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EMPLOYEE LIABILITY AND LOSS RECOVERY AGREEMENT

Agreement Date: November 15, 2023

Between: TECHGUARD CYBERSECURITY SOLUTIONS INC., a corporation incorporated under the laws of the State of California, with its principal place of business at 888 Silicon Valley Boulevard, Suite 1200, San Jose, CA 95128 (hereinafter referred to as "**the Company**").

And: MARCUS R. DONNELLY, residing at 321 Redwood Circle, Apt. 4B, Mountain View, CA 94041 (hereinafter referred to as "**the Employee**").

Background:

- (A) The Employee is employed by the Company in the position of **Senior Security Implementation Specialist**.
- (B) This agreement outlines specific terms regarding financial liability for losses incurred by the Company as a direct result of the Employee's specific actions, omissions, or gross negligence, as defined herein.

1. Definitions

1.1. "**Covered Loss**" means a direct financial loss to the Company, including but not limited to loss of funds, damage to equipment, loss of client data, contractual penalties, or regulatory fines, that is **solely and directly attributable** to:

- (a) A deliberate act of fraud, wilful misconduct, or dishonesty by the Employee; or
- (b) A grossly negligent act or omission by the Employee, defined as a reckless disregard for established Company policies or professional standards where damage was substantially certain to occur.

1.2. "**Gross Negligence**" shall not include honest errors in judgment, mistakes made in good faith while performing duties, or failures resulting from inadequate training, supervision, or resources provided by the Company.

2. Acknowledgement of Duties and Policies

The Employee acknowledges that they have received, read, and understood the Company's relevant policies, including the **Client Data Handling Policy (v.3.2)**, **Remote Access and VPN Security Protocol**, **Client Configuration Change Authorization Policy**, and the Company's **Code of Ethical Security Practices**.

The Employee agrees to perform their duties with reasonable care and diligence.

3. Liability for Covered Losses

3.1. In the event of a **Covered Loss**, the Employee shall be personally liable to the Company for the amount of the loss, up to a maximum cap of **four (4) months of the Employee's base salary** or the actual amount of the loss, whichever is **lower**. (Employee's current base salary: \$9,166.67/month. Maximum liability cap: \$36,666.68).

3.2. The Company's determination of a Covered Loss must be supported by documented evidence and a formal internal investigation in which the Employee has the right to be heard and to present their case.

4. Recovery Mechanism

4.1. Recovery of the loss amount shall be through payroll deduction.

4.2. Any such deduction shall be made in installments, not exceeding **18%** of the Employee's net monthly salary per pay period, until the recoverable amount is paid in full.

4.3. The Company shall provide the Employee with a written statement detailing the loss, the evidence, the determined recoverable amount, and the deduction schedule.

5. Dispute Resolution

5.1. If the Employee disputes the classification of the loss as a "Covered Loss" or the amount, they must notify the Company in writing within **five (5) business days** of receiving the written statement.

5.2. The dispute shall first be referred to the **Ethics & Compliance Committee**. If unresolved, it shall be settled by binding arbitration in Santa Clara County, California, in accordance with the **California Arbitration Act (Code of Civil Procedure § 1280 et seq.)**.

5.3. No deductions shall commence until the dispute resolution process is conclusively resolved in the Company's favor.

6. Termination

This liability provision survives the termination of the Employee's employment for acts or omissions occurring during their employment. The Company's right to recover a Covered Loss is not extinguished by resignation or dismissal.

7. General Provisions

7.1. **No Punitive Action:** Recovery under this clause is a civil liability mechanism and is separate from any disciplinary action the Company may take.

7.2. **Insurance:** The Company maintains **Cyber Liability Insurance (Policy #**

CYB-5561123) and Professional Errors & Omissions Insurance. This agreement does not preclude the Company from making an insurance claim. Employee recovery may be sought in conjunction with or subsequent to an insurance claim, subject to the insurer's terms and any applicable subrogation rights.

7.3. Governing Law: This agreement is governed by the laws of the **State of California.**

7.4. Severability: If any provision is found invalid, the remainder of the agreement stays in force.

7.5. Entire Agreement: This clause supplements but does not replace the main employment contract (dated August 22, 2022). In case of conflict on this specific issue, this agreement prevails.

Acknowledgement

The Employee acknowledges that they have had the opportunity to seek independent legal advice before signing this agreement and that they understand its terms, particularly those relating to personal financial liability.

Signatures:

For the Company:

Name: **Robert K. Ishikawa**

Title: **Chief Operations Officer**

Date: _____

The Employee:

Name: **Marcus R. Donnelly**

Date: _____