in one or more counterparts (including by means of signature pages transmitted via facsimile or other electronic means), any one of which need not contain the signatures of more than one party. Each such signature will be deemed to be: (a) an original; and (b) valid, binding, and enforceable. All such counterparts taken together will constitute one and the same instrument.

15.8 Modification. This Agreement may not be modified except in writing signed by an authorized representative of Signal 88 and an authorized representative of Subcontractor.

15.9 Waiver. No waiver of any of the provisions of this Agreement or any breach of any provision of this Agreement shall be deemed or shall constitute a waiver of any other provision or breach hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided in writing.

15.10 Time is of the Essence, Computation of Time. Time is of the essence with respect to every covenant, condition to be satisfied, and action to be taken hereunder, and the Parties shall proceed accordingly with respect to every action necessary, proper or

advisable to make effective the transactions contemplated by this Agreement. Whenever the last day for the exercise of any privilege or the discharge of any duty hereunder shall fall upon any day which is not a business day, the party having such privilege or duty may exercise such privilege or discharge such duty on the next succeeding business day.

15.11 Survival. All rights, remedies, obligations, and all covenants and agreements set forth in this Agreement which, by their terms, require or contemplate performance which is to extend beyond or occur after the expiration or termination of this Agreement, shall survive and remain in effect and be enforceable as between the parties hereto in accordance with their terms.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the day and date written above.

**SIGNAL 88 FRANCHISE GROUP, INC.,**

\_\_\_\_\_  
**Subcontractor,**

By: \_\_\_\_\_  
Reed Nyffeler

By: \_\_\_\_\_  
\_\_\_\_\_  
(printed name)

Title: Chief Executive Officer

Title: \_\_\_\_\_





Work Order Form



**Exhibit I**  
**(to the Franchise Agreement)**

**CONFIDENTIALITY AND NON-COMPETITION AGREEMENT**

THIS AGREEMENT ("Agreement") is dated the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, (the "Effective Date") and is between Signal 88 Franchise Group, Inc., a Nebraska corporation with its principal office located at 3880 South 149<sup>th</sup> Street, Suite 102, Omaha, Nebraska 68144 ("Franchisor"), and \_\_\_\_\_ **[insert name of Franchisee and Owner(s), as applicable]** (collectively the "Restricted Party"). Except as specifically defined in this Agreement, all words beginning with a capital letter will have the meaning ascribed to them in the Franchise Agreement.

**RECITALS**

WHEREAS, Franchisor is engaged in the competitive industry of security-services contracting and has invested substantial time, effort and money in the development of its trade secrets, business methods and procedures, employees, customers and other confidential and proprietary information defined below as "Confidential Information," which has enabled Franchisor to compete successfully in its business; and

WHEREAS, the disclosure of Confidential Information would be highly damaging to Franchisor and the continued success of its business; and

WHEREAS, Franchisor and \_\_\_\_\_ ("Franchisee") entered into a Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_, (the "Franchise Agreement"), granting Franchisee the right to conduct a franchised business in accordance with Franchisor's System (the "Franchised Business"); and

WHEREAS, throughout the term of the Franchise Agreement, Restricted Party will be exposed to Confidential Information; and

WHEREAS, Restricted Party, as an owner or managerial employee of Franchisee, will benefit from the operation of the Franchised Business; and

WHEREAS, Franchisor would not enter into the Franchise Agreement with Franchisee unless Franchisor's goodwill and Confidential Information were protected against unfair competition;

**AGREEMENT**

NOW THEREFORE, in order to protect Franchisor from the misappropriation of its Confidential Information and to allow Restricted Party to receive and use the Confidential Information, in consideration of the recitals, and of the mutual covenants hereafter set forth, and of other good and valuable consideration, the receipt and sufficiency of which are mutually acknowledged, it is agreed between Franchisor and Restricted Party as follows:

1. Confidentiality

a. Confidential Information. Franchisor owns and possesses (and may continue to develop and acquire) certain confidential information consisting of and relating to the methods, techniques, formats, specifications, procedures, equipment, information, software, systems, franchise growth support techniques, and programs, and knowledge of and experience in the development, operation and franchising of security-services businesses; advertising, marketing and promotional programs for Franchised Businesses; knowledge of, specifications for and suppliers of certain products, materials, equipment and supplies used to operate a Franchised Business; knowledge of the operating results and financial performance of Franchises other than the Franchised Business; the Operations Manual; passwords, codes and user names to access the Operations Manual in electronic format; and contracts for clients served by Franchisee or other Signal 88 franchised or company-owned outlets, the client lists and details of service (collectively, the “Confidential Information”). Confidential Information includes all written or electronic information, computer files, documents, records and data that the Franchisor or any of its representatives furnishes or otherwise discloses to Franchisee or any of its representatives, together with all analyses, compilations, studies, memoranda, translations, notes, client lists, details of service, client contracts, or other documents, records or data (in whatever form maintained, whether documentary, computer or other electronic storage or otherwise) prepared by Franchisee, Restricted Party, or any of Franchisee’s representatives which contain or otherwise reflect or are generated from such information and documents.

b. Exclusions. Confidential Information does not include any information, knowledge or know-how that:

- i. Was present in the public domain at the time of its disclosure to the Receiving Party or enters the public domain through no fault or neglect of the Receiving Party after its disclosure to the Receiving Party;
- ii. Is received by the Receiving Party from a Third-Party, and, at the time of the Receiving Party’s receipt, is free of any obligation of confidence to or other restriction in favor of the Disclosing Party; or
- iii. Is required to be disclosed pursuant to any statute, law, rule, or regulation of any governmental authority or pursuant to any order of any court of competent jurisdiction, but only if the Receiving Party has notified the Disclosing Party in writing prior to such required disclosure and cooperates with the Disclosing Party if the Disclosing Party elects to contest such required disclosure or to seek a protective order or other form of protection.

Restricted Party shall have the burden of proving that the elements of this Section apply to any information, knowledge or know-how.

c. Ownership and Use. Franchisor will retain all ownership of, property in, and title to its Confidential Information. Restricted Party acknowledges that the Confidential Information is proprietary to Franchisor and includes Franchisor’s trade secrets, and that Restricted Party will not acquire any interest in the Confidential Information, other than the right to use the Confidential Information in the operation of the Franchised Business in strict compliance with the Franchise Agreement during the term thereof. Restricted Party further acknowledges and agrees that the Confidential Information is disclosed to Restricted Party only on the condition precedent that Restricted Party hereby agrees: (a) to hold the Confidential Information in strict confidence during and after the term of the Franchise Agreement by using the same safeguards

that it uses to protect its own confidential and proprietary information and trade secrets, but at least by using reasonable care; (b) to use the Confidential Information only to the extent necessary to operate the Franchised Business during the term of the Franchise Agreement and not in any other business or capacity; (c) not to use or disclose the Confidential Information for its own account or for its own purposes, nor to engage in any other unauthorized use of the Confidential Information during or after the term of the Franchise Agreement; (d) not to disclose Confidential Information at any time to any third party, including without limitation a third party vendor, unless and until Franchisor has consented in writing and such third party has signed an appropriate confidentiality agreement agreeing, among other things, that such party will maintain the absolute confidentiality of all Confidential Information disclosed to such party by Franchisee, its owners, managers, agents or employees; (e) not to make unauthorized copies of the Confidential Information, nor to disclose, publish, or otherwise make available any Confidential Information other than to those of its employees during the Franchise Term who have a bona fide need to know such Confidential Information in order to perform their duties; and (f) to adopt and implement all reasonable procedures prescribed by Franchisor to prevent unauthorized use or disclosure of the Confidential Information, including but not limited to restrictions on disclosures to Franchisee's principals and employees. Restricted Party shall return all Confidential Information to Franchisor at the end of the term of the Franchise Agreement.

d. Improvements. All ideas, concepts, techniques or other materials relating to the Franchised Business, whether or not protectable intellectual property and whether created by or for Franchisee or its employees, must be promptly disclosed to Franchisor and will be deemed to be Franchisor's sole and exclusive property, part of its franchise System and works made-for-hire. To the extent that any item does not qualify as a work made-for-hire, Restricted Party hereby assigns ownership of that item, and all related rights to that item, to Franchisor, and agrees to sign any assignments or other documents as Franchisor reasonably requests to evidence its ownership of or to otherwise assist Franchisor in obtaining intellectual property rights in the item.

## 2. Non-Competition and Non-Solicitation.

a. Non-Competition. Restricted Party will not, for a period of two (2) years after the first to occur of the termination, expiration, or transfer of the Franchise Agreement, regardless of the cause thereof, engage or become interested in, own, organize, finance, lease, operate, invest in or become employed by any business which engages in the services and business of the Franchise or Franchised Business anywhere within a radius of seventy-five (75) miles from the outer boundaries of Franchisee's Territory or within a radius of seventy-five (75) miles from the outer boundaries of any other Signal 88 Security franchise's territory.

b. Non-Solicitation of Customers. In the event that Restricted Party is Franchisee or an owner of Franchisee, then for a period of two (2) years after the first to occur of the termination, expiration, or transfer of the Franchise Agreement, Restricted Party will not, directly or indirectly, solicit, call on, or attempt to solicit or call on any of the then-current or past customers, accounts or clients served by the Franchised Business, for the purpose of inducing such customers, accounts, or clients to become a customer, client or account of any party in competition with the business of the Franchisor, Franchisee, or the Franchised Business, and will ensure that its principals, partners, directors, officers and managers do not undertake any such actions. If and only if Restricted Party is an employee, director, officer or agent of Franchisee and not an owner of Franchisee, then for a period of two (2) years after the first to occur of the termination, expiration, or transfer of the Franchise Agreement, Restricted Party will not, directly or indirectly, solicit, call on, or attempt to solicit or call on any of the then-current or

past customers, accounts or clients with whom the Restricted Party had contact while in the employ of Franchisee, for the purpose of inducing such customers, accounts, or clients to become a customer, client or account of any party in competition with the business of the Franchisor, Franchisee, or the Franchised Business.

c. Non-Solicitation of Referral Sources. For a period of two (2) years after the first to occur of the termination or expiration of the Franchise Agreement, Restricted Party will not, directly or indirectly, solicit, call on or attempt to solicit or call on any of the then current or past referral sources and contacts utilized by the Franchised Business during the Restricted Party's affiliation with the Franchised Business, for the purpose of obtaining referral of customers or business from such referral sources and contacts in competition with the business of the Franchisor, Franchisee, or the Franchised Business.

3. Enforcement. Restricted Party has, with the assistance of legal counsel, carefully read and considered the provisions of this Agreement, and having done so, agrees that the applicable restrictions set forth in this Agreement (including, but not limited to, the period of restriction and the geographic area of the restriction set forth) are fair and reasonable and are necessarily required for the protection of the interests of Franchisor. Restricted Party further acknowledges that due to the nature of the business, a more limited geographical restriction would not be reasonable or appropriate. Restricted Party covenants and agrees with the Franchisor that if the Restricted Party violates any of the covenants or agreements contained in this Agreement, then Franchisor will be entitled to injunctive relief. Such remedy will be in addition to and not in limitation of any other rights or remedies to which Franchisor is or may be entitled to at law or in equity. In the event that despite the foregoing, any part of the covenants set forth in this Agreement will be held to be invalid or unenforceable, the remaining parts thereof will nevertheless continue to be valid and enforceable as though the invalid and unenforceable part had not been included herein. In the event that any provisions of this Agreement relating to the time period and/or area of restriction will be declared by a court of competent jurisdiction to exceed the maximum time period or areas which such court deems reasonable and enforceable, such time period and/or area of restriction will be deemed to become and thereafter be the maximum time period and/or area which such court deems reasonable and enforceable.

4. Notices. All notices, requests, offers, and other communications required or permitted to be given under this Agreement must be in writing and must be delivered in person, electronically, by prepaid overnight commercial delivery service, or by prepaid overnight mail, registered or certified, with return-receipt requested, and addressed as set forth below:

<i><b>If to FRANCHISOR:</b></i>	<i><b>If to RESTRICTED PARTY:</b></i>
Signal 88 Franchise Group, Inc. ATTN: Reed Nyffeler 3880 South 149th Street, Suite 102 Omaha, NE 68144 rnyffeler@signal88.com	_____ _____ _____ _____ _____
<i><b>With a copy to:</b></i>	<i><b>With a copy to:</b></i>
McGrath North Mullin & Kratz, PC LLO Attn: Michael T. Eversden 3700 First National Tower	_____ _____ _____

1601 Dodge Street Omaha, NE 68102 meversden@mcgrathnorth.com	_____ _____ _____
--------------------------------------------------------------------	-------------------------

Notice will be deemed to have been received on the earlier of: 1) receipt or first refusal of delivery if personally delivered; 2) if electronically delivered, receipt by the sending party of either a “read receipt” notice or a reply electronic message from the receiving party evidencing receipt of the electronic notice; 3) one (1) day after posting if sent via overnight commercial delivery service or overnight United States Mail, postage prepaid, return receipt requested; or 4) three (3) days after placement in the United States mail if overnight delivery is not available to the notice address.

a. Change of Address. Either party may change its name, address, e-mail address or facsimile number for notice by providing the other party with such change in writing, signed by a duly authorized representative, designating a single address for notice, which may not be a P.O Box, in compliance with this Subsection.

b. Calculation of Time Periods. In calculating time periods for notice, when a period of time measured in days is prescribed for the exercise of any privilege or the discharge of any duty, the first day notice is deemed to have been given will not be counted but the last day will be counted.

5. Miscellaneous

a. Entire Agreement. This writing, together with the Franchise Agreement, constitutes the entire agreement between the parties hereto and supersedes any prior understanding or agreements among them respecting the subject matter. There are no extraneous representations, arrangements, understandings, or agreements, oral or written, among the parties hereto, except those fully expressed herein.

b. Amendments. No amendments, changes, alternations, modifications, additions or qualifications to the terms of this Agreement will be made or binding unless made in writing and signed by all the parties hereto.

c. Waiver. The failure of either party to enforce at any time any of the provisions of this Agreement will not be construed as a waiver of such provisions or of the right of such party thereafter to enforce any such provisions.

d. Severability. The invalidity or unenforceability of any particular provision of this Agreement will not affect the other provisions hereof, and this Agreement will be construed in all respects as if such invalid or unenforceable provision were omitted.

e. Governing Law, Jurisdiction, Venue. This Agreement will be construed and governed in accordance with the laws of the State of Nebraska. Franchisor and Restricted Party irrevocably agree that the state and federal courts in Douglas County, Nebraska, will have exclusive jurisdiction to hear and determine any action on a controversy on or under this Agreement, including any action for injunctive relief and for specific performance and other equitable relief, irrevocably submit to the jurisdiction of such courts, irrevocably waive any objection which either of them might have to such courts being nominated as the forum to hear

and determine any such action on a controversy relating to this Agreement, and agree not to claim that any such court is not a convenient or appropriate forum. The parties agree that such courts have power under the law of Nebraska to entertain any such action, that Nebraska is a reasonably convenient place for the trial of any such action, and that this choice of forum agreement was not obtained by misrepresentation, duress, the abuse of economic power or other unconscionable means. RESTRICTED PARTY ACKNOWLEDGES THAT THIS AGREEMENT IS ENTERED INTO IN DOUGLAS COUNTY, NEBRASKA.

f. Cumulative Remedies. NO RIGHT OR REMEDY CONFERRED UPON OR RESERVED TO FRANCHISOR OR RESTRICTED PARTY BY THIS AGREEMENT IS INTENDED TO BE, NOR WILL BE DEEMED, EXCLUSIVE OF ANY OTHER RIGHT OR REMEDY HEREIN OR BY LAW OR EQUITY PROVIDED OR PERMITTED, BUT EACH WILL BE CUMULATIVE OF EVERY OTHER RIGHT OR REMEDY. NOTHING HEREIN CONTAINED WILL BAR FRANCHISOR'S RIGHT TO OBTAIN INJUNCTIVE RELIEF AGAINST THREATENED CONDUCT UNDER GENERAL PRINCIPLES OF EQUITY, INCLUDING THE APPLICABLE PRINCIPLES FOR OBTAINING RESTRAINING ORDERS, PERMANENT AND PRELIMINARY INJUNCTIONS.

g. Binding Agreement. This Agreement will be binding upon and inure to the benefit of the parties, their heirs, successors and assigns.

h. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same instrument.

i. Modifications. No provision of this Agreement may be modified, waived, or discharged unless such waiver, modification or discharge is agreed to in writing, and is signed by Restricted Party and by an executive officer of the Franchisor.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first above written.

FRANCHISOR:  
Signal 88 Franchise Group, Inc.

RESTRICTED PARTY:  
\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Reed L. Nyffeler  
Chief Executive Officer

Printed Name: \_\_\_\_\_  
Title if an entity: \_\_\_\_\_



**Exhibit J**  
**(to the Franchise Agreement)**

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**ASSIGNMENT OF TELEPHONE NUMBER AND SERVICE**

**THIS TELEPHONE NUMBER AND SERVICE ASSIGNMENT AGREEMENT (Assignment)** is made on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between Signal 88 Franchise Group, Inc., a Nebraska corporation with its principal office located at 3880 South 149<sup>th</sup> Street, Suite 102, Omaha, Nebraska 68144 ("Signal 88"), and \_\_\_\_\_, with an address of \_\_\_\_\_ ("Assignor").

**RECITALS**

WHEREAS, Signal 88 and Assignor executed a Franchise Agreement on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, ("Franchise Agreement") whereby Signal 88 granted to Assignor the right, franchise, and license to use the marks, the system, the promotional materials and other indicia of the franchised business owned or licensed by Signal 88, solely to operate the franchised business for the purpose of marketing and selling services in Assignor's designated franchise market area (the "Franchised Business");

WHEREAS, Assignor recognizes that Signal 88 has a legitimate business interest in the telephone and facsimile numbers and regular, classified, or other telephone directory listings associated with Signal 88 trademarks and service marks used in connection with the operation of the Franchised Business ("Telephone and Fax Numbers");

WHEREAS, in consideration of Signal 88 granting the license to Assignor, Assignor has agreed to sign an Assignment of its Telephone and Fax Numbers to Signal 88 to be effective upon the termination or expiration of the Franchise Agreement ("Effective Date");

WHEREAS, Assignor retains a right to the Telephone and Fax Numbers limited to a current Franchise Agreement. Assignor's limited right to the Telephone and Fax Numbers will be effectively assigned to Signal 88 upon termination or expiration of the Franchise Agreement ("Termination");

WHEREAS, Assignor upon Termination will notify the telephone company and all listing agencies and directory publishers (collectively, the "Telephone Company") of the termination of Assignor's right to use any Telephone and Fax Numbers and authorize their transfer to Signal 88;

WHEREAS Assignor upon Termination will authorize and instruct the Telephone Company to cancel or transfer the Telephone and Fax Numbers, as Signal 88 elects.

**AGREEMENT**

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Assignment. Assignor hereby assigns to Signal 88 all of Assignor's right, title, and interest in and to the Telephone and Fax Numbers upon the Termination of the Franchise

Agreement. This assignment is for collateral purposes only and, except as specified herein, Signal 88 will have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless Signal 88 notifies the Telephone Company pursuant to the terms hereof to effectuate the assignment.

Upon the Termination of the Franchise Agreement, Signal 88 will have the right and is hereby authorized to effectuate the assignment of the Telephone and Fax Numbers, and, in such event, Assignor will have no further right, title, or interest in the Telephone and Fax Numbers and will remain liable to the Telephone Company for all past due fees owing to the Telephone Company on or before the Effective Date of this Assignment.

2. Consent. Assignor hereby consents, acknowledges, and authorizes that as between Signal 88 and Assignor, upon the Termination Signal 88 will have the sole right to and interest in the Telephone and Fax Numbers. The Parties agree that the Telephone Company may accept written direction from Signal 88, or this Assignment, as conclusive proof of Signal 88's exclusive right in and to the Telephone and Fax Numbers upon such Termination. A copy of this Assignment, certified by an officer of Signal 88, is agreed to be as valid and binding as the original. The Parties further agree that if the Telephone Company requires that the Parties execute the Telephone Company's assignment forms or other documentation at the time of Termination, Signal 88's execution of such forms or documentation will effectuate Assignor's consent and agreement to the Assignment.

3. Telephone and Fax Numbers Power of Attorney. Franchisee appoints Signal 88 as Franchisee's true and lawful attorney-in-fact to direct the Telephone Company to assign the same to Signal 88, and execute such documents and take such actions as may be necessary to effectuate the assignment.

4. Notice. Signal 88 shall give notice of its acceptance of the Assignment of the Telephone Numbers and Listings to Assignor and to all Telephone Companies that are to recognize the Assignment.

5. Pro-Ration. On transfer to Signal 88, Signal 88 may continue the monthly or otherwise periodic service with the Telephone Company or cancel the same, but in no circumstances shall Signal 88 be obligated or liable for any arrears or charges for Telephone and Fax Numbers prior to such transfer. In the event Signal 88 gives notice of and effects an Assignment of Assignor's Business Telephone Numbers and Listings, charges shall be pro-rated as of the time of Assignment, with Assignor responsible for all charges prior to the effectiveness of the Assignment.

IN WITNESS WHEREOF, the Parties have entered into this Assignment.

SIGNAL 88 FRANCHISE GROUP, INC.,

\_\_\_\_\_  
ASSIGNOR,

\_\_\_\_\_  
By: Reed L. Nyffeler  
Title: Chief Executive Officer

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_

**Exhibit K**  
**(to the Franchise Agreement)**

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**ASSIGNMENT OF DOMAIN NAME AND E-MAIL ADDRESS**

**THIS ASSIGNMENT OF DOMAIN NAME AND E-MAIL ADDRESS AGREEMENT (Assignment)** is made on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between Signal 88 Franchise Group, Inc., a Nebraska corporation with its principal office located at 3880 South 149<sup>th</sup> Street, Suite 102, Omaha, Nebraska 68144 (“Signal 88”), and \_\_\_\_\_, with an address of \_\_\_\_\_ (“Assignor”) (collectively “the Parties”).

**RECITALS**

WHEREAS, Signal 88 and Assignor executed a Franchise Agreement on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, (“Franchise Agreement”) whereby Signal 88 granted to Assignor the right, franchise, and license to use the marks, the system, the promotional materials and other indicia of the franchised business owned or licensed by Signal 88, solely to operate the franchised business for the purpose of marketing and selling services in Assignor’s designated market area (the “Franchised Business”);

WHEREAS Assignor recognizes that Signal 88 has a legitimate business interest in the domain names and e-mail addresses associated with Signal 88 trademarks and service marks used in connection with the operation of the Franchised Business (“Domain Names and E-mail Addresses”);

WHEREAS, in consideration of Signal 88 granting the license to Assignor, Assignor has agreed to sign an Assignment of its Domain Names and E-mail Addresses to Signal 88 to be effective upon the termination or expiration of the Franchise Agreement (“Termination”, collectively “Effective Date”)

**AGREEMENT**

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Assignment. Assignor hereby assigns to Signal 88 all of Assignor’s right, title, and interest in and to the Domain Names and E-mail Addresses, including, but not limited to, the following domain names and e-mail addresses:

\_\_\_\_\_, \_\_\_\_\_,  
\_\_\_\_\_, \_\_\_\_\_

This assignment is for collateral purposes only and, except as specified herein, Signal 88 will have no liability or obligation of any kind whatsoever arising from, relating to, or in connection with this Assignment unless Signal 88 notifies the domain name registry ("Registry") or internet service provider ("ISP") pursuant to the terms hereof to effectuate the assignment.

Upon Termination Signal 88 will have the right and is hereby authorized to effectuate the assignment of the Domain Names and E-mail Addresses and, in such event, Assignor will have no further right, title, or interest in the Domain Names and E-mail Addresses and will remain liable to the Registry and ISP for all past due fees owing to the Registry and ISP on or before the effective date of this Assignment.

2. Consent. Assignor hereby consents, acknowledges, and authorizes that as between Signal 88 and Assignor, upon Termination Signal 88 will have the sole right to and interest in the Domain Names and E-mail Addresses. The Parties agree that the Registry and ISP may accept written direction from Signal 88, or this Assignment, as conclusive proof of Signal 88's exclusive right in and to the Domain Names and E-mail Addresses upon such Termination. A copy of this Assignment, certified by an officer of Signal 88, is agreed to be as valid and binding as the original. The Parties further agree that if the Registry or ISP requires that the Parties execute additional assignment forms or other documentation at the time of Termination, Signal 88's execution of such forms or documentation will effectuate Assignor's consent and agreement to the Assignment.

3. Domain Names and E-Mail Addresses Power of Attorney. Assignor appoints Signal 88 as Assignor's true and lawful attorney-in-fact to direct the Registry and ISP to assign the Domain Names and E-mail Addresses to Signal 88, and to execute such documents and to take such actions as may be necessary to effectuate the assignment.

4. Notice. Signal 88 shall give notice of its acceptance of the Assignment of the Domain Names and E-Mail Addresses to Assignor and to all Registries or ISPs or businesses that are to recognize the Assignment.

5. Liability. On transfer to Signal 88, Signal 88 may continue the monthly or otherwise periodic service with said Registry and ISP or cancel the same, but under no circumstances shall Signal 88 be obligated or liable for any arrears or charges for domain name registration or internet service or otherwise that were incurred prior to such transfer. Assignor specifically agrees to remain liable for any such charges and shall indemnify and hold Signal 88 harmless from any and all claims arising out of or relating to Assignor's use or ownership of Domain Names and E-mail Addresses associated with Signal 88's trademarks and service marks and used in connection with the operation of the Franchised Business, as well as all costs and fees (including attorney's fees) associated therewith. In the event Signal 88 gives notice of and effects an Assignment of the Assignor's Domain Names and E-mail Addresses, such charges shall be pro-rated as of the time of Assignment, with Assignor responsible for all charges prior to the effectiveness of the Assignment.

[Signatures on following page]

IN WITNESS WHEREOF, the Parties have entered into this Assignment.

SIGNAL 88 FRANCHISE GROUP, INC.,

\_\_\_\_\_  
ASSIGNOR,

\_\_\_\_\_  
By: Reed L. Nyffeler  
Title: Chief Executive Officer

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_

**Exhibit L**  
**(to the Franchise Agreement)**

**SBA ADDENDUM**

**(FOR USE ONLY IN CONNECTION WITH FRANCHISEES  
OBTAINING SBA LOANS)**

This ADDENDUM (Addendum) is made and entered into on \_\_\_\_\_, 20\_\_\_\_, by Signal 88 Franchise Group, Inc., located at 3880 S. 149<sup>th</sup> Street, Omaha, Nebraska (Franchisor), and \_\_\_\_\_, located at \_\_\_\_\_ (Franchisee).

RECITALS: Franchisor and Franchisee entered into a Franchise Agreement on \_\_\_\_\_, 20\_\_, (Franchise Agreement). Franchisee agreed among other things to operate and maintain a franchise located at \_\_\_\_\_ designated by Franchisor as Unit # \_\_\_\_\_ (Unit). Franchisee has obtained from a lender a loan (Loan) in which funding is provided with the assistance of the United States Small Business Administration (SBA). The SBA requires the execution of this Addendum as a condition for obtaining SBA-assisted financing.

NOW, THEREFORE, in consideration of the mutual promises below, and for good and valuable considerations in hand paid by each of the parties to the others, the receipt and sufficiency of which the parties acknowledge, the parties agree as follows:

1. The Franchise Agreement is in full force and effect, and Franchisor has sent no official notice of default to Franchisee under the Franchise Agreement that remains uncured as of the date hereof.
2. Section 2.3 of the Franchise Agreement is hereby deleted.
3. The security interest granted in Section 3.1(d)(iii) of the Franchise Agreement and Exhibit I thereto are hereby subordinated to any security interest or lien against Franchisee's assets created in connection with a loan provided with the assistance of the SBA, provided that any such subordination (a) shall continue only until termination of this Addendum, as provided herein, and (b) shall not apply to any security interest or lien other than those created in connection with a loan provided with the assistance of the SBA.
4. Section 5.8 of the Franchise Agreement is hereby amended as follows -

Administrative Fee. During the Franchise Term and any Renewal Term, Franchisee may request Franchisor to provide billing, collection, and other administrative services to Franchisee. In the event Franchisee so elects, Franchisee shall pay to Franchisor each month the administrative fee set forth in Exhibit F ("Administrative Fee"), provided that during any Renewal Term, Franchisee shall be obligated to pay the Administrative Fee at the rate indicated in the renewal addendum or franchise agreement under which Franchisor is then

operating, as Franchisor may elect, and provided further that Franchisee may, at anytime, elect to perform such billing, collection, and other administrative services itself or engage a third party to perform the services. Notwithstanding any election by the Franchisee to perform the services itself or engage a third party to perform the services, Franchisee shall be liable to Franchisor for all Administrative Fees accrued as of the date of the election.

5. Section 5.10 is hereby amended to include the following provision:

d. In the event that Franchisee elects not to have Franchisor provide billing, collection, and other administrative services to Franchisee, Franchisee shall furnish to Franchisor no later than the tenth day of each month one gross revenue statement, in a form approved by Franchisor, identifying all sales made and other Services performed by Franchisee and its agents and representatives during the previous month or such other period as Franchisor may identify.

6. Franchisor will not unreasonably withhold, delay, or condition its consent to any proposed transfer or assignment by Franchisee that requires the Franchisor's consent under Section 14 of the Franchise Agreement.

7. The following is added to the end of Section 14.2 of the Franchise Agreement:

However, the Franchisor may not exercise a right of first refusal:

(a) If a proposed Transfer is between or among individuals (including members of their immediate families and their respective spouses) who, at the time of the proposed Transfer, have an ownership interest in the Franchisee or the Franchise, and who have guaranteed the Franchisee's obligations under a then outstanding indebtedness which is guaranteed by the United States Small Business Administration ("SBA") (Owner/Guarantors); or

(b) If a proposed Transfer involves a Person other than an Owner/Guarantor and the proposed Transfer involves a noncontrolling ownership interest in the Franchisee or the Franchise, unless such noncontrolling interest: (1) represents less than a 20% ownership interest in the Franchisee or in the Franchise, or (2) the Franchisor (in combination with all of Franchisor's franchisees) qualifies as a small business and the exercise of the right does not affect the eligibility of the borrower to qualify for the SBA loan guarantee program.

The Franchisor's right to approve or to disapprove a proposed Transfer or transferee, or to exercise its right of first refusal with respect to a Transfer of a controlling interest in Franchisee or the Franchise, shall not be affected by any of the foregoing provisions. If the Franchisor does not qualify as a small business under SBA regulations, the parties acknowledge and understand that the

Franchisor's exercise of its right of first refusal may result in an SBA guaranteed loan becoming immediately due and payable.

8. If the franchisor must operate the business under Section 14.7 of the Franchise Agreement, Franchisor will operate the business for a period of time up to 90 days, renewable for 90-day periods for up to one year and the Franchisor will periodically discuss the status with the Franchisee or its heirs.
9. This Addendum automatically terminates on the earliest to occur of the following: (i) a Termination occurs under the Franchise Agreement; (ii) the Loan is paid; or (iii) SBA no longer has any interest in the Loan.

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this Addendum as of the day and year first above written.

**FRANCHISOR:**

**FRANCHISEE:**

Signal 88 Franchise Group, Inc.

\_\_\_\_\_

By: \_\_\_\_\_  
Print Name: Reed Nyffeler  
Title: President

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_



**Exhibit M**  
**(to the Franchise Agreement)**

**State Addenda**

**ADDENDUM TO THE SIGNAL 88 SECURITY  
FRANCHISE AGREEMENT  
FOR THE STATE OF IOWA**

This Addendum pertains to franchises located in the State of Iowa and is for the purpose of complying with Iowa statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement is amended as follows:

1. Section 6.5(b) is amended to include the following provision: To the extent Franchisee purchases or leases such items directly from Franchisor prior to the date of Opening, Franchisor shall ship said items at least ten (10) days before the Opening date, provided that for any items ordered less than thirty (30) days before the Opening date, Franchisor shall have at least twenty (20) days in which to ship such items to Franchisee. All such items shall be shipped to Franchisee's business address, as set forth in this Agreement.
2. Any claims with regard to a decision by Franchisor to develop, or grant to a franchisee the right to develop, a new outlet or location or for lost profits caused by the establishment of the new outlet or location in unreasonable proximity to the existing franchisee's outlet or location shall be resolved in accordance with the term and conditions set forth in Franchisor's Policy Concerning Iowa Franchisee Encroachment Claims.
3. Franchisor's agent for service of process is as follows:

Business Filings Incorporated  
500 E. Court Ave.  
Des Moines, Iowa 50309
4. Under Iowa law, Franchisee has the right to cancel this Agreement with Franchisor for any reason at any time within three business days of the date the purchaser signs the Agreement or the date the Agreement is accepted by the Franchisor, whichever is later. Notice of Franchisee's cancellation under this paragraph 26 shall be given by mailing or delivering to Franchisor an executed Notice of Cancellation in the form appearing on the page following the signatures to this Addendum.
5. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Iowa Code §§ 551A.1 et seq. and 537A.10 et seq. are met independently without reference to this Addendum.
6. Any terms not defined in this Addendum will have the meaning assigned in the Franchise Agreement.

[INSERT FRANCHISE ENTITY],  
FRANCHISEE

By: \_\_\_\_\_  
[Insert Printed Name]  
Title:  
Date: \_\_\_\_\_

SIGNAL 88 FRANCHISE GROUP, INC.,  
FRANCHISOR

By: \_\_\_\_\_  
Reed L. Nyffeler  
Title: Chief Executive Officer

**NOTICE OF CANCELLATION**

.....  
(enter date of transaction)

You may cancel this transaction, without any penalty or obligation, within three business days from the above date.

If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within ten business days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be canceled.

If you cancel, you must make available to the seller at your residence, in substantially as good condition as when received, any goods delivered to you under this contract or sale; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk.

If you do not agree to return the goods to the seller or if the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation.

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to Signal 88 Franchise Group, Inc., at 3880 South 149<sup>th</sup> Street, Suite 102, Omaha, Nebraska 68144 not later than midnight of ..... (Date).

I hereby cancel this transaction.

.....  
(Date)

.....  
(Buyer's signature)

**ADDENDUM TO THE SIGNAL 88 SECURITY  
FRANCHISE AGREEMENT  
FOR THE STATE OF MARYLAND**

This Addendum pertains to franchises located in the State of Maryland and is for the purpose of complying with Maryland statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement is amended as follows:

1. Section 5.1 of the Franchise Agreement is hereby supplemented with the following disclosure:

“Due to Franchisor’s financial condition, the Maryland Division of Securities requires that Franchisor defer the receipt of all initial fees until after Franchisor completes its pre-opening obligations outlined in the Franchise Agreement.”

2. All representations requiring Franchisee to assent to a release, estoppel or waiver of liability are not intended to act nor shall they act as a release, estoppel, or waiver or any liability incurred under the Maryland Franchise Registration and Disclosure Law.
3. Pursuant to COMAR 02.02.08.161, the general release required as a condition renewal, sale, assignment or transfer of this Agreement shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
4. Any claims arising under the Maryland Franchise Registration and Disclosure Laws must be brought within three years after the grant of the franchise to Franchisee.
5. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Bus. Red. Code Ann. § 14-201 et seq. and COMAR 02.02.08.01 et seq. are met independently without reference to this Addendum.
6. Any terms not defined in this Addendum will have the meaning assigned in the Franchise Agreement.

[INSERT FRANCHISE ENTITY],  
FRANCHISEE

SIGNAL 88 FRANCHISE GROUP, INC.,  
FRANCHISOR

By: \_\_\_\_\_  
[Insert Printed Name]  
Title:  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Reed L. Nyffeler  
Title: Chief Executive Officer



**ADDENDUM TO THE SIGNAL 88 SECURITY  
FRANCHISE AGREEMENT  
FOR THE STATE OF MICHIGAN**

This Addendum pertains to franchises located in the State of Michigan and is for the purpose of complying with Minnesota statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement is amended as follows:

1. Section 14.1 is modified such that in the event of a transfer by Franchisor, Franchisor shall make provision for its contractual obligations to Franchisee to be fulfilled.
2. The Parties agree and acknowledge that each of the events of default described in Section 12 would separately constitute good cause for termination pursuant to MCL 445.1527.
3. The Parties agree and acknowledge that each of the conditions to transfer described in Section 14, if not met by Franchisee or the proposed transferee, as applicable, would separately constitute good cause for refusing to permit a transfer of the Franchised Business and Franchise Agreement pursuant to MCL 445.1527.
4. Section 19 is modified such that Douglas County, Nebraska, will not be the exclusive venue for litigation of disputes. Litigation of disputes, however, may be brought in the appropriate state or federal courts located in Douglas County, Nebraska, and the parties agree to waive any and all challenges based on lack of jurisdiction or improper venue of such courts.
5. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Michigan Franchise Investment Law, MCL 445.1501 and the regulations promulgated thereunder are met independently without reference to this Addendum.
6. Except as expressly modified in this Addendum, the Agreement and each provision in it shall remain in full force and effect.

**IN WITNESS WHEREOF**, the parties have executed this Agreement as of the date first above set forth.

**SIGNAL 88 FRANCHISE GROUP, INC.**

**FRANCHISEE:**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ADDENDUM TO THE SIGNAL 88 SECURITY  
FRANCHISE AGREEMENT  
FOR THE STATE OF MINNESOTA**

This Addendum pertains to franchises located in the State of Minnesota and is for the purpose of complying with Minnesota statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement is amended as follows:

1. Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
2. With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
3. The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
4. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
5. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
6. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

Also, a court will determine if a bond is required.

7. The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.
8. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Statutes, Section



80C.01 et seq. and Minn. Rules et seq. are met independently without reference to this Addendum.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Minnesota-specific Addendum, understands and consents to be bound by all of its terms, and agrees it shall become effective the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

[INSERT FRANCHISEE NAME],  
FRANCHISEE

SIGNAL 88 FRANCHISE GROUP, INC.,  
FRANCHISOR

By: \_\_\_\_\_  
[Insert Printed Name]  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Reed L. Nyffeler  
Title: Chief Executive Officer

**ADDENDUM TO THE SIGNAL 88 SECURITY  
FRANCHISE AGREEMENT  
FOR THE STATE OF NORTH CAROLINA**

This Addendum pertains to franchises sold in the State of North Carolina and is for the purpose of complying with North Carolina statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement is amended as follows:

1. Section 6.5(b) is hereby amended to add the following provision: To the extent Franchisee purchases or leases such items directly from Franchisor prior to the date of Opening, Franchisor shall ship said items at least ten (10) days before the Opening date, provided that for any items ordered less than thirty (30) days before the Opening date, Franchisor shall have at least twenty (20) days in which to ship such items to Franchisee. All such items shall be shipped to Franchisee's business address, as set forth in this Agreement.
  
2. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the N.C. Gen. Stat. §§ 66-94 et seq. are met independently without reference to this Addendum.

[INSERT FRANCHISE ENTITY],  
FRANCHISEE

SIGNAL 88 FRANCHISE GROUP, INC.,  
FRANCHISOR

By: \_\_\_\_\_  
[Insert Printed Name]  
Title:  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Reed L. Nyffeler  
Title: Chief Executive Officer

**ADDENDUM TO THE SIGNAL 88 SECURITY  
FRANCHISE AGREEMENT FOR  
THE STATE OF OHIO**

This Addendum pertains to franchises sold in the State of Ohio and is for the purpose of complying with Ohio statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement is amended as follows:

1. Section 6.5(b) is amended to include the following provision: To the extent Franchisee purchases or leases such items directly from Franchisor prior to the date of Opening, Franchisor shall ship said items at least ten (10) days before the Opening date, provided that for any items ordered less than thirty (30) days before the Opening date, Franchisor shall have at least twenty (20) days in which to ship such items to Franchisee. All such items shall be shipped to Franchisee's business address, as set forth in this Agreement.
2. Section 22 is amended to include the following provision: All material statements, representations, or promises that Franchisor made to Franchisee orally prior to the execution of the written agreement are integrated herein, provided that Franchisee acknowledges that such statements, representations, and promises were consistent with the statements, representations, and promises contained in the Franchise Agreement and the franchise disclosure document and did not contain additional or different information or grant or impose any additional or different rights or obligations from what are stated in the Franchise Agreement and the franchise disclosure document.
3. A new Section 27 is added as follows:

Agent for Service of Process. The Franchisor's agent for service of process is as follows:

Business Filings Incorporated  
4400 Easton Commons Way  
Suite 125  
Columbus, Ohio 43219

4. A new Section 28 is added as follows:

Notice of Right to Cancel. The following notice is given pursuant to Ohio law:

**You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business days after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.**

5. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Ohio R.C. §1334.01 et seq. are met independently without reference to this Addendum.
6. Any terms not defined in this Addendum will have the meaning assigned in the Franchise Agreement.

[INSERT FRANCHISE ENTITY],  
FRANCHISEE

SIGNAL 88 FRANCHISE GROUP, INC.,  
FRANCHISOR

By: \_\_\_\_\_  
[Insert Printed Name]  
Title:  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Reed L. Nyffeler  
Title: Chief Executive Officer

## Notice of Cancellation

\_\_\_\_\_ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to Signal 88 Franchise Group, Inc., at 3880 South 149th Street, Suite 102, Omaha, Nebraska 68144 not later than midnight of \_\_\_\_\_ (enter date that is five business days after transaction date).

I hereby cancel this transaction.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Purchaser's Signature

**ADDENDUM TO THE SIGNAL 88 SECURITY  
FRANCHISE AGREEMENT  
FOR THE STATE OF SOUTH CAROLINA**

This Addendum pertains to franchises sold in the State of South Carolina and is for the purpose of complying with South Carolina statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement is amended as follows:

1. Section 6.5(b) is hereby amended to add the following provision: To the extent Franchisee purchases or leases such items directly from Franchisor prior to the date of Opening, Franchisor shall ship said items at least ten (10) days before the Opening date, provided that for any items ordered less than thirty (30) days before the Opening date, Franchisor shall have at least twenty (20) days in which to ship such items to Franchisee. All such items shall be shipped to Franchisee's business address, as set forth in this Agreement.
  
2. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the S.C. Code §§ 39-57-10 et seq. are met independently without reference to this Addendum.

[INSERT FRANCHISE ENTITY],  
FRANCHISEE

SIGNAL 88 FRANCHISE GROUP, INC.,  
FRANCHISOR

By: \_\_\_\_\_  
[Insert Printed Name]  
Title:  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Reed L. Nyffeler  
Title: Chief Executive Officer

**ADDENDUM TO THE SIGNAL 88 SECURITY  
FRANCHISE AGREEMENT  
FOR THE STATE OF WASHINGTON**

This Addendum pertains to franchises sold in the State of Washington and is for the purpose of complying with Washington statutes and regulations.

1. The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
2. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.
3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.
4. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.
5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
6. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the RCW 19.100.010 et seq. and WAC 460-80-050 et seq. are met independently without reference to this Addendum.
7. The undersigned does hereby acknowledge receipt of this Addendum.

[INSERT FRANCHISE ENTITY],  
FRANCHISEE

SIGNAL 88 FRANCHISE GROUP, INC.,  
FRANCHISOR

By: \_\_\_\_\_  
[Insert Printed Name]  
Title:  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Reed L. Nyffeler  
Title: Chief Executive Officer



**EXHIBIT F**  
(to Franchise Disclosure Document)

**DEVELOPMENT AGREEMENT**

## DEVELOPMENT AGREEMENT

This Development Agreement ("Agreement") entered into this \_\_\_ day of \_\_\_, 201\_\_\_, between: (i) Signal 88 Franchise Group, Inc., a Nebraska corporation with its principal business address at 3880 S. 149th Street, Suite 102, Omaha, NE 68144 ("Franchisor"); and (ii) \_\_\_\_\_ a \_\_\_\_\_, with its principal business address at \_\_\_\_\_ ("Developer").

### Background

Franchisor, its principals, and/or affiliate have developed a business model for marketing and selling security services, executive protection services, and security consulting services (the "Franchised Business").

Developer desires to enter into an agreement with Franchisor to obtain the rights to operate multiple Franchised Businesses using the unique and proprietary marketing, management, and operations plan to market and sell its services developed and acquired by Franchisor, its principals, and/or affiliate, which includes systems, methods, procedures; uniform specifications of products and services; marketing and advertising; and distinctive business formats for the operation of a Franchised Business in the manner set forth in this Agreement and in the operations manual provided by Franchisor and modified from time to time (the "System");

Franchisor and its franchisees use various trade names, trademarks and service marks including, without limitation, the registered service mark "Signal 88 Security", in connection with the System (the "Proprietary Marks"). The rights to all such Proprietary Marks as are now, or shall hereafter be, designated as part of the System shall be owned exclusively by Franchisor or its affiliate and be used for the benefit of Franchisor, its affiliate and Franchisor's franchisees to identify to the public the source of the products and services marketed thereunder;

Franchisor grants qualified third parties the right to develop a certain number of Franchised Businesses within a defined geographical area (the "Development Area") in accordance with the terms of this Agreement which must be strictly adhered to, with each Franchised Business within the Development Area being opened and operating utilizing the Proprietary Marks and System pursuant to the terms and conditions set forth in a separate form of Franchisor's then-current franchise agreement (each, a "Franchise Agreement").

Developer recognizes the benefits from receiving the right to operate a Franchised Business and desires to: (i) become a multi-unit Franchised Business operator subject to the terms of this Agreement; and (ii) receive the benefits provided by Franchisor under this Agreement.

Developer has applied for the right to open and operate a certain number of Franchised Businesses within the Development Area as set forth in this Agreement, and Franchisor has approved such application in reliance on Developer's representations made therein.

Developer hereby acknowledges that adherence to the terms of this Agreement, including Franchisor's operations manual and other System standards and specifications, are essential to the operation of all Franchised Businesses and Franchisor's System as a whole.

**NOW, THEREFORE**, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

## **Agreement**

1. Development Area. Subject to the terms and conditions set forth herein, Franchisor grants Developer the right, and Developer undertakes the obligation, to develop and establish multiple Franchised Businesses within the Development Area described in the data sheet attached hereto as Exhibit "A" (the "Data Sheet"), provided Developer opens and commences operations of such Franchised Businesses in strict accordance with the mandatory development schedule also set forth in the Data Sheet (the "Development Schedule"). The number of Franchised Businesses that Developer has been granted the right and undertaken the obligation to open and operate is set forth in the Data Sheet.

2. Development Fee. Developer agrees to pay Franchisor the development fee set forth in the Data Sheet (the "Development Fee"), which shall be due and payable upon the execution of this Agreement. The parties agree and acknowledge that, upon payment of the Development Fee required by this Section: (i) Developer will not be required to pay Franchisor an additional "Initial Franchise Fee" pursuant to any Franchise Agreement that Developer enters into to fulfill its development obligations under this Agreement within the Development Area; and (ii) the Development Fee will be deemed fully earned by Franchisor and not refundable under any circumstances.

3. Initial Franchise Agreement. Contemporaneous with the execution of this Agreement, Developer must enter into Franchisor's current form of Franchise Agreement for the first Franchised Business that Developer is required to open within the Development Area. In the event Developer is a business entity of any kind, then Developer's principals/owners must each execute the form of personal guaranty attached to the foregoing Franchise Agreement, as well as any additional Franchise Agreements described in Section 4 of this Agreement.

4. Additional Franchise Agreements.

4.1 Developer agrees and acknowledges that it must: (i) enter into Franchisor's then-current form of Franchise Agreement for each additional Franchised Business that Developer is required to open under this Agreement; and (ii) enter into such Franchise Agreements at such times as required for Developer to timely meet, and strictly adhere to, its obligations under the Development Schedule. Developer expressly acknowledges that as a condition to entering into a Franchise Agreement, Developer must be in compliance with its minimum sales quotas for all Franchised Businesses open and operating under this Agreement as of the potential signing date of the new Franchise Agreement.

4.2 Notwithstanding anything to the contrary contained in any of the Franchise Agreements, Developer must open the second Franchised Business and each subsequent Franchised Business Developer is required to open under this Agreement no later than 30 days after signing the Franchise Agreement for that Franchised Business.

5. Development Obligations. Developer must ensure that, at a minimum, Developer: (i) opens and commences operations of the required number of new Franchised Businesses during each 12-month period from the Effective Date of this Agreement, as set forth in the Development Schedule described in the Data Sheet (each, a "Development Period"); and (ii) has the minimum cumulative number of Franchised Businesses open and operating at the expiration of each Development Period. The parties agree and acknowledge that time is of the essence with respect to the foregoing development obligations, and that Developer's failure to comply with the Development Schedule is grounds for termination of this Agreement (and any future development

rights granted hereunder), as set forth below.

6. Term and Termination.

6.1 This Agreement will commence as of the date it is fully-executed and, unless earlier terminated by Franchisor, will end on the last day of the calendar month that the final Franchised Business is required to be opened and operating under the Development Schedule. Upon expiration or termination of this Agreement for any reason, Developer will not have any rights within the Development Area other than the territorial rights granted in connection with any Franchised Businesses that Developer has opened and commenced operating as of the date this Agreement is terminated or expires (under the respective Franchise Agreement(s) that Developer entered into for such Franchised Business(es)).

6.2 Franchisor will have the right, at its option, to terminate this Agreement and all rights granted to Developer hereunder, without affording Developer any opportunity to cure such default, effective upon written notice to Developer, upon the occurrence of any of the following events: (i) if Developer ceases to actively engage in development activities in the Development Area or otherwise abandons its development business for three consecutive months, or any shorter period that indicates an intent by Developer to discontinue development of the Franchised Businesses within the Development Area; (ii) if Developer becomes insolvent or is adjudicated bankrupt, or if any action is taken by Developer, or by others against the Developer, under any insolvency, bankruptcy or reorganization act, or if Developer makes an assignment for the benefit of creditors or a receiver is appointed by the Developer; (iii) if Developer fails to meet its development obligations under the Development Schedule for any one Development Period, and fails to cure such default within 30 days of receiving notice thereof; or (iv) if any Franchise Agreement that is entered into in order to fulfill Developer's development obligations under this Agreement is terminated or subject to termination by Franchisor, pursuant to the terms of that Franchise Agreement.

7. Reservation of Rights. Except as provided in Section 1 of this Agreement, the parties agree and acknowledge that the rights granted in this Agreement are non-exclusive and that Franchisor and its affiliates reserve all other rights not expressly granted to Developer herein.

8. Sale or Assignment. Developer's rights under this Agreement are personal and Developer may not sell, transfer, or assign any right granted herein without Franchisor's prior written consent, which may be withheld in its sole discretion. Notwithstanding, if Developer is an individual or a partnership, Developer has the right to assign its rights under this Agreement to a corporation or limited liability company that is wholly owned by Developer according to the same terms and conditions as provided in Developer's initial Franchise Agreement. Franchisor has the right to assign this Agreement in whole or in part in its sole discretion.

9. Acknowledgment. Developer acknowledges that this Agreement is not a Franchise Agreement and does not confer upon Developer any rights to use the Proprietary Marks or System.

10. Notices. All notices, requests and reports to be given under this Agreement are to be in writing, and delivered by either hand, overnight mail, or certified mail, return receipt requested, prepaid, to the addresses set forth above (which may be changed by written notice).

11. Choice of Law. This Agreement will be governed by the laws of the State of Nebraska (without reference to its conflict of laws principals).

12. Internal Dispute Resolution. Developer must first bring any claim or dispute between Developer and Franchisor to Franchisor's President and Chief Executive Officer, after providing Franchisor with notice of and a reasonable opportunity to cure and alleged breach hereunder. Developer must exhaust this internal dispute resolution procedure before bringing a dispute before a third party. This agreement to first attempt resolution of disputes internally will survive termination or expiration of this Agreement.

13. Mediation. At Franchisor's option, all claims or disputes between Franchisor and Developer or its affiliates arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisor and Developer or its affiliates, or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Section 12 above, must be submitted first to non-binding mediation, in Douglas County, Nebraska, under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Developer must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of 30 days following receipt of such notice within which to notify Developer as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Developer may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. This agreement to mediate will survive any termination or expiration of this Agreement. The parties agree that there will be no class action mediation.

14. Injunctive Relief. Nothing contained in this Agreement herein will prevent Franchisor from applying to or obtaining from any court having jurisdiction, without bond, a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interests prior to the filing of any mediation proceeding or pending the trial or handing down of a decision or award pursuant to any mediation proceeding conducted hereunder.

15. Jurisdiction and Venue. With respect to any proceeding not subject to mediation, the parties expressly agree to the jurisdiction and venue of any state court of general jurisdiction in Douglas County, Nebraska and the jurisdiction and venue of the United States District Court for the District of Nebraska. Developer acknowledges that this Agreement has been entered into in the State of Nebraska, and that Developer is to receive valuable and continuing services emanating from Franchisor's headquarters in Omaha, Nebraska. In recognition of such services and their origin, Developer hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Nebraska set forth above.

16. Third Party Beneficiaries. Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of this Agreement and the dispute resolution procedures contained herein, each having authority to specifically enforce the right to mediate claims asserted against such person(s) by Developer.

17. **JURY TRIAL WAIVER. WITH RESPECT TO ANY PROCEEDING NOT SUBJECT TO MEDIATION, THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF**

**WHICH PARTY BRINGS SUIT. THIS WAIVER WILL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR DEVELOPER'S PURCHASE FROM FRANCHISOR OF THE DEVELOPMENT RIGHTS DESCRIBED HEREIN.**

18. Waiver of Punitive Damages. Developer waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which Developer may have against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, Developer's recovery will be limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions will continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

19. Attorneys' Fees. If either party institutes any judicial or mediation proceeding to enforce any monetary or nonmonetary obligation or interpret the terms of this Agreement and Franchisor prevails in the action or proceeding, Developer will be liable to Franchisor for all costs, including reasonable attorneys' fees, incurred in connection with such proceeding.

20. Nonwaiver. Franchisor's failure to insist upon strict compliance with any provision of this Agreement will not be a waiver of Franchisor's right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default will not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Agreement will be cumulative. Franchisor's election to exercise any remedy available by law or contract will not be deemed a waiver or preclude exercise of any other remedy.

21. Severability. The parties agree that if any provisions of this Agreement may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision will have the meaning, which renders it valid and enforceable. The provisions of this Agreement are severable, and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions will be enforced to the extent that they are valid and enforceable. If any material provision of this Agreement will be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Agreement.

22. Construction of Language. The language of this Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as Developer, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

23. Successors. References to "Franchisor" or "Developer" include the respective parties' successors, assigns or transferees, subject to the limitations of Section 8 of this Agreement.

24. Additional Documentation. Developer must from time to time, subsequent to the date first set forth above, at Franchisor's request and without further consideration, execute and

deliver such other documentation or agreements and take such other action as Franchisor may reasonably require in order to effectuate the transactions contemplated in this Agreement. In the event that Developer fails to comply with the provisions of this Section, Developer hereby appoints Franchisor as Developer's attorney-in-fact to execute any and all documents on Developer's behalf, as reasonably necessary to effectuate the transactions contemplated herein.

25. No Right to Offset. Developer may not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of the alleged nonperformance of Franchisor or any of its affiliates or as an offset against any amount Franchisor or any of its affiliates may owe or allegedly owe Developer under this Agreement or any related agreements.

26. State Law Applies. If any provision of this Agreement, including but not limited to its provisions for transfer, renewal, termination, notice of termination, or cure rights, is inconsistent with any valid law or regulation of the state in which Developer's initial Franchised Business is located, then the valid law or regulation of that state applicable to the Franchised Business will supersede any provision of this Agreement that is less favorable to Developer.

27. Entire Agreement. This Agreement contains the entire agreement between the parties concerning Developer's development rights within the Development Area; no promises, inducements or representations (other than those in the Franchise Disclosure Document) not contained in this Agreement have been made, nor will any be of any force or effect, or binding on the parties. Modifications of this Agreement must be in writing and signed by both parties. Franchisor reserves the right to change Franchisor's policies, procedures, standards, specifications or manuals at Franchisor's discretion. In the event of a conflict between this Agreement and any Franchise Agreement(s), the terms, conditions and intent of this Agreement will control. Nothing in this Agreement, or any related agreement, is intended to disclaim any of the representations Franchisor made to Developer in the Franchise Disclosure Document that Franchisor provided to Developer.

**IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HERETO HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.**

**DEVELOPER**

\_\_\_\_\_  
(Individual, Partnership or Corporation Name)

By: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISOR  
SIGNAL 88 FRANCHISE GROUP, INC.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT A to DEVELOPMENT AGREEMENT**

**DATA SHEET**

1. Number of Franchised Businesses and Development Fee.

Option 1: Three Franchised Business for \$90,000

Option 2: Five Franchised Businesses for \$125,000

2. **Development Area.** The Development Area, as referred to in Section 1 of the Development Agreement, is described below (or an attached map) by geographic boundaries and will consist of the following area or areas:

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3. **Development Schedule.** The Development Schedule referred to in Section 1 of the Development Agreement is as follows:

Development Period	Expiration Date of Development Period	Number of New Businesses Developer Must Open in Designated Marketing Area within Development Period	Cumulative Number of Businesses Developer Must Have Open Within Designated Marketing Area by Expiration of Development Period
First	12 Months from Effective Date	1	1
Second	24 Months from Effective Date	1	2
Third	36 Months from Effective Date	1	3
Fourth*	48 Months from Effective Date	1	4
Fifth*	60 Months from Effective Date	1	5

\*These Development Periods only apply if Option 2 is selected.

**APPROVED AND AGREED TO BY:**

**FRANCHISOR**

**DEVELOPER**

**SIGNAL 88 FRANCHISE GROUP, INC.**

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_



**EXHIBIT G**  
(to Franchise Disclosure Document)

**FINANCING AGREEMENT**

## FINANCING AGREEMENT

THIS FINANCING AGREEMENT (this "Agreement") is dated as of \_\_\_\_\_, 20\_\_\_\_, by and between Signal 88 Franchise Group, Inc., a Nebraska corporation with its principal office at 3880 South 149<sup>th</sup> Street, Suite 102, Omaha, Nebraska 68144 ("Signal 88" or "Franchisor") and , \_\_\_\_\_, ("Franchisee") (collectively "the Parties").

### RECITALS

WHEREAS, the Parties recognize that Franchisee may need financing to fund ordinary, reasonable, and necessary costs of conducting the Franchised Business; and

WHEREAS, Franchisor is willing to provide financing, but only under the terms and conditions set forth in this Agreement;

WHEREAS, as part of those terms and conditions, Franchisee agrees to assign absolutely any and all customer contracts and accounts receivable to Franchisor in order that Franchisor may obtain financing and in turn provide Franchisee with financing of Franchisee's ordinary, reasonable, and necessary business expenses; and

WHEREAS, Franchisee and Franchisor intend for Franchisee's any and all assignment of customer contracts and accounts receivable contemplated by this Agreement to be an absolute assignment of all of Franchisee's legal and equitable rights to such contracts and accounts and not merely a grant of a security interest therein; and

WHEREAS, capitalized terms used herein which are not otherwise defined herein shall have their respective meanings described thereto in the Parties' Franchise Agreement.

### AGREEMENT

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and in consideration of the foregoing recitals, each of which is made a contractual part hereof, and of the mutual covenants, representations and agreements contained herein, the parties hereto agree as follows:

1. **Assignment of Customer Contracts and Accounts Receivable.** To the extent they are not already assigned under the Franchise Agreement, Franchisee assigns all of its customer contracts and accounts receivable to Franchisor, in accordance with the terms of the Assignment contained in Exhibit A hereto. Franchisee is hereby divested of all legal and equitable rights to such contracts and accounts receivable, and Franchisor shall hereafter bear the credit risk for such accounts receivable. Franchisor shall not be divested of its rights under the assigned customer contracts and accounts receivable, notwithstanding any payment of Franchisee's obligations hereunder.

2. **Loan to Franchisee.** Subject to the terms and conditions set forth herein, and subject to Franchisor's being able to obtain financing, Franchisor agrees to loan to Franchisee and Franchisee agrees to borrow from Franchisor during the term of the Agreement such principal amounts as Franchisee may request in order to meet the costs of conducting the normal course of Franchisee's business, provided that such costs are ordinary, reasonable, and necessary to the operation of the Franchisee's business, as determined by Franchisor in its sole discretion, and further provided that Franchisee meets Franchisor's credit qualifications at the time of each advance, including but not limited to satisfying Franchisor that Franchisee will

continue operating in the ordinary course of business for the foreseeable future. Franchisee shall not at any time be allowed to obtain an advance pursuant to this paragraph and the Promissory Note in Exhibit B if the sum of the total outstanding balance and the requested advance would equal or exceed fifty percent (50%) of the Borrower's uncollected Gross Revenue (as defined below) that is less than sixty days past due. The loan described herein shall be evidenced by the Promissory Note, made to the order of Franchisor and substantially in the form attached hereto as Exhibit B. Franchisee agrees that the proceeds of this loan shall be used exclusively for ordinary, reasonable, and necessary expenses (as determined by Franchisor in its sole discretion) incurred in the operation of the Franchisee's business.

3. **Repayment.** Franchisee agrees to repay the loan from Franchisor, with interest accruing on the unpaid principal balance, according to the terms of the Promissory Note.

4. **Security.** Franchisee's obligations under the loan from Franchisor contemplated by Section 2 of this Amendment shall be secured by the Security Agreement previously executed by Franchisee in connection with Franchisee's execution of the Franchise Agreement. If Franchisee has not signed a Security Agreement in favor of Franchisor, the Franchisee must execute the Security Agreement in the form set forth in Exhibit C hereto.

5. **Subcontract for the Performance of Services.** In the Event that Franchisee has not already signed a Subcontract Agreement, Franchisee agrees to execute the Subcontract Agreement attached hereto as Exhibit D, which shall be applicable to all Services Franchisee performs for customers.

6. **Guaranty.** Franchisee's obligations under the loan from Franchisor contemplated by Section 2 of this Amendment shall be guaranteed by the Franchisee's principals under the Guaranty previously executed by such principals in connection with Franchisee's execution of the Franchise Agreement. If Franchisee's principals have not executed a Guaranty in favor of Franchisor, such principals must execute the Guaranty in the form set forth in Exhibit E hereto.

7. **Affirmative Representations, Warranties and Covenants.** Franchisee represents, warrants, and covenants the following: (a) The persons executing this Agreement have the capacity and are duly authorized and empowered to execute this Agreement, and the execution, delivery, and performance hereof are not in violation of the terms of the any agreement or undertaking to which Franchisee is a party or by which the Franchisee is bound; (b) Franchisee has good and marketable title to the customer contracts and the accounts receivable assigned hereunder, as well as the collateral listed in the Security Agreement (the "Collateral"), and the contracts, accounts, and the Collateral are free of all liens, encumbrances, and security interests; (c) the contracts assigned hereunder are valid and enforceable contracts, and Franchisee is not in default under any of the contracts; (d) the accounts receivable assigned hereunder are genuine debts of the account debtors, are not subject to any defenses of any kind and are due and owing; (e) Franchisee is now in compliance and shall comply with each and every law, rule, regulation and order as applicable, including, but not limited to, the timely payment of any taxes, assessments, and governmental charges against Franchisee or its property and assets, except such as may be diligently contested in good faith through the appropriate legal procedures; (f) Franchisee shall promptly inform Franchisor in writing of any occurrence that might adversely affect its ability to perform its obligations hereunder or render untrue, incorrect, or misleading any representation or warranty under this Agreement; and (g) Franchisee shall not create or suffer to exist any security interest or other lien or encumbrance on the Collateral.

8. **Effectiveness.** This Amendment shall become effective when it has been executed by Franchisor and Franchisee.

9. **Continuing Validity of Agreement.** Franchisee hereby (a) reaffirms and admits the validity and enforceability of the Agreement and all obligations under the Agreement, and (b) certifies that immediately after giving effect to this Amendment, (i) no Default shall exist and (ii) each of the representations and warranties contained in the Agreement shall be true and correct as though such representation and warranty had been made on the date hereof, except as to the extent as such representation and warranty specifically relates to an earlier date, in which case such representation and warranty shall have been true and correct on as such earlier date.

10. **Limitations.** In all other respects, the Agreement shall remain in full force and effect, and no amendment or waiver in respect of any term or condition of any of the Agreement shall be deemed (i) to be an amendment or waiver in respect of any other term or condition contained in the Agreement, or (ii) prejudice any right or rights which Franchisor or Franchisee may now have or may have in the future under or in connection with the Agreement.

11. **Counterparts.** This Agreement may be executed in any number of counterparts, all of which, taken together, shall constitute one Agreement. In making proof of this Agreement, it shall be necessary to produce only the counterpart executed and delivered by the party to be charged.

In accordance of the Agreement by the parties hereto to determine the conditions herein contained, each party has caused this Agreement to be executed on its behalf.

**SIGNAL 88 FRANCHISE GROUP, INC.,**  
Franchisor,

By: \_\_\_\_\_  
Name: Reed L. Nyffeler  
Its: Chief Executive Officer

\_\_\_\_\_  
Franchisee,

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

**EXHIBIT A to Financing Agreement  
ASSIGNMENT**

This Assignment Agreement (“Agreement”) is entered into as of this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between \_\_\_\_\_ (“Assignor”) and Signal 88 Franchise Group, Inc. (“Assignee”).

**WHEREAS**, Assignor is party to contracts with customers for the performance of security services and owns accounts receivable arising out of its performance of services under such contracts, all of which accounts receivable are validly due, owing and not subject to any defense, offset or counterclaim;

**WHEREAS**, Assignor has offered to assign, for good and valuable consideration, all of its right, title and interest in and to all of its customer contracts and accounts receivable, whether now existing or hereafter arising, to Assignee, and Assignee has agreed to accept the offer pursuant to the terms of this Agreement.

**NOW, THEREFORE**, in consideration of the foregoing recitals which are incorporated in this Agreement the parties hereby agree as follows:

1. **Assignment.** For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Assignor hereby absolutely assigns to Assignee all its right, title, and interest in and to all of Assignor’s customer contracts (“Contracts”) and all accounts receivable, whether now existing or hereafter arising (“Accounts Receivable”). Assignee assumes all contractual obligations of Assignor under the Contracts from and after the date of this Assignment. Assignor hereby authorizes all its existing and future customers (“Account Debtors”) to pay to Assignee all obligations owed to Assignor under the Accounts Receivable upon receipt of a copy of this assignment from Assignee. The Account Debtors may accept a copy of this Agreement as fully authorizing and directing them to make all payments due under the Accounts Receivable to Assignee in satisfaction of the amounts owed to Assignor under the Accounts Receivable. Assignor agrees that it shall not make any adjustment of any Accounts Receivable without written permission of Assignee.

2. **Representations, Warranties and Covenants of Assignor.** Assignor makes the following representations, warranties and covenants to Assignee, all of which shall be continuing and survive execution of this Agreement.

2.1 Assignor has good and valid title to the Contracts and the Accounts Receivable, and has not assigned, transferred, or sold the Contracts or Accounts Receivable or any portion thereof.

2.2 The Contracts and Accounts Receivable are free and clear of all liens, claims, encumbrances, and security interests of all Assignor’s creditors of any nature; and Assignor will not allow any lien, claim or encumbrance to attach to the Contracts or Accounts Receivable.

2.3 The Contracts are fully enforceable, and Assignor is not in breach of any of the Contracts.

2.4 The Accounts Receivable are validly due, owing, and collectible in full and are not subject to any conditions precedent, defenses, counterclaims or offsets.

2.5 Assignor shall use its best efforts, shall cooperate fully with Assignee, and shall undertake whatever action Assignee may deem necessary, in order to establish the validity of the Accounts Receivable, the services performed, and the Contracts that give rise to the Accounts Receivable.

2.6 Assignor will use its best efforts and cooperate fully with Assignee to collect the Accounts Receivable and hereby authorizes Assignee to collect the same in Assignor's own name to insure the Accounts Receivable are paid in their entirety to Assignee. Should Assignor receive any payment of the Accounts Receivable it shall hold any amount so received in trust solely for the benefit of Assignee and distribute it to Assignee immediately upon Assignor's receipt thereof.

2.7 Assignor is duly formed and authorized to enter into this Agreement; the individual executing this Agreement on behalf of Assignor is fully authorized and empowered to execute this Agreement on Assignor's behalf; and, this Agreement shall be fully enforceable against Assignor upon execution.

3. **Power of Attorney.** Assignor hereby appoints Assignee as its true and lawful attorney in fact, irrevocably and with power of substitution, to do the following: (a) to demand, collect, receive, receipt for, sue and recover all sums of money or other property which may now or hereafter become due, owing or payable from, or in connection with the Contracts and the Accounts Receivable; (b) to execute, sign and endorse any and all claims, instruments, receipts, checks, drafts or warrants issued in full or partial payment of the Accounts Receivable; and, (c) to file any claim or claims or to take any action or institute or take part in any proceedings, either in its own name or in the name Assignor, or otherwise. This power is coupled with an interest in the Contracts and Accounts Receivable, and the authority hereby conferred shall be irrevocable and shall remain in full force and effect for the duration of this Agreement.

4. **No Liability/Indemnity.** Assignee shall not, under any circumstances or in any event whatsoever, have any liability to any Account Debtor or anyone claiming through an Account Debtor of any nature including, without limitation, liability related to the Accounts Receivable or any goods or services provided in connection therewith. Assignee shall not under any circumstances or in any event have any liability to Assignor or anyone claiming through Assignor for any delays, errors or omissions occurring in the collection, enforcement, or liquidation of any of the Accounts Receivable. Assignor agrees to indemnify, defend and hold Assignee harmless from all such claims, demands, and liabilities arising out of or in any manner related to any of the foregoing.

5. **True Sale.** The parties to this Agreement intend for the transaction evidenced hereby to constitute a true sale and purchase of the Accounts Receivable and not a security agreement.

6. **Entire Agreement.** This Agreement represents the entire agreement of the parties with respect to its subject matter and supersedes all prior oral or written agreements, negotiations or proposals. This Agreement may not be modified or amended except by written agreement executed by all parties, and the observance of any of the terms of this Agreement may be waived only with prior written consent of all parties hereto.

7. **Choice of Law, Venue and Jury Waiver.** THIS AGREEMENT SHALL BE GOVERNED AS TO VALIDITY, ENFORCEMENT, INTERPRETATION, CONSTRUCTION, EFFECT, AND IN ALL OTHER RESPECTS BY THE LAWS AND DECISIONS OF THE STATE OF NEBRASKA. THE ASSIGNOR AND ASSIGNEE MUTUALLY WAIVE THE RIGHT TO TRIAL BY JURY AND CONSENT TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS IN NEBRASKA WITH RESPECT TO ANY SUIT ARISING OUT OF OR RELATED TO THIS AGREEMENT.

8. **Captions.** The captions and heading herein are inserted for the convenience of the parties and shall affect neither the meaning nor the interpretation hereof.

**IN WITNESS WHEREOF**, the parties hereto have executed this Assignment as of the date first above written.

\_\_\_\_\_,  
Assignor,  
By: \_\_\_\_\_  
Its: \_\_\_\_\_

Signal 88 Franchise Group, Inc., Assignee,  
3880 South 149<sup>th</sup> St. - Suite 102  
Omaha, NE 68144  
By: \_\_\_\_\_  
Reed L. Nyffeler  
Its: Chief Executive Officer

**EXHIBIT B to Financing Agreement**

**PROMISSORY NOTE**

**(Line of Credit)**

\_\_\_\_\_, 2014

FOR VALUE RECEIVED, \_\_\_\_\_, (referred to as "Borrower"), a (circle one:) corporation, limited liability company, partnership, or individual, promises to pay to the order of Signal 88 Franchise Group, Inc., a Nebraska corporation, (referred to as "Lender"), such principal amounts as may be advanced by Lender on a revolving basis and shown to be advanced by the records of Lender as provided herein, with interest on the outstanding balance thereof at the rate provided for herein.

Borrower shall pay the entire principal amount of each advance made hereunder, together with interest accrued thereon, no later than sixty (60) days after the date of the advance. Interest shall accrue on the total outstanding principal balance hereunder at the rate of fourteen and four-tenths percent (14.4%) per annum. Borrower shall not at any time be allowed to obtain an advance under this Note if the sum of the total outstanding balance and the requested advance would equal or exceed fifty percent (50%) of Borrower's uncollected Gross Revenue (as that term is defined in the Franchise Agreement between Borrower and Franchisor and any amendment thereto) that is less than sixty days past due.

All payments received hereunder shall be applied first to fees and expenses, then to interest, and last to principal. Any amounts not paid when due may (in Lender's sole discretion) be treated as principal advances without waiving any default.

The Lender shall record on its books or records the principal amount of this Note, all payments of principal and interest, and the principal balances from time to time outstanding. The record thereof, whether shown on such books or records or on a schedule to this Note, shall be prima facie evidence as to all such amounts; provided, however, that the failure of the Lender to record any of the foregoing shall not limit or otherwise affect the obligation of the Borrower to repay the Note, together with accrued interest thereon.

Payment of this Note is secured by (a) all property of Borrower, whether now owned or hereafter acquired, including any property which is or comes into the possession of Lender, all as more fully described under the Security Agreement executed by Borrower in favor of Lender, as amended from time to time, and (b) such other loan documents as may be requested by Lender from time to time to secure amounts then outstanding and any further advances on this Note. Lender is expressly granted the right to offset any such property or amounts owed by Lender or its affiliates against amounts owing by Borrower to Lender or its affiliates.

BORROWER EXPRESSLY AGREES that time is of the essence hereof and that Borrower warrants, covenants, represents, and agrees as follows:

- (a) Borrower shall use the proceeds of this Note solely for the funding of the costs of conducting the normal course of business of Borrower, so long as such costs are ordinary, reasonable, and necessary to the operation of the Borrower's business, as determined by Lender in its sole discretion; and any advance under this Note may be conditioned upon Lender's examination of documentation supporting such costs and Lender's satisfaction as to the use of such proceeds;



- (b) Borrower shall prepare and deliver to Lender (1) its monthly financial statements (in form and content acceptable to Lender) no later than the 15th day after each month-end and (2) copies of all of its tax returns when filed, which shall be accomplished prior to delinquency;
- (c) All requests for advances shall be subject to the Borrower's meeting the credit requirements of the Lender applicable at the time of the request.
- (d) The information supplied and statements made by Borrower in any financial or accounting statements or credit applications, or in any reports, lists, statements or other documents submitted to Lender, were true and correct when made and have not become untrue or incorrect by subsequent actions or events that Borrower has not disclosed to Lender in writing;
- (e) Borrower shall not submit any documents or information of any kind to Lender that is not true and correct at the time of submission and shall promptly correct any documents and information that, though correct when submitted to Lender, later become untrue, incorrect, or misleading;
- (f) The persons executing this Agreement have the capacity and are duly authorized and empowered to execute this Agreement, and the execution, delivery, and performance hereof are not in violation of the terms of the any agreement or undertaking to which Borrower is a party or by which the Borrower is bound;
- (g) Except as previously disclosed to Lender in writing, Borrower is not aware of any circumstance (including, but not limited to, any pending or threatened lawsuit or any event of default under any agreement or instrument) that could materially adversely affect its ability to perform its obligations hereunder;
- (h) Borrower shall promptly inform Lender in writing of any occurrence that might adversely affect its ability to perform its obligations hereunder or render untrue, incorrect, or misleading any representation or warranty under this Agreement;
- (i) Borrower shall immediately notify Lender of any change in Borrower's residence or principal place of business from the address listed herein or if any Collateral is to be removed from the Borrower's principal place of business;
- (j) Borrower shall not, without the prior consent of Lender, sell, transfer, create or allow any right, title, lien or interest of any party (other than Lender) in any material asset of the Borrower;
- (k) Borrower shall not without the prior consent of Lender, be a party to any merger or other consolidation;
- (l) The obligations under this Note shall at all times be the senior indebtedness of the Borrower, and Borrower shall cause all other indebtedness of the Borrower to subordinate all rights to payment, priority of claim and security to the rights of Lender;
- (m) Borrower shall, upon execution of this Note and from time to time promptly upon the request of Lender, produce certificates or other proofs of insurance, in form

and substance and evidencing coverage reasonably acceptable to Lender, such proofs to describe the types and amounts of insurance (property, loss of income and liability) carried by Borrower, in each case naming Lender as loss payee and additional insured, as the case may be, and include a stipulation that coverage will not be cancelled or diminished without at least thirty days' prior written notice to Lender;

- (n) The Borrower shall indemnify Lender against, and hold Lender harmless from, any and all costs, losses, liabilities, claims, damages and related expenses, including attorneys' fees, which are incurred by or asserted against Lender arising out of, in connection with or as a result of the business operations of Borrower.

Should any default occur in the payment of any amount as aforesaid on the date on which it shall fall due as provided for herein; should any default occur in the performance of any of the terms, agreements or covenants contained in any related loan document as therein provided; or, should any Borrower fail to comply with any of the covenants and agreements herein contained, then, and in any of such events, Lender shall have, in addition to the rights specified herein and in any such loan document, the right, at its option, to declare the entire unpaid balance of this Note (including principal, interest, loan fees and any other obligation) immediately due and payable and to exercise rights and remedies provided at law or in equity. Borrower agrees to pay all Lender's costs (including reasonable attorney fees) incurred in enforcing and collecting under this Note or any such loan document.

Except as otherwise expressly provided herein, all notices, requests, offers, and other communications required or permitted to be given under this Agreement must be in writing and must be delivered in person, electronically, by prepaid overnight commercial delivery service, or by prepaid overnight mail, registered or certified, with return-receipt requested, and addressed as set forth below:

<i><b>If to FRANCHISOR:</b></i>	<i><b>If to FRANCHISEE:</b></i>
Signal 88 Franchise Group, Inc. Attn: Reed Nyffeler 3880 South 149th Street, Suite 102 Omaha, NE 68144 rnyffeler@signal88.com	_____ _____ _____ _____ _____
<i><b>With a copy to:</b></i>	<i><b>With a copy to:</b></i>
McGrath North Mullin & Kratz, PC LLO Attn: Michael T. Eversden 3700 First National Tower 1601 Dodge Street Omaha, NE 68102 meversden@mcgrathnorth.com	_____ _____ _____ _____ _____

Either party may change its name or address for notice by providing the other party with such

change in writing, signed by a duly authorized representative, designating a single address for notice, which may not be a P.O. Box, in compliance with this Subsection. Notice will be deemed effective on the earlier of: 1) receipt or first refusal of delivery if personally delivered; 2) if electronically delivered, receipt by the sending party of either a "read receipt" notice or a reply electronic message from the receiving party evidencing receipt of the electronic notice; 3) one (1) day after posting if sent via overnight commercial delivery service or overnight United States Mail, postage prepaid, return receipt requested; or 4) three (3) days after placement in the United States mail if overnight delivery is not available to the notice address.

The remedies of Lender as provided in this Note and any related loan documents, as well as such rights and remedies provided at law or in equity in regard to collection of the sums due hereunder, shall be cumulative and concurrent and may be pursued singly, successively, or together against the Borrower, or any security at the sole discretion of Lender, and any such remedy shall not be exhausted by any single exercise thereof but may be exercised as often as the occasion therefor shall occur.

Borrower and any endorsers, sureties and guarantors hereof jointly and severally waive presentment for payment, demand, notice of nonpayment, notice of protest and protest of this Note, and all other notices in connection with delivery, acceptance, performance, default or enforcement of the payment of this Note; and, they agree that the liability of each of them shall be unconditional without regard to the liability of any other party and shall not be in any manner affected by any indulgence, extension of time, renewal, waiver, or modification granted or consented to by Lender; and Borrower and all endorsers hereby consent to any and all extensions of time, renewals, waivers or modifications that may be granted by Lender with respect to the payment or other provisions of this Note and to the release of any security or any part thereof with or without substitution.

In consideration of the advances of any credit by the Lender in reliance upon this Note, the makers, sureties, and guarantors of this Note hereby severally waive any and all defenses or right of offset which they may have, individually or collectively, against Lender, its successors or assigns under this Note.

Lender shall not by any act or omission be deemed to waive any rights or remedies hereunder unless such waiver be in writing and signed by Lender and then only to the extent specifically set forth therein. A waiver on one event shall not be construed as continuing or as a bar to or waiver of such right or remedy on a subsequent event.

The words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include the respective heirs, personal representatives, successors and assigns of Lender and any Borrower.

This Note shall be governed as to validity, enforcement, interpretation, construction, effect and in all other respects by the laws and decisions of the State of Nebraska. Any and all actions by or against Lender in regard to or arising out of the terms and conditions hereof shall be instituted and litigated in the courts of competent jurisdiction in Douglas County, Nebraska, and in no other. In accordance herewith, the Borrower submits to the jurisdiction of and does hereby enter into a voluntary appearance in the courts of Douglas County, Nebraska, and expressly waives any and all right to contest personal jurisdiction or venue in any such action.

In no event shall the amount of interest paid hereunder, together with all amounts reserved, charged, or taken by Lender as compensation for fees, services, or expenses incidental to the making, negotiation, availability or collection of the loan evidenced hereby exceed the maximum rate of interest on the unpaid principal balance hereof allowable by

applicable law. If any sum is collected in excess of the applicable maximum rate, the excess collected shall be applied to reduce the principal balance or thereafter refunded to Borrower.

IN WITNESS WHEREOF, Borrower has duly executed this Note as of the day and year first mentioned above.

\_\_\_\_\_, Borrower,

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT C to Financing Agreement**

**SECURITY AGREEMENT**

**EXHIBIT D to Financing Agreement**  
**SUBCONTRACT**

**EXHIBIT E to Financing Agreement**

**GUARANTY**

**EXHIBIT H**  
(to Franchise Disclosure Document)

**LIST OF FRANCHISEES AND COMPANY-OWNED BUSINESS UNITS**

**ALASKA:**

Alaska Signal 88 Security, LLC  
7724 Brentwood Drive  
Anchorage, AK 99502  
anchorage@signal88.com  
(907) 529-6659

**ALABAMA:**

Gulf South Security Solutions, LLC  
28 Windance Drive  
Carriere, MS 39426  
[ssaucier@signal88.com](mailto:ssaucier@signal88.com)  
(901) 606-9636

**ARIZONA:**

88 Capital Group, Inc.  
11404 W. Dodge Rd, #650  
Omaha, NE 68154  
phoenix@signal88.com  
(623) 580-9416

Arizona Guard Services, LLC  
11432 N. 151st Lane  
Surprise, AZ 85379  
westphoenix@signal88.com  
(602) 510-6432

Military Men United  
1089 N Pressyc Place  
Tucson, AZ 85710  
tucson@signal88.com  
(520) 343-4368

**CALIFORNIA:**

Big Dog Security, Inc.  
210 Boeing Court, Suite B  
Livermore, CA 94551  
(925) 245-1711



Fresno Signal 88 Security, Inc.  
2821 N. Miami, Suite B  
Fresno, CA 93727  
fresno@signal88.com  
(559) 294-8888

Fringe Security, Inc.  
2230 Chapman Ave. #206  
Orange, CA 92868  
anaheim@signal88.com  
(714) 713-5306

Grey Dog Security, Inc.  
1380 El Dorado Drive  
Livermore, CA 94550  
[w.taylor@signal88.com](mailto:w.taylor@signal88.com)  
(925)980-2613

Jacks or Better, Inc.  
13441 La Sierra Drive  
Chino Hills, CA 91709  
sorange@signal88.com  
(877) 565-8883

MJG Holdings  
3145 Caminito Ricardo  
Encinitas, CA 92024  
riversidecounty@signal88.com  
(951) 795-6309

Valens Mos, Inc.  
24196 Twig Street  
Lake Forest, CA 92630  
[rzion@signal.88](mailto:rzion@signal.88)  
(626) 367-9054

Villalba Safety Fors Private Security, Inc.  
453 South Spring Street, Suite 816  
Los Angeles, CA 90013  
losangeles@signal88.com  
(877) 316-SAFE

Castagnola & Sons, Inc.  
8863 Greenback Lane, Suite 319  
Orangevale, CA 95662  
sacramento@signal88.com  
(916) 560-8386

## COLORADO:

Blackfeather Security, LLC  
3210 N. Chestnut St. #129  
Colorado Springs, CO 80907  
cospringswest@signal88.com  
(719) 464-4640

BJWR, LLC  
3275 S Fox Street  
Englewood, CO 80110  
englewood@signal88.com  
(720) 238-5047

Protection First, Inc.  
8801 E. Hampden Ave., Suite 110  
Denver, CO 80231  
aurora@signal88.com  
(303) 435-9767

Colorado Security Consultants LLC  
714 Sherman St.  
Fort Morgan, CO 80701  
coloradosprings@signal88.com  
(719) 243-7780

Signal 88 Franchise Group, Inc.  
4340 Kentucky Avenue  
Glendale, CO 80246  
[bdejon@signal88.com](mailto:bdejon@signal88.com)  
(402) 213-1010

Code 4 Security, LLC  
17513 Pondlilly Dr  
Parker, CO 80134  
denver@signal88.com  
(303) 350-6081

## CONNECTICUT:

R & G Strategic  
1 Hartford Square B  
New Britain, CT  
[rlemmer@signal88.com](mailto:rlemmer@signal88.com)  
(508) 7171-4123

**DELAWARE:**

Archangel Protective Services, LLC  
36 Jesse Boyd Cir.  
Elkton, MD 21921  
Newark@signal88.com  
(302) 298-3307

**FLORIDA:**

Advantage Point Corporation  
4044 W. Lake Mary Blvd., #104-405  
Lake Mary, FL 32746  
northorlando@signal88.com  
407-547-2711

J & D Business Enterprise, Inc  
3215 Waterbridge CT  
Kissimmee, FL 34744  
southorlando@signal88.com  
(407) 603-1458

Zero Alpha Operations  
5322 Primrose Lake Circle, Suite 1  
Tampa, FL 33647  
[lcarter@signal88.com](mailto:lcarter@signal88.com)  
(508) 717-4123

Tactical Development Group, LLC  
5322 Primrose Lake Circle, Suite I  
Tampa, FL 33647  
southtampa@signal88.com  
(813) 482-8520

Tier 1 Operations, LLC  
5322 Primrose Lake Circle, Suite I  
Tampa, FL 33647  
tampa@signal88.com  
(813) 476-1083

Warhorse Security Services, Inc.  
1608 Coastal Place  
Dunedin, FL 34698  
dunedin@signal88.com  
(727) 798-0062

Security Development Group, LLC (Gainesville)  
5944 Richard St., Suite 1  
Jacksonville, FL 32216  
gainesville@signal88.com  
(904) 449-6104

Security Development Group LLC (North Florida)  
Jacksonville, FL 32216  
northflorida@signal88.com  
(866) 305-9779

Security Development Group, LLC (Pensacola)  
Jacksonville, FL 32216  
pensacola@signal88.com  
(904) 449-6104

#### **GEORGIA:**

Safe Haven Watch, Inc.  
1353 Hearthstone Way  
Acworth, GA 30102  
westatlanta@signal88.com  
(770) 877-1160

Signal 88 Security of Atlanta, LLC  
2900 Chamblee Tucker Rd, Bldg. 7, Suite 150  
Atlanta, GA 30341  
northeastatlanta@signal88.com  
(770) 940-6617

Viking Security, LLC  
1407 Enclave Trail  
Stockbridge, GA 30281  
southatlanta@signal88.com  
(855) 697-4462

Signal 88 of Atlanta, LLC  
3988 Flowers Road  
Doraville, GA 30360  
[rdunn@signal88.com](mailto:rdunn@signal88.com)  
(770) 940-6690

#### **IDAHO:**

Guard 208, LLC  
3064 S. Conda Ave  
Meridian ID 83642  
boise@signal88.com  
(208) 340-5446

#### **ILLINOIS:**

Phylax  
304 Douglas Street  
Tuscola, IL 61953  
champaign@signal88.com  
(217) 841-6119

PIA Security Patrol, Inc. Signal 88 of Central Illinois  
125 SW Jefferson Ave  
Peoria, IL 61602  
peoriail@signal88.com  
(309) 279-5444

Tactical Security, LLC  
1465 W. Chicago  
Chicago, IL 60642  
chicago@signal88.com  
(866) 933-9044

L.D. Miller Enterprises, Inc.  
11110 North Stone Creek Drive  
Dunlap, IL 61525  
[lfehr@signal88.com](mailto:lfehr@signal88.com)  
(309) 200-4938

Tactical Security, LLC  
114 S. Genesee Street, Suite #504  
Waukegan, IL 60085  
winnebago@signal88.com  
(866) 933-9044

#### INDIANA:

Alsup Brothers Security LLC  
525 Prentiss Way  
Avon, IN 46123  
Indianapoliswest@signal88.com  
(765) 225-1383

Signal 88 of North Indianapolis  
185 Coldbrook Ct.  
Lafayette, IN 47909  
Indianapolisnorth@signal88.com  
(317) 999-5177

Guard 208, LLC  
3064 Conda Avenue  
Meridan, ID 83642  
[dcrowell@signal88.com](mailto:dcrowell@signal88.com)  
(208) 515-1405

#### IOWA:

DS Security, LLC  
3603 Queen Drive SW, #6  
Cedar Rapids, IA 52404  
cedarrapids@signal88.com  
(319) 491-3161

Blue Collar Couriers, Inc.

9102 Valdez Drive  
Urbandale, IA 50322  
515-313-1832

Bourgeois Security & Investments, Inc.  
106 Lake Accardo Avenue  
Thibodaux, LA 70301  
[jbougeois@signal88.com](mailto:jbougeois@signal88.com)  
(985) 228-2850

Skopos Consulting, L.L.C.  
2251 Julia Dr.  
Asbury, IA 52002  
[davenport@signal88.com](mailto:davenport@signal88.com)  
(563) 581-8565

#### **KANSAS:**

Total Security Solutions  
8100 E. 22<sup>nd</sup> Street N. 1500 D  
Wichita, KS 67230  
[wichita@signal88.com](mailto:wichita@signal88.com)  
(316) 209-0436

Semper Securus, LLC  
13753 S Walnut View Drive  
Olathe, KS 66061  
[lawrence@signal88.com](mailto:lawrence@signal88.com)  
(785) 246-5500

#### **KENTUCKY:**

NGH Security  
339 Petersburg Road  
Boston, KY 40107  
[louisville@signal88.com](mailto:louisville@signal88.com)  
(502) 817-6772

R&B Security  
907 S 32nd Street  
Louisville, KY 40211  
[northlouisville@signal88.com](mailto:northlouisville@signal88.com)  
(502) 794-3791

Signal 88 of Kentucky, LLC  
3165 Chatham Dr.  
Lexington, KY 40503  
[centralkentucky@signal88.com](mailto:centralkentucky@signal88.com)  
(502) 416-1990

**LOUISIANA:**

Bourgeois Security & Investments, Inc.  
P.O. Box 237  
Schriever, LA 70395  
(984) 225-2850

Gulf South Security Solutions, LLC  
28 Windance Drive  
Carriere, MS 39426  
[dsaucier@signal88.com](mailto:dsaucier@signal88.com)  
(601) 916-6722

**MARYLAND:**

Baltimore Security Consultants, LLC  
11605 Crossroads Circle, Suite F  
Baltimore, MD 21220  
(410) 488-7233

**MASSACHUSETTS:**

Cardi and Associates, Inc.  
23 Bedford Drive  
North Grafton, MA 01536  
[worchester@signal88.com](mailto:worchester@signal88.com)  
(508) 579-4341

R & G Enterprises, Inc.  
35 Duck Avenue  
Acushet, MA 27430  
[rlemmer@signal88.com](mailto:rlemmer@signal88.com)  
(508) 717-4123

**MICHIGAN:**

Braze Safety & Security, Inc.  
2792 N. Adrian Hwy  
Adrian, MI 49221  
[adrian@signal88.com](mailto:adrian@signal88.com)  
(517) 265-8333

MCK Security, LLC  
6525 Par 5 Drive  
Grandville, MI 49418  
[grandrapids@signal88.com](mailto:grandrapids@signal88.com)  
(616) 734-4557

Storm Front Security  
222 George St.  
Howell, MI 48843  
[lansing@signal88.com](mailto:lansing@signal88.com)

(517) 481-2509

RSS Security LLC  
9580 Bergin Rd.  
Howell, MI 48843  
annarbor@signal88.com  
(734) 794-3999

**MINNESOTA:**

Minnesota Protective Services, LLC  
4248 Brookside Ave  
St. Louis Park, MN 55416  
minneapolis@signal88.com  
(612) 807-6553

HillTAC Corporation  
17310 Creek Ridge Pass  
Minnetonka, MN 55345  
[mhillstrom@signal88.com](mailto:mhillstrom@signal88.com)  
(952) 240-6664

**MISSOURI:**

Hertzsecurity, Inc.  
4010 South Jackson Drive  
Independence, MO 64057  
leesummitt@signal88.com  
(816) 868-4115

MH Elite Enterprises, Inc.  
4001 Tropical Lane  
Columbia, MO 65202  
columbia@signal88.com  
(573) 234-3864

**NEBRASKA:**

JDS Security, LLC  
1415 W 12th St  
Fremont, NE 68025  
fremont@signal88.com  
(402) 727-1119

Vector Security, Inc.  
2405 S. 217th St.  
Elkhorn, NE 68022  
lincoln@signal88.com  
(402) 763-9959



Signal 88 Franchise Group, Inc.  
3880 S. 149<sup>th</sup> Street, Suite 108  
Omaha, NE 68144  
(402) 498-8494

**NEW JERSEY:**

East Coast Investigative Services, LLC  
816 Windsor Lane  
Cinnaminson, NY 80777  
[igural@signal88.com](mailto:igural@signal88.com)  
(856) 701-0129

**NEVADA:**

Signal 88 Franchise Group, Inc.  
540 W. Horizon Ridge Pkwy  
Henderson, NV 89012-5232  
[lasvegas@signal88.com](mailto:lasvegas@signal88.com)  
(702) 604-2703

**NEW YORK:**

East Side Development Corporation  
320 N. Goodman Street  
Rochester, NY 14607  
[bstong@signal88.com](mailto:bstong@signal88.com)  
(585) 721-7530

Lomonaco Holdings LLC  
12 Collings Ave.  
Kings Park, NY 11754  
[kingspark@signal88.com](mailto:kingspark@signal88.com)  
(631)-460-6159

**NORTH CAROLINA:**

Capitol Special Patrol, Inc.  
2037 Shingleback Drive  
Wake Forest, NC 27587  
[charlotte@signal88.com](mailto:charlotte@signal88.com)  
(704) 900-2162

C.A. Burke Assessment Group International, LLC  
13713 Delstone Dr.  
Huntersville, NC 28078  
[northcharlotte@signal88.com](mailto:northcharlotte@signal88.com)  
(704) 900-4460

Farrar, Yamin & Lewis, Inc.  
112 Stedwick Place  
Durham, NC 27712  
raleigh@signal88.com  
(919) 521-4460

**OHIO:**

RSS Security, LLC  
9580 Bergin Road  
Howell, MI 48843  
[tschoenberger@signal88.com](mailto:tschoenberger@signal88.com)  
(845) 988-6342

**OKLAHOMA:**

Anton Corporation  
7708 Machs Terrace  
Oklahoma City, OK 73162  
Oklahomacity@signal88.com  
(405) 728-8088

LRM Investigations and Security, Inc.  
16307 Sonoma  
Edmund, OK 73013  
[lmcling@signal88.com](mailto:lmcling@signal88.com)  
(405) 476-4247

Integrated Security Solutions LLC  
6778 E 125th Place  
Bixby, OK 74008  
tulsa@signal88.com  
(918) 289-6835

**OREGON:**

Oregon 1 Security  
7056 Battle Creek Road SE  
Salem, OR 97317  
[cturrey@signal88.com](mailto:cturrey@signal88.com)  
(970) 6000-5800

**PENNSYLVANIA:**

Octorara Security Professionals, Inc.  
491 Catherine Drive  
Parkesburg, PA 19365  
octorara@signal88.com  
(610) 563-0981

POPS NEW SHOES  
8 Windward Court  
Collegeville, PA 19426  
(267) 760-4527  
[sderose@signal88.com](mailto:sderose@signal88.com)  
(267) 760-4527

Varangian Security Professionals, Inc.  
1583 Guildford Lane  
York, PA 17404  
[york@signal88.com](mailto:york@signal88.com)

**RHODE ISLAND:**

R & G Strategic Enterprises, Inc.  
35 Duck Avenue  
Achuset, MA 27430  
[rlemmer@signal88.com](mailto:rlemmer@signal88.com)  
(508) 717-4123

**SOUTH CAROLINA:**

RSS Security, LLC  
P.O. Box 1775  
Simpsonville, SC 29681  
[tshoenberger@signal88.com](mailto:tshoenberger@signal88.com)  
(845) 988-6342

**TENNESSEE:**

RSS II Security LLC  
533 Church St, #158  
Nashville, TN 37219  
[nashville@signal88.com](mailto:nashville@signal88.com)  
(615) 579-3646

**TEXAS:**

Crashed N221, LLC  
1706 Wranglers Retreat  
Wichita Falls, TX 76310  
[wichitacounty@signal88.com](mailto:wichitacounty@signal88.com)  
(940) 696-0088

DFS Secure LLC  
7367 Cedar Spri  
Dallas, TX 75235  
[jchovan@signal88.com](mailto:jchovan@signal88.com)  
(214) 908-1430

P5 Enterprises, LLC  
118 Brookside Lane  
Boerne, TX 78006  
sanantonio@signal88.com  
(210) 399-5944

R. Baer & Associates, Inc.  
5230 Woodville  
Spring, TX 77379  
[rbaer@signal88.com](mailto:rbaer@signal88.com)  
(925) 216-1501

RD Security, Inc.  
8705 Shoal Creek Blvd, Suite 210  
Austin, TX 78757  
northaustin@signal88.com  
(512) 637-1387

Signal 88 Franchise Group, Inc.  
Beaumont, TX 77706  
beaumont@signal88.com  
(409) 276-5410

**VIRGINIA:**

FourFront, LLC  
918 Pheasant Run Drive  
Gaithersburg, MD 20878  
nova@signal88.com  
(703) 336-3851

R & G Strategic Enterprises, Inc.  
4445 Corporation Lane, Suite 227  
Virginia Beach, VA 23462  
[rlemmer@signal88.com](mailto:rlemmer@signal88.com)  
508-717-4123

**WASHINGTON:**

Omega Secretum Sales  
P.O. Box 377  
DuPont, WA 98327  
[mhaderman@signal88.com](mailto:mhaderman@signal88.com)  
(360) 556-8696

## FORMER FRANCHISEE CONTACT INFORMATION

No franchisees left the system in 2013 pursuant to mutually agreed termination agreements or terminations. The following franchisee's franchise was reacquired, but its principal became an employee of a Company-owned business unit:

North County San Diego Signal 88 Security, Inc.  
PO Box 341  
Julian, CA 92306  
[socal@signal88.com](mailto:socal@signal88.com)  
(760) 429-7177

Colorado Security Consultants LLC  
714 Sherman Street  
Fort Morgan, CO 80701  
[coloradosprings@80701](mailto:coloradosprings@80701)  
(719) 243-7780

**The following franchisees' agreements were not renewed:**

None.

**The following franchisees sold their franchises to other franchisees during 2013:**

The Brett Beatty Corporation  
1 Hartford Square, Bldg 16 - Unit 242  
New Britain, CT 06052  
[newbritain@signal88.co](mailto:newbritain@signal88.co)  
(860) 357-5117

Larc Enterprises, LLC  
10824 W. 105<sup>th</sup> Street  
Overland Park, KS 66214\  
[johnsoncounty@signal88.com](mailto:johnsoncounty@signal88.com)  
(913) 378-4056

Cardi & Associates, Inc.  
23 Bedford Drive  
North Grafton, MA 01536  
[worcester@signal88.com](mailto:worcester@signal88.com)  
(508) 579-4341

D&B Securiry, Inc.  
142 E. Maumee Street, #6  
Adrian, MI 49221  
[Toledo@signal88.com](mailto:Toledo@signal88.com)  
(419) 574-3522

SATEK, LLC (Greenville, SC)  
PO Box 1775  
Greenville, SC  
greenville@signal88.com  
(864) 343-4000

SATEK, LLC (Charleston)  
Charleston, SC  
charleston@signal88.com  
(843) 514-4705

**The following franchisees sold their franchises to third parties in 2013:**

Messman Enterprises LLC  
5037 Harney Dr.  
Fort Worth, TX 76244  
denton@signal88.com  
(817) 798-8715

Chovan Securities  
9341 Sandyland Blvd.  
Dallas, TX 75217  
dallas@signal88.com  
(214) 808-1554

**EXHIBIT I**  
**(to Franchise Disclosure Document)**  
**FINANCIAL STATEMENTS**

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



Signal 88 Franchise Group, Inc.  
Income Statement  
04/30/2014 YTD

	1/31/2014		2/28/2014		3/31/2014		4/30/2014		YTD		12/31/2013	
Royalty Revenue	320,426	38%	291,836	31%	315,114	38%	317,661	45%	1,245,037	38%	3,362,004	35%
Fleet Services Revenue	41,949	5%	50,287	5%	47,099	6%	68,616	10%	207,950	6%	657,335	7%
Territory Fee Revenue	117,871	14%	296,529	32%	164,191	20%	32,070	5%	610,661	19%	2,339,795	24%
Security Revenue	351,282	42%	301,762	32%	293,179	36%	273,941	39%	1,220,164	37%	3,279,727	34%
Other Revenue	1,524	0%	(284)	0%	29	0%	11,639	2%	12,909	0%	12,976	0%
<b>Total Revenue</b>	<b>833,052</b>	<b>100%</b>	<b>940,129</b>	<b>100%</b>	<b>819,613</b>	<b>100%</b>	<b>703,927</b>	<b>100%</b>	<b>3,296,720</b>	<b>100%</b>	<b>9,651,837</b>	<b>100%</b>
Security Payroll	225,746	27%	202,590	22%	186,377	23%	195,984	28%	810,696	25%	1,926,089	20%
Fuel	15,875	2%	15,927	2%	11,956	1%	12,340	2%	56,099	2%	95,056	1%
Vehicle	25,269	3%	17,907	2%	10,197	1%	10,649	2%	64,022	2%	186,916	2%
Fleet Services Expense	750	0%	21,638	2%	27,172	3%	20,028	3%	69,588	2%	458,517	5%
Security Subcontractor	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Royalty Expense	31,144	4%	28,675	3%	27,040	3%	25,060	4%	111,919	3%	307,094	3%
<b>Total Cost of Service</b>	<b>298,783</b>	<b>36%</b>	<b>286,737</b>	<b>30%</b>	<b>262,742</b>	<b>32%</b>	<b>264,062</b>	<b>38%</b>	<b>1,112,324</b>	<b>34%</b>	<b>2,973,671</b>	<b>31%</b>
<b>Gross Margin</b>	<b>534,269</b>	<b>64%</b>	<b>653,392</b>	<b>70%</b>	<b>556,871</b>	<b>68%</b>	<b>439,865</b>	<b>62%</b>	<b>2,184,397</b>	<b>66%</b>	<b>6,678,166</b>	<b>69%</b>
Personnel Expense	258,743	31%	239,284	25%	218,218	27%	241,076	34%	957,321	29%	2,420,839	25%
Area Rep Commissions	17,625	2%	24,575	3%	17,086	2%	37,316	5%	96,602	3%	293,797	3%
Vehicle Operations	2,226	0%	7,698	1%	6,694	1%	6,232	1%	22,850	1%	258,719	3%
Advertising and Marketing Expense	25,647	3%	30,547	3%	16,600	2%	24,751	4%	97,545	3%	244,319	3%
Franchise Standards	20,880	3%	17,068	2%	11,964	1%	10,393	1%	60,305	2%	262,820	3%
Convention Expense	256,392	31%	2,261	0%	(2,512)	0%	126	0%	256,268	8%	135,550	1%
Occupancy Expense	18,734	2%	18,947	2%	20,076	2%	18,162	3%	75,920	2%	221,324	2%
General and Administrative Expense	5,993	1%	8,479	1%	9,545	1%	11,728	2%	35,746	1%	161,488	2%
Technology	47,370	6%	54,207	6%	47,144	6%	45,704	6%	194,425	6%	657,281	7%
Telecommunications	11,598	1%	12,077	1%	9,345	1%	8,862	1%	41,882	1%	150,547	2%
Professional Fees	565	0%	19,599	2%	3,497	0%	7,049	1%	30,709	1%	220,758	2%
Travel Expense	14,979	2%	21,825	2%	15,221	2%	17,022	2%	69,047	2%	233,015	2%
Meals & Entertainment	6,067	1%	7,111	1%	4,598	1%	4,341	1%	22,118	1%	83,098	1%
Licenses and Permits	1,320	0%	2,868	0%	2,485	0%	3,509	0%	10,182	0%	50,094	1%
Insurance	47,237	6%	20,724	2%	5,220	1%	24,335	3%	97,516	3%	355,232	4%
Depreciation	27,191	3%	25,263	3%	27,787	3%	23,411	3%	103,652	3%	162,559	2%
Bad Debt Expense	9	0%	4,622	0%	1,411	0%	7,735	1%	13,777	0%	857,684	9%
Bad Debt - Discontinued Franchise Ops	(817)	0%	-	0%	-	0%	-	0%	(817)	0%	50,836	1%
Other Expense	-	0%	-	0%	-	0%	-	0%	-	0%	46,759	0%
<b>Total Operating Expense</b>	<b>761,759</b>	<b>91%</b>	<b>517,155</b>	<b>55%</b>	<b>414,381</b>	<b>51%</b>	<b>491,751</b>	<b>70%</b>	<b>2,185,046</b>	<b>66%</b>	<b>6,866,719</b>	<b>71%</b>
<b>Income from Operations</b>	<b>(227,491)</b>	<b>-27%</b>	<b>136,237</b>	<b>14%</b>	<b>142,490</b>	<b>17%</b>	<b>(51,886)</b>	<b>-7%</b>	<b>(649)</b>	<b>0%</b>	<b>(188,553)</b>	<b>-2%</b>
Amortization	(23,093)	-3%	(23,093)	-2%	(23,026)	-3%	(22,352)	-3%	(91,565)	-3%	(159,289)	-2%
Interest Income	19,035	2%	17,435	2%	18,580	2%	19,004	3%	74,054	2%	157,655	2%
Interest Expense	(13,927)	-2%	(15,022)	-2%	(23,272)	-3%	(16,912)	-2%	(69,134)	-2%	(246,475)	-3%
Loss on Asset Disposition	3,872	0%	-	0%	4,495	1%	(21,009)	-3%	(12,642)	0%	11,502	0%
Taxes Other	-	0%	-	0%	-	0%	-	0%	-	0%	(854)	0%
<b>Other Income/(Expense)</b>	<b>(14,113)</b>	<b>-2%</b>	<b>(20,680)</b>	<b>-2%</b>	<b>(23,224)</b>	<b>-3%</b>	<b>(41,269)</b>	<b>-6%</b>	<b>(99,286)</b>	<b>-3%</b>	<b>(237,461)</b>	<b>-2%</b>
<b>Net Income/(Loss)</b>	<b>(241,604)</b>	<b>-29%</b>	<b>115,557</b>	<b>12%</b>	<b>119,267</b>	<b>15%</b>	<b>(93,155)</b>	<b>-13%</b>	<b>(99,935)</b>	<b>-3%</b>	<b>(426,014)</b>	<b>-4%</b>
<b>Total Extraordinary Items</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>0%</b>	<b>4,439</b>	<b>1%</b>	<b>4,439</b>	<b>0%</b>	<b>(1,480,423)</b>	<b>-15%</b>
<b>Loss Before Income Tax Benefit</b>	<b>(241,604)</b>	<b>-29%</b>	<b>115,557</b>	<b>12%</b>	<b>119,267</b>	<b>15%</b>	<b>(88,716)</b>	<b>-13%</b>	<b>(95,496)</b>	<b>-3%</b>	<b>(1,906,436)</b>	<b>-20%</b>
Income Tax Benefit	-	0%	-	0%	-	0%	-	0%	-	0%	(381,838)	-4%
<b>Net Income/(Loss) After Extraordinary Items &amp; Income Taxes</b>	<b>(241,604)</b>	<b>-29%</b>	<b>115,557</b>	<b>12%</b>	<b>119,267</b>	<b>15%</b>	<b>(88,716)</b>	<b>-13%</b>	<b>(95,496)</b>	<b>-3%</b>	<b>(1,524,598)</b>	<b>-16%</b>

Signal 88 Franchise Group, Inc.  
Balance Sheet  
4/30/14

	1/31/2014	2/28/2014	3/31/2014	4/30/2014	12/31/2013
Cash	143,185	112,407	230,725	372,077	26,130
Accounts Receivable	814,533	825,300	843,872	926,783	811,591
Current Portion Notes Receivable	451,451	543,511	674,931	604,600	483,017
Other Current Assets	10,000	10,000	12,550	12,550	22,110
Due from Franchisee	936,733	1,140,958	369,868	860,055	972,507
<b>Total Current Assets</b>	<b>2,355,902</b>	<b>2,632,176</b>	<b>2,131,945</b>	<b>2,776,065</b>	<b>2,315,355</b>
Notes Receivable	1,388,610	1,506,761	1,415,432	1,362,805	1,411,946
Inventory	-	-	-	-	-
Deferred Taxes	620,800	620,800	620,800	620,800	620,800
Deposits	600	600	600	600	600
Prepaid Insurance	36,865	43,859	50,778	5,260	63,577
<b>Total Other Assets</b>	<b>2,046,876</b>	<b>2,172,020</b>	<b>2,087,610</b>	<b>1,989,465</b>	<b>2,096,923</b>
Fixed Assets	1,446,806	1,446,806	1,479,847	1,492,739	1,400,130
Organizational Costs	100,000	100,000	100,000	100,000	100,000
Omaha Purchase	2,746,877	2,746,877	2,746,877	2,746,877	2,746,877
Accum Depreciation & Amoritization	(509,986)	(558,342)	(609,155)	(654,919)	(459,702)
<b>Total Fixed Assets &amp; Intangibles</b>	<b>3,783,697</b>	<b>3,735,341</b>	<b>3,717,569</b>	<b>3,684,698</b>	<b>3,787,304</b>
	<b>8,186,475</b>	<b>8,539,538</b>	<b>7,937,124</b>	<b>8,450,228</b>	<b>8,199,582</b>
Accounts Payable	293,018	312,171	294,646	281,519	353,071
Taxes Payable	300,664	299,910	299,804	379,735	298,620
Accrued Liabilities	685,734	614,145	534,491	559,007	522,944
Unearned Franchise Fee & Deposits	-	-	-	-	-
Line of Credit	2,396,396	2,741,394	2,140,411	2,705,960	2,262,585
Current Portion Long Term Debt	833,629	834,280	833,860	834,269	823,618
Due to Franchisee	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>4,509,442</b>	<b>4,801,900</b>	<b>4,103,211</b>	<b>4,760,489</b>	<b>4,260,838</b>
<b>Long Term Debt</b>	<b>2,838,798</b>	<b>2,783,847</b>	<b>2,760,855</b>	<b>2,705,396</b>	<b>2,858,906</b>
Equity	1,079,838	1,079,838	1,079,838	1,079,838	2,604,437
Net Income	(241,604)	(126,047)	(6,780)	(95,496)	(1,524,598)
<b>Total Equity</b>	<b>838,235</b>	<b>953,792</b>	<b>1,073,058</b>	<b>984,342</b>	<b>1,079,838</b>
	<b>8,186,475</b>	<b>8,539,538</b>	<b>7,937,124</b>	<b>8,450,228</b>	<b>8,199,582</b>

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**YEARS ENDED DECEMBER 31, 2013 and 2012**

**BLAND & ASSOCIATES, P.C.**  
**Certified Public Accountants**

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## INDEPENDENT AUDITORS' REPORT

To the Shareholders  
Signal 88 Franchise Group, Inc.  
Omaha, Nebraska

### Report on Financial Statements

We have audited the accompanying financial statements of Signal 88 Franchise Group, Inc. (a Nebraska corporation), which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of operations, shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## INDEPENDENT AUDITORS' REPORT (Continued)

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Signal 88 Franchise Group, Inc. as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years ended in conformity with accounting principles generally accepted in the United States of America.

### Report on Supplementary Information

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

*BLAND & ASSOCIATES, P.C.*

Omaha, Nebraska  
April 2, 2014

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**BALANCE SHEETS**

<b>ASSETS</b>	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 26,131	\$ 424,382
Restricted Cash	-	197,580
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$250,000 and \$0, Respectively	4,496,886	4,316,324
Current Portion of Notes Receivable	503,554	487,163
Supplies Inventory	-	13,875
Prepaid Expenses	86,288	74,197
Total Current Assets	5,112,859	5,513,521
<b>PROPERTY AND EQUIPMENT</b>		
Vehicles	1,159,127	184,807
Office and Computer Equipment	216,565	166,061
	1,375,692	350,868
Less Accumulated Depreciation	(293,490)	(191,676)
Total Property and Equipment	1,082,202	159,192
<b>INTANGIBLE ASSETS</b>		
Franchise Rights and Trademarks	124,438	124,438
Goodwill	2,746,877	-
	2,871,315	124,438
Less Accumulated Amortization	(166,214)	(6,924)
Total Intangible Assets	2,705,101	117,514
<b>OTHER ASSETS</b>		
Notes Receivable, Less Current Portion Net of Allowance for Doubtful Accounts of \$585,000 and \$0, Respectively	1,401,409	1,290,116
Deferred Income Taxes	620,800	233,400
Total Other Assets	2,022,209	1,523,516
	<b>\$ 10,922,371</b>	<b>\$ 7,313,743</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>CURRENT LIABILITIES</b>		
Bank Revolving Lines of Credit	\$ 2,287,849	\$ 1,519,459
Current Portion of Long-Term Debt	808,991	237,532
Accounts Payable	3,116,250	2,734,367
Accrued Expenses	786,173	79,264
Deferred Revenue	10,000	131,002
Total Current Liabilities	7,009,263	4,701,624
<b>LONG-TERM LIABILITIES</b>		
Long-Term Debt, Less Current Portion	2,833,269	7,682
Total Liabilities	9,842,532	4,709,306
<b>COMMITMENTS AND CONTINGENCIES</b>		
	-	-
<b>SHAREHOLDERS' EQUITY</b>		
Common Shares, \$1 Par Value, 1,000 Shares Authorized, 149 Shares Issued and Outstanding	149	149
Additional Paid In Capital	1,131,132	1,131,132
(Accumulated Deficit) Retained Earnings	(51,442)	1,473,156
Total Shareholders' Equity	1,079,839	2,604,437
	<b>\$ 10,922,371</b>	<b>\$ 7,313,743</b>

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

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**STATEMENTS OF OPERATIONS**

	<b>Years Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>REVENUES</b>		
Franchisee Revenue	\$ 17,823,335	\$ 16,282,993
Royalty Revenue	3,362,004	2,458,886
Field Operations	2,906,527	508,979
Franchise Territory Fee	2,339,760	1,226,376
Vehicle Uplift	558,637	428,154
Other	321,842	75,885
Total Revenues	<u>27,312,105</u>	<u>20,981,273</u>
<b>COST OF REVENUES</b>	<u>17,823,335</u>	<u>16,282,993</u>
<b>GROSS PROFIT</b>	9,488,770	4,698,280
<b>OPERATING EXPENSES</b>		
Salaries	4,297,493	1,231,806
Office	918,074	409,499
Bad Debt Expense	858,701	7,374
Supplies and Materials	756,466	362,305
Advertising	596,582	353,951
Technology	512,349	352,426
Field Operations	442,786	518,129
Insurance	355,232	76,544
Depreciation and Amortization	321,848	87,714
Area Representatives Commissions	293,797	382,266
Travel	233,016	94,213
Professional Fees	220,758	191,201
Licenses and Permits	50,095	92,600
Total Operating Expenses	<u>9,857,197</u>	<u>4,160,028</u>
<b>(LOSS) INCOME FROM OPERATIONS</b>	(368,427)	538,252
<b>OTHER REVENUES AND (EXPENSES)</b>		
Interest Income	157,656	136,164
Interest Expense	(249,474)	(223,835)
Loss on Territory Redactions	(1,127,171)	-
Loss on Franchise Closings	(330,517)	-
Gain (Loss) on Sale of Property and Equipment	11,497	(11,180)
Total Other Revenues (Expenses)	<u>(1,538,009)</u>	<u>(98,851)</u>
(Loss) Income Before Income Tax Benefit	(1,906,436)	439,401
<b>INCOME TAX BENEFIT</b>	<u>(381,838)</u>	<u>(228,100)</u>
<b>NET (LOSS) INCOME</b>	<u><u>\$ (1,524,598)</u></u>	<u><u>\$ 667,501</u></u>

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



SIGNAL 88 FRANCHISE GROUP, INC.  
 STATEMENTS OF SHAREHOLDERS' EQUITY  
 For the Years Ended December 31, 2013 and 2012

	<u>Common Shares</u>	<u>Additional Paid In Capital</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Total Shareholders' Equity</u>
<b>BALANCES, January 1, 2012</b>	\$ 149	\$ 1,131,132	\$ 805,655	\$ 1,936,936
Net Income	-	-	667,501	667,501
<b>BALANCES, December 31, 2012</b>	149	1,131,132	1,473,156	2,604,437
Net Loss	-	-	(1,524,598)	(1,524,598)
<b>BALANCES, December 31, 2013</b>	<u>\$ 149</u>	<u>\$ 1,131,132</u>	<u>\$ (51,442)</u>	<u>\$ 1,079,839</u>

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

**SIGNAL 88 FRANCHISE GROUP, INC.  
STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (Loss) Income	\$ (1,524,598)	\$ 667,501
Adjustments to Reconcile Net (Loss) Income to Net Cash Used In Operating Activities:		
Increase in Allowance for Doubtful Accounts-Accounts Receivable	250,000	-
Increase in Allowance for Doubtful Accounts-Notes Receivable	585,000	-
Issuance of Notes Receivable for Territory Purchases	(2,180,312)	(758,214)
Loss on Territory Redactions	1,127,171	-
Depreciation	162,559	86,085
Amortization	159,289	1,629
(Gain) Loss on Sale of Property and Equipment	(11,497)	11,180
Deferred Income Taxes	(387,400)	(235,200)
(Increase) Decrease in Current Assets:		
Accounts Receivable	(580,562)	(2,996,052)
Supplies Inventory	13,875	(8,645)
Prepaid Expenses	(12,091)	(42,106)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	531,883	2,390,110
Accrued Expenses	706,909	74,898
Deferred Revenue	(121,002)	131,002
Net Cash Used In Operating Activities	(1,280,776)	(677,812)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments Received on Notes Receivable	340,457	466,074
Purchase of Property and Equipment	(249,052)	(34,211)
Proceeds from Sale of Property and Equipment	68,752	28,995
Net Cash Provided By Investing Activities	160,157	460,858
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Advances on Bank Revolving Lines of Credit	768,390	550,827
Payments on Capital Lease Obligations	(62,774)	(91,403)
Proceeds from Issuance of Long-Term Debt	205,157	-
Payments on Long-Term Debt	(385,985)	-
Advances from Shareholders	-	200,000
Repayments to Shareholders	-	(116,084)
Net Cash Provided By Financing Activities	524,788	543,340
Net (Decrease) Increase in Cash and Cash Equivalents	(595,831)	326,386
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	621,962	295,576
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 26,131</b>	<b>\$ 621,962</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest Paid	\$ 233,349	\$ 223,835
Income Taxes Paid	\$ 5,562	\$ 7,100
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING INFORMATION</b>		
Issuance of Notes Receivable for Territory Expansions	\$ 2,180,312	\$ 758,214
Vehicles Purchased Through Issuance of Long-Term Debt	\$ 893,772	\$ -
Franchises Purchased Through Issuance of Long-Term Debt	\$ 2,746,876	\$ -

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

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2013 and 2012**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Signal 88 Franchise Group, Inc. (the Company), is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**Nature of Business**

The Company was incorporated in November 2007 with the objective of establishing franchises throughout the United States that provide security services to its customers. The Company's revenue is derived from its franchisees.

**Franchise Operations**

Upon establishing franchise operations, the Company expects to record initial franchise fees as revenue when the Company has performed its service requirements, normally concurrent with the opening of a franchise unit.

Continuing franchise fees are expected to be determined as a percentage of franchise unit sales. These fees are expected to be recognized as revenue in the period sales are earned by the franchisees.

Company personnel support franchise unit owners by providing certain administrative, operational, technological, and sales and marketing assistance. In addition, in some markets, the Company provides additional assistance to franchise unit owners by employing a network of independently-contracted area representatives that provide additional operational and sales and marketing support.

The following is a summary of changes in the number of franchises for the years ended December 31,:

	2013	2012
Company-owned outlets		
In operation, beginning of year	3	1
Commenced during the year	2	3
Sold during the year	(1)	(1)
In operation, end of year	4	3
Franchised outlets		
In operation, beginning of year	86	71
New franchises sold during the year	16	17
Ceased operations during the year	(4)	(4)
Purchased by the Company during the year	(2)	(1)
In operation, end of year	96	83
Total in operation, end of year	100	86

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2013 and 2012**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Franchise Operations (Continued)**

Subsequent to year-end, the Company sold one of the company-owned outlets.

**Revenue Recognition**

Revenue from sales of individual franchises is recognized when substantially all significant services to be provided to the franchisee have been performed. Deferred franchise fees consist of signed franchises sold that do not meet revenue recognition requirements as of the balance sheet date. During 2012, the Company modified part of its revenue recognition policy. As part of its financing of some of the franchises, the Company mandates that some franchisees have their customer contracts be signed by the Company, who then subcontracts those services to the franchisee. Therefore, the Company owns those contracts and the associated risks. Not all franchises are part of this program.

**Use of Estimates**

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates employed.

**Cash and Cash Equivalents**

The Company considers all highly liquid financial instruments with maturities of three months or less to be cash equivalents.

**Accounts Receivable**

Accounts receivable are carried at the original invoice amount. Management determines the need for an allowance for doubtful accounts by regularly evaluating the accounts receivable listing and considering a customer's financial condition, credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

**Supplies Inventory**

Inventory, consisting of supplies held for consumption and merchandise held for resale, is stated at the lower of cost or market. Cost is determined using the FIFO (first-in, first-out) method.

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2013 and 2012**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment**

Property and equipment is recorded at cost. Additions, renewals, and betterments are capitalized, whereas expenditures for maintenance and repairs are expensed as incurred. The cost and related accumulated depreciation of assets retired or sold is removed from the appropriate asset and contra-asset accounts, with the resulting gain or loss recognized.

Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives using straight-line methods. The estimated useful lives by type are as follows:

	<u>Years</u>
Vehicles	3-5
Office and Computer Equipment	3-10

**Franchise Rights and Trademarks**

The Company's intangible assets include costs incurred to obtain trademarks and franchising rights for the Company. These costs are amortized using the straight-line method over 15 years.

**Goodwill**

The Company adopted ASU 2014-02, *Accounting for Goodwill*, during 2013. This allows the Company to amortize the goodwill which is the excess of the purchase price over the fair value of the identifiable net assets acquired. The Company can elect to amortize goodwill over ten years to eliminate the impairment testing requirement. The Company has elected this option for the goodwill recorded during 2013.

**Compensated Absences**

Employees of the Company are entitled to paid vacation, paid sick, and paid personal time off. The Company's policy is to accrue a liability for the estimated cost of compensated absences when actually earned by the employees and is included in the accompanying financial statements.

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2013 and 2012**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Taxes**

Deferred income tax assets and liabilities are computed annually for the differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities. The Company is on the cash-basis for income tax reporting.

**Advertising**

The Company expenses advertising costs as they are incurred. Advertising expenses were \$596,582 and \$353,951 for the years ended December 31, 2013 and 2012, respectively.

**Subsequent Events**

Management has evaluated subsequent events through April 2, 2014, which is the date the financial statements were available to be issued.

**NOTE B – CONCENTRATION OF CREDIT RISK**

The Company has two types of financial instruments subject to credit risk. The Company maintains cash balances in a financial institution in which the balances sometimes exceed the federally insured limits. The Company's accounts receivable also subjects the Company to credit risk.

**NOTE C – NOTES RECEIVABLE**

The Company has secured non-interest bearing notes receivable for various franchise territory expansions and franchise advances. These notes mature at various dates from 2014 through 2019. Notes receivable consist of the following at December 31,:

	2013	2012
Notes Receivable	\$ 2,489,963	\$ 1,777,279
Less: Allowance for Doubtful Accounts	(585,000)	-
Total	<u>\$ 1,904,963</u>	<u>\$ 1,777,279</u>

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2013 and 2012**

**NOTE C – NOTES RECEIVABLE (Continued)**

The future minimum payments to be received as of December 31,:

Years Ending December 31,	Amount
2014	\$ 503,554
2015	339,245
2016	542,284
2017	377,574
2018	275,853
Thereafter	451,453
	\$ 2,489,963

**NOTE D – INTANGIBLE ASSETS**

The Company's intangible assets include franchise rights, trademarks and goodwill. The Company acquired goodwill of \$2,746,877 during 2013 for the purchase of two franchises. The Company elected to amortize the goodwill balance over ten years. Amortization expense for the years ended December 31, 2013 and 2012 was \$159,289 and \$1,629, respectively. Amortization expense for the next five years ended December 31, are expected as follows:

Years Ending December 31,	Amount
2014	\$ 276,317
2015	276,317
2016	276,317
2017	276,317
2018	276,317
	\$ 1,381,585

**NOTE E – BANK REVOLVING LINES OF CREDIT**

The Company has a \$40,000 revolving line of credit financing arrangement with a financial institution with interest payable monthly at the national prime rate (3.25% at December 31, 2013) plus 4%. The revolving line of credit is guaranteed by certain Company shareholders. The balance was \$25,265 and \$31,468 at December 31, 2013 and 2012, respectively.

The Company had a \$2,000,000 revolving line of credit financing agreement with a financial institution in which they have sold a portion of the franchisee accounts receivable amounts to the financial institution. The account was closed during 2013 and had a balance of \$1,487,991 at December 31, 2012.

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2013 and 2012**

**NOTE E – BANK REVOLVING LINES OF CREDIT (Continued)**

At December 31, 2012, the Company had borrowings under an agreement with a bank available for and reserved as a requirement of the agreement. The amount of such funds totaled \$197,580 for the year ended December 31, 2012, have been classified as "Restricted Cash" in the accompanying Balance Sheets. This account was closed during 2013.

During 2013, the Company obtained a \$3,000,000 revolving line of credit financing arrangement with a financial institution with interest payable monthly at 4.75%, secured by substantially all business assets. The revolving line of credit is guaranteed by a certain Company shareholder. The balance was \$2,262,584 and \$0 at December 31, 2013 and 2012, respectively.

**NOTE F – LONG-TERM DEBT**

Long-term debt consists of the following at December 31:

	<u>2013</u>	<u>2012</u>
Capital leases, payable in monthly installments ranging from \$515 to \$1,094, interest ranging from 8.19% and 10.53%; final payments due from August 2012 to September 2013, secured by vehicles. This note is past due.	\$ 7,334	\$ 70,107
Unsecured note to shareholder, payable in full with accrued interest at 8%, due September 2014.	6,115	25,107
Unsecured note to a related party payable in full with accrued interest at 15%, due September 2013. This note is past due.	50,000	50,000
Unsecured note to shareholder, payable in full with accrued interest at 12%, due September 2013. This note is past due.	100,000	100,000
Unsecured note payable related to a franchise purchase, payable in monthly installments of \$1,192, interest of 8%; due December 2019.	66,505	-
Unsecured note payable to a shareholder related to a franchise purchase, payable in monthly installments of \$40,000, imputed interest of 2.44%, due May 2019.	2,397,040	-



**SIGNAL 88 FRANCHISE GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2013 and 2012**

**NOTE F – LONG-TERM DEBT (Continued)**

	2013	2012
Vehicle loans payable to a financial institution, payable in monthly installments of \$456 to \$1,042, interest ranging from 3.49% to 6.9%; due from March 2015 to December 2019, secured by certain vehicles.	\$ 654,355	\$ -
Vehicle loan payable to a financial institution, payable in monthly installments of \$345, interest of 4.95%; due September 2017, secured by a vehicle.	14,177	-
Vehicle loans payable to a bank, payable in monthly installments of \$595, interest of 4.75%; due June 2018, secured by certain vehicles.	346,734	-
Total long-term debt	3,642,260	245,214
Less current portion of long-term debt	(808,991)	(237,532)
	\$2,833,269	\$ 7,682

The aggregate maturities of long-term debt for the years ending after December 31, 2013 are as follows:

Years Ending December 31,	Amount
2014	\$ 808,991
2015	653,894
2016	670,681
2017	689,685
2018	636,328
Thereafter	182,681
	\$ 3,642,260

**Capital Leases**

The Company leases vehicles under agreements that are classified as capital leases. The cost of the vehicles under the capital leases are included in the Balance Sheets as vehicles and were \$42,500 and \$184,807 at December 31, 2013 and 2012, respectively. Accumulated depreciation on the leased vehicles at December 31, 2013 and 2012 was approximately \$36,833 and \$72,983, respectively. Depreciation of assets under capital leases is included in depreciation expense.

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2013 and 2012**

**NOTE F – LONG-TERM DEBT (Continued)**

**Capital Leases (Continued)**

The future minimum lease payments under the capital leases and the present value of the net minimum lease payments as of December 31, 2013 are as follows:

Total Minimum Lease Payments	\$	7,719
Less: Amount Representing Interest		385
Present Value of Net Minimum Lease Payments		7,334
Less: Current Maturities of Capital Lease Obligation		(7,334)
Long-Term Capital Lease Obligation	\$	-

**NOTE G – RELATED PARTY TRANSACTIONS**

The Company purchases various technology services from a related party, Lyconic, LLC, which is majority owned by a Company shareholder. The total expense for the year ended December 31, 2013 and 2012 was \$389,013 and \$300,000 respectively.

**NOTE H – OPERATING LEASE**

The Company leases office facilities and equipment under operating leases expiring in various years through 2018. Rent expense totaled \$186,354 and \$109,450 for the years ended December 31, 2013 and 2012, respectively.

The future minimum lease payments under noncancelable operating leases as of December 31,:

Years Ending December 31,	Amount
2014	\$ 174,623
2015	163,068
2016	150,753
2017	152,586
2018	59,526
Total	\$ 700,556

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2013 and 2012**

**NOTE I – LESSOR LEASES**

The Company leases vehicles under operating leases expiring in various years through 2018. Rental income totaled \$109,909 and \$0, for the years ended December 31, 2013 and 2012, respectively. The cost of the vehicles being leased are included in the Balance Sheets as vehicles and were \$403,081 and \$0 at December 31, 2013 and 2012, respectively. Accumulated depreciation on the leased vehicles was \$38,186 and \$0 at December 31, 2013 and 2012, respectively.

Future minimum rental receipts from vehicle leases as of December 31, 2013 are as follows:

Years Ending December 31,	Amount
2014	\$ 101,100
2015	101,100
2016	100,350
2017	81,100
2018	32,500
Total	<u>\$ 416,150</u>

**NOTE J – INCOME TAXES**

The components of the income tax benefit for the year ended December 31, 2013:

	Federal	State	Total
Current	\$ -	\$ 5,562	\$ 5,562
Deferred	(322,800)	(64,600)	(387,400)
	<u>\$ (322,800)</u>	<u>\$ (59,038)</u>	<u>\$ (381,838)</u>

The components of the income tax benefit for the year ended December 31, 2012:

	Federal	State	Total
Current	\$ -	\$ 7,100	\$ 7,100
Deferred	(196,000)	(39,200)	(235,200)
	<u>\$ (196,000)</u>	<u>\$ (32,100)</u>	<u>\$ (228,100)</u>

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2013 and 2012**

**NOTE J – INCOME TAXES (Continued)**

Net deferred income taxes include the following components at December 31,:

Net Long-Term Deferred Income Tax Asset (Liability)	2013	2012
Net Operating Loss Carryforward	\$ 924,700	\$ 483,200
Depreciation	(197,900)	(230,100)
Accrual to Cash Conversion	(106,000)	(19,700)
	\$ 620,800	\$ 233,400

As required by the *Income Taxes Topic* (Topic 740) of FASB ASC, the Company is required to recognize, measure, present and disclose tax positions taken or expected to be taken on a tax return. The Company has net operating loss carry forwards of approximately \$1,600,000 that expire at various years through 2033.

Management of the Company has reviewed the nexus rules for filing a return and has determined nexus exists within the state of Nebraska. Applicable laws and regulations attribute any income tax associated with the Company to the shareholders of the Company. Regardless of who pays the tax, any payments to the State of Nebraska should be treated as a transaction with its owners. Management has not taken any positions nor foresees any changes within the next 12 months for which it would be reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease. Tax years that remain subject to examination by major tax jurisdictions are December 31, 2010, 2011, 2012, and 2013.

**NOTE K – RECLASSIFICATIONS**

Certain reclassifications were made to the 2012 financial statements to conform to the 2013 presentation.

## **SUPPLEMENTAL INFORMATION**

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**SUPPLEMENTAL SCHEDULE OF RECASTED STATEMENTS OF OPERATIONS**  
**For the Years Ended December 31, 2013, 2012, 2011 and 2010**

	2010		2011		2012		2013	
	Reported	Recast	Reported	Recast	Reported	Recast	Reported	Recast
Revenues	\$ 3,612,047	\$ 3,211,446	\$ 3,654,492	\$ 2,972,441	\$ 20,981,273	\$ 4,653,254	\$ 27,312,105	\$ 27,312,105
Expenses	3,114,746	3,221,113	3,341,366	3,439,841	20,443,021	4,285,704	27,680,532	27,680,532
Income from Operations	497,301	(9,667)	313,126	(467,400)	538,252	367,550	(368,427)	(368,427)
Other Revenues and Expenses	(22,485)	(22,485)	(55,412)	(55,412)	(98,851)	(98,851)	(1,538,009)	(79,813)
<b>(LOSS) INCOME BEFORE INCOME TAXES</b>	<b>\$ 474,816</b>	<b>\$ (32,152)</b>	<b>\$ 257,714</b>	<b>\$ (522,812)</b>	<b>\$ 439,401</b>	<b>\$ 268,699</b>	<b>\$ (1,906,436)</b>	<b>\$ (448,240)</b>

Management has presented the Supplemental Schedule of Recasted Statements of Operations to show how the Company's financials would have looked if the 2013 Loss on Territory Redactions of \$(1,127,679) and Loss on Franchise Closings \$(330,517) would have occurred in the year the original transaction occurred. The table below shows what the financial impact could have been in those years if the transactions never occurred.

Adjust revenue for territory redactions	\$ -	\$ (400,601)	\$ -	\$ (682,051)	\$ -	\$ (45,027)	\$ -	\$ (1,127,679)
Loss on franchise closings	-	(106,367)	-	(98,475)	-	(125,675)	-	(330,517)

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**

**BLAND & ASSOCIATES, P.C.**  
**Certified Public Accountants**

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## INDEPENDENT AUDITORS' REPORT

To the Shareholders:  
Signal 88 Franchise Group, Inc.  
Omaha, Nebraska

We have audited the accompanying balance sheets of Signal 88 Franchise Group, Inc. (the Company) (a Nebraska corporation) as of December 31, 2011 and 2010, and the related statements of income, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Signal 88 Franchise Group, Inc. as of December 31, 2011 and 2010, the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*BLAND & ASSOCIATES, P.C.*

Omaha, Nebraska  
March 19, 2012

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**BALANCE SHEETS**

<b>ASSETS</b>	December 31,	
	2011	2010
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 132,899	\$ 234,209
Restricted Cash	162,677	142,435
Accounts Receivable	1,320,272	678,200
Current Portion of Notes Receivable	307,262	193,148
Supplies Inventory	5,230	80,646
Deposits	32,091	12,491
Total Current Assets	1,960,431	1,341,129
<b>PROPERTY AND EQUIPMENT</b>		
Vehicles	250,646	197,763
Office and Computer Equipment	131,959	91,767
	382,605	289,530
Less Accumulated Depreciation	(131,364)	(45,462)
Total Property and Equipment	251,241	244,068
<b>OTHER ASSETS</b>		
Note Receivable, Less Current Portion	1,177,877	634,379
Franchise Rights and Trademarks, Net of Accumulated Amortization of \$5,295 and \$3,666, Respectively	119,143	20,772
Debt Issuance Costs Net of Accumulated Amortization of \$42,581 and \$3,548, Respectively	-	39,033
Total Other Assets	1,297,020	694,184
	<b>\$ 3,508,692</b>	<b>\$ 2,279,381</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
	December 31,	
	2011	2010
<b>CURRENT LIABILITIES</b>		
Bank Revolving Lines of Credit	\$ 968,632	\$ 647,524
Current Portion of Long-Term Debt	137,866	225,485
Accounts Payable	344,257	335,397
Accrued Expenses	4,366	57
Franchise Deposits	-	25,000
Total Current Liabilities	1,455,121	1,233,463
<b>LONG-TERM LIABILITIES</b>		
Long-Term Debt, Less Current Portion	114,835	218,912
Deferred Income Taxes	1,800	157,500
Total Long-Term Liabilities	116,635	376,412
Total Liabilities	1,571,756	1,609,875
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Common Shares, \$1 Par Value, 1,000 Shares Authorized, 149 Shares Issued and Outstanding	149	100
Additional Paid In Capital	1,131,132	277,165
Retained Earnings	805,655	392,241
Total Shareholders' Equity	1,936,936	669,506
	<b>\$ 3,508,692</b>	<b>\$ 2,279,381</b>

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

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**STATEMENTS OF INCOME**

	Years Ended December 31,	
	2011	2010
<b>REVENUES</b>		
Franchise Territory Fee	\$ 1,460,660	\$ 1,723,588
Royalty Revenue	1,356,489	571,534
Vehicle Uplift	354,036	781,797
Field Operations	334,769	318,756
Other	148,538	216,372
Total Revenues	3,654,492	3,612,047
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Salaries	762,546	615,712
Area Representatives Commissions	453,549	377,439
Field Operations	357,084	357,204
Office Expense	353,659	196,538
Supplies and Materials	351,490	653,977
Technology Expense	309,008	170,323
Advertising	286,641	254,054
Professional Fees	126,956	175,345
Depreciation and Amortization	126,564	38,548
Licenses and Permits	108,854	161,783
Insurance	47,744	45,264
Travel	43,304	52,054
Bad Debt Expense	13,967	16,505
Total General and Administrative Expenses	3,341,366	3,114,746
<b>INCOME FROM OPERATIONS</b>	313,126	497,301
<b>OTHER REVENUES AND EXPENSES</b>		
Interest Income	93,353	19,205
Interest Expense	148,765	41,690
Total Other Revenues and (Expenses)	(55,412)	(22,485)
Income Before Provision For Income Taxes	257,714	474,816
<b>PROVISION FOR INCOME TAXES</b>	(155,700)	173,800
<b>NET INCOME</b>	<b>\$ 413,414</b>	<b>\$ 301,016</b>

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

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**STATEMENTS OF SHAREHOLDERS' EQUITY**  
For the Years Ended December 31, 2011 and 2010

	Common Shares	Additional Paid In Capital	Retained Earnings	Total Shareholders' Equity
<b>BALANCES, January 1, 2010</b>	\$ 100	\$ 102,900	\$ 91,225	\$ 194,225
Contributed Capital	-	174,265	-	174,265
Net Income	-	-	301,016	301,016
<b>BALANCES, December 31, 2010</b>	100	277,165	392,241	669,506
Issuance of Common Stock	49	823,967	-	824,016
Contributed Capital	-	30,000	-	30,000
Net Income	-	-	413,414	413,414
<b>BALANCES, December 31, 2011</b>	<u>\$ 149</u>	<u>\$ 1,131,132</u>	<u>\$ 805,655</u>	<u>\$ 1,936,936</u>

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

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$ 413,414	\$ 301,016
Adjustments to Reconcile Net Income to Net Cash		
Used in Operating Activities:		
Depreciation	85,902	33,370
Amortization	40,662	5,178
Deferred Income Taxes	(155,700)	173,800
Issuance of Note Receivable	(657,612)	(827,527)
(Increase) Decrease in Current Assets:		
Accounts Receivable	(642,072)	(278,849)
Supplies Inventory	75,416	(33,633)
Deposits	(19,600)	(12,491)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	8,860	274,780
Accrued Expenses	4,309	(7,410)
Franchise Deposits	(25,000)	12,981
Deferred Franchise Fees	-	(50,000)
Net Cash Used in Operating Activities	(871,421)	(408,785)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(40,192)	(69,650)
Purchase of Service Mark	(100,000)	-
Net Cash Used in Investing Activities	(140,192)	(69,650)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in Bank Overdraft	-	(14,362)
Net Advances of Bank Revolving Lines of Credit	321,108	635,936
Net Proceeds of Long-Term Debt	-	20,000
Payments on Capital Lease Obligations	(55,769)	(23,179)
Advances from Shareholders	-	150,000
Repayments to Shareholders	(188,810)	(25,000)
Debt Issuance Costs	-	(42,581)
Common Stock Issued	49	-
Contributed Capital	853,967	154,265
Net Cash Provided by Financing Activities	930,545	855,079
Net (Decrease) Increase in Cash and Cash Equivalents	(81,068)	376,644
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	376,644	-
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 295,576</b>	<b>\$ 376,644</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest Paid	\$ 148,765	\$ 41,690
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Shareholder Loan Converted to Additional Paid in Capital	\$ 30,000	\$ 20,000
Long-Term Debt Incurred to Purchase Property and Equipment	\$ 52,883	\$ 71,543

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

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2011 and 2010**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Signal 88 Franchise Group, Inc. (the Company), is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**Nature of Business**

The Company was incorporated in November 2007 with the objective of establishing franchises throughout the United States that provide security services to its customers. The Company's revenue is derived from its franchisees. There is one company-owned franchise.

**Franchise Rights and Trademarks**

The Company's intangible assets include costs incurred to obtain trademarks and franchising rights for the Company. These costs are amortized using the straight-line method over 15 years, beginning in October 2008, when the initial franchise began operations.

**Franchise Operations**

Upon establishing franchise operations, the Company expects to record initial franchise fees as revenue when the Company has performed its service requirements, normally concurrent with the opening of a franchise unit.

Continuing franchise fees are expected to be determined as a percentage of franchise unit sales. These fees are expected to be recognized as revenue in the period sales are earned by the franchisees.

Company personnel support franchise unit owners by providing certain administrative, operational, technological, and sales and marketing assistance. In addition, in some markets, the Company provides additional assistance to franchise unit owners by employing a network of independently-contracted area representatives that provide additional operational and sales and marketing support.

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2011 and 2010**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Franchise Operations (Continued)**

The following is a summary of changes in the number of franchises for the year ended December 31,:

	2011	2010
Company-owned outlets		
In operation, beginning of year	1	-
Commenced during the year	-	1
In operation, end of year	1	1
Franchised outlets		
In operation, beginning of year	59	29
New franchises sold during the year	17	31
Merged during the year	(1)	-
Ceased operations during the year	(4)	-
Purchased by the Company during the year	(1)	(1)
In operation, end of year	70	59
Total in operation, end of year	71	60

The Company purchased back a franchise in August 2011 and sold it again in December 2011.

**Revenue Recognition**

Revenue from sales of individual franchises is recognized, net of an allowance for uncollectible amounts, when substantially all significant services to be provided to the franchisee have been performed. Deferred franchise fees consist of signed franchises sold that do not meet revenue recognition requirements as of the balance sheet date.

**Use of Estimates**

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates employed.

**Cash and Cash Equivalents**

The Company considers all highly liquid financial instruments with maturities of three months or less to be cash equivalents.

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2011 and 2010**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounts Receivable**

Accounts receivable are carried at the original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by regularly evaluating the accounts receivable listing and considering a customer's financial condition, credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

On January 1, 2010 the Company adopted Accounting Standards Update (ASU) No. 2009-16 Accounting Standards Codification (ASC Topic 860, *Transfers and Servicing*), *Accounting for Transfers of Financial Assets*. This ASU is intended to improve the information provided in the financial statements concerning transfers of financial assets, including the effects of transfers on financial positions, financial performance and cash flows, and any continuing involvement of the transferor with the transferred financial asset. The Company evaluated the impact of adopting the guidance and determined that the sale of accounts receivable that occurred in 2010 should be classified as secured borrowings. Under these arrangements, the Company will be required to repurchase receivables that were purchased by the bank if the minimum payment due on the receivable remains unpaid following 120 days after the invoice date, if any customer is bankrupt or insolvent, or if any dispute arises with a franchisee regarding such receivables. All notes payable to shareholders are subordinate to this agreement. For the year ended December 31, 2011 and 2010 the outstanding balance included in accounts receivable is \$928,799 and \$602,074 respectively. The maximum amount of total franchise receivables available for participation in these programs was \$929,799 and \$602,074 at December 31, 2011 and 2010 respectively.

**Supplies Inventory**

Inventory, consisting of supplies held for consumption and merchandise held for resale, is stated at the lower of cost or market. Cost is determined using the FIFO (first-in, first-out) method.

**Income Taxes**

Deferred income tax assets and liabilities are computed annually for the differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities. The Company is on the cash-basis for income tax reporting.



**SIGNAL 88 FRANCHISE GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2011 and 2010**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment**

Property and equipment is recorded at cost. Additions, renewals, and betterments are capitalized, whereas expenditures for maintenance and repairs are expensed as incurred. The cost and related accumulated depreciation of assets retired or sold is removed from the appropriate asset and contra-asset accounts, with the resulting gain or loss recognized.

Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives using straight-line methods. The estimated useful lives by type are as follows:

	<u>Years</u>
Vehicles	3-5
Office and Computer Equipment	3-10

**Advertising**

The Company expenses advertising costs as they are incurred. Advertising expenses were \$286,641 and \$254,054 for the years ended December 31, 2011 and 2010, respectively.

**Subsequent Events**

Management has evaluated subsequent events through March 19, 2012, which is the date the financial statements were available to be issued.

**NOTE B – CONCENTRATION OF CREDIT RISK**

The Company has two types of financial instruments subject to credit risk. The Company maintains cash balances in a financial institution in which the balances sometimes exceed the federally insured limits. The Company's accounts receivable also subjects the Company to credit risk.

**NOTE C – NOTES RECEIVABLE**

The Company has secured non-interest bearing notes receivable of \$1,485,139 at December 31, 2011 for various franchise territory expansions. These notes mature at various dates from 2012 through 2017.

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2011 and 2010**

**NOTE C – NOTES RECEIVABLE (Continued)**

The future minimum payments to be received as of December 31,:

<u>Years Ending December 31,</u>	<u>Amount</u>
2012	\$ 307,262
2013	328,940
2014	235,000
2015	240,000
2016	216,932
Thereafter	157,005
	<u>\$ 1,485,139</u>

**NOTE D – FRANCHISE RIGHTS AND TRADEMARKS**

The Company's intangible assets include franchise rights and trademarks acquired during the organization of the Company. Amortization expense for the years ended December 31, 2011 and 2010 were \$40,662 and \$5,178, respectively. Amortization expense for the next five years ended December 31, are expected as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2012	\$ 1,629
2013	1,629
2014	1,629
2015	1,629
2016	1,629
	<u>\$ 8,145</u>

**NOTE E – BANK REVOLVING LINES OF CREDIT**

The Company has a \$50,000 revolving line of credit financing arrangement with a financial institution with interest payable monthly at the national prime rate (3.25% at December 31, 2011) plus 4%. The line of credit is guaranteed by certain Company shareholders. The balance was \$39,833 and \$45,450 at December 31, 2011 and 2010, respectively.

The Company has a \$1,500,000 line of credit financing agreement with a financial institution in which they have sold a portion of the franchisee accounts receivable amounts to the financial institution. The balance was \$928,799 and \$602,074 at December 31, 2011 and 2010 respectively.

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2011 and 2010**

**NOTE E – BANK REVOLVING LINES OF CREDIT (Continued)**

At December 31, 2011 and 2010, the Company had borrowings under an agreement with a bank available for and reserved as a requirement of the agreement. The amount of such funds totaling \$162,677 and \$142,435, for the years ended December 31, 2011 and 2010 respectively, have been classified as "Restricted Cash" in the accompanying Balance Sheets.

**NOTE F – LONG-TERM DEBT**

Long-term debt consists of the following at December 31,:

	2011	2010
Capital leases, payable in monthly installments ranging from \$515 to \$1,094, interest ranging from 8.19% and 10.53%; final payments due from August 2012 to September 2013, secured by vehicles.	\$ 161,511	\$ 164,397
Unsecured note to shareholder, payable in full with accrued interest at 8%, due September 2014.	41,190	100,000
Unsecured note to a related party payable in full with accrued interest at 15%, due September 2012.	50,000	50,000
Unsecured notes to shareholders; notes were paid off as of December 31, 2011.	-	130,000
Total long-term debt	252,701	444,397
Less current portion of long-term debt	137,866	225,485
	\$ 114,835	\$ 218,912

The aggregate maturities of long-term debt for the years ending after December 31, 2011 are as follows:

Years Ending December 31,	Amount
2012	\$ 137,866
2013	107,153
2014	7,682
	\$ 252,701

The Company leases vehicles under agreements that are classified as capital leases. The cost of the vehicles under the capital leases are included in the Balance Sheet as vehicles and were \$250,646 and \$197,763 at December 31, 2011 and 2010 respectively. Accumulated depreciation on the leased equipment at December 31, 2011 and 2010 was approximately \$88,929 and \$35,054. Depreciation of assets under capital leases is included in depreciation expense.

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2011 and 2010**

**NOTE F – LONG-TERM DEBT (Continued)**

The future minimum lease payments under the capital leases and the present value of the net minimum lease payments as of December 31, 2011 are as follows:

	Years Ending December 31,	Amount
	2012	\$ 83,730
	2013	93,637
Total Minimum Lease Payments		177,367
Less: Amount Representing Interest		15,857
Present Value of Net Minimum Lease Payments		161,510
Less: Current Maturities of Capital Lease Obligation		71,784
Long-Term Capital Lease Obligation		\$ 89,726

**NOTE G – RELATED PARTY TRANSACTIONS**

The Company purchases various technology services from a related party, Lyconic, LLC, which is majority owned by a Company shareholder. The total expense for the years ended December 31, 2011 and 2010 were \$297,200 and \$170,323, respectively.

**NOTE H – OPERATING LEASE**

The Company leases office facilities under operating leases expiring in various years through 2016. Rent expense totaled \$79,468 and \$39,724 for the years ended December 31, 2011 and 2010.

The future minimum lease payments under noncancelable operating leases as of December 31,:

Years Ending December 31,	Amount
2012	\$ 82,933
2013	82,834
2014	62,955
2015	49,551
2016	20,815
Total	\$ 299,088

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2011 and 2010**

**NOTE I – INCOME TAXES**

The components of the provision for the income tax for the years ended December 31,:

<u>2011</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current	\$ -	\$ -	\$ -
Deferred	(129,700)	(25,900)	(155,700)
	<u>\$ (129,700)</u>	<u>\$ (26,000)</u>	<u>\$ (155,700)</u>
<u>2010</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current	\$ -	\$ -	\$ -
Deferred	144,800	29,000	173,800
	<u>\$ 144,800</u>	<u>\$ 29,000</u>	<u>\$ 173,800</u>

As of December 31, net deferred income taxes include the following components:

	<u>2011</u>	<u>2010</u>
Net Current Deferred Income Tax Asset (Liability)		
Net Operating Loss Carryforward	\$ -	\$ -
Deferred Franchise Fees	-	-
Net Current Deferred Income Tax Asset	<u>\$ -</u>	<u>\$ -</u>
Net Long-Term Deferred Income Tax Asset (Liability)		
Net Operating Loss Carryforward	\$ 378,000	\$ 123,000
Depreciation	(361,200)	(46,000)
Accrual to Cash Conversion	(18,600)	(234,500)
	<u>\$ (1,800)</u>	<u>\$ (157,500)</u>

As required by the Income Taxes Topic (Topic 740) of FASB ASC, the Company is required to recognize, measure, present and disclose tax positions taken or expected to be taken on a tax return. The Company has implemented this standard in the financial statements for the years ending December 31, 2011 and 2010.

Management of the Company has reviewed the nexus rules for filing a return and has determined nexus exists within the state of Nebraska. Applicable laws and regulations attribute any income tax associated with the Company to the five shareholders of the Company. Regardless of who pays the tax, any payments to the State of Nebraska should be treated as a transaction with its owners. Management has not taken any positions nor foresees any changes within the next 12 months for which it would be reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease. Tax years that remain subject to examination by major tax jurisdictions are December 31, 2008, 2009, 2010 and 2011.

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2011 and 2010**

**NOTE J – RECLASSIFICATIONS**

Certain reclassifications were made to the 2010 financial statements to conform to the 2011 presentation.

**EXHIBIT J**  
**(to Franchise Disclosure Document)**

**FRANCHISEE QUESTIONNAIRE ACKNOWLEDGEMENT**

As you know, Signal 88 Franchise Group, Inc., and you are preparing to enter into a Franchise Agreement for operating a Signal 88 franchised business. The purpose of this Questionnaire is to determine whether any statements or promises were made to you, either orally or in writing, that Signal 88 has not authorized and that may be untrue, inaccurate or misleading, and to help ensure that Signal 88 has complied with its franchise obligations. Please review each of the following questions carefully and provide an honest and complete response to each question.

This Questionnaire is to be completed by each franchisee (if the franchisee is an individual) or each owner of each franchisee (if the franchisee is an entity) immediately prior to signing a Franchise Agreement. Please use as many copies of this Questionnaire as may be necessary for each such person to fill out and sign his own Questionnaire.

1. Have you received and read the Signal 88 Franchise Disclosure Document, including the Franchise Agreement, and all other attachments, for the state where you reside and where your franchised business will be located?

Yes\_\_\_\_ No\_\_\_\_

2. Did you receive your Signal 88 Franchise Disclosure Documents at least fourteen (14) calendar days before you paid any money and at least fourteen calendar days before you signed any agreement to buy your franchise?

Yes\_\_\_\_ No\_\_\_\_

3. Have you received and read the following agreements (including but not limited to any addenda, exhibits, and other attachments for each such agreement)?

Franchise Agreement	Yes____	No____
Confidentiality Agreement	Yes____	No____
Security Agreement	Yes____	No____
Subcontract Agreement	Yes____	No____
Guaranty	Yes____	No____

4. Were all blanks in the Franchise Agreement, and all related agreements (including but not limited to the agreements listed above), and each attachment (if any), and all inserts and changes (if any) completed and delivered to you in final form at least seven (7) calendar days before you signed them?

Yes\_\_\_\_ No\_\_\_\_

5. Have you discussed the benefits and risks of operating a Signal 88 franchise with an attorney, accountant or other professional advisor and do you understand those risks?

Yes\_\_\_\_ No\_\_\_\_

6. If not, did you have the opportunity to do so?

Yes\_\_\_\_ No\_\_\_\_

7. Do you understand that the success or failure of your franchise will depend in large upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes\_\_\_\_ No\_\_\_\_

NOTE: Questions 8 through 12 below do not apply to information you may have been given directly by any existing franchisees of Signal 88.

8. Has any employee or other person speaking on behalf of Signal made any written or oral statement or promise concerning the actual or projected revenues, profits or operating costs of a Signal 88 business (other than what is clearly included in the Franchise Disclosure Document or Franchise Agreement)?

Yes\_\_\_\_ No\_\_\_\_

9. Has any employee or other person speaking on behalf of Signal 88 made any written or oral statement or promise regarding the amount of money you may earn in operating the franchised business (other than what is clearly included in the Franchise Disclosure Documents or Franchise Agreement)?

Yes\_\_\_\_ No\_\_\_\_

10. Has any employee or other person speaking on behalf of Signal 88 made any written or oral statement or promise concerning the likelihood of success that you should or might expect to achieve from operating the Signal 88 franchise?

Yes\_\_\_\_ No\_\_\_\_

11. Has any employee or other person speaking on behalf of Signal 88 made any written or oral statement, promise or agreement concerning the advertising, marketing, training, support services or assistance that Signal 88 will furnish to you that is contrary to, or different from, the information contained in the Franchise Disclosure Document or Franchise Agreement?

Yes\_\_\_\_ No\_\_\_\_

12. Has any employee or other person speaking on behalf of Signal 88 made any other written or oral statement, promise or agreement relating to the Signal 88 franchise that is contrary to, or different from, the information contained in the Franchise Disclosure Document or Franchise Agreement?



Yes\_\_\_\_ No\_\_\_\_

13. Did any employee or other person speaking on behalf of Signal 88 make any statements, representations, or promises to you that pertain to obligations of Signal 88 or information not stated in the Franchise Agreement or this Franchise Disclosure Document?

Yes\_\_\_\_ No\_\_\_\_

If you have answered "Yes" to any of questions 8 through 12, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered "No" to each of the foregoing questions, please leave the following lines blank.

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Furthermore to ensure that your decision to purchase a Signal 88 franchise is based upon your own independent investigation and judgment, please read the following statements and, if you agree with all such statements, complete and sign this Acknowledgement.

14. I acknowledge that I am entering into the Franchise Agreement solely as a result of my own independent investigation and not as a result of any representations, statements, or promises made by Signal 88 or its agents that are not contained in the Franchise Agreement.
15. Without limiting the acknowledgment in paragraph 13 above, I specifically acknowledge that am not relying on any representations, statements, or promises of Signal 88 or its agents concerning Signal 88, the System, the financial performance achieved by other franchisees or company-owned outlets, the financial performance that I might achieve or might expect to achieve, or any other aspect of the franchise offering that are not contained in the Franchise Agreement.
16. I acknowledge that Signal 88 does not furnish and does not authorize its employees or agents to furnish any oral or written information concerning actual performance of existing franchises or other outlets, or actual or potential sales, costs, income, or profits of the Franchised Business, other than what is contained in the Franchise Agreement or the Franchise Disclosure Document Signal 88 gave to me.
17. I have made my own independent determination that I have adequate working capital to develop, open and operate my franchise.

18. I understand that my investment in a Signal 88 franchise has substantial business risks and that there is no guarantee that it will be profitable.
19. I acknowledge that any representations made to me concerning the financial performance of the Franchised Business are only estimates, and that the success of my Signal 88 franchise depends in large part upon my ability as an independent business person and my active participation in the day to day operation of the business, as well as local market conditions.
20. I have been advised by Signal 88 and its representatives to seek professional legal and financial advice in all matters concerning the purchase of my Signal 88 franchise.
21. I acknowledge that I have had ample opportunity to consult with my own attorneys, accountants, and other advisors and that the attorneys for Signal 88 have not advised or represented me with respect to this Agreement or the relationship thereby created.
22. I and my advisors have sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the Franchise Agreement.
23. The name(s) of the person(s) with whom I dealt in the purchase of my Signal 88 franchise is/are:  
  
\_\_\_\_\_  
  
\_\_\_\_\_
24. I acknowledge that neither Signal 88 nor any affiliate, employee, agent, or representative of Signal 88 has guaranteed that I will derive any income from the Franchised Business, or that Signal 88 will refund all or part of the price paid for the Franchised Business or repurchase any of the products, equipment, supplies, or goods supplied by Signal 88 if I am unsatisfied with the Franchised Business.
25. I acknowledge that all material statements, representations, and promises that were made orally prior to the execution of the Franchise Agreement were consistent with the statements, representations, and promises contained in the Franchise Agreement and this Franchise Disclosure Document and did not suggest any additional or different information or grant or impose any additional or different rights or obligations from what are stated in the Franchise Agreement and Franchise Disclosure Document.
26. I understand that my answers are important to Signal 88 and that Signal 88 will rely on them. I also understand that the persons listed above in paragraph 22 and other officers, directors, employees and representatives of Signal 88 (and, if you have had any contact with any Signal 88's affiliates, of such affiliates) have acted in a representative and not

an individual capacity in all conduct with you; and that none is personally liable for any reason.

27. By signing this Questionnaire, I am representing that I have responded truthfully to the questions and acknowledgements numbered 1 through 27.

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

**EXHIBIT K**  
(to Franchise Disclosure Document)

**RELEASE**

You must sign the Release below as a condition to your entry into the Franchise Agreement. The Release, however, only applies to the extent it is not prohibited by applicable law.

## RELEASE

This Release ("Release") is entered into effective as of \_\_\_\_\_, 20\_\_\_\_ (the "Effective Date") in favor of Signal 88 Franchise Group, Inc., a Nebraska corporation ("Franchisor") by \_\_\_\_\_, a/an \_\_\_\_\_ ("Franchisee"), and \_\_\_\_\_, and \_\_\_\_\_ (collectively referred to as "Guarantors"). Terms not otherwise defined herein shall have the meaning attributed to them in the Franchise Agreement (defined below).

1. Recitals. Franchisor and Franchisee have signed that certain Signal 88 Security Franchise Agreement dated \_\_\_\_\_ (the "Franchise Agreement"), relating to the Signal 88 business to be located in \_\_\_\_\_, \_\_\_\_\_ (the "Business"). Guarantors have executed the Franchise Agreement and agreed to guaranty Franchisee's performance thereunder. The rights related to the Business granted under the Franchise Agreement are referred to herein as the "Franchise". As a condition to the grant of rights to Franchisee and Franchisor's execution of the Franchise Agreement, Franchisor requires that Franchisee and Guarantors release all claims that each of them may have against Franchisor relating to the Franchise, the Franchise Agreement and the Business as of the Effective Date.

2. Release of Franchisor and Related Parties. Franchisee and the Guarantors, for themselves and on behalf of their current and former officers, directors, shareholders, members, partners, affiliates, agents, attorneys, representatives, predecessors, successors and assigns (collectively, the "Franchisee Releasing Parties"), absolutely and unconditionally waive, release and forever discharge Franchisor and its current and former officers, directors, shareholders, members, partners, affiliates, agents, attorneys, representatives, predecessors, successors and assigns (collectively, the "Franchisor Released Parties"), from all claims, demands, obligations, liabilities, actions, and causes of actions whatsoever, in law or equity, that any Franchisee Releasing Party has, ever had or may in the future have arising under or related to the Franchise, the Franchise Agreement, the Business or any other matters between the Franchisor Released Parties and the Franchisee Releasing Parties, whether known or unknown, that occurred on or before the Effective Date, provided that this Release only applies to the extent it is not prohibited by applicable law.

3. Covenant Not to Sue. The Franchisee Releasing Parties agree not to commence any proceeding of any nature against the Franchisor Released Parties based on any claim, demand, agreement, obligation, liability or cause of action whatsoever, in law or equity, that has been released pursuant to Section 2 above. The Franchisee Releasing Parties represent and warrant that they have not assigned to anyone any claim related to the claims described in Section 2 that may now or subsequently be asserted against the Franchisor Released Parties.

4. Voluntary Action. Franchisee and Guarantors represent and warrant to Franchisor that each of them has had the opportunity to consult with independent legal counsel and other professional advisors of their choice with respect to this Release and has concluded on its or his own behalf that the provision of this Release serves its or his own best interests. Franchisee and Guarantors confirm that it or he or she voluntarily entered into this Release of its or his or her own free will and without undue pressure from any source or reliance on any representation or statement of any kind that is not set forth or expressly referred to in this Release.

5. Counterparts. This Release may be executed in multiple counterparts, all of which shall together be deemed to constitute one final agreement, and each such counterpart shall be deemed to be an original, binding the party who subscribed it. A signature transmitted by fax or

email/PDF shall be deemed an original signature that is effective and binding for all purposes.

6. Governing Law; Jurisdiction and Venue. This Release will be governed by and interpreted and enforced in accordance with the laws of the State of Nebraska, disregarding its conflicts of laws principles. The parties mutually agree that jurisdiction and venue to adjudicate any dispute that arises under or with respect to this Release will lie exclusively with and in the state and federal courts sitting in Douglas County, Nebraska.

EXECUTED AND DELIVERED as of the Effective Date.

FRANCHISEE:

\_\_\_\_\_,  
a/an \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

GUARANTORS:

Name: \_\_\_\_\_ Name: \_\_\_\_\_

**ACKNOWLEDGED AND ACCEPTED BY FRANCHISOR:**

SIGNAL 88 FRANCHISE GROUP, INC.,  
A Nebraska corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## ITEM 23

### RECEIPT

#### Signal 88 Franchise Group, Inc.

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

If Signal 88 offers you a franchise, Signal 88 must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise agreement or other agreement or the payment of any consideration that relates to the franchise relationship.

Iowa requires that we give you this disclosure document at the earlier of the first personal meeting or fourteen calendar days before the execution of the franchise agreement or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan and Washington require that we give you this disclosure document at least ten business days before the execution of any binding franchise agreement or other agreement or the payment of any consideration, whichever occurs first.

If Signal 88 does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and your State's regulatory agency listed on Exhibit A.

The franchisor is Signal 88 Franchise Group, Inc. located at 3880 South 149<sup>th</sup> Street, Suite 102, Omaha, NE 68244. Its telephone number is (877) 498-8494.

The franchise seller for this offering is \_\_\_\_\_, whose contact information is as follows: at 3880 South 149<sup>th</sup> Street, Suite 102, Omaha, NE 68144, (877) 498-8494.

Date of Issuance: April 18, 2014, as amended June 13, 2014

The name and address of the franchisor's registered agent to receive service of process is listed in Exhibit B.

I have received a disclosure document dated April 18, 2014, as amended June 13, 2014 that included the following Exhibits:

- Exhibit A - Table of State Franchise Authorities
- Exhibit B - Agents for Service of Process
- Exhibit C - Operations Manual Table of Contents
- Exhibit D - State Addenda to Franchise Disclosure Document
- Exhibit E - Franchise Agreement, Exhibits, State Addenda, SBA Addendum

- Exhibit F - Financing Agreement, Exhibits
- Exhibit G - List of Franchisees and Company-Owned Business Units
- Exhibit H - Financial Statements
- Exhibit I - Franchisee Questionnaire Acknowledgment
- Exhibit J - Release

**PROSPECTIVE FRANCHISEE:**

If a corporation or other business entity:

If an individual:

\_\_\_\_\_  
(Name of Entity)

\_\_\_\_\_  
(Printed Name)

By: \_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Signature)

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**TWO COPIES OF THIS RECEIPT ARE PROVIDED. PLEASE DATE, SIGN, AND RETURN ONE COPY (BOTH PAGES) TO:**

**SIGNAL 88 FRANCHISE GROUP, INC.  
3880 S. 149th Street, Ste. 102  
Omaha, NE 68144  
Attention: Reed L. Nyffeler  
nyffeler@signal88.com  
facsimile - (402) 502-2078**

**PLEASE KEEP ONE COPY OF THIS RECEIPT FOR YOUR RECORDS.**



## ITEM 23

### RECEIPT

#### Signal 88 Franchise Group, Inc.

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

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New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise agreement or other agreement or the payment of any consideration that relates to the franchise relationship.

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Michigan and Washington require that we give you this disclosure document at least ten business days before the execution of any binding franchise agreement or other agreement or the payment of any consideration, whichever occurs first.

If Signal 88 does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and your State's regulatory agency listed on Exhibit A.

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- Exhibit D - State Addenda to Franchise Disclosure Document
- Exhibit E - Franchise Agreement, Exhibits, State Addenda, SBA Addendum

- Exhibit F - Development Agreement
- Exhibit G - Financing Agreement, Exhibits
- Exhibit H - List of Franchisees and Company-Owned Business Units
- Exhibit I - Financial Statements
- Exhibit J - Franchisee Questionnaire Acknowledgment
- Exhibit K - Release

**PROSPECTIVE FRANCHISEE:**

**If a corporation or other business entity:**

**If an individual:**

\_\_\_\_\_  
**(Name of Entity)**

\_\_\_\_\_  
**(Printed Name)**

By: \_\_\_\_\_  
**(Signature)**

\_\_\_\_\_  
**(Signature)**

**Printed Name:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**TWO COPIES OF THIS RECEIPT ARE PROVIDED. PLEASE DATE, SIGN, AND RETURN ONE COPY (BOTH PAGES) TO:**

**SIGNAL 88 FRANCHISE GROUP, INC.**  
**3880 S. 149th Street, Ste. 102**  
**Omaha, NE 68144**  
**Attention: Reed L. Nyffeler**  
**rnyffeler@signal88.com**  
**facsimile - (402) 502-2078**

**PLEASE KEEP ONE COPY OF THIS RECEIPT FOR YOUR RECORDS.**