



FRANCHISE DISCLOSURE DOCUMENT
20152016

#29100AA-D

FRANCHISE DISCLOSURE DOCUMENT FOR PROSPECTIVE FRANCHISEES



SERVPRO INDUSTRIES, INC.
801 Industrial Boulevard
P. O. Box 1978
Gallatin, TN 37066
(615) 451-0200 or (800) 826-9586
Kbrown@servpronet.com
www.servpro.com

You will provide professional residential and commercial cleaning, and restoration of damage caused by fire, flood, and other disasters.

The total investment necessary to begin operation of a Servpro Industries, Inc. franchise for a Trainer Distributor license is from \$92,950.00 dollars to \$111,300.00 dollars. This includes \$55,000.00 that must be paid to the franchisor for the license.

The total investment necessary to begin operation of a Servpro Industries, Inc. franchise for a Director Distributor license is from \$187,650.00 dollars to \$206,000.00 dollars. This includes \$150,000.00 that must be paid to the franchisor for the license.

These estimates do not include any additional franchise or license fee for a larger operating territory or distribution area, rent for a business location or your salary during the initial start-up period.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no 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 the Franchise Expansion Department at 801 Industrial Boulevard, Gallatin, Tennessee 37066, 1-800-826-9586.

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 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 (382-4357) or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance date: April 1, 20152016

SPECIAL RISK FACTORS:

1. **THE FRANCHISE AGREEMENT PERMITS YOU TO MEDIATE, SUE US OR DEMAND ARBITRATION ONLY IN THE STATE OF TENNESSEE. OUT OF STATE MEDIATION, LITIGATION OR ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO MEDIATE, SUE US OR ARBITRATE IN TENNESSEE THAN IN YOUR HOME STATE. YOUR STATE LAW MAY SUPERSEDE THIS PROVISION AND IT MAY NOT BE ENFORCEABLE IN YOUR STATE. SEE SPECIAL STATE DISCLOSURES IN THE STATE ADDENDA TO THE FRANCHISE AGREEMENT AND DISCLOSURE DOCUMENT.**
2. **THE FRANCHISE AGREEMENT STATES THAT TENNESSEE LAW GOVERNS THE AGREEMENT. THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS. YOUR STATE LAW MAY SUPERSEDE THIS PROVISION AND IT MAY NOT BE ENFORCEABLE IN YOUR STATE. SEE SPECIAL STATE DISCLOSURES IN THE STATE ADDENDA TO THE FRANCHISE AGREEMENT AND DISCLOSURE DOCUMENT.**
3. **THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.**

REGISTRATION OF THIS FRANCHISE WITH THE 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 OFFERING CIRCULAR IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE STATE ADMINISTRATORS LISTED ON EXHIBIT K.

Information comparing franchisors is available. Call the state administrators listed on Exhibit K or your public library for sources of information.

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 K 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 WILL 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 REQUIRES YOU TO RESOLVE DISPUTES WITH US BY MEDIATION, ARBITRATION AND LITIGATION ONLY IN TENNESSEE. OUT-OF-STATE MEDIATION, ARBITRATION AND LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO MEDIATE, ARBITRATE AND/OR LITIGATE WITH US IN TENNESSEE THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT TENNESSEE 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.
3. 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.

STATE EFFECTIVE DATES

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

This Franchise 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:

California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

NOTICE OF AVAILABLE DISCLOSURE

You may view and download our disclosure document on our website, www.servpro.com, after receiving a password from our Franchise Expansion Division.

Because the disclosure at our website is in pdf format, you will need to have Adobe Reader software installed on your computer to view and print the disclosure document.

If desired, we can furnish you with our disclosure document in paper form upon request.

**NOTICE REQUIRED BY
THE STATE OF MICHIGAN**

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.

The Michigan Franchise Law states in Sec. 445.1527, Sec.27 that each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on the rights 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:

- (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations 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:

State of Michigan
Department of Attorney General
Consumer Protection Division
Antitrust and Franchise Unit Section
525 West Ottawa Street
Lansing, Michigan 48913
(517) 373-7117

Despite subparagraph (f) above, we intend to enforce the provisions of the arbitration section contained in our Training and Distribution Agreement. We believe that subparagraph (f) is preempted by United States Federal law and cannot preclude us from enforcing our arbitration agreement. You acknowledge that we will seek to enforce this section as written.

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Item 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

In the Disclosure Document, “We”, “Us” or “Our” means SERVPRO INDUSTRIES, INC. “You” means the persons who buy the franchise and their spouses. If You are a legal entity, “You” includes the owners of the entity, their spouses or domestic partners and the franchise.

We were incorporated in the State of Nevada on June 24, 1977. We maintain Our principal place of business at 801 Industrial Boulevard, Gallatin, Tennessee 37066. We do business under Our corporate name and under the names Servpro® and Building Service and Maintenance. We do not engage in any other businesses. Our agents for service of process are listed on Exhibit K.

We have offered unit franchises, which provide cleaning and damage restoration services as described below (the “Franchise”), since 1969. We do not currently own or operate any Franchises although We may do so. As of December 31, ~~2014~~2015, We had ~~1,624~~1,630 total franchise licenses in the United States. We offer these through a separate Franchise Disclosure Document, as required by the North American Securities Administrators Association, Inc. The separate “unit” Franchise Disclosure Document describes the Franchise and System, and contains the Franchise License Agreement and related agreements for the Servpro franchises assigned to Your Distributorship. We recommend that You review this separate Franchise Disclosure Document. Prior to 2015, We offered franchises and Distributorships through a single unified Franchise Disclosure Document.

From 1985 to 1992, We offered and licensed janitorial services franchises under the name Building Service and Maintenance. As of December 31, ~~2014~~2015, We had 2 combined Servpro/Building Service and Maintenance franchises offering janitorial services in the United States.

We have also offered the area representative franchise which distributes Servpro® products, provides training, consulting, support and other assistance and services to Our franchisees in order to facilitate development of the Franchises (the “Distributorship”) since 1969. A Distributorship is designated at two (2) levels, a Trainer Distributor, and a Director Distributor and may include the right to solicit prospective franchisees on Our behalf. As of December 31, ~~2014~~2015, We had ~~43~~40 Trainer Distributor licenses and 13 Director Distributor licenses in the United States. In addition, We provide these services directly to nearly forty percent of Our franchisees through Our own resources and employees, including Our employee Franchise Business Consultants. From time to time, We repurchase area representative rights and service those franchisees directly.

Our Parents, Predecessors and Affiliates

Servpro Industries, Inc. (“Our Predecessor”) was incorporated in the State of California on September 1, 1967 and was merged into Us on July 1, 1977. Our Predecessor maintained its principal place of business at 4545 Orange Grove, Sacramento, California prior to the merger. We moved Our principal place of business to 11357 Pyrites Way, Rancho Cordova, California in December 1977 before moving to Gallatin, Tennessee in September 1988.

We have been a wholly-owned subsidiary of Servpro Holding Company, Inc. ("Our Parent") since Our Parent was incorporated in the State of Tennessee on August 31, 1998. Our Parent maintains its principal place of business at 801 Industrial Boulevard, Gallatin, Tennessee 37066. Our Parent conducts no business under its corporate name. Our Parent does not own or operate any Franchises, nor has it offered franchises in any other line of business.

We have affiliates We are required to report.

Servpro Intellectual Property, Inc., a subsidiary of Our parent, was incorporated in Tennessee on January 1, 2004. Servpro Intellectual Property, Inc. licenses intellectual property to Us and We, in turn, license this intellectual property to You to use in Your franchised business, including the trademarks and copyrights described in Items 13 and 14. Three of Our shareholders formed ERnet[®] Property Resource Group LLC, a third-party administrator, which provides referral of emergency response services for commercial clients. Qualified SERVPRO franchisees may receive referrals to provide emergency services for ERnet[®] commercial clients. In the past, ERnet[®] also negotiated contracts with national vendors to provide SERVPRO franchisees favorable prices on goods and services based on the aggregate buying power of Our franchise system. However, in June 2010, the members of ERnet[®] spun off the business described in the preceding sentence to a newly-formed entity, Resource Center, LLC.

In June 2010, Our Parent formed Servpro International, LLC to franchise and/or own affiliates that franchise in countries outside of the United States of America. Servpro Industries (Canada) ULC, a subsidiary of Servpro International, LLC, is an Alberta, Canada company as of July 16, 2014. The company was originally formed on April 23, 2014 as Servpro Industries (Canada) Corp., an Ontario, Canada company. Servpro Industries (Canada) ULC is the franchisor of the Servpro system in Canada beginning May 1, 2015. Existing franchisees on that date will be assigned.

Our Parent formed the subsidiary Servpro Professional Cleaning Products, Inc. which began developing, mixing and blending professional cleaning products on October 1, 2006 for distribution by Us to the Servpro franchisees.

The owners of Our Parent formed a financing company to acquire the initial franchise fee, equipment and product notes and their rights to collateral that were then held by Us. Servpro Finance, LLC, formerly known as SPF, LLC, intends to also acquire future notes together with their rights to associated collateral from Us as franchisees are added to the system. All of the servicing of such notes will continue to be handled by Us.

On December 30, 2004, Restoration Risk Retention Group, Inc. ("RRRG") was approved by the Director of Insurance for the State of Arizona. RRRG is a captive insurance company that We helped form under the federal Liability Risk Retention Act to provide insurance to Our franchisees that meet RRRG's underwriting guidelines. During the fall of 2011, RRRG decided to move its domestication to Vermont and the move was finalized in the spring of 2012. We own 200 shares of Class A stock and one of Our officers owns the issued Class B stock. The remainder of stock is owned by the RRRG's insureds, which consist of Our franchisees. Under federal law, each insured of a risk retention group must own its stock. Each Franchise will be required to purchase 200 shares at \$1.00 per share of RRRG class A stock in order to qualify to purchase Insurance from RRRG. Stock subscriptions are offered under a separate information circular. RRRG provides comprehensive general liability, pollution and ~~l~~imited ~~s~~ervice and ~~r~~epair ~~l~~iability policies. The RRRG historically has retained profits with a goal to augment surplus, reduce premiums, and increase coverages. The payment and amount of any dividends,

cash return, or other distribution are subject to the discretion of the RRRG's Board of Directors, the prior approval of the state of domicile, and the legality of such payments under the laws of such state.

On December 7, 2012, Our Parent formed Servpro Commercial, LLC to solicit commercial loss work of all sizes and types.

On May 30, 2012, Our Parent formed Servpro Catastrophe, LLC to solicit very large commercial loss work. Servpro Catastrophe, LLC may enter into agreements with large commercial clients to refer cleaning and restoration services. These services are performed by specially qualified Servpro franchises, which qualifications may include increased levels of performance standards, insurance, experience, equipment, vehicles, personnel and financial resources.

On July 30, 2013, three of Our shareholders formed IS Document Restoration, LLC. On July 30, 2013, the owners of IS Document Restoration, LLC formed Document Restoration, LLC for the purpose of offering specialty restoration services. Document Restoration, LLC owns a drying chamber utilized primarily for documents damaged by water, mold and fire. The services of the drying chamber will be available to franchisees around the country. None of the franchisees will be required to use the services of the drying chamber. Effective January 1, 2016, the members of IS Document Restoration, LLC assigned their membership interests to the shareholders of Servpro Holding Company, Inc. and merged the company with and into Document Restoration, LLC. Document Restoration, LLC is now a wholly-owned subsidiary of Servpro Holding Company, Inc.

On April 2, 2015, Our Parent formed Servpro Catastrophe (Canada) ULC, an Alberta, Canada company, to operate in Canada.

Description of the Distributorship

You will distribute only Our products, provide training, consulting and other assistance and services to Our franchisees to facilitate development of the Franchises (the "Business") within a specified non-exclusive geographical area (the "Distribution Area") using Our Marks and Our System. Our standard form of Training and Distribution Agreement is attached to this Disclosure Document as Exhibit A.

Your acquisition of Distribution Rights does not automatically give You the right to engage in the solicitation of prospective franchisees on Our behalf, but You may solicit prospective franchisees for Us if approved and under certain circumstances; You must sign Our Salesperson Contract, attached as Exhibit D to the Training and Distribution Agreement (attached to this Disclosure Document), and follow Our instructions.

You will distribute products, provide training, support, consulting and other assistance and support to assigned SERVPRO franchise owners who operate Franchise businesses providing some or all of the following: professional residential and commercial cleaning, fire, smoke, water, and other damage cleaning, restoration, ~~and~~ mitigation, repair and reconstruction, and mold remediation services; deodorization, odor removal, and any services or goods related to or connected to the foregoing, including, without limitation: losses from events and disasters, such as fire, flood, earthquake, storm; contents cleaning; duct cleaning; floor, carpet, drapery and upholstery cleaning; dry cleaning; carpet sales and installation; construction ~~and reconstruction~~ services; carpentry; janitorial services; maintenance and painting services; and who may sell certain cleaning related products using the standards, procedures, techniques, processes, and methods of operation developed by Us for the Franchise (the "System") within a specified non-

exclusive geographical area (the “Operating Territory”) under the trade name Servpro®, a registered service mark, Servpro and design, and the additional principal service marks, trademarks, trade names, trade dress, logos, emblems, slogans or indicia of origin which are or may be designated by Us in the future (the “Marks”).

The types of training, support and assistance You will provide to Your assigned franchisees is found in Exhibits B and C to the Training and Distribution Agreement, (Trainer Responsibilities and Director Responsibilities, respectively) and the applicable Manuals. Details about the Servpro franchise system and operating franchises can be found in Our separate “unit” Franchise Disclosure Document, which discloses, among other items, fees, investment, insurance, training, advertising, computers and technology, financing, Operating Territory, Territorial Policy, trademarks, renewal, termination and transfer. If You wish to receive further information, please request electronic access to Our “unit” FDD, and We will provide it.

Industry Specific Regulations Affecting the Distributorship

Federal, state and local labor regulations, including minimum age and minimum wage laws and other types of laws and regulations apply to businesses generally. There are national and state laws, rules, regulations and standards governing the offer and sale of franchises if You engage in solicitation of prospective franchisees on Our behalf. Some localities may require Your Business to be bonded. You must obtain any permits or licenses required by Federal law, Your state, and locality for performing the work of the Business. The details of these state and local laws and regulations vary from place to place; however, it is Your responsibility to learn and comply. These Federal, state and local laws and regulations may affect Your operation of the Business.

Item 2
BUSINESS EXPERIENCE

Officers:

Chief Executive Officer and Director: Susan L. Steen.

Mrs. Steen has been a member of Our Board of Directors since January 1990, Our Chief Executive Officer since June 1995 and Our Corporate Secretary from October 1998 through October 2000 and 2002 through 2003. She was employed by the accounting firm of Coopers & Lybrand, LLP from July 1977 through May 1995 and was a partner in the Boise, Idaho, office from 1987 to May 1995. Mrs. Steen is an Organizer and Director of Sumner Bank and Trust in Gallatin, Tennessee since 2004. She has been Secretary and Board Member of the Restoration Risk Retention Group, Inc. since 2005.

President and Director: Randall A. Isaacson.

Mr. Isaacson has been a member of Our Board of Directors since October 1987 and Our President since December 1990. He was Our Executive Vice President from October 1987 to December 1990; Our Administrative Vice President from May 1987 to October 1987; Our Western Region Manager from January 1986 to May 1987; and an Area Manager from May 1985 to January 1986.

Executive Vice President and Director: Richard A. Isaacson.

Mr. Isaacson has been Our Executive Vice President and a member of Our Board of Directors since December 1990. He was Our Vice President of Marketing from October 1987 to December 1990; Our Director of Marketing and Sales from March 1986 to October 1987; and Our Assistant Marketing Director from September 1985 to March 1986.

Vice President, Treasurer, and Chief Financial Officer: Richard H. Forster.

Mr. Forster has been Our Vice President and Chief Financial Officer since May 1986. He has been Our Treasurer since July 1984. Mr. Forster was Our Controller from August 1983 to March 1986. He has been the President of the Restoration Risk Retention Group, Inc. since 2005.

Non-Officers:

Assistant Vice President of Marketing: Kevin Brown.

Mr. Brown became Our Assistant Vice President of Marketing in August 2008 and has supervisory responsibility over franchise sales, marketing and Convention services. Mr. Brown is not an elected officer of Servpro. He was Our Director of Franchise Expansion from June 1999 through January 2012 and was one of Our Franchise Expansion Managers from May 1998 to May 1999.

Assistant Vice President and National Accounts Division Manager: John Sooker

Mr. Sooker has been Our National Accounts Division Manager since January 2010 and Our Assistant Vice President since August 2015. Mr. Sooker has supervisory responsibility over Our National Accounts programs. Mr. Sooker is not an elected officer of Servpro. Prior to his employment with Us, he was President and Chief Executive Officer of Treo Consulting, which specialized in strategic planning and business development services for large and mid-cap companies.

Assistant Vice President and Chief Information Officer (“CIO”): Jeff Fields

Mr. Fields has been Our Chief Information Officer since June 2012 and Our Assistant Vice President since August 2015. Mr. Fields is responsible leading and directing Our technology development projects and providing ongoing technical oversight of Our operations. Mr. Fields is not an elected officer of Servpro. Prior to his employment with Us, he was CIO of National Council Compensation Insurance, SafeAuto Insurance Company and Magazines.com.

Franchise Expansion Division Manager: Laura Williams.

Ms. Williams has been Our Franchise Expansion Division Manager since February 2012 and one of Our Franchise Expansion Managers from June 2006 until February 2012.

Field Operations Division Manager: Eric Hopper.

Mr. Hopper has been Our Field Operations Division Manager from June 1996 through the present.

Field Training Division Manager: Ken Tahmassebi.

Mr. Tahmassebi has been Our Field Training Division Manager from September 2008 through the present. He was the Director of Internal Audit for O’Charley’s, Inc., located in Nashville, Tennessee, from June 2001 to September 2008.

Some of Our executives also hold executive positions with some or all of Our affiliates listed in Item 1.

Please see Exhibit L (List of Our Distributors).

Item 3

LITIGATION

Except for the ~~twelve~~fourteen actions described below, there is no litigation that must be disclosed in this disclosure document.

Pending Actions:

1. Coastal Cleaning Services, Inc. and Daniel I. Negrin v. Servpro Industries, Inc., Bobby L. Widner and Kent D. Stone (Case No. 2007-57303 in the District Court of Harris County, Texas, 133rd Judicial District). **Companion Action:** Servpro Industries, Inc. v. Coastal Cleaning Services, Inc., Dan Negrin a/k/a Daniel I. Negrin and Julie Jackson a/k/a Julie Negrin, Circuit Court for Sumner County, Tennessee, Case No. 30647-C, filed October 18, 2007. Following termination of his franchise and following a collection lawsuit filed by Us in Tennessee, a former franchisee filed an action against Us in Texas alleging that a promissory note entered into in connection with the execution of the franchise agreement in 2003 contained a rate of interest that was usurious. The former franchisee also alleged that Kent D. Stone, an independent Distributor who the former franchisee alleges was acting as Our agent, interfered with the former franchisee's efforts to sell his business to codefendant Bobby L. Widner, who allegedly failed to consummate his purchase of plaintiff's business because of that interference. Plaintiff's complaint alleged violation of Section 17.45 of the Texas Business & Commerce Code, and that We and Kent D. Stone tortiously interfered with plaintiff's efforts to sell his business. Plaintiff sought actual damages, statutory damages, exemplary damages and attorney fees. We filed a motion to dismiss the Texas action, along with a motion to stay the action. The rate of interest is valid under Tennessee law, which governs the promissory note. The Texas case was dismissed as to Servpro Industries, Inc. The judge ruled that Tennessee was the proper venue and jurisdiction for the matter to be heard and that Texas law did not apply. The Tennessee action is ongoing.
2. Greg Comey and Cindy Comey v. State Farm General Insurance Company, Servpro Industries, Inc., SERVPRO of Mission Viejo, The ServiceMaster Company, ServiceMasters Complete Restoration, and Does 1 through 50. Superior Court of the State of California, County of Orange, filed September 24, 2015. Plaintiffs allege they suffered a water loss on March 7, 2013 and that SERVPRO of Mission Viejo inadequately remediated that loss leading to mold development. Plaintiffs allege that We, through the actions of our franchisee, breached the contract with the Plaintiffs by failing to adequately dry and remediate the Plaintiffs' property, interfered with the contract of insurance between the Plaintiffs and State Farm, misrepresented the efforts of the remediation and fraud. A Motion for Summary Judgment is being prepared; in the event We are not dismissed, preparations for trial will be made.
3. Bock Restorations, Inc. v. Servpro Industries, Inc. and ABC Corporations (A-M) and John Does (1-10). Superior Court of New Jersey Chancery Division: Morris County, Case No. MRS-L-123-15, filed September 17, 2015. One of two franchises was terminated September 14, 2015 for failure to meet conditional renewal requirements, while the other remains unaffected. The franchisee, Gregory Bock subsequently filed suit seeking a Temporary Restraining Order to enjoin Us from proceeding with the

termination and filed a Complaint alleging damages as a result of the termination. Plaintiff's Temporary Restraining Order was denied by the Court on September 28, 2015. The matter has been settled; Plaintiff is allowed six months to sell one franchise with an agreed upon structure of payment due to Us depending upon the sales price of a completed transaction.

Litigation to Collect Amounts Due:

1. Servpro Industries, Inc. v. J&S Water, Fire Restoration, Inc., Janos Borcsa, Jr. and Simona Tirtarau, Circuit Court of Sumner County, Tennessee, Case No. 2013-CV-608, filed May 28, 2013. The franchise was terminated on May 28, 2013 for failure to maintain required insurance. The franchise owed Us \$27,751.69 at the time of termination, which remains unpaid. We dismissed the matter on May 6, 2015 and will write off amounts owed as bad debt.~~We filed suit and are currently in negotiations with the defendants.~~
2. Servpro Industries, Inc. v. JLW, Inc., William G. MacFarlane and Servpro of Western Vermont, Inc., Circuit Court of Sumner County, Tennessee, Case No. 2013-CV-624, filed June 11, 2013. Franchisee failed to meet the requirements for renewal of the Franchise Agreements prior to their expiration. They were not renewed effective June 10, 2013. Franchisee owes Us in excess of \$70,000. We filed suit and are currently in litigation with the Defendants.
3. Servpro Industries, Inc. v. West Group Ventures, Inc., Randall Scott West and Dana Caroline West, Circuit Court of Sumner County, Tennessee, Case No. 2013-CV-1028, filed September 10, 2013. The franchise was terminated effective January 18, 2012 due to delinquent payments to Us. At the time of termination, the franchisee owed Us \$26,081.43 which remains unpaid. We filed suit and after the Defendants were served, Randall Scott West filed Chapter 7 Bankruptcy on October 25, 2013 and was discharged on February 25, 2104. Dana Caroline West filed Chapter 13 Bankruptcy on October 14, 2013 and her five (5) year plan was confirmed by the Court on April 10, 2014. We will continue to monitor the status of Ms. West's Chapter 13 case through its conclusion.
4. Servpro Industries, Inc. v. Barnhill Enterprises, Inc., Guilford S. Barnhill and Susan Barnhill, Circuit Court of Sumner County, Tennessee, Case No. 2014-CV-482, filed May 5, 2014. The franchise was terminated effective March 22, 2013 due to failure to maintain required insurance. At the time of termination the franchisee owed Us \$16,915.14. We filed suit and are currently in litigation with the Defendants.
5. Servpro Industries, Inc. v. T4, Inc., Lloyd B. Arnold, Jr. and Jody Lynn Arnold, Circuit Court of Sumner County, Tennessee, Case No. 83CC1-2015-CV-130, filed February 10, 2015. The franchise was terminated effective March 21, 2013 due to abandonment of operation of the franchise. At the time of termination the franchisee owed Us \$36,410.86. We filed suit and are currently in litigation with the Defendants.
6. Servpro Industries, Inc. v. Santoro & Sons Enterprises, Inc., Richard Santoro and Linda Santoro, U.S. District Court, Middle Tennessee, Case No. 3:15-cv-00608, filed May 29, 2015. The two franchises were terminated effective September 30, 2014 due to repeated defaults of their obligations under the Franchise License Agreements. At the time of termination the franchise owed Us \$4,412.13 and continued to operate in violation of their non-competition obligations. We filed suit and the Court awarded Us a Preliminary and Permanent Injunction and Final Order as to Certain Claims regarding

the non-competition issue which was entered on September 2, 2015. Litigation regarding collection of amounts due continues.

7. Servpro Industries, Inc. v. KASP, Inc., Kevin Patterson and Susan Patterson. U.S. District Court, Middle Tennessee, Case No. 3:15-cv-00992, filed September 15, 2015. The franchise was terminated effective January 8, 2015 due to franchisees' repeated defaults of their obligations under the Franchise License Agreement. At the time of termination, the franchise owed Us \$14,327.98 and may have continued to operate in violation of their non-competition obligations. We filed suit and are currently in litigation with the Defendants.
8. Servpro Industries, Inc. v. Professional Restoration Enterprises, Inc., Tadeusz Chmiel, Eva Chmiel and Christopher Miroslaw. Circuit Court, Cook County – Law Division, State of Illinois, Case No. 15L6211, filed June 18, 2015. The franchise voluntarily terminated effective June 21, 2012. At the time of termination, the franchise owed Us \$267,725.11. We filed suit and are currently in litigation with the Defendants.

Concluded Litigation:

1. Thermasure, Inc. v. Temp-Air, Inc., Giertsen Company of Illinois, Inc., Servpro Industries, Inc., Mallory Sun, LLC, Disaster Kleenup International, Inc., Dri-Eaz Products, Inc., RxHeat, LLC, Cambridge Engineering, Inc. and Jon-Don, Inc., U.S. District Court for the Northern District of Illinois, Case No. 1:10-cv-04724, filed July 28, 2010. Plaintiff filed suit for patent infringement, alleging certain business methods of Servpro Industries, Inc. violated patents held by Plaintiff and that Servpro Industries, Inc. contributorily infringed or induced infringement of 2 of the Plaintiff's patents; United States Patent No. 7,690,148 entitled "Method Of Treating For Pests" issued on April 6, 2010 and United States Patent No. 6,327,812 entitled "Method Of Killing Organisms And Removal Of Toxins In Enclosures" issued on December 11, 2001. The Plaintiff alleged Servpro Industries, Inc. induced infringement of the Plaintiff's patents by offering certain training, equipment and supplies to its franchisees, and sought undisclosed damages in excess of \$75,000. The franchisee, Mallory Sun, LLC, was dismissed with prejudice on August 11, 2011. On April 30, 2012, Thermasure and Servpro entered into a final judgment that Servpro does not infringe or contribute to the infringement of Thermasure's patents. Additionally, Thermasure entered into a Covenant Not to Sue either SERVPRO or its franchisees alleging patent infringement for selling or using equipment currently being sold and used, or for techniques currently being taught and used for water, fire and smoke cleanup and restoration services. Thermasure took no monies, nor was an agreement made to enter into any form of patent license by Servpro or its franchisees. On May 4, 2012, Thermasure dismissed its suit with prejudice.
2. Longhorn of Hanover, Inc., a Minnesota corporation; Bryan Reitzner, an individual residing in Minnesota; Chad Reitzner, an individual residing in Minnesota; and MAVCO, Inc., a Minnesota corporation vs. Servpro Industries, Inc., a Nevada corporation (Case No. 11-CV-01271, United States District Court, District of Minnesota) filed but never served. Plaintiffs entered into a Franchise License Agreement with Us. As part of the franchise purchase, the franchisee's existing construction company was required to operate under the terms of the Servpro Franchise License Agreement, including payment of royalties for its work. We conducted an audit and demanded payment of unpaid royalties. The Plaintiffs filed suit for Violation of the Minnesota Franchise Act, Breach of Contract and the Implied Covenant of Good Faith and Fair Dealing, a transfer

of the Franchise License Agreement to the franchise entity, the termination of all agreements between the construction company and Servpro Industries, Inc. and a determination of royalties due. Although never served, Servpro Industries, Inc., agreed to participate in negotiations with the Plaintiffs. The parties resolved their differences and Plaintiffs paid Servpro Industries a lump sum cash payment of \$218,946.06 and other consideration.

3. William H. Raley, d/b/a Servpro of Greater Orlando, and Professional Services Associates, Inc., d/b/a Servpro of Maitland/South East Seminola County and d/b/a Servpro of East Orange County/Oviedo v, Servpro Industries, Inc., U.S. Middle District Florida. Case No. 6:11-cv-1389-Orl-35DAB, filed July 19, 2011. An audit was conducted on the Defendants' franchisees and it was determined that the Defendants had failed to report royalties. After notice and opportunity to cure, the Franchisee failed to pay the amounts We claimed were due and filed a Declaratory Judgment action seeking a determination from the Florida state court of the amounts due and owing under the Franchise License Agreements as well as an injunction from the Court to prevent the termination of the Franchise Agreements. Servpro terminated the Franchise Agreements, removed the case to federal court and filed an answer. In June, 2012, the matter was resolved and the parties agreed that the Franchise Agreements were properly terminated. The Plaintiff's dismissed their suit with prejudice.

~~4. Servpro Industries, Inc. v. Servpro of Glendora/San Dimas, Inc. (Case No. 25371-C, United States District Circuit Court, Middle District of Tennessee) We filed suit against John Starkey, a franchisee d/b/a Servpro of Glendora/San Dimas, Inc. on April 6, 2004. We sought Declaratory Relief that Servpro Industries and its California franchisees were not required to hold California state contractor's licenses for standard mitigation services as asserted by defendants; that Servpro Industries had no obligation to require all California franchisees to hold California state contractor's licenses; that Tennessee law governs the relationship between the parties; that the franchisee was in breach of the License Agreements; and that Servpro Industries had no liability to Glendora, and no liability for other relief threatened by the franchisee to be sought in a California state court. We also sued for breach of contract and asked the franchisee to provide accounting to Servpro Industries for business generated by American Home Inspections, a business owned by the franchisee. Servpro Industries had asked for and received injunctive relief that enjoined the franchisee from filing a lawsuit against Us in California. On October 6, 2004 a tentative settlement was reached. This case was dismissed in February 2005. The settlement was finalized in September 2005 with Glendora transferring three franchise licenses to Us, Servpro of Rancho Cucamonga, Servpro of Glendora/San Dimas and Servpro of East Riverside City, which had combined gross sales in 2004 of \$643,962.79. We re-arranged the Operating Territories and sold four franchises from the three that were transferred to Us. Defendant also transferred to Us equipment with a value of approximately \$11,365.00 pledged to Us as security. We forgave certain promissory notes, royalty indebtedness and interest of Glendora in the amount of \$48,403.94 and paid Glendora the sum of \$63,140.00 dollars.~~

- ~~5. Property Owners Full Service Company, Inc. f/k/a Servpro of Glendale/San Dimas, Inc., a California Corporation v. Servpro Industries, Inc., a Nevada Corporation, d/b/a Servpro and Servpro Industries; David Tronson and Dee Dee Tronson, individually and as an entity unknown; Lynne McGowan, individually and as an entity unknown; Dan Pedersen and Connie Pedersen, individually and as an entity unknown; Stephen Schaeffer and~~

~~Penny Schaeffer, individually and as an entity unknown; Perry Morris and Cara Morris, individually and as an entity unknown, and Does 1 to 200, inclusive (Case No. BC313905, Superior Court of Los Angeles County, Central District). Franchisee, John Starkey d/b/a Property Owners Full Service Co, Inc. filed suit against Servpro Industries for Declaratory Relief; Injunction; Violation of California State Contractors License Law; and in violation of California Unfair Competition Law. A preliminary injunction was issued by the Federal Court in the action described above preventing this action from moving forward. On October 6, 2004 a settlement was reached between the two parties. The federal injunction was dissolved in February 2005. Please see the action described above for the settlement terms.~~

~~6. Bass v. Servpro Industries, Inc. et al., (No.96-2359-CA/Div. CV-D, Circuit Court, Fourth Judicial Circuit, Duval County, Florida). On May 16, 1996, Our franchisee and Trainer Distributor, Ernest L. Bass (“Bass”), filed an action in the Circuit Court for Duval County, Florida against Us, Our founder, several officers, some of Our current and former employees, a Servpro® franchisee, and an entity operating a Servpro® RAM program, Ramflor, Inc. (collectively, the “defendants”). Bass sought compensatory and punitive damages for alleged breach of contract, inadequate training, unassignment of franchises, arbitrary policies, nonpayment of monies owed, alleged fraudulent and negligent misrepresentations of material facts by Us and two other officers, negligence, concealment of material facts and tortious interference with advantageous business relations, unfair competition and conspiracy, which the individual defendants and We denied. Bass settled with two defendants and dismissed all claims against all other individual defendants in December 1998. Mr. Bass ceased making payments to Us and We terminated his franchise in 1999. Various claims were dismissed by the court and Bass filed a fourth and a fifth amended complaint. We filed a counterclaim seeking to recover moneys owed to Us by Bass. We also filed three motions for summary judgment as to all claims. By order dated August 8, 2001 the Court granted two of Our Motions for Summary Judgment. On February 5, 2002, the trial Court granted Our third Motion for Summary Judgment as to Bass’ last remaining claim. In May of 2002 Bass appealed the rulings dismissing his claims against Us to the District Court of Appeal, State of Florida and on November 17, 2003, the District Court of Appeals re-instated several causes of action and reversed the trial court’s award of attorneys’ fees. In February, 2005, the trial court granted Our summary judgment motion as to three claims. The case proceeded to trial on April 4, 2005. The jury found against Us on Bass’s breach of contract and interference claims. On April 22, 2005 We filed Our motion to set aside the verdict and Our motion for a new trial and were confident the motions would be granted in whole or in part. In order to avoid uncertainty and further trial and appellate expense, however, before judgment was entered, the parties settled this case and the following case for a payment of \$700,000 by Us and a relinquishment by Bass of any claim to his former franchises, an Associate franchise and General Trainer Distribution rights.~~

~~7. Servpro Industries, Inc. v. Ernest L. Bass, (Case No. 20563-C, Circuit Court, Sumner County, Tennessee). We filed suit against Ernest L. Bass (“Bass”), a former franchisee, and Trainer Distributor on May 8, 2000, to enforce post-termination obligations under Bass’ license agreement. The court issued an injunction enforcing the non-competition covenants. In May 2001, Bass filed a counterclaim against Us, claiming that his franchise was improperly terminated. This case was settled with the settlement described above.~~

No Distributors listed in Exhibit L have been involved in any litigation that must be disclosed in this disclosure document.

Item 4

BANKRUPTCY

No bankruptcy information is required to be disclosed in this disclosure document.

Item 5

INITIAL FEES

INITIAL FEES - DISTRIBUTORS

We generally grant Distribution Rights to Our existing franchisees who, in Our opinion, are qualified to perform the duties of either a Trainer Distributor or Director Distributor. The initial license fee may be financed as explained in Item 10.

The current initial license fee for Trainer Distributors is \$55,000.00 dollars. A minimum population in a Trainer's assigned Distribution Area (a "Trainership") is generally 750,000 and is intended to include at least 10 Franchises either now or in the future. There is no maximum population. At the time You sign the Training and Distribution Agreement, at Our discretion, You may acquire rights to additional population in increments of 80,000 at a price of \$6,600.00 dollars per 80,000 in population. See Item 12 for further information about territory. If You are already a Trainer Distributor, at Our discretion, You may acquire additional Distribution Rights in increments of 80,000 at a price of \$8,250.00 dollars per 80,000 in population. You must sign Our current Training and Distribution Agreement for additional acquisitions, which may contain materially different terms and conditions than Your existing Agreement.

The current initial license fee for Director Distributors is \$150,000.00 dollars. A minimum population in a Director's assigned Distribution Area (a "Directorship") is generally 2,250,000 and is intended to include up to three (3) Trainerships either now or in the future. At the time You sign the Training and Distribution Agreement, You may acquire rights to additional population in increments of 80,000, at a price of \$18,000.00 dollars per 80,000 in population. There is no maximum population. See Item 12 for further information about territory. If You are already a Director Distributor, You may acquire additional Distribution Rights in increments of 80,000 at a price of \$22,500.00 dollars per 80,000 in population. You must sign Our current Training and Distribution Agreement for additional acquisitions.

If Your Distribution Rights include the assignment of existing operating Franchises, You must pay Us an additional amount which We determine and will vary depending upon the circumstances of each Distribution Area, including the number, stability and financial strength of the Franchises to be assigned, all of which affects the amount of royalty overrides You can expect to earn for providing services to those Franchises, and whether You previously assisted in the sale of any of the Franchises to be assigned. The additional amount paid for the Franchises to be assigned may be financed as explained in Item 10.

You will receive a two and one half percent (2½%) discount against the price of Distribution Rights, including amounts charged for royalty overrides associated with assigned Franchises, if You pay Us the entire initial license fee and any goodwill in cash when You sign the Training and Distribution Agreement. The amounts paid to Us for Distribution Rights and assignment of Franchises are non-refundable.

An existing Distributorship may be acquired from Our current Distributors, on terms negotiated between You and the existing Distributor, subject to the transfer provisions of the Distributor's existing Agreement with Us, including Our right of first refusal, and subject to meeting Our then-current qualification standards.

Item 6

OTHER FEES*

OTHER FEES* - DISTRIBUTORS

Name of Fee	Amount	Due Date	Remarks
Royalty fee (Notes 1, 2, 3 and 4)	See Notes 3 and 4	Monthly, on a date We designate	You must pay Us a percentage of the Gross Volume of Your Franchise. See Note 2 below for the definition of Gross Volume. See Note 3 below for the Royalty Rate schedule applicable to Trainer Distributors. See Note 4 for the Royalty Rate schedule applicable to Director Distributors. Section 5.D., Training and Distribution Agreement.
Fixed fee (Notes 1 and 4)	\$45-\$115 based on Your monthly Gross Volume	Same time as Royalty Fee	You must pay Us a Fixed Fee on Your monthly Gross Volume. See Note 2 below for the definition of Gross Volume. See Note 5 below for the Fixed Fee schedule.
Minimum royalty fee (Note 1)	\$100	Monthly, on a date We designate	You must pay Us at least the Minimum Royalty of \$100 each month. Section 5.B., Training and Distribution Agreement.
Advertising fee (Notes 1)	½% of Your Gross Volume, not including Gross Volume from Sub-contract Services, plus 2½% of Your annual Gross Volume on a calendar year basis, not including Gross Volume from Sub-contract Services	Same time as Royalty Fee	We may collect up to 3% of Your monthly Gross Volume as an Advertising Fee. Currently, Gross Volume subject to the 2½% portion of the Advertising Fee is “capped” at \$700 750,000. The “cap” will increase \$50,000 per year for the foreseeable future. We may change the percentage, threshold and the Sub-contractor Services Gross Volume exclusion by giving You 30 days written notice. See Section 5.E., Training and Distribution Agreement.
Distributor Audit Fee	A fee not to exceed \$50 to conduct audits on behalf of Distributors on a per job file basis.	Net 10 after billing	You must pay Our then-current fee if We audit jobs for Franchisees assigned to You.

Name of Fee	Amount	Due Date	Remarks
Renewal fee (Note 1)	\$ 1,000 <u>500</u> if timely, \$1,500 <u>2,000</u> if the renewal date is extended	Before renewal is effective	You must pay Us a \$1,000 renewal fee when You renew Your Training and Distribution Agreement. Section 2.B, Training and Distribution Agreement. If You do not complete the renewal requirements by Your expiration date, You will pay an additional \$500. See Item 17 for renewal conditions and requirements.
Transfer fee (Note 1)	Up to \$9,500 <u>10,000</u>	Before transfer is effective	You must pay Us the then-current transfer fee for any transfer of any interest in the Business or the legal entity owning the Business. Sections 8.C. and 8.E(6), Training and Distribution Agreement and Item 17.
Initial Training fee (Note 1)	We will provide Initial Training for additional persons or for Your qualified employees having management responsibilities on a space-available basis at a cost of up to \$3,545 each. This includes mold training, New Franchise Training Program, Franchise Management Course and Distributor Training Program.	Before training	You must attend training. We provide Initial Training for two (2) e Owners at no additional charge when You pay Us a Development Fee or Transfer Fee. We provide training for owners of the Business or qualified employees with management responsibilities who pay a training fee and have signed all required documents as designated by Franchisor from time to time, including Confidentiality Agreements prohibiting competition against Our franchisees or unauthorized use of Our Marks and System and have written job descriptions approved by Us. Sections 5.I. and 7.B., Training and Distribution Agreement. Each Franchisee must make every effort to attend the training courses they schedule. A fee of \$250 will be charged for any training course cancellations received within 30 days of the class start date.
Applied Structural Drying ("ASD") training and certification	The fee can vary from \$500 to \$1,500 per person for training and under \$100 for certification by the IICRC	Before initial training Business Consultation Meeting 6 is completed	ASD is a credential offered by IICRC. There are schools throughout the country authorized to teach the course, including Ours; You must pass the course and receive the credential before You complete Business Consultation Meeting 6 of Our BDP.
Subrogation Training	The fee can vary from \$75-\$150	Before training	This online training is required to provide services for insureds of certain Select National Accounts. You will be provided with third party resource information.

Name of Fee	Amount	Due Date	Remarks
Lead paint training and certification	The cost can vary from \$550-\$1,000	Before training	This training is not provided by Us, but is widely available from EPA-approved instructors. Training course fees average approximately \$200 plus an additional amount if You or Your employees incur travel expenses, while EPA certification costs approximately \$300. You will be provided with third party resource information.
New training programs (Note 1)	We may charge You Our then-current training fee	Net 30 after billing	Section 7.B., Training and Distribution Agreement.
Convention registration fee (Note 1)	Currently \$425, if registered by May 1 st \$475, if registered after May 1 st \$185 Guest registration fee, if registered by May 1 st \$260 Guest registration fee, if registered after May 1 st , Onsite registration will be \$525	Before Annual National Convention. This will be deducted from Your Convention Allowance, if available; otherwise, You must pay it	We may charge You a registration fee to help defray a portion of Our cost of hosting the Annual National Convention. This fee varies from year to year. To assist You in attending Our National Convention each year, We return up to 10% of Your Royalties (not including Fixed Fees or Advertising Fees) to You in the form of a Convention Allowance if You have paid Your accounts on time; You completed the Initial Training program; You are in compliance with Our insurance requirements; You are in compliance with Territorial Policy and You attend National Convention and any other meetings designated by Us, in their entirety. Section 7.C, Training and Distribution Agreement.
WorkCenter™ Office and WorkCenter™ Marketing (Note 1)	\$175 per month for 60 months beginning the 1 st day of the third month after You sign the Training and Distribution Agreement, subject to change at Our discretion. After the first 60 months, the fee will be \$108 per month due the 1 st of each month thereafter, with credit for 60 months of previous ManagER payments.	Net 30 after billing	Replacement of Office and marketing management software and upgrade for Servpro Office Automation. This is Our proprietary estimating, reporting and office management software. See Item 11 for more information.

Name of Fee	Amount	Due Date	Remarks
ServproNET® (Note 1)	Initial hookup to Our network using Our Internet Access Package is included in Your Development Fee or transfer fee	Net 30 after billing	We may charge You for future updates to ServproNET®. See Item 11.
Administrative fee (Note 1)	\$500 per license	Fee due with application	You must pay Us an administrative processing fee for any and all modifications that are made to Your Agreement at Your request or required by Us pursuant to actions You have taken, or when We provide services for which a fee is not specified. Training and Distribution Agreement Section 5.S.
UCC filing fee	\$100 per UCC filed or amended	Fee due at time of filing or amending	If We file a UCC or We amend a UCC filing as a result of a Training and Distribution Agreement modification, there will be a charge of \$100 per UCC filed or amended.
Resale referral fee (Note 1)	Up to 5% of gross sales price, including goodwill, equipment and license	Before transfer is effective	If You ask Our assistance in finding a purchaser for Your Business or We otherwise directly or indirectly refer a prospective purchaser to You, You must pay Us a resale referral fee if the prospective purchaser actually purchases Your Business.
Late reports or Late payment (Note 1)	\$50	When overdue	Commission overrides on Franchises assigned to You for the month in question may be placed on hold until all accounts are current or any non-compliance is corrected. Any percentage discounts attributable to Your Franchise will be disallowed. Section 4.F., Training and Distribution Agreement. You must pay a late reporting fee, You must pay Us interest at the rate of 2% per month (or the highest rate allowed by law) on any overdue amounts and Your Convention Allowance may be disallowed. Section 5.F., Training and Distribution Agreement.
Dishonored Checks (Note 1)	\$50	Upon demand	If Your financial institution returns a check unpaid, You must pay Us this fee for each item returned. Section 5.F., Training and Distribution Agreement.

Name of Fee	Amount	Due Date	Remarks
Examination (Note 1)	Our cost of conducting an examination is \$300 per day whether conducted from Our offices or Your premises, plus lodging and travel costs to and from Your location	Net 30 after billing	If We examine Your Business Records and find that You have underreported Gross Volume, or You have otherwise underpaid Royalties, Fixed Fees, Advertising Fees or any other fees or accounts, You will lose Your Convention Allowance for the entire period of noncompliance and each subsequent month until the underreporting is corrected. You must pay Us the cost of the examination in addition to any delinquent amounts owed, plus interest at the rate of 2% per month (or the highest rate allowed by law) on all delinquent amounts. Section 5.H., Training and Distribution Agreement.
Indemnification (Note 1)	Our actual costs	Upon demand	You must indemnify Us and hold Us harmless from any fines, claims, judgments, damages, and expenses of any nature, including attorney fees and expert witness fees that We incur by reason of Your acts or omissions. Section 11.B., Training and Distribution Agreement.
Restocking fee (Note 1)	15%	We will deduct from Your refund	We charge You a restocking fee on all permitted equipment or product returns.
Failure to keep records (Notes 1 and 5)	\$3,000 per month	Net 30 after billing	If We examine Your Franchise records and find that You did not comply with Your record keeping obligations, We may assess liquidated damages for each month in which You did not comply. Section 5.H. Training and Distribution Agreement.
Failure to maintain insurance (Note 1)	Our actual costs, plus 10% interest or processing fee	Upon demand	If You fail to maintain the required insurance coverage on Your Franchise, We have the options but not the obligation to acquire and pay for the insurance coverage and charge You. Section 5.0, Training and Distribution Agreement.
Miscellaneous (Note 1)	Our actual costs	Upon demand	You must pay Our costs and expenses, including reasonable attorney fees that We incur in a dispute over Our relationship with You or the Agreement unless You prevail on all issues in the dispute. Section 14.K., Training and Distribution Agreement.

Distributor Notes:

1. These fees are imposed by Us, payable to Us, collected by Us and are non-refundable.

2. **Gross Volume** means all revenue of the Business from all goods and services sold, rendered, invoiced, performed, bartered or traded from, through, by or on account of operation of the Business or the Marks, whether directly or indirectly through Distributor or any other Person or entity Distributor may refer to or contract with, and all other income of any kind and nature related to the Business, including, without limitation, referral fees or finder's fees, cleaning products sold, vendor sponsorships, rental income and income from continuing education presentations, excluding the sale of cleaning products to assigned Franchisees which are purchased from Franchisor, excluding payments received from Franchisor pursuant to the Training and Distribution Agreement and excluding any Gross Volume from operation of a Franchise which is owed by You and is reported pursuant to a SERVPRO® Franchise License Agreement; provided, however, that Distributor may not charge a fee for services rendered to Operators which are part of the Trainer Responsibilities or Director Responsibilities or any fees not approved in writing by Us, which approval may be withheld in Our sole discretion. Section 1.R., Training and Distribution Agreement.

3. See Section 5.D (2), Training and Distribution Agreement. If You are a Trainer Distributor, You calculate the Royalty at ten percent (10%) of Gross Volume and take the following discounts before paying Us:

Number of Franchises in operation within Distribution Area and assigned to Trainer Distributor	% Discount
1	10%
2	20%
3	30%
4 or more	40%

4. See Section 5.D (1), Training and Distribution Agreement. If You are a Director Distributor, You must pay Us a Royalty of four percent (4%) of Gross Volume.

5. See Section 5.C, Training and Distribution Agreement. You must pay Us a Fixed Fee based upon Gross Volume, as follows:

Monthly Gross Volume	Fixed Fee
\$0 - \$5,999	\$45
\$6,000 - \$9,999	\$65
\$10,000 - \$14,999	\$85
\$15,000 - \$19,999	\$95
\$20,000 – over	\$115

We may periodically adjust the monthly gross volume thresholds required for the Fixed Fee based upon the Consumer Price Index, United States City average, as published by the Bureau of Labor Statistics (1967 = 100, all items) by giving You thirty (30) days prior written notice.

Item 7

YOUR ESTIMATED INITIAL INVESTMENT* - TRAINER DISTRIBUTOR

	Actual or Estimated Amount (Low)	Actual or Estimated Amount (High)	Method of Payment	When Due	Payable to Whom
Initial Development Fee (Note 1)	\$55,000	\$55,000 plus \$6,600 per 80,000 population over 750,000 maximum population	Note 1	Note 1	Us
Equipment, Supplies and Inventory (Note 2)	\$8,750	\$13,000	As incurred	Before Opening	Us and Independent Vendors
Insurance (Note 3)	\$4,000	\$5,750	As Arranged	When Arranged	Independent Vendors
Training, Travel, Lodging and Food (Note 4)	\$4,500	\$10,000	As Arranged	As Incurred	Independent Vendors
Deposits, Permits and Licenses (Note 5)	\$700	\$2,550	As Arranged	As Incurred	Independent Vendors
Additional Funds - 3 mo. (Note 6)	\$20,000	\$25,000	Cash	As Incurred	Various Payees
Real Estate (Note 7)	-	-	Note 7	Note 7	Note 7
Total (Note 8)	\$92,950	\$111,300 + \$6,600 per 80,000 over maximum population + any real estate costs	Note 8	Note 8	Note 8

* Unless otherwise stated, none of the expenses described in this chart are refundable.

Trainer Distributor Notes:

1. You must pay Us a Development Fee of \$55,000.00 dollars for a Distribution Area containing at least 750,000 in population. You must pay Us an additional amount if existing operating Franchises are to be assigned to You or if the population in the Distribution Area will support more than 10 Franchises. You must pay Us the Development Fee when You sign the Training and Distribution Agreement. We may agree to finance a portion of the Development Fee depending upon Your credit-worthiness, the collateral which You have available to secure the loan and Our then-current lending policies, or other financing may

be available, as explained in Item 10. Monthly loan payments depend upon the amount financed. The Development Fee is not refundable except as described in Item 5. See Items 5, 10, and 12 for further information. Trainers that own more than two Trainerships are not required to operate a SERVPRO® Franchise offering water, fire and smoke cleaning and restoration services and mold remediation services pursuant to a Franchise License Agreement. After April 1, 2010, Trainers owning less than three Trainerships must also operate a model franchise business pursuant to a SERVPRO® Franchise License Agreement providing water, fire and smoke damage cleaning, mitigation and restoration services and mold remediation services.

We entered into ~~four~~ seven Independent Contractor Agreements with Our Regional Development Consultants in the States of Iowa, Kentucky, Louisiana, Maine, Maryland, Missouri and South Carolina, for which they did not pay an Initial Development Fee. The duties of this Regional Development Consultant are the same as those of Servpro Trainers.

2. You must equip a small office. At a minimum, You need a desk, chairs, filing cabinets, fax/copy scanner/printer machine, telephone and telephone service, iPad 4th generation or latest available with a minimum of 32GB, latest version of iOS and the latest version of Safari® or Google Chrome® and the computers and other items described in Item 11. Wi-fi and cellular service is ~~highly recommended~~ required. Your choice of carrier (requires recurring monthly fee), answering service, pager, computer hardware and software applications and platforms, digital camera, Internet access provider (bandwidth greater than 4 mbps download, 2 mbps upload), shelves, OSHA approved flammable/combustible cleaning agent storage cabinet (may not be required in all locations), general office supplies, storage shelves and safety supplies. You must also purchase appropriate OSHA and governmental wage and hour notices. You must purchase and maintain a minimum inventory of Our professional cleaning products and supplies for resale to Your assigned franchisees. We are unable to estimate the amount needed to replenish inventory since it will depend upon the size of the Distribution Area and the number of operating Franchises. You will receive a standard basic Web Site at no additional charge. In the future, We may offer or require an enhanced Web Site for Distributors and may require You to purchase it from Us, or from another Source that meets Our requirements.
3. You must purchase the insurance coverage described in Item 8. Insurance costs will vary depending on the insurer You choose, Your location, and other factors bearing on risk expense practices, which apply to Your particular locality. Our estimate is for the first three (3) months of general liability, pollution liability insurance coverage, data/cyber security liability and Limited Service and Repair Liability. Franchisees usually pay a full year premium in advance through a premium finance company and make monthly payments. If You have employees, You will also incur expenses for workers' compensation insurance. We are unable to estimate amounts for workers' compensation insurance because the requirements and rates vary widely from place to place.
4. Your training requirements are explained in Item 11. You must attend the one (1) week Distributor Training Program. If You completed a 14-day or 15-day New Franchise Training Program (NFTP), the two (2) day Mold Remediation Course and the Franchise Management Course more than three (3) years prior to Your purchase of a Distributorship, We may require You to attend the 15-day New Franchise Training Program (NFTP), the two (2) day Mold Remediation Course and the Franchise Management Course in addition to the (1) week Distributor Training Program. In the event You must complete all training

programs, You should allow at least \$7,000.00 for two people for training fees, travel, lodging, food, and other miscellaneous living expenses incurred during training. Your actual cost will vary, depending on the distance to be traveled, Your method of travel, and Your personal circumstances.

5. We do not require any prepaid deposits, permits, or licenses before You begin operation of Your Franchise, but Your particular state or locality may have licensing requirements. The Environmental Protection Agency (“EPA”) has issued a rule concerning lead paint that applies to work performed on pre-1978 homes by restoration and other businesses, known as the *Renovation, Repair and Painting* (“RRP”) program, with mandatory training requirements for certification and work practices. You must attend this training and obtain this certification. This training is not provided by Us. We believe the cost of the one day training course is approximately \$250 while certification is approximately \$300. Some areas require that You register as a franchise broker if You engage in franchise sales on Our behalf. You must obtain any permits or licenses required in Your locality for performing the services of the Business. You should consult Your attorney and Your local city, county and state authorities about the specific legal requirements for payment of sales and use tax and business licenses and related types of expenses in Your area.

6. If You do not have existing Franchises assigned to You, no revenue is owed by Us to You until a Franchise is sold within Your Distribution Area. It is Your responsibility to sell franchises if approved by Us and if You sign the Salesperson Contract. We recommend that You have additional funds available during the start-up phase of Your Business. We estimate that You can expect to put additional cash into the business during the first three (3) to seven (7) months, and sometimes longer, but We cannot estimate or promise when, or whether, You will achieve positive cash flow or profits. We have not provided for capital or other reserve funds necessary for You to reach “break-even”, “positive cash flow”, or any other financial position. We do not furnish nor do We authorize Our salespersons or anyone else to furnish estimates as to those amounts. The amounts in this table are Our estimates of the amount needed to cover Your expenses for a three (3) month period from the date You open for business. The estimate does not include any salaries or benefits for employees or any allowance for an owner's draw. These figures are only estimates. We cannot assure You that You will not have additional expenses starting Your Business. Your actual costs will vary according to Your approach to the Business, Your management skill, experience and business acumen, local economic conditions, the local market, and competition. We recommend that You obtain independent estimates from third-party vendors of the costs that would apply to Your establishment and operation of the Business or discuss the economic experience of opening and operating the Business with Our current and past Distributors. The estimated initial investment and other estimates in this Disclosure Document do not take into account Your personal living expenses, any debt service needs, ongoing working capital requirements, accounts receivable financing or other costs. We recommend that You review these amounts carefully with Your business advisors.

7. You will need to purchase or rent a place of business. The purchase of real property is not necessary and We have not allocated any amounts for real estate or related costs. If You rent a place of business, You may expect to encounter additional ~~investment requirements~~ expenses.

8. All of the fees listed as payable to Us are non-refundable. The other fees or payments may be refundable depending on the particular supplier's terms of sale. We relied on Our experience to compile these estimates of the range of initial start-up expenses You may incur. The actual amount of additional funds You will need depends on a variety of factors, such as Your management skill, economic conditions, competition in Your area and other factors. The amounts given may be subject to increases based on changes in market conditions, Our cost of providing services and future policy changes. Financing for all or some of the above costs may be available as described in Item 10.

YOUR ESTIMATED INITIAL INVESTMENT* - DIRECTOR DISTRIBUTOR

	Actual or Estimated Amount (Low)	Actual or Estimated Amount (High)	Method of Payment	When Due	Payable To Whom
Initial Development Fee – Director (Note 1)	\$150,000	\$150,000 plus \$18,000 per 80,000 population over 2,250,000 maximum population	Note 1	Note 1	Us
Equipment, Supplies and Inventory (Note 2)	\$8,750	\$13,000	As incurred	Before Opening	Us and Independent Vendors
Insurance (Note 3)	\$4,000	\$5,750	As Arranged	When Arranged	Independent Vendors
Training, Travel, Lodging and Food (Note 4)	\$4,500	\$10,000	As Arranged	As Incurred	Independent Vendors
Deposits, Permits and Licenses (Note 5)	\$400	\$2,250	As Arranged	As Incurred	Independent Vendors
Additional Funds - 3 mo. (Note 6)	\$20,000	\$25,000	Cash	As Incurred	Various Payees
Real Estate (Note 7)	-	-	Note 7	Note 7	Note 7
Total (Note 8)	\$187,650	\$206,000 + \$18,000 per 80,000 over maximum population + any real estate costs	Note 8	Note 8	Note 8

* Unless otherwise stated, none of the expenses described in this chart are refundable.

Director Distributor Notes:

1. You must pay Us a Development Fee of \$150,000.00 dollars for a Distribution Area containing at least 2,250,000 in population. You must pay Us an additional amount if existing operating Franchises are to be assigned to You or if the population in the Distribution Area will support more than three (3) Trainerships. You must pay Us the Development Fee when You sign the Training and Distribution Agreement. We may agree to finance a portion of the Development Fee, depending upon Your credit-worthiness, the collateral which You have available to secure the loan and Our then-current lending policies, or other financing may be available, as explained in Item 10. Monthly loan payments depend upon the amount financed. The Development Fee is not refundable except as described in Item 5. See Items 5, 10, and 12 for further information. New Directors purchasing a Directorship must also own and operate a model franchise business pursuant to a SERVPRO® Franchise License Agreement providing water, fire and smoke damage cleaning, mitigation and restoration services and mold remediation services.
2. You must equip a small office. At a minimum, You need a desk, chairs, filing cabinets, fax/copy/scanner/printer machine, telephone and telephone service, iPad 4th generation or latest available with a minimum 32GB, latest version of iOS and the latest version of Safari® or Google Chrome® and the computers and other items described in Item 11. Wi-fi and cellular service is ~~highly recommended~~required. Your choice of carrier (requires recurring monthly fee), answering service, pager, computer hardware and software applications and platforms, printer, digital camera, Internet access provider (bandwidth greater than 4 mbps download, 2 mbps upload), shelves, OSHA approved flammable/combustible cleaning agent storage cabinet (may not be required in all areas), general office supplies, storage shelves and safety supplies. You must also purchase appropriate OSHA and governmental wage and hour notices. You must purchase and maintain a minimum inventory of Our professional cleaning products and supplies for resale to Your assigned franchisees. We are unable to estimate the amount needed to replenish inventory since it will depend upon the size of the Distribution Area and the number of operating Franchises. You will receive a standard basic Web Site at no additional charge. In the future, We may offer or require an enhanced Web Site for Distributors and may require You to purchase it from Us, or from another Source that meets Our requirements.
3. You must purchase the insurance coverage described in Item 8. Insurance costs will vary depending on the insurer You choose, Your location, and other factors bearing on risk expense practices, which apply to Your particular locality. Our estimate is for the first three (3) months of general liability, pollution liability insurance coverage, and Limited Service and Repair Liability. Franchisees usually pay a full year premium in advance through a premium finance company and make monthly payments. If You have employees, You will also incur expenses for workers' compensation insurance. We are unable to estimate amounts for workers' compensation insurance because the requirements and rates vary widely from place to place.
4. Your training requirements are explained in Item 11. You must attend the one (1) week Distributor Training Program. If You completed the 14-day or 15-day New Franchise Training Program (NFTP), the two (2) day Mold Remediation Course and the Franchise Management Course more than three (3) years prior to Your purchase of a Distributorship, We may require You to attend the 15-day New Franchise Training Program (NFTP), the

two (2) day Mold Remediation Course and the Franchise Management Course in addition to the (1) week Distributor Training Program. In the event You must complete all training programs, You should allow at least \$7,000.00 dollars for two people for training fees, travel, lodging, food, and other miscellaneous living expenses incurred during Initial Training. Your actual cost will vary, depending on the distance to be traveled, Your method of travel, and Your personal circumstances.

5. We do not require any prepaid deposits, permits or licenses before You begin operation of Your Franchise, but Your particular state or locality may have licensing requirements. The Environmental Protection Agency (“EPA”) has issued a rule concerning lead paint that applies to work performed on pre-1978 homes by restoration and other businesses, known as the *Renovation, Repair and Painting* (“RRP”) program, with mandatory training requirements for certification and work practices. You must attend this training. This training is not provided by Us. We believe the cost of the one day training course is approximately \$250. Some areas require that You register as a franchise broker if You engage in franchise sales on Our behalf. You must obtain any permits or licenses required in Your locality for performing the services of the Business. You should consult Your attorney or Your local city, county and state authorities about the specific legal requirements for payment of sales and use tax and business licenses and related types of expenses in Your area.

6. If You do not have existing Franchises assigned to You, no revenue is owed to You until a Franchise is sold within Your Distribution Area. It is Your responsibility to sell franchises. We recommend that You have additional funds available during the start-up phase of Your Business if approved by Us and if You sign the Salesperson Contract. We estimate that You can expect to put additional cash into the business during the first three (3) to seven (7) months, and sometimes longer, but We cannot estimate or promise when, or whether, You will achieve positive cash flow or profits. We have not provided for capital or other reserve funds necessary for You to reach “break-even”, “positive cash flow”, or any other financial position. We do not furnish nor do We authorize Our salespersons or anyone else to furnish estimates as to those amounts. The amounts in this table are Our estimates of the amount needed to cover Your expenses for a three (3) month period from the date You open for business. The estimate does not include any salaries or benefits for employees or any allowance for an owner’s draw. These figures are only estimates. We cannot assure You that You will not have additional expenses starting Your Business. Your actual costs will vary according to Your approach to the Business, Your management skill, experience and business acumen, local economic conditions, the local market, and competition. We recommend that You obtain independent estimates from third-party vendors of the costs that would apply to Your establishment and operation of the Business or discuss the economic experience of opening and operating the Business with Our current and past Distributors. The estimated initial investment and other estimates in this Disclosure Document do not take into account Your personal living expenses, any debt service needs, ongoing working capital requirements, accounts receivable financing or other costs. We recommend that You review these figures carefully with Your business advisors.

7. You will need to purchase or rent a place of business. The purchase of real property is not necessary and We have not allocated any amounts for real estate or related costs. If You rent a place of business, You may expect to encounter additional ~~investment requirements~~expenses.

8. All of the fees listed as payable to Us are non-refundable. The other fees or payments may be refundable depending on the particular supplier's terms of sale. We relied on Our experience to compile these estimates of the range of initial start-up expenses You may incur. The actual amount of additional funds You will need depends on a variety of factors, such as Your management skill, economic conditions, competition in Your area and other factors. The amounts given may be subject to increases based on changes in market conditions, Our cost of providing services and future policy changes. Financing for all or some of the above costs may be available as described in Item 10.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must maintain the highest standards of quality and workmanship in order to provide the highest quality service to Your assigned franchisees. We may specify particular performance standards and responsibilities in Our Manuals, by Bulletin or otherwise in writing. We can, and expect to, modify Our standards and Your responsibilities, as We deem necessary in Our sole discretion. We will notify You, in writing, of any changes to the standards, responsibilities or the Manuals and may do so with Bulletins. We may, in Our sole discretion, require supplies, equipment, professional cleaning products and other goods and services to be purchased exclusively from Us or from approved suppliers or distributors.

All advertising and promotional materials, signs, equipment and other items We designate must bear the Marks (see Item 13) in the form, color, location and manner We specify. All advertising and promotion must meet Our standards. Franchisees may prepare and use their own advertising or promotional materials subject to Our written guidelines and must get Our approval before doing so. Franchisees must follow Our Territorial Policy in promotion of and solicitation for their Franchises and You must do so for Your distributorship.

Before You open for business, You must obtain insurance coverage We specify and any other insurance required by Your state or locality. Section 7.8, Franchise License Agreement. You must name Us, and Our Parent, as well as designated subsidiaries and affiliates, officers, directors, employees and agents as additional insureds and ask Your carrier to give Us a certificate of insurance. You must purchase this insurance coverage from a responsible carrier. You must keep an insurance policy in force during the term of Your Franchise License Agreement. Currently, the following limits and coverage are required:

1. Commercial general liability (CGL) with a per occurrence limit of \$2,000,000.00 and an aggregate limit of \$3,000,000.00. These limit requirements remain the same if You have more than one Distributorship, You must secure pollution and mold liability coverage with a per ~~occurrence~~ claim limit of \$2,000,000.00 and an aggregate limit of \$3,000,000.00. You must purchase Limited Service and Repair Liability coverage ("LSRL") with per occurrence and aggregate limits of \$250,000.00. The LSRL policy warrants the services and materials franchisees provide to vendors that require a warranty of work and materials. It does not cover personal injury or property damage. You may purchase the insurance described in this section from any source You choose, provided that the policy limits and endorsements meet Our requirements. The LSRL coverage, however, is only available through Restoration Risk Retention Group, Inc. ("RRRG"), a captive insurance company that We helped form under the federal Liability Risk Retention Act to provide insurance to Our franchisees that meet RRRG's underwriting guidelines. RRRG provides CGL, pollution and LSRL policies at competitive rates. If You choose to purchase policies from RRRG, You must review its Information Circular and purchase \$200.00 worth of stock per franchise license. There is no market for the stock and the RRRG will repurchase the stock if You no longer remain an insured. We require certain amendments and endorsements to CGL and pollution policies, including third party coverage for intentional criminal acts and uninsured sub-contractors. If You purchase these policies from RRRG, the endorsements and amendments are already a part of the policies. If You purchase Your CGL and pollution policies elsewhere, You must add these endorsements and amendments to those policies. In addition, if You purchase commercial general and

pollution liability insurance from any source other than the RRRG, Your agent or insurance company must write a letter in a form designated by Us providing assurance the policy meets Servpro's requirements. A copy of these requirements will be provided upon request.

2. \$1,000,000.00 dollars motor vehicle liability coverage combined single limit on each owned, non-owned or hired vehicle, which You will use.
3. Worker's compensation insurance as required in Your state. The current minimum worker's compensation limit requirements are as follows: \$100,000.00 each accident, \$500,000.00 policy limit and \$100,000.00 each employee. Although not required by Us, many franchisee employers also purchase employers liability insurance as a supplement to workers compensation and some also purchase employment practices liability coverage.
4. A currently effective Certificate of Insurance reflecting Your full compliance with Our then-current insurance requirements must be on file with Us at all times. The Certificate of Insurance must name Us and Our Parent, as well as their subsidiaries and affiliates as additional insureds on Your CGL and pollution policies (this will likely be required if You purchase CGL and/or Pollution policies from an insurer other than RRRG). The pollution Certificate of Insurance must also specifically confirm Your coverage for pollution, mold and incidental disturbance of lead and asbestos. Commercial General Liability must be written on an occurrence basis, \$2,000,000 each incident with \$3,000,000 aggregate. Contractors Pollution Liability may be written on claims made basis, \$2,000,000 each incident with \$3,000,000 aggregate. Professional Liability with \$250,000 limit and maximum deductible of \$5,000 may be added as endorsement or obtained as a separate policy for federal EPA lead paint testing requirements.
5. We reserve the right to require You to purchase tail insurance coverage in the types and amounts designated from time to time by Us for up to two (2) years following transfer, non-renewal, expiration, or termination of Your License Agreement.
6. Errors and Omissions and LSRL coverage is mandatory for all Distributors. E & O coverage for Distributors has been created by adding endorsements to the CGL and Pollution policies offered by RRRG. One way to obtain this E & O coverage is to acquire the CGL and Pollution policies from RRRG in order to attach the endorsements. These endorsements will likely not be available through non-RRRG policies; although You are free to inquire with other insurers. Distributors who choose to obtain CGL and/or Pollution coverage from other insurers who meet Our requirements, may purchase a "Special Conditions" CGL and Pollution policy, which provide E & O endorsements and amendments at a charge reduced from the full price of the RRRG policies.

National Accounts programs are defined as all clients with which We have a defined relationship, generally memorialized with a Bulletin, through which they communicate required procedures for vendors performing services for their insureds. Select National Accounts are generally insurance company clients and commercial clients who impose more extensive requirements through formal contracts with strict performance and service levels and indemnification and work guarantees for the work produced by You and Your subcontractors as a condition of serving their insureds. Your assigned franchisee must sign Our Select National Accounts Participation Agreement ("SNAPA") to receive job referrals from those insurance companies and their insureds whereby they agree to abide by specific criteria.

We ~~are currently~~ have negotiated similar Commercial Accounts programs for commercial clients, which include, without limitation, business premises of all types and sizes, warehouses, offices, factories, governmental entities, and educational and health care institutions, all of which will contain qualification criteria and requirements no less stringent than Select National Accounts and likely more extensive. New franchisees may not qualify. Your assigned franchisees must sign our Commercial Accounts Participation Agreement (“CAPA”) to receive job referrals for which they qualify from those companies whereby they agree to abide by specific criteria.

You must also qualify for and sign NAPA, SNAPA and CAPA to participate in these programs if You own an operating franchise. If You do not own an operating a franchise, You must be thoroughly familiar with the qualifications for these programs and must be able to provide effective advice and support to Your assigned franchisees who wish to participate in these programs.

We have an affiliate, ERnet Property Resource Group, LLC, which establishes relationships with commercial property owners and property managers. ERnet dispatches jobs to qualified Servpro franchisees nationwide. The qualification criteria to be eligible to perform work for ERnet clients is nearly identical to that for Select National Account jobs. Qualified assigned franchisees must also sign ERnet’s Service Provider Participation Agreement, to receive job referrals from ERnet clients.

With the exception of National Accounts, Select National Accounts and Commercial Accounts, Your assigned franchisees are free to set their own prices. However, an industry standard unit pricing platform has emerged: Xactimate[®], prepared and updated monthly by Xactware, Inc.

Some insurance companies or other entities may require a different software for estimating, other than Xactimate[®]. If Your assigned franchisees accept a job covered by one of these companies, they will be required to use that required software. You must use this software to audit job files, as We may require.

Both Servpro’s National Accounts Division and ERnet solicit and negotiate national and regional agreements for services of the Servpro franchise system, primarily with insurance companies and commercial property owners and managers. You will be required to assist and to solicit regional accounts. As the emergency water, fire and smoke cleanup and restoration industry becomes more competitive, We expect national insurers and commercial properties to consolidate their service providers and establish national programs with the most competitive. Due to this competitive environment, both Servpro and ERnet must be competitive in their negotiations.

When Your assigned franchisees purchase a Franchise, they must purchase Our standard Equipment and Products Package, which varies from year to year, in Our sole discretion. The items included in Our Equipment and Products Package are changed periodically to reflect changes in the cleaning and restoration industry and franchisees' needs.

Your assigned franchisees must purchase or lease their vehicles, equipment, uniforms, certain computer hardware and software applications, office supplies and trademarked items under specifications. Our specifications include standards for performance and appearance, including color.

Your assigned franchisees must purchase or lease their equipment, professional cleaning products, inventory, supplies and other products and materials required for the operation of the Franchise from Us or from approved vendors, generally the types identified in Our Equipment and Products Package List. There are no purchasing or distribution cooperatives.

If Your assigned franchisees want to purchase any such specified items from an unapproved supplier, We have a required approval procedure.

Except as set forth above, during the term of the Agreement You are not obligated to purchase or lease from any sources designated by Us other than as described in this Item 8. We are the only approved vendor for Our internet access package to ServproNET[®] and office management system (WorkCenter™), which must be used on all jobs. There is no alternate source due in part to the necessity of maintaining security on Our private network. We and Our Distributors are the only approved vendors for specified products and equipment. In the calendar year ending December 31, ~~2014~~2015, Our revenue from the sale of these required purchases was ~~\$30,753,838~~27,789,956 dollars or ~~21.44~~18.41% of Our total revenues of ~~\$145,415,543~~150,913,792 dollars. Some of Our vendors attend trade shows and purchase sponsorships which help pay for Our costs associated with hosting Our annual Convention, Trainer and Director Meeting and other franchisee meetings. This amount was ~~\$318,150~~324,174 in ~~2014~~2015 and was all applied toward actual meeting expenses incurred.

On March 31, 2005, Our Parent formed the subsidiary Servpro Professional Cleaning Products, Inc. which began developing, mixing and blending professional cleaning products on October 1, 2006 for distribution by Us to the Servpro franchisees. On January 1, 2008, Our Parent formed a financing company to acquire the initial franchise fee, equipment and product notes and their collateral that were then held by Us. The new company, Servpro Finance, LLC, intends to also acquire future notes together with their associated collateral from Us as franchisees are added to the system. All of the servicing of such notes will continue to be handled by Us.

You must attend mold remediation training through only those outside training sources We have approved. An approved source for mold remediation training at this time is ~~Restoration Consultants, Inc.~~EHS Services, LLC, which currently provides the two (2) day Mold Remediation Course at Our National Training Facility in Gallatin, Tennessee. Other approved courses are the Indoor Air Quality Association ("IAQA") Microbial Remediation courses and the IICRC - certified Applied Microbial Remediation Technician course (AMRT). The IAQA courses include the IAQA Mold Remediation Worker course (for Virginia). Attendees of the IAQA courses receive a certificate of attendance from the IAQA, which satisfies Our requirement for mold remediation training. Attendees of the IAQA Mold Remediator/Supervisor and Virginia Mold Remediator Worker courses receive preparation for the Certified Microbial Remediator (CMR) exam, if You choose to take the exam. In addition, You may choose to take the Council-certified Microbial Remediator (CMR) exam. Individuals who meet all requirements of the American Council for Accredited Certification ("ACAC") are awarded the CMR certification. Our requirement for mold remediation training does not require You to take the CMR exam and receive certification. The IICRC does not operate schools or instructors, but instead approves schools and instructors to teach and administer its certified courses, including AMRT. Attendees who complete the AMRT certification course and achieve a passing grade on the AMRT exam will receive certification from IICRC in Applied Microbial Remediation.

Owners of Distributorships must receive Institute of Inspection, Cleaning and Restoration Certification (“IICRC”) Applied Structural Drying (“ASD”) certifications and keep the certifications current. Some Select National Accounts clients require one employee on every job to have current IICRC Water Damage Restoration Technician (“WRT”) certificates. WRT is a mandatory prerequisite for ASD. At least one of the principals/owners actively involved in the management of the Franchise must also obtain this certification.

The Environmental Protection Agency (“EPA”) issued a rule concerning lead paint that applies to work performed on pre-1978 homes by restoration businesses, known as the *Renovation, Repair and Painting* (“RRP”) program, with mandatory franchise training requirements for certification and work practices. This training is not provided by Us. Details of the program are on the EPA website at <http://www2.epa.gov/lead/renovation-repair-and-painting-program>.

You must use and post Internet advertising templates and a web site developed solely by Us, unless otherwise approved in writing by Us. You must solely use the web site program developed and offered through Us. The value of the Servpro trademark and brand are important assets that benefit the entire Servpro franchise system. Accordingly, all postings on the Internet must portray the Servpro franchise system in a positive, dignified and business-like manner; You must remove or modify, at Servpro's election, any material deemed by Servpro to violate this provision.

Currently there are no other items for which We or Our affiliates are approved suppliers or the only approved suppliers. We own 200 shares of Class A stock and one of Our officers owns the issued Class B stock in the Restoration Risk Retention Group, Inc., an approved supplier for the insurance required to operate Our franchise. The remainder of stock is owned by the RRRG's insureds, which consist of Our franchisees.

There are no other approved suppliers in which any of Our officers owns an interest.

Item 9

DISTRIBUTOR'S OBLIGATIONS

This table lists Your principal obligations under the Training and Distribution Agreement and other agreements. It will help You find more detailed information about Your obligations in these agreements and in other items of this disclosure document.

OBLIGATION	SECTION IN TRAINING AND DISTRIBUTION AGREEMENT	ITEM IN DISCLOSURE DOCUMENT
a. Site selection and acquisition/lease	1.K. and 3.C.	11
b. Pre-opening purchases/leases	5.L.	7, 8 and 11
c. Site development and other pre-opening requirements	5.I.	6, 7, 8 and 11
d. Initial and ongoing training	5.I.	6, 7 and 11
e. Opening	5.I.	11
f. Fees	5.A., 5.B., 5.C., 5.D., 5.E., 5.F. and 5.S.	5, 6 and 7
g. Compliance with standards and policies/ Operating Manual	5.J., 5.K., 6, 10.A. and 10.B.	8 and 11
h. Trademarks and proprietary information	3.D. and 9	13 and 14
i. Restrictions on products/services offered	5.L. and 5.P.	8 and 16
j. Warranty and customer service requirements	5.K.	11
k. Territorial development and sales quotas	3.E. and 5.P.	12
l. Ongoing product/service purchases	5.L.	8 and 16
m. Maintenance, appearance and remodeling requirements	9.C.	11
n. Insurance	5.O.	6 and 8
o. Advertising	5.N.	6, 7 and 11
p. Indemnification	11.B.	6, 9, 13 and 14
q. Owner's participation/management/ staffing	5.J.	11 and 15
r. Records and reports	5.G. and 5.H.	6
s. Inspections and audits	5.H.	6 and 11
t. Transfer	8	17
u. Renewal	2.B.	17
v. Post-Termination obligations	10.C. and 12.	17
w. Non-competition covenants ¹	10.C.	17
x. Dispute resolution	13 and 15	17
y. Liquidated Damages ²	5.H.	6

OBLIGATION	SECTION IN TRAINING AND DISTRIBUTION AGREEMENT	ITEM IN DISCLOSURE DOCUMENT
z. Responsibilities ³	Exhibits B and C to the Training and Distribution Agreement	9
aa. Background Checks	5.R	
bb. Cross Default	14.P	
cc. Force Majeure	14.Q	

¹ A covenant not to compete which extends beyond termination of the Business may not be enforceable under California Bus. and Prof. Code §16,600. Covenants not to compete upon termination or expiration of the Agreement may not be enforceable in South Dakota, except in certain instances as provided by law. These states have statutes which may limit Our ability to restrict Your activity after the Agreement has ended: Florida (Statutes §542.33), Michigan (Compiled Laws §445.771 et seq.), Montana (Codes §30-14-201), North Dakota (Century Code §9-08-06), Oklahoma (Statutes §15-217-19) and Washington (Code §19.86.030). Other states may have court decisions limiting Our ability to restrict Your activity after the Agreement has ended.

² California Civil Code §1671 and North Dakota Century Code §51-19-09(1)(i) may restrict or prohibit the imposition of Our liquidated damage provisions. Liquidated damages may not be permitted in Indiana (IC §23-2-2.7-1(10)), Minnesota (Rule 2860.4400J) or South Dakota (Civil Law 53-9-5). The imposition of liquidated damages may also be restricted by fair practice laws, contract law and state and federal court decisions.

³ You must comply with the Trainer Responsibilities or Director Responsibilities and materials referenced therein, as amended by Us from time to time. (Exhibits B and C to the Training and Distribution Agreement).

Item 10

FINANCING

We may, at Our discretion, or Servpro Finance, LLC may, at its discretion, finance up to sixty percent (60%) of Your acquisition of Distribution rights. The amount financed may include the additional amount paid in connection with assignment of existing Franchises, as described in Item 5. You must sign a secured promissory note pursuant to which You agree to pay the balance due for up to 144 months with a time-price differential at an annual percentage rate of twelve percent (12%) to fifteen percent (15%). You must give Us a security interest in the assets of Your Business and the Training and Distribution Agreement, and each Owner of the franchise and all shareholders, partners or members, and their spouses, must sign the Note (see Exhibit F) and personally guarantee payment by signing a Guaranty Agreement (see Exhibit H).

An example of Our Note is attached to this Disclosure Document as Exhibit F. Note payments will generally begin three (3) months after You sign and return Your Training and Distribution Agreement. The length of the repayment term is negotiable, but cannot exceed one hundred forty-four (144) months after You sign and return Your Training and Distribution Agreement. Any promissory note You sign may be assigned, pledged or sold to others.

You must give Us or Servpro Finance, LLC a security interest in the assets of Your business and the Agreement. All Owners, including shareholders, partners or members, and their spouses or domestic partners, must sign the Note and personally guarantee payment by signing a Guaranty Agreement (see Exhibit H).

If You purchase a vehicle from Us, You must sign a secured promissory note under which You agree to pay the balance due in between sixty (60) and ninety (90) monthly installments, depending on the amount of the note, with a time-price differential of between two and nine-tenths percent (2.9%) and fifteen percent (15%), depending on a variety of factors, including Your creditworthiness and down payment, which usually will range between \$2,500.00 and \$20,000.00. We also may offer You a line of credit for product and equipment You purchase from Us. Servpro Finance, LLC may also provide financing. On December 31, ~~2014~~2015, the annual percentage rate on Our line of credit was ten percent (10%). We also offer credit limits of varying amounts for purchases from Us with net 30 or 60 day terms. With respect to all of these financing arrangements, You must give Us a security interest in all of the assets of Your franchise and each Owner of the Franchise, including shareholders, partners or members, and their spouses must sign the Note (see Exhibit F) and personally guarantee payment by signing a Guaranty Agreement (see Exhibit H). We do not refinance any notes for acquisition of Your Franchise, equipment, or vehicles. Although We historically provided the financing described in this Item, Servpro Finance, LLC may provide this financing or We will continue to provide financing.

The Note may be prepaid without penalty. If You default on any payment, We may declare the entire amount due. Any material default under the Agreement is also a default under the Note, and vice versa. If the Agreement is terminated, the entire balance of the Note is immediately due. You must pay Our costs of collection, including court costs and reasonable attorneys' fees.

We have no past or present practice of selling, assigning or discounting to a third party all or part of Our Notes but We may do so without notice in the future. We may assign and discount Our franchise financing arrangements to a subsidiary or third party. We will remain primarily liable to provide the financed goods and services after such an assignment. The specific terms of any such assignment have not been determined, but could generally be based on commercial assignment and factoring practices, and then-current economic factors. You could lose Your defenses as a result of Our sale or assignment of the Note (see the Promissory Note and Security Agreement at Exhibit F, allowing assignment).

We do not directly or indirectly offer any financing arrangements to You except as disclosed in this Item 10. Whether, and on what terms, You can obtain financing from Us will depend on a variety of factors, including Your own creditworthiness and the type of security You can offer. We do not receive any direct or indirect payments for placing financing. We do not guarantee Your obligations to third parties. Our promissory notes are not assumable by third parties if You re-sell Your franchise.

Item 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, We are not required to provide You with any assistance.

Pre-Opening Assistance. Before You open for business:

We will designate Your non-exclusive territory (the "Distribution Area"). (Training and Distribution Agreement, Section 3.A) You will select Your business site for the Distributorship. Your business must be located within Your Distribution Area. You may operate from existing or new business premises, if located within Your Distribution Area. We do not own or lease any premises. We are not responsible for selecting or obtaining Your business site or for ensuring that it complies with local zoning laws. You may only use business telephone and facsimile numbers with prefixes and area codes, and may only use geographic terms in internet advertising, which are solely within Your Distribution Area. Training and Distribution Agreement, Section 9.A, We may license others to offer or perform the same or similar services in Your Distribution Area.

All training is mandatory and must be successfully completed prior to commencing operation. All training will occur at Our corporate headquarters in Gallatin, Tennessee, and locations otherwise directed by Us. Our corporate headquarters is a tobacco free campus. We will provide You with a set of Our Manuals, which contain mandatory and suggested specifications, standards, and procedures. The Manuals are confidential and remain Our property. We will modify the Manuals periodically (Training and Distribution Agreement, Section 10.B). Upon request, We will permit You to view Our Manuals at Our corporate headquarters before You purchase the Franchise. The contents of Our Manuals for Distributors follow Exhibits B and C (Trainer Responsibilities and Director Responsibilities, respectively) to the Training and Distribution Agreement.

We will provide You with written specifications for inventory, equipment, supplies, professional cleaning products, software applications, forms and marketing materials required to be used in the Franchise or distributed by You, part of which You must purchase from Us. You must purchase from Us, stock, sell and deliver to Your assigned franchisees the minimum types and amounts of professional cleaning products that We designate from time to time.

Post-Opening Assistance:

You must assist with Our New Franchise Business Consultation Meeting program after Your assigned franchisees complete NFTP. Our New Franchise Business Consultation Meeting program is conducted after they complete Set-up Training and after they have begun to operate their business. Your assigned franchisees will receive review materials with designated Manuals and Videos and have meetings with You at their location. The Assigned Trainer provides at least a one day consultation meeting at any assigned franchisees' business location for each of their first six months of business operation following completion of set up training. You also must complete QuickBooks® Pro training online or through any other Intuit-sponsored training facility. Your assigned franchisees must also schedule and complete an ASD course prior to Consultation Meeting 6. They must pass the course and receive certification.

Ongoing Assistance:

We will provide You with on-going advice and assistance as We determine is needed, in Our sole discretion. This assistance will include information about the products and services Your assigned franchisees offer to their customers, improvements and developments in the Franchise, pricing, training of employees, administrative, bookkeeping, accounting and inventory control procedures, advice about operating issues and written materials (newsletters, Bulletins, etc.) as We make them available. (Training and Distribution Agreement, Section 7) We will update the Manuals as We deem appropriate. (Training and Distribution Agreement, Section 10.B).

We will hold an annual convention (the "National Convention") to discuss issues concerning the Franchises and the System. The National Convention will generally be held at a different location each year and is generally held during the summer months. We select the date and location. You must pay Your travel and living expenses. You may receive a Convention Allowance to help with Your expenses if You meet Our requirements. (See Training and Distribution Agreement, Section 7.C and Item 6.)

We will provide additional or "refresher" training programs, as well as seminars and related activities regarding the operation of Your Business and the System as We choose to conduct. Please see also Trainer Responsibilities, Section I.T and Director Responsibilities, Section I.L. A Servpro Television ("Servpro TV") Annual Kickoff episode will air on or about late January and will provide an overview of highlights, information and programs for the year and will direct viewers to additional resources for more comprehensive information on each topic. You should view and share this important information alongside Your key employees and staff members. Servpro TV is a communications tool containing news, training information and updates for the Franchise System, and additional episodes will be released throughout the year. (See Item 6 and Training and Distribution Agreement, Section 5.I.) All Servpro Corporate sponsored events are mandatory. In addition, all Director and General Trainer Area Meetings and Business Consultation Reviews are mandatory. You will be in default if You attend less than 100% of mandatory meetings. These events may be conducted at Our headquarters or at any other location We select. You must pay Your personal expenses, including costs and expenses of transportation, lodging, meals, and wages. We may charge a reasonable fee for training materials for additional training courses. We will notify You of any charges before You enroll in a course. In order to renew Your Franchise License Agreement at the end of its initial term, You must attend and complete Our Franchise Management Course, which is conducted at Our headquarters in Gallatin, Tennessee several times a year and consists of 4-1/2 days of classroom instruction, covering Stages of Development and 6 Key Result Areas (production, office, human resources, financial management, marketing, and executive management).

We ~~will~~ may develop certain promotional programs and sales campaigns to assist You and Your assigned franchisees in marketing their services. We do not provide for placement of advertising for franchisees.

Advertising:

You and Your assigned franchisees must contribute the amounts described in Item 6 under the heading "Advertising Fee." All Advertising Fees collected go into a national fund (the "National Marketing and Advertising Fund"). We administer and direct the National Marketing and Advertising Fund and all advertising and marketing expenditures at Our discretion. We exercise Our business judgment in deciding when and how these funds are spent, taking into account input from an advertising agency, and the National Marketing and Advertising Advisory Board. We will use the National Marketing and Advertising Fund and all earnings on the National

Marketing and Advertising Fund to fund activities that We deem beneficial to the System, including, without limitation: (a) advertising and marketing expenditures; (b) Core marketing expenditures; (c) advertising and marketing television and radio commercial production; and (d) market research. No assurance is provided that any Franchisee will receive benefits from the National Marketing and Advertising Fund. We will make all studies and reports produced by the National Marketing and Advertising Fund available at no cost. We will provide copies of materials produced by the National Marketing and Advertising Fund available to You at Your expense. Advertising and marketing materials are produced by Us in-house and by an outside advertising agency. (Training and Distribution Agreement, Section 5.E.) —The funds are not used to sell additional franchises. We are not required to contribute to the National Marketing and Advertising Fund. If We do so, We may designate how any such contributed funds are used.

The 3% Advertising Fee funds the **National Marketing and Advertising Program**, which currently consists of the following:

1. National/Regional Marketing Program, based on ½% of all of Your Gross Volume less Gross Volume from Sub-contract Services.

The National/Regional Marketing Program is comprised of the following:

- a. National Accounts Core Marketing Program (Core Marketing Program). Core Marketing Program expenses include all of the expenses associated with operating Our National Accounts Program, including: salaries and benefits for department staff; travel related expenses; marketing and promotional expenses; office expenses; utilities and equipment. In short, the Core Marketing Program supports the National Accounts sales efforts.
- b. National Marketing Program is used to fund marketing of the SERVPRO Brand on a national basis. The primary expenditures ~~are currently sponsorship of the Professional Golf Association promotions at~~include trade shows, insurance forums, public relations campaigns, market strategy, ~~promotional initiatives, magazine advertising, insurance forums and other nationally focused promotional events~~web media.
- c. Regional Marketing Program, where expenditures are made by Subregions as determined by a majority of franchisees in each Subregion, which currently numbers 106. We determine the Franchisees which comprise the Subregions. Subregions are required to submit and obtain approval of a Subregion Marketing plan and budget by July 31 each year to direct spending of the Subregional Regional Marketing Funds by December 31. In consultation with the advertising agency and the National Marketing and Advertising Advisory Board, We determine the list of Approved Advertising Expenditures for Subregions. The Fund Balance of Subregions that do not submit a Marketing plan and budget by July 31 is directed to the National Advertising Fund. Subregions may vote to direct their funds to the National Advertising Fund rather than submit a Subregional Marketing plan and budget. For Subregions with an approved marketing plan and budget, request for reimbursement of budgeted expenditures must be submitted to Us by January 15 of the following year. Any unfunded budget requests and any Subregion Funds remaining at January 31 are directed to the National Advertising Fund each year.

The National/Regional Marketing Program is first utilized to fund the Core Marketing Program expenditures, and any remaining funds collected are allocated thirty-four percent (34%) to National Marketing and sixty-six percent (66%) to Regional Marketing.

2. National Advertising Program (2 1/2%): based on 2-1/2% of You and Your assigned franchisees' first ~~\$700~~750,000 of Your Gross Volume less Gross Volume from Sub-contract Services.

The National Advertising Fee consists of 2½% of the first ~~\$700~~750,000 ("Cap") of Gross Volume excluding Gross Volume from Sub-contract Services on a calendar year basis (see Item 6). The current "cap" of ~~\$700~~750,000 will be raised \$50,000 per year, which means that amounts subject to the National Advertising Fee of two and one half percent (2½%) will increase each year for the foreseeable future. The 2½% National Advertising Fee primarily funds national television advertising, web search engine marketing and web advertising, and sponsorship of the Professional Golf Association Tour and related promotional activities. The National Advertising Fee also pays for related services such as ~~commercial production costs,~~ consumer surveys and market research, sponsorship of the American Red Cross and related mobile application and commercial production costs.

We divided the United States into six Advertising Regions and each Advertising Region into Sub regions. We appointed Sub region Committee Members to a National Marketing and Advertising Advisory Board, which currently assists Us with recommendations for administering the National Marketing and Advertising Fund. We may create, change, or dissolve the National Marketing and Advertising Advisory Board in Our discretion, which is strictly advisory and has no decision making authority.

3. Expenditures:

During the year ended December 31, ~~2014~~2015, the National/Regional Marketing Fund (1/2%) fees were allocated ~~6580%~~ to the Core Marketing Program, ~~427%~~ to the National Marketing Program and ~~2313%~~ to the Regional Marketing Program. The Core Marketing Program and the National Marketing Program spent all of the fees allocated for calendar year ~~2014~~2015. In addition to these fees during the year ended December 31, ~~2014~~2015, the National Marketing Program spent an additional ~~\$502,686~~69,856 of unused National Marketing Program funds from the prior year. The Regional Marketing Program fees exceeded program expenditures by ~~\$482,222~~667,521 in ~~2014~~2015. Any advertising and marketing fees unused in the year are carried over for use in the next year. Amounts available from any remaining funds are expected to decrease as We expand Our Core Marketing Programs.

Expenditures from the National Advertising Fund (2-1/2%) for the year ended December 31, ~~2014~~2015 primarily paid for national television advertising throughout the United States and web search engine marketing. National Advertising Fund expenditures as a percentage of total Advertising Fund revenues were as follows: (a) television advertising equaling ~~6758%~~; ~~and~~ (b) web search engine marketing and web advertising equaling ~~3229%~~; (c) Professional Golf Association Tour sponsorship equaling 4%; (d) market research equaling 1%; (e) American Red Cross sponsorship equaling 1%; and (f) production costs of the mobile application and television commercials equaling 1%.

The National Advertising fees, plus contributions from the Regional Marketing Program in the amount of ~~\$270,692~~, exceeded program expenditures by ~~\$793,848~~1,238,403 for

the year ended December 31, ~~2014~~2015. ~~The unused National Advertising fees equaling 5% of the National Advertising Fund revenues~~ were carried over for use in the next year.

An annual accounting of the National Marketing and Advertising Fund is available to Servpro Franchisees upon written request. If all of the funds contributed to or revenues accrued to these programs in a calendar year are not spent in that year, We will carry the funds over to the next calendar year. We do not have any obligation to have the National Marketing and Advertising Fund audited. For Maryland Franchisees, an annual accounting of the National and Regional Marketing and Advertising Fund is available to You upon written request as required by COMAR 02.02.08.304B(5) of the Code of Maryland Regulations. We may, in Our sole discretion, modify and change the manner in which monies from the National Marketing and Advertising Fund are spent.

Computer Requirements:

Our current minimum computer hardware specifications are set forth below. We may upgrade Our minimum requirements at any time in order to keep pace with technology. We will advise You in writing of any required upgrades to Your computer hardware and software applications and platforms, and give You a reasonable amount of time to comply. For any component of computer hardware not included in Our Equipment and Products Package, You may use any brand of computer hardware that meets these specifications, and You may acquire this computer hardware from any source.

You must connect to Our data communications network, *ServproNET*[®], which is hosted by Microsoft[®] Windows[®] Server systems licensed to and operated by Us. This is the electronic pathway to the *ServproNET*[®] system. You will connect to this system for all *ServproNET*[®] services. The *ServproNET*[®] system has specific rules and policies to ensure the system is used as a business tool. You must follow these rules and policies in order to receive and maintain Your access privileges. We may modify these rules and policies periodically at Our discretion. All messages and data stored on or transmitted through the *ServproNET*[®] system are Our property and must be surrendered or destroyed at Our request. No contractual limitations exist on Our right to access the information and data on *ServproNET*[®]. Our current rules and policies are set forth in the *ServproNET*[®] Policies and Procedures Agreement attached to this Disclosure Document Exhibit B. See Item 6 for *ServproNET*[®] fees.

You must acquire Internet (bandwidth greater than 4 mbps download, 2 mbps upload) access rights through an independent Internet Service Provider (ISP). You may use any local ISP of Your choice as long as the access path complies with the *ServproNET*[®] attachment specifications. Internet access generally costs between \$50.00 dollars and \$100.00 dollars per month. All e-mail addresses must comply with Your Training and Distribution Agreement, the Territorial Policy, the *ServproNET*[®] Policies and Procedure Agreement and any Bulletins We have issued.

You will purchase the following hardware and software applications from Us. We do not provide support or warranties for hardware or third party software; any support or warranties are provided solely by the manufacturer.

Our current requirements are:

(2) Desktop computers¹ - Intel i5 3.20 GHz or higher processor clock speed; 4 gigabyte (GB) of Random Access Memory (RAM) or higher; 500 gigabytes (GB) or higher hard disk space; CD-RW (Read/ Write CD drive) or alternative; and 10/100/1000 Megabit Ethernet card.

(1) Wireless router¹ - ~~RV180W~~ broadband gigabyte wireless router, and with DSL compatibility.

(1) "Multi-function" Printer/Copier/Fax/Scanner¹.

(2) Operating systems² - Windows 7 Professional – 64 bit.

(2) Anti-virus programs² - ~~Kaspersky Total Security~~ Must install and apply latest update, with Anti-Spyware.

(2) Office automation² - Office 2013 Small Business Editions.

(2) Accounting³ - QuickBooks[®] Pro 2014.

(2) Sales routing⁴ – WorkCenter™ mapping

¹ This computer or equipment and components are not proprietary to Our system.

² This software is not proprietary to Our system. Other software packages are available which provide the same or similar functions.

³ QuickBooks[®] Pro by Intuit[®], which is not proprietary to Our system, is used for bookkeeping functions. We have developed a Servpro customized chart of accounts, which You must use and cannot be altered unless authorized by Servpro in writing. You must use invoices generated by this software which. You may not substitute a comparable software package for these functions. You must subscribe to Intuit's On-Line Tax Table support. You must attend a QuickBooks[®] Pro seminar or complete QuickBooks[®] Pro web-based training on *ServproNet*[®]. We have used or recommended the use of QuickBooks Pro since 1997.

⁴ WorkCenter™ Marketing and WorkCenter™ Office.

You must also purchase an iPad 4th generation or latest available with a minimum of 32GB, latest version of iOS and the latest version of Safari[®] or Google Chrome[®]. Wi-fi and cellular service is ~~highly recommended~~ required. Your choice of carrier (requires recurring monthly fee). You must bring the iPad with you to Your training in Gallatin, Tennessee. It is also recommended that each person coming to training, i.e., partner spouse, employee, also have a separate iPad to use during NFTP.

During 2016, We plan to complete conversion and rollout to the franchise system of our proprietary WorkCenter™ Office and WorkCenter™ Marketing systems. You will receive, must sign a software license agreement for and pay for the WorkCenter™ Systems. Franchisees must use the WorkCenter™ Systems on all jobs. We have designated the WorkCenter™ Systems as mandatory computer programs. Until further notice, You will receive, and must use and pay for an office automation application software package which currently includes WorkCenter™ Marketing and WorkCenter™ Office. No other software packages are available which provide the same functions as WorkCenter™ Office and WorkCenter™ Marketing. You may not substitute a comparable software package for these functions. You must use WorkCenter™ or other recommended applications in order to audit jobs for National Accounts and Commercial Accounts Programs. You will also need to purchase one or more license(s) of Xactimate[®], which is not proprietary to Our system and available from Xactware[®]. Some National Accounts, Select National Accounts or Commercial Accounts require different versions of Xactimate[®] software to participate in their program; therefore, You may be required to

purchase licenses for multiple versions of Xactimate®. You must also complete one of the three training segments offered by Xactware (the maker of Xactimate® software).

You will receive Our proprietary online job reporting and management system, Drying Workbook/DryBook™ Mobile application software, which allows the capture and documentation of job drying information (equipment validation, monitoring, moisture content tracking, equipment utilization). You and Your assigned Franchisees must use the DryBook™ Mobile and WorkCenter™ systems on all jobs. Job file audit and financial data will be stored on Our servers (“cloud”). No other software packages are available which provide the same functions. You may not substitute a comparable software package for these functions. ~~During 2015-2016, We plan to finalize implementation, training, phased conversion and rollout to all Servpro franchisees of Our new proprietary WorkCenter™ Office and WorkCenter™ Marketing systems.~~

~~WorkCenter™ Office and WorkCenter™ Marketing will both be~~ web-based, can be accessed on any PC or tablet where an Internet connection is available, permitting users to perform their work tasks from remote locations, and We will be hosting data and the software, which will have similar yet improved functionality. ~~—Because the WorkCenter™ systems are web-based, upgrades, updates and software repairs/patches that We release, in our sole discretion, will be implemented seamlessly in real time and at no additional charge beyond the software fee. Telephone support and training is also provided at no additional fee. We plan to begin training new franchisees to use WorkCenter during NFTP in 2015.~~

WorkCenter™ is comprised of ~~two~~ three core applications, WorkCenter™ Office, and WorkCenter™ Marketing and DryBook™ Mobile. WorkCenter™ is web-based allowing the integration with other franchise technology (e.g., ~~DryBook™ and DryBook™ Mobile~~), Our systems (e.g., Claims Entry, Job File Audit) and third party applications (e.g., Xactimate® and QuickBooks®).

WorkCenter™ Office functionality includes, but is not limited to: Claims Entry integration to capture job data, job and crew scheduler, ~~DryBook™ and DryBook™ Mobile~~ job documentation integration, QuickBooks® integration for billing, collections and marketing, estimating and tracking system to manage equipment.

WorkCenter™ Marketing functionality includes, but is not limited to: set-up sales routes, identify prospects, set goals for each Sales Marketing Representative (“SMR”), view SMR activity real time, review the notes from each days marketing efforts, search for a contact or business, mapping function; and works on tablets where an Internet connection is available.

The data generated by Your business belongs to Us, which includes but is not limited to job files, audit results, marketing contacts, estimatics and billing, job scheduling and financial performance of Your franchise. Please see Section 5.Q of the Training and Distribution Agreement. We can use this data in the ways We determine, in our sole discretion, which may include but will not necessarily be limited to analysis of the financial and other performance of Your Distributorship and assigned franchisees, tracking industry trends and other related analytical purposes. You will need to complete training on these new systems in order to use them in Your Distributorship. ~~DryBook Office and DryBook Mobile will also be required in 2015.~~ All Franchises will be required to train as a DryBook™ Mobile and WorkCenter™ user in order to use ~~DryBook Desktop and DryBook™ Mobile and WorkCenter™ Office.~~

For Distributors, We provide access to Servpronet.com where Visitation System items, Annual Associate Review, Franchisee Financial Analysis, also known as Financial Management Systems (FMS), National Accounts Participation Agreement (NAPA) Dashboard, Distributor Audit Report, Program updates for *ServproNET*®, the Audit Systems and the WorkCenter™

Drybook component. A comparable applications software package may not be substituted for these functions.

We will train You in the use of Our office automation application and software which includes WorkCenter™ Office and WorkCenter™ Marketing and You must assist Your assigned franchisees in their use of these software applications. We will also explain how to use the Servpro® customized chart of accounts in QuickBooks® Pro, although it is Your responsibility to acquire bookkeeping knowledge and the skills and training to use the QuickBooks® software. We do not otherwise train You on the use of any computer software applications. We do not provide technical support for hardware or software problems unless by mutual written agreement. We will provide You with scheduled upgrades to the Our office automation application and software based on Servpro development and modification schedules throughout the year and You must install and utilize them. We do not maintain, upgrade, or support any other computer software programs. You must ensure that Your software and hardware meet or exceed Our minimum requirements. We may upgrade the minimum requirements at any time in order to keep pace with technology. We will advise You in writing of any required upgrades to Your computer hardware and/or software and give You a reasonable time period in which to comply.

Data/cyber security is critical in today's business environment. You must implement, install and maintain effective, comprehensive and up-to-date computer system, data and cyber security measures sufficient to protect Your business. Measures are those required by business prudence and necessity, and those we designate from time to time. These measures will include, without limitation, unique ID passwords established for each employee's assigned roles (Single Sign On); anti-virus software set to run a scan daily, current minimum recommendation is Kaspersky Total Security; install and maintain firewall around the office private network; mobile devices need passwords; make backup copies of important business data and information; use a secure payment method if processing credit cards, the Square or equivalent; franchises who host their systems on a third party network must provide proof of security controls; upgrade to the latest release of the computers' operating system and keep Internet browsers current; install the latest updates and patches; install other key software upgrades and updates as available; password protect wireless internet access; and maintain effective cyber/data security insurance.

We provide computer(s), software, servers, web hosting to franchisees pursuant to third party contracts with other third party providers. We will provide such goods and services to franchisees under the terms and conditions We receive, generally "as is" and "as available" pursuant to these third party contracts.

Training - Distributors:

You must complete the Prerequisite Course, Mold Remediation Course, 15-day New Franchise Training Program, and Distributor Business Consultation Meetings for Franchisees as described above. You must also attend and complete Our 1-week Franchise Management Course, which Our Franchisees must take when renewing their Franchise License Agreement, as described above.

You must also attend Our 1-week Distributor/Franchise Business Consultant Training Program, which is generally held at least one time each year, and consists of the following: ~~Introduction- What Makes a Successful Trainer?, Trainer Responsibilities, Director Responsibilities, Distributorship Management, Conducting Meetings, Overview of Resources (Index of Manuals), Conflict Resolution Training, QuickBooks® Customized Reports for Distributors, Franchise Management System ("FMS"), Legal Issues in Franchise Sales, Managing Credit and Audit~~

Issues, Introduction to Franchise Expansion, Product Distribution Program, Distributorship Business Plan Development, Franchise Business Consultant's Role in Business Development Program ("BDP"), Franchise Business Consultant's Role in Helping Franchisees Market, Compliance Issues, Stages of Development Model, Local Marketing to National Accounts, Audits and Reinspections, Call Center Operations Presentation, Job File Scorecard, Branding and a Trainer's Responsibility in a STORM event Area Meeting Planning and Implementation, Business and Personal Planning: Distributor, Business and Personal Franchise Planning-Conduct the Annual Board Meeting, Business Consultations, Business Development Program Management, Communication Management, Continuing Professional Education (CPE), Franchise Agreement Renewal Management, Model Business Execution, National Accounts and Select National Accounts: Program Training, National Accounts Participation Agreement Inspections, Production, Marketing and Office Club Meetings Facilitation, Quality Assurance Program Management, Relationship Management, Resales, STORM and Catastrophic Protocol Management, Tax Obligations Monitoring: Franchise, Terminations Management, Territorial Policy: Violations, Solicitation Approval, Training Seminars and Meeting Attendance, Advertising Review, Continuing Education (CE) Facilitation, Emergency Response Program (ERP) Support for Franchises, Large Loss Response Team (LLRT) Members, Franchise Sales, Marketing: Route Sales Coaching, Marketing: WorkCenter™ Coaching, Sales and Marketing: Distributorship, National Accounts and Select National Accounts: Reinspection Visits, Product Distribution: Review Usage, Corporate Account Status Management, Documentation: Franchise Business Consultations, Estimating Coaching: Xactimate®, WorkCenter™, Invoice Review: Subcontract Reporting, Job File Audits and Job File Management Scorecard Monitoring, Product Distribution Management, SERVPRO WorkCenter™ Coaching, Zip Code Administration, QuickBooks® Coaching, Tax Obligations Compliance: Distributor, Employee Training: Franchisee and Staff Training, Coaching and Evaluations. We will provide You with a set of and/or electronic access to Our Manuals, which contain mandatory and suggested specifications, standards, and procedures. The Manuals are confidential and remain Our property. We will modify the Manuals from time to time in Our sole discretion. Upon request, We will permit You to view Our Manuals at Our corporate headquarters or elsewhere as arranged before Your purchase (Training and Distribution Agreement, Section 10.B).

We will provide You access to Servpronet.com which contains software applications, including the Franchise Management System (FMS), designed to help You manage the Franchisees assigned to You. The FMS contains proprietary applications, which are designed to assist You with the requirements of the Trainer Responsibilities and Director Responsibilities, including the Visitation System, the Annual Associate Review and the Franchise Financial Analysis. As a result of Our servicing various clients' interests, the Trainers and Directors roles and responsibilities may change upon notice from time to time in Our sole discretion. We will attempt to give You at least thirty (30) days advance notice of changes We are aware of. You must implement Our changes with each assigned franchise within the time period designated or, if none is designated, as soon as reasonably possible. Distributors must have an adequate staff assisting them in order to carry out these responsibilities in a timely fashion.

Training – Assigned Franchisees:

You must assist with assigned franchisees' training as We designate from time to time in Our sole discretion.

Franchisees generally open their business within sixty (60) to one hundred-twenty (120) days of signing their Franchise License Agreement. Before Your assigned franchisees open for business, We will require each person actively involved in operation of the Franchise to complete Our five step Initial Training program to Our satisfaction, which We call Our Business

Development Program (“BDP”). You will provide two eOwners with the five step BDP: Step 1: Prerequisite Progress (preparing their business prior to classroom attendance, which includes Xactware® training); Step 2: Prerequisite Consultation (on-site Trainer meeting); Step 3: New Franchise Training Program (NFTP, 15-day classroom which is generally offered once per month); Step 4: Business Setup (5 day on-site Trainer meetings); and Step 5: Business Consultations (Six on-site Trainer meetings). Currently, We require that at least one eOwner / Operating Principal actively involved in day-to-day operation of the franchise attend Business Development Program Step 3, New Franchise Training Program. We may require that each individual Franchisee, all shareholders, partners or members, and their spouses, or other principals or employees of the Franchise actively involved in the operation of the Franchise, attend and complete Our Business Development Program to Our satisfaction. We will provide two eOwners with the Business Development Program materials. We agree to provide training and manuals only in the English language. You and Your assigned franchisees must be fluent in the English language to qualify to own and operate a Distributorship and SERVPRO franchise and complete Our training program effectively. We may, but have no obligation to, translate some of Our written materials into other languages from time to time. NFTP fee is waived for two (2) eOwners. Franchisees will receive airfare for two (2) eOwners and a one-time \$2,000.00 dollar expense allowance for two (2) eOwners to help off-set lodging and meal expense during classroom if two (2) eOwners attend the 15-day NFTP at the same time.

If only one (1) eOwner attends NFTP, he or she will receive airfare and a \$1,750.00 dollar expense allowance. If one eOwner attends NFTP and a second owner then attends NFTP within twelve (12) months, the second owner will have his or her airfare paid and he or she will receive an expense allowance of \$250.00. The total amount of the expense allowance will never exceed \$2,000.00 dollars combined between two eOwners that attend NFTP. If franchisees attend an approved Mold Remediation Training at a different time than they attend NFTP, they are responsible for all travel and tuition expenses. If franchisees do not attend NFTP within twelve (12) months from signing the Franchise License Agreement, they will be responsible for paying the NFTP fee and will not receive any expense allowance. In the event more than two owners or employees with managerial responsibilities attend classroom training, an additional NFTP fee of \$1,000.00 dollars and a Mold Remediation Course fee of \$545.00 dollars per person is charged.

NFTP is conducted at Our headquarters in Gallatin, Tennessee. NFTP consists of thirteen (13) days of instruction and two (2) days of Mold Remediation training. You must complete the prerequisites and NFTP within 90 days after You sign the Franchise License Agreement.

Business Development Program (“BDP”) Steps 1 and 2 are self-study programs which franchisees must complete and their assigned Trainer or BDP Specialist must validate at least ten (10) days before they attend NFTP. These self-study programs are ordinarily shipped no less than six (6) weeks before franchisees are scheduled to attend NFTP and consists of Manuals and projects. We expect this prerequisite portion of BDP to take a minimum of 45-60 days to complete. During this time, prerequisites to NFTP consist of reading and written work, visiting Servpro franchise locations to observe sales, production and office operations, acquire the all necessary Federal, State and local licenses and permits, lease or purchase an approved office/warehouse location within your licensed territory, completing Xactware® training, completing EPA approved Lead paint renovator class, completing QuickBooks training and passing QuickBooks proficiency test, scheduling subrogation training course, scheduling an Applied Structural Drying course with Us or another IICRC-approved school and franchisees meeting with their accountant to set up their financial statements. Assigned Trainers or BDP Specialists will also perform a prerequisite consultation meeting for assigned franchisees to assess progress on the BDP prerequisites. The meeting will be attended by assigned Trainers or BDP Specialists and will take place at the assigned franchisee’s place of business in order to

validate that all prerequisites are complete. If all prerequisites are not completed timely, attendance at NFTP in Gallatin, TN will be delayed a minimum of thirty (30) days. The rate at which the assigned franchisees progress through steps 1 and 2 are up to their efforts and could be less than 45 days in special circumstances.

The Mold Remediation Course is required at NFTP. The Mold Remediation training is two (2) days (eight (8) hours each) of instruction on the following topics: Microbiology, Safety, Moisture Concepts, Standards, Forms, Containment, Pressurization, and hands on Procedures. This training is conducted by ~~Restoration Consultants, Inc. (RestCon)~~ EHS Services, LLC and is currently provided at Our headquarters in Gallatin, Tennessee the Monday and Tuesday immediately following the first day of NFTP class. The Mold Remediation instructors ~~include is John Banta~~ Dr. Greg Boothe, CIH, CSP who has over ~~twenty-five~~ thirty (30) years experience, and ~~Mark Ayers who has over nine (9) years of experience.~~ There is no additional fee for attendance at the Mold Remediation class by two (2) eOwners. In the event more than two (2) eOwners attend Mold Remediation Training, the franchisee must pay an additional course fee of \$545.00 dollars for each additional eOwner or qualified employee who attends the Mold Remediation Training.

The subjects covered, hours of classroom training, hands on training and the instructors for initial NFTP training are as follows:

NFTP is conducted at Our headquarters in Gallatin, Tennessee. NFTP consists of thirteen (13) days of instruction and two (2) days of Mold Remediation training.

TRAINING PROGRAM NEW FRANCHISE TRAINING PROGRAM (NFTP)					
SUBJECT	CLASSROOM TRAINING HOURS	HANDS ON TRAINING HOURS	LOCATION	INSTRUCTOR	INSTRUCTOR EXPERIENCE
Welcome, SERVPRO Culture, Value of SERVPRO Franchise, and Key Result Areas	1.5		Gallatin, Tennessee	Susan Steen	See Item 2

TRAINING PROGRAM NEW FRANCHISE TRAINING PROGRAM (NFTP)					
SUBJECT	CLASSROOM TRAINING HOURS	HANDS ON TRAINING HOURS	LOCATION	INSTRUCTOR	INSTRUCTOR EXPERIENCE
Introduction of Training Program	.25		Gallatin, Tennessee	Lori Wilson	Training Specialist/4-5 years with Us and 4-5 years training experience
Introduction of Training Program	.25		Gallatin, Tennessee	Lori Wilson	See Above
National Call Center Overview	1.5		Gallatin, Tennessee	Jessica Carmack	Work Force Planning Manager/4-15 years with Us and 4-15 years call center experience
Marketing Fundamentals Residential and Commercial Marketing	65	54.5	Gallatin, Tennessee	Andrew Daniels	Training Marketing Applications Support Specialist/14 years with Us and 4-16 years of sales and marketing experience
Estimating Scoping Basics	21.5	21.5	Gallatin, Tennessee	David Ragsdale	Training Specialist/3-4 years with Us and 4-18 years training experience
Cleaning Basics	24.5	3	Gallatin, Tennessee	Robert Bowles	Training Specialist/ 4-14 years with Us and 9-10 years training experience
Introduction to Commercial Restoration	2		Gallatin, Tennessee	Clint Brickles	Training Specialist/2 years with Us and 16 years training/ restoration experience

TRAINING PROGRAM NEW FRANCHISE TRAINING PROGRAM (NFTP)					
SUBJECT	CLASSROOM TRAINING HOURS	HANDS ON TRAINING HOURS	LOCATION	INSTRUCTOR	INSTRUCTOR EXPERIENCE
Truckmount and portable eExtractor Overview	0	1.5	Gallatin, Tennessee	Clint Brickles	Training Specialist/4 year with Us and 15 years training/ restoration experience See Above
Safety Overview	1		Gallatin, Tennessee	Robert Bowles	See Above
Restoration Risk Retention Group, Inc. ("RRRG") Overview	.25		Gallatin, Tennessee	Stacey Slater Dave Wisniewski	Claims Coordinator RRRG Manager /46 years with Us and 13-30 years claims risk management experience
Basics of Production	1		Gallatin, Tennessee	Robert Bowles	See Above
Basics of Structure Cleaning	3	3.5	Gallatin, Tennessee	Robert Bowles	See Above
WorkCenter™ Office, DryBook and DryBook™ Mobile and ScanER®	0	15.59.25	Gallatin, Tennessee	Spencer Button	Training Specialist/ 6-7 years with Us and 3-4 years training experience
Textile Cleaning	43.5	3.5	Gallatin, Tennessee	Robert Bowles	See Above
Spot Removal	.5	.5	Gallatin, Tennessee	Robert Bowles	See Above
Deodorization	1.5	1	Gallatin, Tennessee	Robert Bowles	See Above
Contents Cleaning Management	1.5	4	Gallatin, Tennessee	David Ragsdale	See Above
Fire Work Process	1	5	Gallatin, Tennessee	Robert Bowles Lori Wilson	See Above
IICRC Water Restoration Technician Course	18	6	Gallatin, Tennessee	Dale Dohner	See Above
Water Damage Monitoring	1	3	Gallatin, Tennessee	Dale Dohner	See Above

TRAINING PROGRAM NEW FRANCHISE TRAINING PROGRAM (NFTP)					
SUBJECT	CLASSROOM TRAINING HOURS	HANDS ON TRAINING HOURS	LOCATION	INSTRUCTOR	INSTRUCTOR EXPERIENCE
<u>Introduction to Xactimate® and Xactimate Applications</u>		4	<u>Gallatin, Tennessee</u>	<u>Spencer Button</u>	<u>See Above</u>
Mold Overview	44.12	2.54	Gallatin, Tennessee	Restoration Consultants, Inc. EHS Services, LLC - Mark Ayers Dr. Greg Boothe	Project Manager with 28-30 years experience in health and safety
File Audit Exercise	2.25	2.5	Gallatin, Tennessee	Spencer Button	See Above
Stages of Development	4.5		Gallatin, Tennessee	Dale Dohner	See Above
Personal Development, The Servpro Way and Business Planning	3		Gallatin, Tennessee	Lori Wilson	See Above
A Formula for Success	3.5		Gallatin, Tennessee	Bob Heid	Bob Heid was a franchisee from March 1977 to July 2014. He was also a Distributor from 1981 to 2006.
Office Management Basics	1		Gallatin, Tennessee	Spencer Button	See Above
Financial Management Accounting Transactions, and Bookkeeping and Payroll	23.5	21	Gallatin, Tennessee	Jennifer Bowers	Training Specialist/4-2 years with Us and 40-11 years accounting, bookkeeping and financial experience
Insurance Basics	4.5		Gallatin, Tennessee	Roy Adcock Austin Porter	Commercial Accounts Coordinator/6 years - 2 years with Us and 6-4 years insurance experience
Human Resources Management	34.5		Gallatin, Tennessee	Marcessa Palmer	Training Specialist/4-2 years with Us and 40-11 years human resource experience

TRAINING PROGRAM					
NEW FRANCHISE TRAINING PROGRAM (NFTP)					
SUBJECT	CLASSROOM TRAINING HOURS	HANDS ON TRAINING HOURS	LOCATION	INSTRUCTOR	INSTRUCTOR EXPERIENCE
Subcontractor Relationships	1.5		Gallatin, Tennessee	David Ragsdale Clint Brickles	See Above
Graduation	4.5		Gallatin, Tennessee	N/A	N/A
Franchise Websites and Social Media	1		Gallatin, Tennessee	Jay Hinton	Web Product Coordinator / 3 years with Us and 12 years of website marketing and optimization experience
Total Hours	7883.7525	49.5047.25			

Set-up training is a minimum of 40 hours of instruction over the course of five (5) days during which the primary place of business is set up and opened for business, plus a review of selected principles discussed in NFTP and is performed at assigned Franchise sites immediately after completing NFTP. It includes the following:

SUBJECT	CLASSROOM TRAINING (HOURS)	ON - SITE TRAINING (HOURS)	LOCATION	INSTRUCTOR
Consultation regarding the Definition of Goals, and Long-Term Plans		.5	Franchise Location	Franchise Business Consultant
NFTP Training Review, Q & A/ Needs Analysis		.5	Franchise Location	Franchise Business Consultant
Package Inventory & Equipment Test		7	Franchise Location	Franchise Business Consultant
Illness and Injury Prevention Program (IIPP)		.5	Franchise Location	Franchise Business Consultant
Van Setup		1	Franchise Location	Franchise Business Consultant
Operating Manuals Review		.5	Franchise Location	Franchise Business Consultant
QuickBooks® Pro Review and Budget Preparation		1	Franchise Location	Franchise Business Consultant
Franchise Business Consultant prepares a Breakeven using FMS for submission with the setup Checklist		.5	Franchise Location	Franchise Business Consultant

SUBJECT	CLASSROOM TRAINING (HOURS)	ON - SITE TRAINING (HOURS)	LOCATION	INSTRUCTOR
Office and Job Procedures Review		.5	Franchise Location	Franchise Business Consultant
Estimating Review		1	Franchise Location	Franchise Business Consultant
Review Office Automation Advanced Training Resources		.5	Franchise Location	Franchise Business Consultant
Marketing Center Training Tools		2	Franchise Location	Franchise Business Consultant
Job File Audit Process		1	Franchise Location	Franchise Business Consultant
DryBook and DryBook Mobile		1	Franchise Location	Franchise Business Consultant
Preview SERVPRO® Office Automation Software –Advanced Training		.5	Franchise Location	Franchise Business Consultant
Evaluate and Qualify Subcontractors		1	Franchise Location	Franchise Business Consultant
Consultation Concerning Route Sales Calls and Completing Sales Calls		12	Franchise Location	Franchise Business Consultant
Marketing Route Sales Activity		2-3	Franchise Location	Franchise Business Consultant
ERnet® Review		.5	Franchise Location	Franchise Business Consultant
ERnet® Vendor Participation Agreement		.5	Franchise Location	Franchise Business Consultant
Commercial Sales		2	Franchise Location	Franchise Business Consultant
National Accounts Review		1	Franchise Location	Franchise Business Consultant
SELECT Accounts Participation		.5	Franchise Location	Franchise Business Consultant
Ensure items on the Training Review List have been covered and explained in detail to the Franchisee		.5	Franchise Location	Franchise Business Consultant
Summary & Review		.5	Franchise Location	Franchise Business Consultant

SUBJECT	CLASSROOM TRAINING (HOURS)	ON - SITE TRAINING (HOURS)	LOCATION	INSTRUCTOR
SMSP Commitment letter from Franchisee		.5	Franchise Location	Franchise Business Consultant
Activate National Call Center, if qualified		.5	Franchise Location	Franchise Business Consultant
Totals		40.5		

Set-up training is provided by Our Franchise Business Consultants, employees and Distributors, whose minimum experience in this field ranges from 3 months to 20 years or more. A Franchise Business Consultant (also referred to as “FBC”) is the title of the approved Owner or employee fulfilling some or all of the Trainer responsibilities and is engaged in direct consultations and interactions with assigned franchisees of the Trainership.

Franchisees are not qualified to receive National Accounts, Select National Accounts or Commercial Accounts referrals prior to successfully completing Set-Up Training. In addition, certain insurers or commercial accounts will not permit new franchisees to participate in their service provider programs and receive referrals from Our National Call Center until they have a designated level of experience and/or been in business for designated periods of time, up to one year. Other Select National Accounts or Commercial Accounts may have similar waiting and/or qualification periods.

We are not required to provide any other service or assistance to franchisees before they open for business.

Our Franchisees typically open for business immediately after completing Set-up Training, which will generally occur after NFTP, which generally occurs within two (2) months after signing their Franchise License Agreement. The factors which affect this are the training schedule, the franchisee’s ability to obtain financing, any local requirements for permits or licenses, the franchisee’s ability to complete Our required Business Development Prerequisite Course, the time required to receive the Equipment and Products Package and the date of the franchisee’s final Set-up Training. When We believe a new franchisee’s Initial Training is complete, and they meet Our then-current criteria, they will be eligible to receive job referrals from Our National Call Center.

SUBJECT	CLASSROOM TRAINING (HOURS)	ON-SITE TRAINING (HOURS)	LOCATION	INSTRUCTOR
Consultation Meeting 1		8	Franchise Location	Franchise Business Consultant
Consultation Meeting 2		8	Franchise Location	Franchise Business Consultant
Consultation Meeting 3		8	Franchise Location	Franchise Business Consultant

SUBJECT	CLASSROOM TRAINING (HOURS)	ON-SITE TRAINING (HOURS)	LOCATION	INSTRUCTOR
Consultation Meeting 4		8	Franchise Location	Franchise Business Consultant
Consultation Meeting 5		8	Franchise Location	Franchise Business Consultant
Consultation Meeting 6		8	Franchise Location	Franchise Business Consultant
Totals		48		

These Business Consultation meetings will be provided by Your Franchise Business Consultants. Business Consultation meetings are six one-day consultations during each month of Your assigned franchisees' first six (6) months after NFTP and set-up training. During this portion of Our BDP training program they will complete self-study assignments prior to each Business Consultation. During these consultations, the Franchise Business Consultant will: attend work-in-progress meetings to validate format (if no employees, review each job-in-progress), work sales routes -making sales calls and properly documenting contacts in WorkCenter™, review job files for work-in-progress, review outstanding accounts receivable, perform a Job File Audit them, review NFTP business plan, review Stages of Development Model with them for a Stage 1 business, review the process of performing employee background checks-verify that background checks have been performed, help complete estimates, review various features of the ServproNet® site, review Convention Allowance report and Receivable/Insurance Status Report, review Sales Management Support Program ("SMSP"), verify when ASD course has been completed and certificate received, verify subrogation training completed and certificate received, review fire restoration job file process flow chart, review water restoration job file process flow chart, review job file audit with them, review human resources manual, review employee handbook, review safety manual, verify various safety policies are completed, review subcontractors: painters, moving company, computer restoration/repair and HVAC company, review techniques for recruiting employees, verify job description and training checklist for personnel are complete, visit a job site and observe work in progress, verify use of QuickBooks® Pro including: Profit and Loss Statement (P&L), Balance Sheet, Aged Accounts Receivable (A/R), Accounts Payable, Royalty Report and Invoice Log, review the royalty volume calculation report, verify assigned franchisees have sent first three months' financial statements of their business operations to their accountant, help prepare for Continuing Education (CE) course, review the Sales Handbook, role-play sales presentation, help complete financial analysis statement of trends and industry standards, review Balance Sheet and complete ratio comparison Worksheet (manually), review complaint resolution and QAP process, confirm first quarter profit and loss statement and balance sheet sent to accountant for review, review two Sub-contract Service invoices, verify membership and participation in insurance claims associations, Building Owners and Managers Association (BOMA) or other key organizations identified for networking (participation in at least two organizations is recommended during Your first year).

We are not required to provide any other service or assistance to You for the continuing operation of Your Franchise.

Item 12

TERRITORY

~~TERRITORY – DISTRIBUTOR~~

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that We own, or from other channels of distribution or competitive brands that We control. A Trainer Distributor's Distribution Area generally contains at least 750,000 in population. A Director Distributor's Distribution Area generally contains at least 2,250,000 in population. The population in Your Distribution Area is determined by using the most recent census tracts available from the Census Bureau. See Items 5 and 7 for further information. We, and any of Our affiliates, reserve the right to: (i) use other channels of distribution, such as the Internet, retail, catalog sales, telemarketing, or other direct marketing sales, to make sales within the Distributor's territory using Servpro's principal trademarks; and (ii) make sales within the Distributor's territory of products or services under trademarks different from the ones the Distributor will use under the Training and Distribution Agreement, all without compensation.

We publish a Territorial Policy, which is attached to this Disclosure Document as Exhibit E. Our Territorial Policy limits the geographical area and manner in which Our franchisees, including those assigned to You, may offer, solicit, advertise, and perform the services of the Franchises. They may only offer, solicit, advertise, and perform services inside or outside of their designated Operating Territory in accordance with Our Territorial Policy. You will help administer and enforce Our Territorial Policy. Please see Trainer Responsibilities Section I.S and Director Responsibilities Section I.J.

Item 13

TRADEMARKS

We grant You the right to operate a Business using the authorized trade name “Servpro® of (a designated non-exclusive Distribution Area).” (Training and Distribution Agreement, Section 3) You may also use the Servpro® logo and other designated current or future Marks to operate Your Business. By “Marks,” We mean trade names, trademarks, service marks, trade dress, symbols, emblems, logos, and other indicia of origin designated by Us to identify Your Business and services.

Servpro Intellectual Property, Inc. owns the following registered Marks on the Principal Register of the United States Patent and Trademark Office (“USPTO”) and licenses them to Us. All affidavits and declarations required by the USPTO have been filed timely.

Description	Registration Number	Registration Date	Renewal Filed
SERVPRO and Design	1,707,245	8/11/1992	12/31/2011
SERVPRO and Design	1,726,156	10/20/1992	12/31/2011
SERVPRO and Design	1,804,022	11/16/1993	1/22/2013
SERVPRO	1,845,906	7/19/1994	9/26/2013
House Design	1,875,570	1/24/1995	2/4/2014
ServproNET	2,175,467	7/21/1998	10/11/2007
ManagER (stylized)	2,871,004	8/10/2004	9/24/2013
LIKE IT NEVER EVEN HAPPENED	2,920,460	1/25/2005	2/15/2014
SERVPRO	3,361,893	1/1/2008	1/25/2013
SERVPRO and Design	3,368,163	1/15/2008	2/4/2013
COMO SI NUNCA HUBIERA PASADO	3,417,981	4/29/2008	6/11/2013
Miscellaneous Design (color green)	3,847,298	9/14/2010	Not yet due
SERVPRO (and design with orange)	3,872,314	11/9/2010	Not yet due
READY FOR WHATEVER HAPPENS	3,881,639	11/23/2010	Not yet due
READY FOR WHATEVER HAPPENS	3,909,279	1/18/2011	Not yet due
REAL GREEN (standard characters)	4,488,936	2/25/2014	Not yet due
REAL GREEN (standard characters)	4,495,270	3/11/2014	Not yet due
HERE TO HELP	4,515,449	4/15/2014	Not yet due

Description	Registration Number	Registration Date	Renewal Filed
HERE TO HELP	4,515,470	4/15/2014	Not yet due
HEROREADY	4,548,321	6/10/2014	Not yet due

Servpro Intellectual Property, Inc. owns the following registered Marks on the Supplemental Register of the United States Patent and Trademark Office and licenses them to Us:

Description	Registration Number	Registration Date	Renewal Filed
DISASTER RECOVERY TEAM	3,862,268	10/12/2010	Not yet due
DISASTER RECOVERY TEAM	3,866,131	10/19/2010	Not yet due
RESOURCE CENTER	3,884,551	11/30/2010	Not yet due
EMERGENCY READY PROFILE (standard characters)	4,211,823	9/18/2012	Not yet due
EMERGENCY READY PROFILE (and design)	4,253,004	12/4/2012	Not yet due

~~Servpro Intellectual Property, Inc. has applied for registration of the following Marks on the Principal Register of the United States Patent and Trademark Office:~~

Description	Application Number	Application Date
HEROREADY	85/708,677	8/21/2012

There are currently no material effective determinations of the United States Patent and Trademark Office, the trademark trial and appeal board, the trademark administrator of any state or any court, no pending infringement, opposition or cancellation proceedings and no pending litigation involving any of the Marks that may significantly affect the ownership or use of any Mark listed above. No agreements limit Our right to use or license the use of these Marks.

We do not know of any infringing uses that could materially affect Your use of these Marks. You must notify Us immediately if You learn about an infringement of or challenge to Your use of the Marks. We will take the action We deem appropriate, in Our sole discretion. We are not required to defend or indemnify You against any claims of infringement or unfair competition from Your use of the Marks. (Training and Distribution Agreement, Section 9.D) The Minnesota Department of Commerce requires that We indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the trademarks infringes trademark rights of the third party. We do not indemnify You against the consequences of Your use of the trademarks except in accordance with the requirements of the Training and Distribution Agreement. As a condition to indemnification, You must promptly notify Us of any such claim and tender the defense of the claim to Us. If We accept the tender of defense, We have the right to manage the defense of the claim including the right to

compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

You must follow Our rules, standards and requirements We designate from time to time in Our sole discretion when You use the Marks. You must only use the Marks and Your authorized trade name for operation of Your Business in Your Distribution Area. You must comply with Our instructions in filing and maintaining trade name or fictitious name registrations. You cannot use the Marks as part of a corporate or other legal entity name. (Training and Distribution Agreement, Section 9.C)

You must modify or discontinue Your use of any of the Marks if We modify or discontinue the Mark. (Training and Distribution Agreement, Section 9.B)

You must execute any documents We require to protect the Marks or to maintain their continued validity and enforceability. You may not directly or indirectly contest the validity of Our ownership of the Marks or Our right to use or license Our Marks, trade secrets, and confidential or proprietary information or business techniques. (Training and Distribution Agreement, Section 9.A)

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You do not receive the right to use an item covered by a patent or registered copyright, but You can use the proprietary information in Our Manuals and software, which are described in Item 11. We have not filed an application for a copyright registration for the Manuals or software, but We claim a common-law copyright in Our Manuals and software and We treat and consider the information in the Manuals and software as confidential and proprietary. Item 11 describes limitations on the use of the Manuals by You and Your employees. You must treat the Manuals and the information as confidential and proprietary. (Training and Distribution Agreement, Section 10.B) On August 12, 2014, We filed a patent application for a system and method for synchronizing incident response profiles across distinct computing platforms, which We call Our Emergency Ready Profile. You will have access to and will use this marketing tool.

“Confidential Information” means any and all materials, information, knowledge, know-how and techniques received from or communicated by Us designated or treated as confidential; any and all Manuals, Bulletins, franchise rosters, franchisee lists, operations and training materials and videos, computer software applications and platforms, discussion forum information, e-mail contact lists, price lists and/or any other manuals or materials distributed by Us or Our Distributors, affiliates or other franchisees. You agree not to disclose, divulge or use these materials for any purpose other than in performance under Your Training and Distribution Agreement without Our prior written consent. Your and any key employees and, if You are a legal entity, each of its Owners and their spouses or domestic partners, officers and directors, agree not to, during the term of Your Training and Distribution Agreement or thereafter, communicate, divulge or use for the benefit of anyone else any Confidential Information, knowledge or know-how concerning the methods of operation of the Franchise or the System that may be communicated to You, or of which You may be informed by virtue of Your Training and Distribution Agreement. Upon request, You agree that each Owner and key employees and their respective spouses and domestic partners will execute a confidentiality agreement, in a form approved by Us, under which all such persons agree to abide by these confidentiality and non-disclosure provisions. You agree to divulge Confidential Information only to such employees as must have access to it in order to operate the Business. You may not, at any time during or after the term of the Training and Distribution Agreement, disclose, copy, or use any Confidential Information except as We specifically authorize. You must promptly tell Us when You learn about unauthorized use of Our confidential or proprietary information. We will respond to this information as We deem appropriate. (Training and Distribution Agreement, Section 10.A)

All information, data, including, without limitation, customers and contacts, techniques and know-how developed or assembled or compiled by You or Your employees or agents during the term of Your Training and Distribution Agreement will be owned by Us and will constitute a part of the Confidential Information protected under the Training and Distribution Agreement. (Training and Distribution Agreement, Section 5.Q.)

You must have Your personnel who receive or will have access to confidential information sign covenants not to divulge the confidential information or use it for their own benefit. If You are a corporation or other legal entity, Your shareholders, members or partners must also execute these covenants. (Training and Distribution Agreement, Sections 10.A and Items 15 and 17.)

Our computer programs are confidential and provided to You under a revocable license. Any of Your employees who have access to Your password and log-in name for WorkCenter™ or ServproNET® must sign a confidentiality agreement.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE BUSINESS

If You are an individual or individuals, the Business is licensed in reliance on Your business skills, financial capacity, ~~and personal character,~~ integrity, business and management experience. If You are a business entity, the Business is licensed in reliance on the business skills, financial capacity, and personal character of the principals and Owners. You or Your principals or Owners if You are a business entity must directly perform or directly supervise operation of the Business. (Training and Distribution Agreement, Section 8.A)

All ~~majority~~ Owners of the Business must personally complete ~~all the annual~~ Franchise financial and operational business reviews, and attend Convention (once per year in the Summer), The Operating Principal must participate in all other periodic Business Consultations typically conducted at Your primary business location, attend all area meetings (3 times per year or once per trimester), view Servpro TV episodes and all training programs required by Us from time to time. An employee may not attend training or perform these duties in Your place. Any employee attending training must sign a written agreement to maintain confidentiality of the trade secrets described in Item 14 and to conform to the covenants not to compete described in Item 17. These agreements must be in a form satisfactory to Us and must provide that We are a third party beneficiary of, and have the independent right but not the obligation to enforce the covenants. (Training and Distribution Agreement, Section 8.A)

If You are a legal entity, direct, on-site supervision must be performed by a designated Owner / Operating Principal, a shareholder, partner, or member who has successfully completed Our training program. (Training and Distribution Agreement, Section 8.A)

If You are a legal entity, each individual shareholder, partner or member, and their spouses (even if You later marry or remarry), must sign a guaranty assuming and agreeing to pay all obligations under the Training and Distribution Agreement and sign an agreement to comply with its provisions, including accounting, record keeping, transfer, confidential information and competition. In addition, spouses of Owners must sign an agreement to be bound by the terms and conditions of the Training and Distribution Agreement. (Training and Distribution Agreement, Section 8.A, List of Partners, Members or Shareholders and Guaranty Agreement.)

While You operate a Business under Our Training and Distribution Agreement, You cannot have an interest or business relationship with any of Our competitors. (Training and Distribution Agreement, Section 10.C and Confidentiality Agreement.)

You may not share office space or employees with another franchisee. (Territorial Policy, Section 3.13.)

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

DISTRIBUTORS

If You are a Distributor, You may only distribute Our products and equipment to Our franchises, unless We otherwise approve in writing. You may distribute products or equipment to Our franchisees outside Your licensed Distribution Area but You may not solicit those franchisees outside Your licensed Distribution Area. (Training and Distribution Agreement, Section 5.L.)

You must offer and sell only the goods and services which conform to Our standards and specifications (see Item 8). You must offer the goods and services that We designate as required for all franchisees. You must maintain in Your inventory a minimum amount of professional cleaning products and equipment as designated by Us from time to time. You may elect to offer other services and products only upon Our written approval. We may change the authorized services and products that You must offer by either adding additional products and services or deleting products and services, or both.

You must comply with all applicable laws and regulations, including federal regulations, and obtain all appropriate governmental approvals for the Business. You must operate the Franchise in strict conformity with Our required methods, procedures, policies, standards and specifications of the System as outlined in the Manuals and as We may otherwise state in writing. You must not deviate from Our standards and specifications or industry guidelines without Our prior written consent.

You have the sole discretion as to the prices to be charged to Your customers although We will offer You guidelines and advice. On certain voluntary National Accounts, Select National Accounts and Commercial Accounts, We or the client may set the maximum price which You may charge for defined services and products. You have the option not to participate in these National Account, Select National Accounts and Commercial Accounts arrangements. In addition, certain insurance companies may restrict the prices You may charge to their insureds. If You elect not to participate or do not qualify, We may authorize another party to perform the work in Your non-exclusive Operating Territory with no payment to You.

You are limited in how You may engage in the business of the Business outside Your non-exclusive Distribution Area. See Our Territorial Policy, attached as Exhibit E and Items 6 and 12 for more information about territorial obligations and restrictions. Any services or businesses owned or operated or offered in any manner whatsoever by You that are similar, related or competitive to the Franchise or the System are subject to Royalty, Fixed Fee and Advertising Fee payments as set forth herein and in the Franchise License Agreement. We will determine, in Our discretion, whether or not any such services or businesses are subject to these payments. If You have any question regarding whether or not particular services or businesses are subject to Royalty or Fixed Fee or Advertising Fee payments, You must obtain prior written authorization from Our President in advance of operating such businesses or performing such services in order for them to be excluded from Royalty or other fee payments. (Franchise License Agreement, Section 3.2.) If You transact other business, which is not subject to the Franchise License Agreement, You must identify in writing its existence and function, keep that business completely separate from the Franchise, and make its records available for Our review. (Franchise License Agreement, Section 4.1.)

Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

TRAINING AND DISTRIBUTION AGREEMENT

THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE TRAINING AND DISTRIBUTION AGREEMENT AND RELATED AGREEMENTS. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS DISCLOSURE DOCUMENT.

THE FRANCHISE RELATIONSHIP

Provision	Section in Training and Distribution Agreement	Summary
a. Length of the Business Term	2.A.	Initial term is 5 years.
b. Renewal or extension of the term	2.B.	You can renew for additional 5-year terms if You meet Our requirements.
c. Requirements for You to renew or extend	2.B.	<p>When Your Agreement expires, You will be permitted to sign a new agreement and remain as a Servpro Distributor if You comply with the terms of Your expiring Agreement.</p> <p>The new agreement may contain materially different terms and conditions than Your expiring Agreement. You must be in substantial compliance with the agreement; give Us at least 6 months notice; comply with Our current training requirements; pay Us a renewal fee; sign Our then-current agreement; and sign a general release.</p>
d. Termination by You	12.A. and 12.B	You can terminate by selling Your Business or by mutual agreement with Us if You sign a general release.
e. Termination by Us without cause	None	We cannot terminate Your Agreement without cause.
f. Termination by Us with cause	12.C., 12.D. and 12.E.	We can terminate Your Agreement only if You default.
g. "Cause" defined – defaults which can be cured	12.E.	Subject to local state law, You have 30 days to cure Your failure to comply with Our standards or the Trainer Responsibilities or Director Responsibilities or Your unauthorized transfer of the Business or the Agreement or Your unauthorized sale of Our products or equipment.

Provision	Section in Training and Distribution Agreement	Summary
h. "Cause" defined – non-curable defaults	12.C. and 12.D.	The following non-curable defaults can cause immediate termination of Your Agreement: You are convicted of or plead guilty to a felony involving breach of trust, theft, or any type of violence against a person; You knowingly file a false Report; You disclose Our Confidential Information; You are deficient in meeting Our standards; You default after a remedy is elected under Section 12.D.; You attempt a Transfer without complying with Our requirements or You are insolvent.
i. Your obligations on termination or non-renewal	12.G. and 12.H.	Your obligations include complete de-identification, transfer phone numbers, return Our manuals and computer programs and pay all amounts due to Us (also see r below).
j. Assignment of Distribution Agreement by Us	8.A.	There are no restrictions on Our right to assign Your Agreement.
k. "Transfer" by You – definition	1.EE.	Includes assignment, sale, gift, pledge or transfer of any interest in Your Agreement or any ownership change.
l. Our approval of transfer by You	8.A., 8.B., 8.C. and 8.D.	We have the right to approve all transfers according to Our then-current qualification criteria.
m. Conditions for Our approval of Your transfer of the Business or the Agreement	8.D.	You provide information on new franchisee; new franchisee qualifies; training arranged; You are not in default; new franchisee signs then-current agreement; transfer fee paid (not to exceed 20% of the amount to purchase a new Distributorship) ; You sign a general release (also see r below).
n. Our right of first refusal to acquire or assume the Transfer of Your Business	8.D.9.	You must give Us 30 days notice and provide Us with a copy of any proposed purchase agreement or any other document transferring any interest and allow Us to purchase or assume the Transfer of the Business at the same price and on the same terms as a third-party Buyer or Transferee.
e. Our option to purchase Your Business	None	None

Provision	Section in Training and Distribution Agreement	Summary
p. Your death or disability	8.C.	Subject to Our right of first refusal, We will not unreasonably withhold Our consent to sell to a qualified third party purchaser or transfer to Your heir if the new Distributor meets Our then-current qualification criteria, including Our financial criteria, training is arranged and completed, a transfer fee is paid and the then-current agreement signed within 12 months. A qualified person (one who has been through Our training program) must manage the Business for any interim period.
q. Non-competition covenants during the term of the Agreement	10.C.	You cannot be involved in any competing business.
r. Non-competition covenants after the Agreement is terminated, expires or is transferred	10.C.	You cannot be involved in any competing business within 25 miles of Your former Distribution Area for 2 years.
s. Modification of the Agreement	14.M.	No modification except by written agreement of both parties.
t. Integration/merger clause	14.N.	Only the terms of the Agreement are binding. Any other promises may not be enforceable, representations made in the Franchise Disclosure Document are not disclaimed.
u. Dispute resolution by mediation, litigation or arbitration	13, 14 and 15	All disputes must be mediated with the cost being shared equally by the parties. <u>If mediation is unsuccessful, most disputes will be resolved by arbitration.</u>
v. Choice of forum	14.I. and 15	Litigation must be in United States District Court, Middle District of Tennessee or Sumner County Circuit or Chancery Court unless local state law supersedes this provision. <u>Arbitration proceedings will be conducted at a suitable location chosen by the arbitrator that is within forty (40) miles of where Servpro has its principal business address at the time the arbitration demand is filed.</u>
w. Choice of law	14.H. and 15	Tennessee law applies unless local state law supersedes this provision. <u>Matters relating to arbitration will be governed by the United States Federal Arbitration Act (9 U.S.C. §§ 1 et seq.)</u>

Provision	Section in Training and Distribution Agreement	Summary
X. Obligation to enter into a franchise license agreement	5.T	After April 1, 2010, Trainer Distributors owning less than three Trainerships and new Director Distributors purchasing a Directorship must also own and operate a model franchise business pursuant to a Servpro Franchise License Agreement providing water, fire and smoke damage cleaning, mitigation and restoration services and mold remediation services.
y. Cross Default	14.P	A default by You of any agreement with Us is a default under all other agreements between Us.
z. Force Majeure	14.Q	Events beyond Our control can excuse Our performance.

For the purposes of the transfer of any ownership interest, the proposed transferee (which includes purchasers and descendent/family members) must meet our then-current qualification criteria which will include, without limitation, business skills, financial capacity, personal abilities and personal character of the Owners, education, complete Our required training, insurance, history of successfully operating a model direct franchise business according to Our operating system. The qualification criteria is subject to change at Our sole discretion. It is essential that each Trainer and Director is thoroughly familiar with Our operating system, and can provide support and counsel from a strong position of experience. Currently, the minimum requirement for operating a model direct franchise business includes at least 3 years with a minimum Stage 2 end of Year One and each employed position performing pursuant to our recommended procedures.

These states have statutes which may supersede the Training and Distribution Agreement in Your relationship with Us including the areas of termination and renewal, venue for disputes and governing law:

ARKANSAS (Stat. § 4-72-201), CALIFORNIA (Bus. & Prof. Code §20000 to 20043), CONNECTICUT (Gen. Stat. § 42-133e et seq.), DELAWARE (Code, Tit. 6, Ch. 25, Sections §2251et seq.), HAWAII (Rev. Stat. § 482E-6), ILLINOIS (815 ILCS 705/1-44), INDIANA (Stat. §23-2-2.7), IOWA (Code § 523H.1-523H.17), KANSAS (Stat. §16-121), MICHIGAN (Stat. § 19.854(27)), MINNESOTA (Stat. § 80C.14), MISSISSIPPI (Code § 75-24-51), MISSOURI (Rev. Stat. § 407.400), NEBRASKA (Rev. Stat. § 87-401), NEW JERSEY (Stat. § 56:10-1), SOUTH DAKOTA (Codified Laws § 37-5B-51), VIRGINIA (Code 13.1-557 to 574-13.1-564), WASHINGTON (Code § 19.100.180) and WISCONSIN (Stat. § 135.03). These and other states may have court decisions which may affect Your rights under the Training and Distribution Agreement.

The provision of the Training and Distribution Agreement that provides for termination upon Your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

See the state addenda and supplemental state information to the Training and Distribution Agreement and disclosure document for special state disclosures.

Item 18

PUBLIC FIGURES

We do not use any public figures to promote Our Franchise.

Item 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize Our employees or representatives to make any such representations either orally or in writing. If You are purchasing an existing outlet, however, We or the seller may provide You with the actual records of that outlet. If You receive any other financial performance information or projections of Your future income, You should report it to the franchisor's management by contacting Our President, Randall A. Isaacson, c/o Servpro Industries, Inc., 801 Industrial Boulevard, Gallatin, Tennessee 37066, 615-451-0200, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20

Outlets and Distributor Information

Table No. 1
Systemwide Outlet Summary
For Years 2012-2013 to 2014-2015

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2012	63	62	-1
	2013	62	60	-2
	2014	60	56	-4
	<u>2015</u>	<u>56</u>	<u>53</u>	<u>-3</u>
Company Owned	2012	0	0	0
	2013	0	0	0
	2014	0	0	0
	<u>2015</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Outlets	2012	63	62	-1
	2013	62	60	-2
	2014	60	56	-4
	<u>2015</u>	<u>56</u>	<u>53</u>	<u>-3</u>

Table No. 2
Transfers of Outlets From Franchisees to New Owners (other than Franchisor)
For Years 2012-2013 to 2014-2015

State	Year	Number of Transfers
Alabama	<u>2012-2013</u>	0
	<u>2013-2014</u>	0
	<u>2014-2015</u>	0
Alaska	<u>2013-2012</u>	0
	<u>2014-2013</u>	0
	<u>2015-2014</u>	0
Arizona	<u>2013-2012</u>	0
	<u>2014-2013</u>	0
	<u>2015-2014</u>	0
Arkansas	<u>2013-2012</u>	0
	<u>2014-2013</u>	0
	<u>2015-2014</u>	0
California	<u>2013-2012</u>	0
	<u>2014-2013</u>	0
	<u>2015-2014</u>	0
Colorado	<u>2013-2012</u>	0
	<u>2014-2013</u>	0
	<u>2015-2014</u>	0
Connecticut	<u>2013-2012</u>	0
	<u>2014-2013</u>	0
	<u>2015-2014</u>	0
Delaware	<u>2013-2012</u>	0
	<u>2014-2013</u>	0
	<u>2015-2014</u>	0
Florida	<u>2013-2012</u>	0
	<u>2014-2013</u>	0
	<u>2015-2014</u>	0
Georgia	<u>2013-2012</u>	0
	<u>2014-2013</u>	0
	<u>2015-2014</u>	0

Table No. 2
Transfers of Outlets From Franchisees to New Owners (other than Franchisor)
For Years 2012-2013 to 2014-2015

State	Year	Number of Transfers
Hawaii	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
Idaho	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
Illinois	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
Indiana	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
Iowa	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
Kansas	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
Kentucky	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
Louisiana	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
Maine	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
Maryland	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
Massachusetts	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0

Table No. 2
Transfers of Outlets From Franchisees to New Owners (other than Franchisor)
For Years 2012-2013 to 2014-2015

State	Year	Number of Transfers
Michigan	<u>2013-2012</u>	0
	<u>2014-2013</u>	0
	<u>2015-2014</u>	0
Minnesota	<u>2013-2012</u>	0
	<u>2014-2013</u>	0
	<u>2015-2014</u>	0
Mississippi	<u>2013-2012</u>	0
	<u>2014-2013</u>	0
	<u>2015-2014</u>	0
Missouri	<u>2013-2012</u>	0
	<u>2014-2013</u>	0
	<u>2015-2014</u>	0
Montana	<u>2013-2012</u>	0
	<u>2014-2013</u>	0
	<u>2015-2014</u>	0
Nebraska	<u>2013-2012</u>	0
	<u>2014-2013</u>	0
	<u>2015-2014</u>	0
Nevada	<u>2013-2012</u>	0
	<u>2014-2013</u>	0
	<u>2015-2014</u>	0
New Hampshire	<u>2013-2012</u>	0
	<u>2014-2013</u>	0
	<u>2015-2014</u>	0
New Jersey	<u>2013-2012</u>	0
	<u>2014-2013</u>	0
	<u>2015-2014</u>	0
New Mexico	<u>2013-2012</u>	0
	<u>2014-2013</u>	0
	<u>2015-2014</u>	0
New York	<u>2013-2012</u>	0
	<u>2014-2013</u>	0
	<u>2015-2014</u>	0

Table No. 2
Transfers of Outlets From Franchisees to New Owners (other than Franchisor)
For Years 2012-2013 to 2014-2015

State	Year	Number of Transfers
North Carolina	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
North Dakota	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
Ohio	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
Oklahoma	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
Oregon	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
Pennsylvania	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
Rhode Island	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
South Carolina	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
South Dakota	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
Tennessee	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0

Table No. 2
Transfers of Outlets From Franchisees to New Owners (other than Franchisor)
For Years 2012-2013 to 2014-2015

State	Year	Number of Transfers
Texas	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
Utah	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
Vermont	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
Virginia	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
Washington	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
West Virginia	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
Wisconsin	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
Wyoming	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
District of Columbia	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0
Total	<u>2013</u> <u>2012</u>	0
	<u>2014</u> <u>2013</u>	0
	<u>2015</u> <u>2014</u>	0

**Table No. 3
Status of Franchised Outlets
For Years 2012-2013 to 2014-2015**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations --- Other Reasons	Outlets at End of Year
Alabama	2012	4	0	0	0	0	0	4
	2013	4	0	0	0	0	0	4
	2014	4	0	0	0	0	0	4
	2015	4	0	0	0	0	0	4
Alaska	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
Arizona	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
Arkansas	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
California	2012	6	0	0	0	0	0	6
	2013	6	0	0	0	0	0	6
	2014	6	0	0	0	0	0	6
	2015	6	0	0	0	0	0	6
Colorado	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
Connecticut	2012	4	0	0	0	0	0	4
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Delaware	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
Florida	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0

	<u>2015</u>	<u>0</u>						
Georgia	2012	4	0	0	0	0	0	4
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	<u>2015</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>

**Table No. 3
Status of Franchised Outlets
For Years 2012-2013 to 2014-2015**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations --- Other Reasons	Outlets at End of Year
Hawaii	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	<u>2015</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Idaho	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	<u>2015</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Illinois	2012	4	0	0	0	0	0	4
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	<u>2015</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Indiana	2012	4	0	0	0	0	0	4
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	<u>2015</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Iowa	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	1	0	1
	2014	1	0	0	0	0	0	1
	<u>2015</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Kansas	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	<u>2015</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Kentucky	2012	4	0	0	0	0	0	4
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	<u>2015</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>

Louisiana	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
Maine	2012	4	0	0	0	0	0	4
	2013	1	0	0	0	1	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
Maryland	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	0	3
	2014	3	0	0	0	0	0	3
	2015	3	0	0	0	0	0	3

**Table No. 3
Status of Franchised Outlets
For Years 2012-2013 to 2014-2015**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations --- Other Reasons	Outlets at End of Year
Massachusetts	2012	5	0	0	0	0	0	5
	2013	5	0	0	0	0	0	5
	2014	5	0	0	0	0	0	5
	2015	5	0	0	0	0	0	5
Michigan	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	1	0	1
Minnesota	2012	2	0	0	0	4	0	4
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	1	0	0
	2015	0	0	0	0	0	0	0
Mississippi	2012	4	0	0	0	0	0	4
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Missouri	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	0	3
	2014	3	0	0	0	0	0	3
	2015	3	0	0	0	1	0	2

Montana	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
Nebraska	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
Nevada	2012	4	0	0	0	0	0	4
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
New Hampshire	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
New Jersey	2012	4	0	0	0	0	0	4
	2013	4	0	0	0	0	0	4
	2014	4	0	0	0	0	0	4
	2015	4	0	0	0	0	0	4

**Table No. 3
Status of Franchised Outlets
For Years 2012-2013 to 2014-2015**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations --- Other Reasons	Outlets at End of Year
New Mexico	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
New York	2012	5	0	0	0	0	0	5
	2013	5	0	0	0	0	0	5
	2014	5	0	0	0	0	0	5
	2015	5	0	0	0	0	0	5
North Carolina	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	0	3
	2014	3	0	0	0	0	0	3
	2015	3	0	0	0	0	0	3
North Dakota	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0

	2014	0	0	0	0	0	0	0
	<u>2015</u>	<u>0</u>						
Ohio	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	<u>2015</u>	<u>0</u>						
Oklahoma	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	<u>2015</u>	<u>0</u>						
Oregon	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	0	2
	<u>2015</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Pennsylvania	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	0	2
	<u>2015</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Rhode Island	2012	4	0	0	0	0	0	4
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	<u>2015</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
South Carolina	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	1	0	1
	<u>2015</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>

**Table No. 3
Status of Franchised Outlets
For Years 2012-2013 to 2014-2015**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations --- Other Reasons	Outlets at End of Year
South Dakota	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	<u>2015</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Tennessee	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	<u>2015</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Texas	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	0	3
	2014	3	0	0	0	0	0	3
	<u>2015</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
Utah	2012	4	0	0	0	0	0	4
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	<u>2015</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Vermont	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	<u>2015</u>	<u>0</u>						
Virginia	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	0	3
	2014	3	0	0	0	0	0	3
	<u>2015</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>
Washing- ton	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	<u>2015</u>	<u>0</u>						
West Virginia	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	<u>2015</u>	<u>0</u>						
Wisconsin	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	2	0	0
	<u>2015</u>	<u>0</u>						
Wyoming	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	<u>2015</u>	<u>0</u>						

Table No. 3
Status of Franchised Outlets
For Years 2012-2013 to 20142015

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations --- Other Reasons	Outlets at End of Year
District of Columbia	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	<u>2015</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	2012	63	0	0	0	4	0	62
	2013	62	0	0	0	2	0	60
	2014	60	0	0	0	4	0	56
	<u>2015</u>	<u>56</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>	<u>0</u>	<u>53</u>

**Table No. 4
Status of Company Owned Outlets
For Years 2012-2013 to 2014-2015**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold To Franchisee	Outlets at End of Year
Alabama	<u>2012-2013</u>	0	0	0	0	0	0
	<u>2013-2014</u>	0	0	0	0	0	0
	<u>2014-2015</u>	0	0	0	0	0	0
Alaska	<u>2013-2012</u>	0	0	0	0	0	0
	<u>2014-2013</u>	0	0	0	0	0	0
	<u>2015-2014</u>	0	0	0	0	0	0
Arizona	<u>2013-2012</u>	0	0	0	0	0	0
	<u>2014-2013</u>	0	0	0	0	0	0
	<u>2015-2014</u>	0	0	0	0	0	0
Arkansas	<u>2013-2012</u>	0	0	0	0	0	0
	<u>2014-2013</u>	0	0	0	0	0	0
	<u>2015-2014</u>	0	0	0	0	0	0
California	<u>2013-2012</u>	0	0	0	0	0	0
	<u>2014-2013</u>	0	0	0	0	0	0
	<u>2015-2014</u>	0	0	0	0	0	0
Colorado	<u>2013-2012</u>	0	0	0	0	0	0
	<u>2014-2013</u>	0	0	0	0	0	0
	<u>2015-2014</u>	0	0	0	0	0	0
Connecticut	<u>2013-2012</u>	0	0	0	0	0	0
	<u>2014-2013</u>	0	0	0	0	0	0
	<u>2015-2014</u>	0	0	0	0	0	0
Delaware	<u>2013-2012</u>	0	0	0	0	0	0
	<u>2014-2013</u>	0	0	0	0	0	0

	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Florida	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Georgia	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0

**Table No. 4
Status of Company Owned Outlets
For Years 2012-2013 to 2014-2015**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold To Franchisee	Outlets at End of Year
Hawaii	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Idaho	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Illinois	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Indiana	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Iowa	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0

Kansas	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Kentucky	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Louisiana	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Maine	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Maryland	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0

Table No. 4
Status of Company Owned Outlets
For Years 2012-2013 to 2014-2015

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold To Franchisee	Outlets at End of Year
Massachusetts	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Michigan	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Minnesota	<u>2013</u> <u>2012</u>	0	0	0	0	0	0

	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Mississippi	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Missouri	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Montana	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Nebraska	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Nevada	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
New Hampshire	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
New Jersey	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0

**Table No. 4
Status of Company Owned Outlets
For Years 2012-2013 to 2014-2015**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold To Franchisee	Outlets at End of Year
New Mexico	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
New York	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
North Carolina	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
North Dakota	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Ohio	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Oklahoma	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Oregon	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Pennsylvania	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0

	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Rhode Island	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
South Carolina	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0

**Table No. 4
Status of Company Owned Outlets
For Years 2012-2013 to 2014-2015**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold To Franchisee	Outlets at End of Year
South Dakota	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Tennessee	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Texas	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Utah	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Vermont	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0

Virginia	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Washington	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
West Virginia	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Wisconsin	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Wyoming	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0

**Table No. 4
Status of Company Owned Outlets
For Years 2012-2013 to 2014-2015**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold To Franchisee	Outlets at End of Year
District of Columbia	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0
Total	<u>2013</u> <u>2012</u>	0	0	0	0	0	0
	<u>2014</u> <u>2013</u>	0	0	0	0	0	0
	<u>2015</u> <u>2014</u>	0	0	0	0	0	0

Table No. 5

**PROJECTED OPENINGS IN NEXT CALENDAR YEAR
as of December 31, 2014**2015

STATE	FRANCHISE AGREEMENT SIGNED BUT FRANCHISE NOT OPEN AS OF 12/31/2014	PROJECTED FRANCHISES IN THE NEXT CALENDAR YEAR	PROJECTED COMPANY OWNED OPENINGS IN NEXT CALENDAR YEAR
AL		0	
AK		0	
AZ		0	
AR		0	
CA		0	
CO		0	
CT		0	
DE		0	
FL		0	
GA		0	
HI		0	
ID		0	
IL		0	
IN		0	
IA		0	
KS		0	
KY		0	
LA		0	
ME		0	
MD		0	
MA		0	
MI		0	
MN		0	
MS		0	
MO		0	
MT		0	
NE		0	
NV		0	
NH		0	
NJ		0	
NM		0	
NY		0	
NC		0	
ND		0	
OH		0	

OK		0	
OR		0	
PA		0	
RI		0	
SC		0	
SD		0	
TN		0	
TX		0	
UT		0	
VT		0	
VA		0	
WA		0	
WV		0	
WI		0	
WY		0	
Totals	0	0	

Exhibit M lists the names of all current Distributors and the addresses and telephone numbers of their outlets as of March 1, ~~2015~~2016.

Exhibit M also lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every Distributor who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Training and Distribution Agreement during Our most recently completed fiscal year or who has not communicated with Us within 10 weeks of the issuance date of this disclosure document. If You buy this Distributorship, 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 Servpro Industries, Inc. 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 which We have created, sponsored or endorsed.

There are no independent franchisee organizations that have asked to be included in this disclosure document.

In June 2015, We announced to the SERVPRO Franchise System that We would be reviving the former Franchise Communications Board, which was created in 1994 and deactivated in 2001 due to a lack of issues being raised by SERVPRO Franchises. The Franchise Communications Board was renamed the SERVPRO Franchise Advisory Board (the "Board"). The Board is a forum to facilitate greater communication, collaboration, and understanding of the issues, concerns, and opportunities present in the SERVPRO Franchise System. The first meeting of the Board was held October 16, 2015, attended by all eight Board members (SERVPRO franchises), Our Executive Management and senior leaders. Directors and General Trainers elect two (2) representatives to the Board. There are six (6) elected Franchise

representatives to the Board – one corresponding to each of the SERVPRO National Advertising Advisory Board Regions. Franchise representatives will be elected to staggered terms.

Item 21

FINANCIAL STATEMENTS

Our audited financial statements for: the twelve (12) month calendar years ended December 31, ~~2014~~2015, December 31, ~~2013~~2014 and December 31, ~~2012~~2013, are included in this Disclosure Document as Exhibit J. ~~Our updated unaudited financial statements through May 31, 2015 are also included in this Disclosure Document in Exhibit J.~~

Item 22

CONTRACTS

- Exhibit A: Our Training and Distribution Agreement
Exhibits to Our Training and Distribution Agreement:
- A. Description of Distribution Area, Designation of Authorized Trade Name and Level of Distribution Rights
 - B. Trainer Responsibilities
 - C. Director Responsibilities
 - D. Salesperson Contract (optional)
 - E. State Addenda and Supplemental State Information based on Your location: California, Hawaii, Illinois, Indiana, Maryland, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Washington and Wisconsin.
- Exhibit B: ServproNET® Policies and Procedures Agreement
Exhibit C: Software License
Exhibit D: Personal Responsibility Statement
Exhibit E: Territorial Policy
Exhibit F: Secured Promissory Note and Security Agreement
Exhibit G: List of Partners, Members, or Shareholders
Exhibit H: Guaranty Agreement
Exhibit I: Confidentiality Agreement
Exhibit N: National Accounts Program Agreement
Exhibit O: Commercial Accounts Program Agreement

Item 23

RECEIPTS

| You will find copies of a detachable receipt in Exhibit ~~O~~P at the very end of this disclosure document.

EXHIBIT A

TRAINING AND DISTRIBUTION AGREEMENT

Exhibits to Our Training and Distribution Agreement:

- A. Description of Distribution Area, Designation of Authorized Trade Name and Level of Distribution Rights
- B. Trainer Responsibilities
- C. Director Responsibilities
- D. Salesperson Contract (optional)
- E. State Addenda and Supplemental State Information based on Your location:
 - 1. California
 - 2. Hawaii
 - 3. Illinois
 - 4. Indiana
 - 5. Maryland
 - 6. Minnesota
 - 7. New York
 - 8. North Dakota
 - 9. Rhode Island
 - 10. South Dakota
 - 11. Washington
 - 12. Wisconsin



TRAINING AND DISTRIBUTION AGREEMENT



This TRAINING AND DISTRIBUTION AGREEMENT (the “Distribution Agreement”) is made and entered into as of the date executed and accepted by Servpro Industries, Inc. (“Servpro”) (the “Effective Date”) by and between Servpro, a Nevada corporation having its principal place of business at 801 Industrial Boulevard, Gallatin, Tennessee 37066 and _____ (“Distributor”) for Distribution Rights at the level indicated on Exhibit A.

WHEREAS, Servpro and its affiliates have developed, adapted and adopted certain skills, concepts, business techniques, marketing systems methods, processes, standards, specifications, policies and procedures (the “System”) for a business to offer and sell residential and commercial cleaning; fire, smoke, water and other damage cleaning, restoration, ~~and mitigation~~, repair and reconstruction, and mold remediation services; deodorization, odor removal, and any services or goods related to or connected to the foregoing, including, without limitation: losses from events and disasters, such as fire, flood, earthquake, storm; contents cleaning, duct cleaning; floor, carpet, drapery and upholstery cleaning; dry cleaning; carpet sales and installation; construction ~~and reconstruction~~ services; carpentry; janitorial services; maintenance; and painting services; and sell certain cleaning related products (the “Franchise”); and

WHEREAS, Servpro owns and identifies the System and the Franchise by means of certain trade names, service marks, trademarks, logos, emblems and other indicia of origin, including, without limitation, to the mark SERVPRO[®] and the stylized logo designs (the “Proprietary Marks”), and other identifying colors and paint schemes, trade dress, slogans, promotional campaigns, artistic creations, advertising formats and concepts (the “Trade Indicia,”) and such Proprietary Marks and Trade Indicia and other trade names, service marks and trademarks as are now and may hereafter periodically be designated by Servpro for use in connection with the System (collectively, the “Marks”) for use in connection with the System and the Franchise;

WHEREAS, Servpro has received an exclusive license from its affiliated company (“Servpro’s Licensor”) to license the Marks to Servpro franchisees and distributors (including Distributor) throughout the United States;

WHEREAS, Servpro has the right to license others to use the Marks and the System and wishes to support and improve the operational ability of its Franchise units and increase the number of its Franchise units within a specific geographic area more fully set forth on Exhibit A (the “Distribution Area”), which purpose Servpro believes will be served by contracting with Distributor as set forth herein; and

WHEREAS, recognizing the distinctive and significant value of the System, the Marks and the Franchise, Distributor has applied for the right and obligation to operate the Business in and for the Distribution Area and such application has been approved by Servpro in reliance upon all of the representations made therein; and

WHEREAS, Distributor has read this Agreement, and Servpro's Franchise Disclosure Document, and has been given an opportunity to clarify any provisions which it did not understand and Distributor acknowledges that it understands and accepts the terms, conditions, and covenants contained in this Agreement as being necessary to maintain Servpro's standards of quality and services and the uniformity of those standards that all Distributors must adhere to, and thereby to protect and preserve the goodwill of the Marks and the System.

NOW, THEREFORE, for and in consideration of the mutual covenants, terms and conditions contained herein and other good and valuable consideration, the parties hereto agree as follows:

1. DEFINED TERMS

A. Authorized Individual means one or more Persons with authority and discretion to resolve a Dispute on behalf of a party to this Agreement (see Section 13.B.)

B. Business means the operation of the Distributorship business and the actions taken by Distributor in fulfilling Distributor's responsibilities to provide services within the Distribution Area in accordance with the terms and conditions of this Agreement and pursuant to the applicable Trainer Responsibilities and/or Director Responsibilities.

C. Candidate means a Person who meets Servpro's then-current qualifications to become an Operator under a Franchise Agreement (see Sections 5.P., 7.E. and Exhibit D.)

D. Competitive Business means any business operating or granting licenses to others to operate any business or service which engages in the sale of products or services similar to the Franchise or the Business (see Section 10.C.)

E. Confidential Information means any and all materials, information, knowledge, know-how and techniques received from or communicated by Servpro designated or treated as confidential; any and all Manuals, Bulletins, franchise rosters, franchisee lists, operations and training materials and videos, computer software applications, discussion forum information, email contact lists, price lists and/or any other manuals or materials distributed by Servpro or its Distributors, affiliates or other franchisees. Distributor agrees not to disclose, divulge or use these materials for any purpose other than in performance under this Agreement without Servpro's prior written consent.

F. Development Fee means all sums due and payable by Distributor to Servpro in consideration for the initial grant of license (see Section 5.A.)

G. Development Schedule means the number of Candidates which Distributor agrees to identify and assist in the process of becoming an Operator for an Operating Territory within the Distribution Area as specified in the Salesperson Contract (see Section 5.P. and Exhibit E.)

H. Direct Lineal Descendant means the offspring, through birth or adoption, of an individual (see Section 8.F.)

I. Director Distributor means a Distributor who works with: (1) Operators who are not assigned to a Trainer Distributor and are located within the Distribution Area, (2) Operators who have been temporarily assigned to Director Distributor by Servpro, regardless of their location and (3) Trainer Distributors located within the Distribution Area, all in accordance with the Director Responsibilities.

J. Dispute means any controversy or claim arising out of or relating to this Agreement or any breach thereof or the transactions embodied therein (see Section 13).

K. Distribution Area means the geographic area in which Distributor agrees to operate the Business (see Section 3.C. and Exhibit A.) If any boundaries of the Distribution Area consist of political subdivision boundaries which are subject to change, the boundaries of the Distribution Area shall remain constant as of the Effective Date of this Agreement, even if the boundaries of the political subdivision subsequently change.

L. Distributor shall designate both a Trainer Distributor and a Director Distributor as the context requires and means the Person named in that capacity in the first paragraph of this Agreement and as specified on Exhibit A. If Distributor is a sole proprietorship, Distributor's spouse or domestic partner shall be included as a licensee in an individual capacity or, at Servpro's option, shall execute an agreement to be bound by confidentiality and non-competition covenants and honor the financial obligations and a personal guarantee. If Distributor is a legal entity other than a sole proprietorship, Distributor agrees to provide and shall keep current with Servpro an accurate list of all members, shareholders or partners (of record and beneficially) reflecting their interest in Distributor, executed by all members, shareholders or partners and their respective spouses or domestic partners, undertaking to be bound by all of the provisions of this Agreement. Distributor agrees to notify Servpro immediately in writing whenever there is a proposed change in the information, which is subject to Servpro's prior written consent as provided in Section 8.C. All persons owning an interest in Distributor and their spouses or domestic partners shall execute a guaranty agreement in a form satisfactory to Servpro, guaranteeing all amounts and obligations due under this Agreement and all other amounts due to Servpro.

M. Examination means to conduct a review and/or audit of the business and personal records, bookkeeping and accounting records, invoices, payroll records, time records, check stubs, bank deposits, receipts, sales and use tax records and returns, personal and business bank accounts, personal and business income tax returns and any other record or document of the Business or Distributor or any Owner and may include, without limitation, the books and records of any corporation, partnership or sole proprietorship, or any other business entity owned in whole or in part by Distributor or its principals or Owners, or in which Distributor or its principals or Owners have any financial interest, or any other records that Servpro determines may be related to the subject matter and terms of this Agreement. If Distributor is a legal entity other than a sole proprietorship, the personal tax returns and personal bank accounts of all shareholders, members or partners shall also be subject to examination by Servpro. (see Section 5.H.)

N. Franchise has the meaning set forth in the first Whereas clause.

O. Franchise Agreement means the then-current form of the Franchise License Agreement (including any exhibits, addenda, amendments, or ancillary agreements used in connection therewith) used periodically by Servpro in the granting of a License to an Operator for the operation of a Franchise. Servpro, at its sole discretion, may periodically modify or amend in any respect the form of Franchise Agreement used in granting Licenses to Operators for the operation of a Franchise.

P. Servpro means Servpro Industries, Inc., a Nevada corporation.

Q. Servpro's Affiliates means the shareholders, officers, directors, employees, parent, subsidiaries, affiliates, agents and assignees of Servpro (see Section 11.B.)

R. Gross Volume means all revenue of the Business from services sold, rendered, invoiced, performed, bartered or traded from, through, by or on account of operation of the Business or the Marks,

whether directly or indirectly through Distributor or any other Person or entity Distributor may refer to or contract with, and all other income of any kind and nature related to the Business, including, without limitation, referral fees or finder's fees, cleaning products or items rented and cleaning products sold, vendor sponsorships and income from continuing education presentations, excluding the sale of cleaning products to Servpro franchisees which are purchased from Servpro, excluding payments received from Servpro pursuant to this Agreement and excluding any Gross Volume from operation of a Franchise owned by Distributor which is reported pursuant to a Franchise License Agreement; provided, however, that Distributor may not charge a fee for services rendered to Operators which are part of the Trainer Responsibilities or Director Responsibilities or any fees not approved in writing by Servpro, which approval may be withheld in Servpro's sole discretion (see Sections 5.C., 5.D. and 5.E.)

S. Immediate Family means parents, spouse, domestic partner, offspring and siblings of an individual (see Sections 8.E.(8) and 10.C.)

T. License means the license granted by Servpro pursuant to a valid Franchise Agreement for an Operator to use the Marks and the System in the operation of a Franchise.

U. Marks means the Proprietary Marks and the Trade Indicia as are now and may hereafter be designated by Servpro for use in connection with the System and the Franchise (see Section 9.)

V. Net Royalties means the Royalties paid to Servpro by an Operator located in the Distribution Area and do not include the Fixed Fee, Convention Allowance, Advertising Fees or any costs of collection, including attorney's fees (see Section 4.A., 4.B. and 4.C.)

W. Operator means a Person who is granted a License by Servpro to operate a Franchise and who has executed a Franchise Agreement.

X. Person means an individual or a legal entity of any nature.

Y. Proprietary Marks means certain trade names, service marks, trademarks, logos, emblems and other indicia of origin, including, without limitation, the mark SERVPRO[®] and the stylized logo designs (see Section 9.)

Z. Salesperson Contract means the agreement which must be signed by a Distributor in connection with Distributor's solicitation of Candidates and the offer and sale of Franchises within the Distribution Area (see Exhibit D.)

AA. System means certain skills, concepts, business techniques, marketing systems, methods, processes, specifications and policies and procedures to provide the services of the Franchise and the Business, all of which may be periodically supplemented, improved and/or modified at Servpro's sole discretion.

BB. Trade Indicia means those identifying colors and paint schemes, slogans, promotional campaigns, artistic creations, advertising formats and concepts designated by Servpro for use in connection with the Franchise and the System (see Section 9.)

CC. Trade Name means the name assigned to Distributor under which Distributor is authorized to conduct the Business in the exercise of Distribution Rights and support Trainer Assignments pursuant to this Agreement (see Section 3.D. and Exhibit A.)

DD. Trainer Distributor means a Distributor who works directly with Operators within the Distribution Area in accordance with the Trainer Responsibilities.

EE. Transfer means the voluntary, involuntary, direct or indirect assignment, sale, gift, pledge or transfer by Distributor of any interest in this Agreement or the ownership of Distributor and shall include the transfer of ownership of capital stock, voting stock (or security convertible to voting stock) membership interest or partnership interest; merger or consolidation or issuance of additional securities representing an ownership interest in Distributor; transfer of an interest in Distributor or this Agreement in a divorce, insolvency, corporate or partnership dissolution proceeding or otherwise by operation of law; or transfer of an interest in this Agreement or an ownership interest of Distributor in the event of the death or permanent disability of Distributor or an owner of Distributor, and shall include by will, declaration of or transfer in trust, or under the laws of intestate succession (see Section 8.)

FF. Trainer Responsibilities and Director Responsibilities means the listing of standards, activities and services which Distributor is required to perform in order to receive the compensation set forth in this Agreement. Servpro may periodically supplement, improve or modify each Trainer Responsibilities or Director Responsibilities in its sole discretion, which may contain materially different terms and conditions than the Trainer Responsibilities or Director Responsibilities in effect at the time Distributor executes this Agreement, and Distributor agrees to comply with any such supplemented, improved or modified Trainer Responsibilities or Director Responsibilities. The Trainer Responsibilities (see Exhibit B and SOP referenced therein) applies to Trainer Distributors and the Director Responsibilities (see Exhibit C and SOP referenced therein), applies to Director Distributors. Both the Trainer Responsibilities and Director Responsibilities apply to Directors without a Trainer in that territory.

GG. Operating Principal is defined in Trainer Responsibilities and Director Responsibilities.

HH. Owner is defined in Section 8.B.

II. Franchise Business Consultant (“FBC”) is defined in Trainer Responsibilities.

2. **TERM AND RENEWAL**

A. Initial Term. Unless terminated earlier in accordance with the terms set forth herein, this Agreement and the license granted herein shall have a term of five (5) years from the date of Servpro’s execution of this Agreement.

B. Renewal. Distributor may renew this Agreement at the expiration of the initial term for additional successive terms of five (5) years each, provided Distributor has: (1) complied with the provisions of this Agreement during the term of this Agreement; (2) notified Servpro in writing of Distributor’s intent to renew at least six (6) months before the end of the term; (3) complied with Servpro’s then-current qualifications and training requirements; (4) paid a renewal fee in the amount of ~~\$1,000~~500; (5) executed a general release and its principals and Owners executed such a general release, in the form prescribed by Servpro, of any and all claims against Servpro and its subsidiaries, parent or affiliates, and their respective officers, directors, agents, shareholders and employees; and (6) executed Servpro’s then-current form of Distribution Agreement, which Agreement shall supersede in all respects this Agreement, and the terms of which may differ materially from the terms of this Agreement; provided, however, Distributor shall not be required to pay another initial Development Fee. If approved by Servpro, Servpro’s then-current Salesperson Contract must be signed annually.

3. GRANT OF RIGHTS; DISTRIBUTION AREA AND TRADE NAME

A. Grant of License. Servpro hereby grants to Distributor and Distributor hereby accepts, subject to the terms and conditions of this Agreement:

(1) a non-exclusive license, right and privilege, to use the Marks and the System in connection with the Business in the Distribution Area. Distributor expressly agrees that the ownership of all rights, title and interest in and to Servpro's Marks, System, goodwill and Confidential Information are and shall remain solely with Servpro and are being revealed to Distributor solely to enable Distributor to establish and operate the Business; and

(2) a non-exclusive license, authority and obligation, to provide services and distribute products in the Distribution Area in accordance with the applicable Trainer Responsibilities or Director Responsibilities for the level of Distribution Rights set forth on Exhibit A.

B. Reservations. Within and outside the Distribution Area, Servpro may own and operate Franchises; solicit Candidates, customers and clients; provide services to such customers and clients, Operators, Trainer Distributors and Director Distributors and sell the cleaning products and services authorized for Franchises or any other products and services under the Marks or other trade names, trademarks, service marks and commercial symbols through similar or dissimilar channels of distribution, all on such terms and conditions as Servpro deems appropriate, without granting any additional rights to Distributor. Without limiting the foregoing, Servpro and any affiliates may use other channels of distribution, such as the Internet, online web stores, social media and other electronic channels, retail, catalog sales, telemarketing, or other direct or indirect marketing, to make sales of any cleaning products, equipment or services within the Distributor's Distribution Area using Servpro's principal trademarks or trademarks different from the ones the Distributor will use under this Agreement, all without compensation to Distributor. Servpro retains the sole right to grant a License for a Franchise for any location; provided, if Distributor signs a Salesperson Contract, Distributor may assist Servpro in the solicitation of Candidates and the offer and sale of Franchises in accordance with the terms set forth in the Salesperson Contract.

C. Distribution Area. The non-exclusive Distribution Area is set forth on Exhibit A.

D. Trade Name. Distributor shall use only the trade name specified on Exhibit A in the exercise of Distribution rights and Trainer Assignments pursuant to the Business operated under this Agreement. If Distributor also operates a Franchise, Distributor shall execute a Franchise Agreement which assigns an authorized trade name for the operation of a Franchise, which shall be different from the authorized trade name of the Business.

E. Territorial Policy. Distributor is authorized to perform the services of the Business in and from the Distribution Area designated in Section 3.C, using the trade name authorized in Section 3.D. Distributor acknowledges that, in order to enhance the market penetration of the System as a whole, Servpro has prescribed certain conditions, terms and limitations, set forth in Servpro's Territorial Policy, under which an Operator may solicit, advertise, offer and perform services outside an Operator's designated Operating Territory. Distributor agrees to follow and enforce the Territorial Policy as it may be periodically modified by Servpro in its sole discretion. Distributor may not hold Servpro liable for violations of the Territorial Policy by any other SERVPRO Operator or Distributor.

F. Designation of Legal Entity Status. The legal entity status of Distributor as defined by Section 1.L, is specified on Exhibit A.

4. COMPENSATION TO DISTRIBUTOR

In consideration for the services provided by Distributor pursuant to the applicable Trainer Responsibilities or Director Responsibilities and subject to Distributor’s compliance with the terms of this Agreement, Distributor shall be entitled to compensation as follows:

A. Net Royalty Commission Override for Trainer Distributors. A Trainer Distributor shall receive the specified percentage of the Net Royalties paid to Servpro by the Operators located within the Distribution Area and assigned to Trainer Distributor in accordance with Section 6 (but not including any Operator who is temporarily assigned to Trainer Distributor in accordance with Section 6.C.), according to the following schedule:

Number of Franchises in operation and assigned to Trainer Distributor	Percentage of Net Royalties
1	10%
2	20%
3	30%
4 or more	40%

B. Net Royalty Commission Override for Director Distributors. A Director Distributor shall receive the specified percentage of the Net Royalties paid to Servpro by the Operators located within the Distribution Area based on the percentage of Net Royalties paid to a Trainer Distributor on those same Operators included in the calculation of Section 4.A. (but does not include any Operator which is temporarily assigned to Director Distributor), according to the following formula:

Percentage of Net Royalties Paid to a Trainer Distributor	Percentage of Net Royalties
40%	20%
30%	30%
20%	40%
10%	50%
no trainer	60%

C. Exceptions to Net Royalty Commission Override for Distributors. Distributor is not entitled to receive a commission override on the Net Royalties paid to Servpro by any Franchise:

- (1) operated pursuant to a Franchise License Agreement granted to Distributor by Servpro, unless Distributor has been granted more than one Franchise License Agreement, in which case, Distributor shall not receive a commission override on the Net Royalties for the first Franchise License Agreement granted by Servpro.

(2) operated pursuant to a Franchise License Agreement in which Distributor has signed an Addendum entitling Distributor to a discount on Royalties.

(3) which constitutes a Temporary Trainer Assignment in accordance with Section 6.C. (since Distributor's compensation for services performed in connection with any Temporary Trainer Assignment shall be mutually agreed between Servpro and Distributor).

D. Commission Override to Director Distributor on Cleaning Product Purchases by Operator or Trainer Distributor. A Director Distributor without a Trainer Distributor receives a 5% commission when an Operator or a Trainer Distributor located within the Distribution Area and assigned to Director Distributor purchases cleaning products directly from Servpro, provided:

(1) this Section does not apply to initial purchases made by a new Operator/Franchise; or purchases by an Operator who is temporarily assigned; or special promotions, such as convention specials, when Servpro sells cleaning products at a discount;

(2) if an Operator owns more than one Franchise and the Franchises are located in more than one Distribution Area, the commission override may be allocated pro rata based on the amount of Gross Volume produced by the Franchise in each Distribution Area. If designated by Servpro, this allocation will be made on an annual basis and may require an adjustment of amounts previously paid. Any adjustment shall be included in or deducted from the next compensation paid to Distributor;

(3) if more than one Director Distributor serves a Distribution Area, the commission override will be allocated based on those items sold or distributed directly to Operator by Director Distributor or any Trainer Distributor assigned to the Director Distributor. If a Trainer Distributor or Operator is unassigned from Director Distributor for any reason, the commission override is no longer due to Director Distributor for purchases made by the unassigned Operator or Trainer Distributor.

E. Commission Override on Operator Equipment Purchases. If an Operator within the Distribution Area who is assigned to Distributor purchases designated major items of cleaning equipment directly from Servpro:

(1) this Section does not apply to initial purchases made by a new Operator/Franchise; or special promotions, such as convention specials, when Servpro sells equipment at a discount;

(2) Trainer Distributor will receive either: (a) the difference between the published price of the equipment to a Trainer Distributor and the published price to an Operator or (b) a specified commission in accordance with schedules published by Servpro.

(3) Director Distributor will receive a 5% commission unless there is no Trainer Distributor, in which case the Director Distributor shall also receive either (a) the difference between the published price to a Trainer Distributor and the published price to an Operator or (b) a specified commission in accordance with schedules published by Servpro, in addition to the 5% commission.

F. Payment Schedule; Receipt of Payment by Servpro; Right of Offset. All amounts due to Distributor shall be calculated on the prior month's activity and paid to Distributor by the 10th day of each month following receipt of payment by Servpro. Distributor agrees that Servpro's obligation to pay

Distributor shall be based on Royalties or other payment actually collected from an Operator, not on payments accrued, due or owing to Servpro. Servpro may set off any amounts owing or held by Servpro or an affiliate to Distributor against any amounts owing to Servpro or an affiliate by Distributor, any Owner of Distributor or any entity in which any Owner has any ownership interest. Distributor waives any right, claim or defense to any such offset, and, as a consequence, Distributor agrees to pay Servpro all fees and amounts due Servpro on time regardless of any claims or defenses that Distributor has or asserts against Servpro. Any amounts due to Distributor by Servpro may be temporarily placed "on hold", at Servpro's discretion, due to Distributor's non-compliance with the terms of this Agreement, until such time as the non-compliance is corrected and any resulting damages made whole. If the non-compliance is not corrected to Servpro's satisfaction within a reasonable time period, the commissions may be permanently disallowed for any non-compliant reporting months. If Distributor fails to perform in accordance with Servpro's standards, Servpro may perform or may assign other personnel to perform the functions of a Distributor and retain the commissions that would otherwise be payable to Distributor. Servpro may set off any amounts owing by Servpro to Distributor against any amounts owing to Servpro by Distributor, any Owner of Distributor, or any entity in which any Owner has any ownership interest. Distributor waives any right, claim or defense of "offset" and, as a consequence, Distributor agrees to pay Servpro all fees and amounts due Servpro on time regardless of any such claims or defenses that Distributor has or asserts against Servpro.

5. INITIAL AND ON-GOING FEES; DISTRIBUTOR'S OBLIGATIONS AND OPERATING STANDARDS

A. Development Fee. In consideration for the issuance of rights granted to Distributor hereunder, Distributor shall pay Servpro's Development Fee, which is not refundable in whole or in part for any reason and is fully earned by Servpro upon receipt.

B. Minimum Royalty Fee. Each month during the term of this Agreement, commencing with the Effective Date of this Agreement, in consideration for the continuance of rights granted to Distributor hereunder, Distributor agrees to pay a Minimum Royalty Fee of \$100.

C. Fixed Fees. Each month during the term of this Agreement, in consideration for the continuance of rights granted to Distributor hereunder, commencing with the Effective Date of this Agreement (in addition to the obligation to pay a Minimum Fixed Fee as part of the Minimum Royalty Fee provided in Section 5.B.), Distributor shall pay Servpro a Fixed Fee based upon Gross Volume. Servpro may periodically adjust the monthly volume thresholds for the Fixed Fee based upon the Consumer Price Index, United States City average, as published by the Bureau of Labor Statistics (1967 = 100, all items.) Adjustments may be made upon 30 days advance written notice. The Fixed Fees are calculated as follows:

Monthly Gross Volume	Fixed Fee
\$0 - \$5,999	\$45
\$6,000 - \$9,999	\$65
\$10,000 - \$14,999	\$85
\$15,000 - \$19,999	\$95
\$20,000 - over	\$115

D. Royalty Fee. Each month during the term of this Agreement, in consideration for the continuance of rights granted to Distributor hereunder, commencing with the Effective Date of this Agreement, in addition to the obligation to pay the Minimum Royalty Fee provided in Section 5.B.:

(1) A Director Distributor shall calculate and pay the Royalty Fee of 4% of Gross Volume (as defined in Section 1.R.)

(2) A Trainer Distributor shall calculate the Royalty Fee of 10% of Gross Volume (as defined in Section 1.R.) and apply the following discounts before paying Servpro:

Number of Franchises in operation and assigned to Trainer Distributor	% Discount
1	10%
2	20%
3	30%
4 or more	40%

(3) The Discount does not apply to a Franchise assigned to Distributor if the Franchise is operated pursuant to a Franchise License Agreement granted to Distributor by Servpro, unless Distributor has been granted more than one Franchise License Agreement, in which case, Distributor shall not receive a Discount on the Net Royalties for the first Franchise License Agreement granted by Servpro.

(4) Any services or businesses owned or operated or offered in any manner whatsoever by Distributor, or any affiliate or owner, that are similar, related or competitive to the Franchise or the System are subject to Royalty, Fixed Fee and Advertising Fee payments as set forth herein. Servpro will determine, in its sole discretion, whether or not any such services or businesses are subject to these payments. If Distributor has any question regarding whether or not particular services or businesses are subject to Royalty or Fixed Fee or Advertising Fee payments, Distributor must obtain prior written authorization from the President of Servpro in advance of operating such businesses or performing such services in order for them to be excluded from Royalty or other fee payments. Upon notification by Servpro, Distributor agrees to make payments set forth herein by electronic funds transfer.

E. Advertising Fee. Servpro may assess, on a national or regional basis, a sum not to exceed three percent (3%) of Gross Volume as a contribution (the “Advertising Fee”) to a marketing and advertising fund, upon 30 days’ prior written notice to Distributor. The Advertising Fee payment is due on the same date as Royalty and Fixed Fee payment.

(a) National Marketing and Advertising Fund. Servpro shall periodically develop promotional programs and sales campaigns to aid in selling and performing services in accordance with the System. In particular, Servpro shall maintain and administer the National Marketing and Advertising Fund, as follows:

(1) The National Marketing and Advertising Fund may be used to pay any and all costs and expenses related to advertising or solicitation, marketing, promoting, sales of services, preparing

and producing video and audio, preparing printed or electronic advertising materials, administering advertising programs, including direct mail, point of sale or other media advertising, employing advertising agencies and supporting public relations, market research, and other marketing, promotional and advertising activities that Servpro deems, in its sole discretion, beneficial to the System (collectively the "Marketing") and the services, including: (i) Marketing; (ii) generating business for franchisees; (iii) developing and administering Marketing programs and initiatives; (iv) administration of the National Marketing and Advertising Fund; and (v) Servpro's National Accounts Core Marketing Program and department, for the benefit of franchisees and the System. The Advertising Fees contributed to the National Marketing and Advertising Fund must be expended, prior to termination of this Fund, only for the purposes authorized by this Section.

(2) Servpro shall direct all Marketing financed by the National Marketing and Advertising Fund, and all uses and expenditures of and from the National Marketing and Advertising Fund are subject to Servpro's sole discretion. Servpro retains sole discretion over, without limitation, the choice of advertising media, advertising agency, spokesperson, creative concepts, materials, geographic placement, media placement and market allocation. Although Servpro intends for the National Marketing and Advertising Fund to develop and place Marketing materials and programs that will generally benefit all franchisees, Servpro is not obligated to make expenditures on behalf of, or for the benefit of, Distributor that are equivalent or proportionate to Distributor's contributions to the National Marketing and Advertising Fund or to ensure that any particular geographic area benefits directly or pro rata from the National Marketing and Advertising Fund expenditures. Servpro will exercise its business judgment in deciding when and how the funds are spent, taking into account input from franchisees, an advertising agency and the National Marketing and Advertising Advisory Board.

(3) In any fiscal year, Servpro may spend an amount greater or less than the aggregate Advertising Fees contributed to the National Marketing and Advertising Fund for that year and the National Marketing and Advertising Fund may borrow from Servpro or other lenders to cover deficits of the National Marketing and Advertising Fund or cause the National Marketing and Advertising Fund to invest any surplus for future use by the National Marketing and Advertising Fund. All interest earned on monies contributed to, or held in, the National Marketing and Advertising Fund will be remitted to the National Marketing and Advertising Fund and will be subject to the provisions of this Section. In paying expenditures, the National Marketing and Advertising Fund will spend, first, any earnings on assets held by the National Marketing and Advertising Fund; second, any contributions made by franchisees; and, finally, any contributions made by Servpro. All taxes, including, without limitation, gross receipts, income, value added and sales and use taxes incurred in connection with or related to the Marketing and Advertising Fund, its activities, contributions to the National Marketing and Advertising Fund or otherwise, whether imposed on Servpro, the National Marketing and Advertising Fund, or otherwise, will be paid out of, and be the sole responsibility of, the National Marketing and Advertising Fund.

(4) Servpro has the right, but not the obligation, to cause the National Marketing and Advertising Fund to be incorporated or operated through an entity separate from Servpro at such time, if any, as Servpro deems appropriate, and any such successor entity shall have all rights and duties of Servpro under this Section.

(5) The National Marketing and Advertising Fund shall be accounted for separately from the other funds of Servpro. As soon as reasonably practicable following the end of each calendar year, Servpro will prepare, or cause to be prepared, a statement of the monies collected and costs

incurred by the National Marketing and Advertising Fund. Such statement shall be furnished to Distributor upon written request.

(6) Although Servpro is not required to make contributions to the National Marketing and Advertising Fund under any circumstances, Servpro may do so, whether in the form of services, goods, cash or otherwise. Servpro's contributions will be used, prior to the termination of the National Marketing and Advertising Fund, only for the purposes authorized by this Section.

(7) Servpro may arrange for the provision of marketing, accounting, legal and consultative goods and services related to the purposes of and administration of the National Marketing and Advertising Fund, with the related costs and expenses to be paid by the National Marketing and Advertising Fund, including when such goods or services are provided by third parties or by Servpro, its affiliates, employees, Owners or agents, or by other persons or entities under ownership or control common to Servpro.

(8) Funds in the National Marketing and Advertising Fund may be used by Servpro to pay all costs and expenses associated with Servpro's operation of the National Accounts Core Marketing Program and department, including, without limitation, salaries, compensation and benefits of department staff, travel, lodging and related expenses, supplies, equipment, overhead and related marketing expenses for national accounts sales efforts. Funds in the National Marketing and Advertising Fund may also be used by Servpro to pay for the compensation and benefits of one or more of Servpro's employees whose responsibilities include administration of the fund.

(9) Servpro may waive and compromise Claims for, contributions to, and Claims against or with respect to, the National Marketing and Advertising Fund, using the National Marketing and Advertising Fund to pay any such Claims, subject always to the business judgment of Servpro. Servpro will have complete discretion as to whether or not legal or other action is taken against any franchisee who is in default of obligations with respect to the National Marketing and Advertising Fund, including obligations to pay Advertising Fees, or otherwise, provided that the National Marketing and Advertising Fund will not be charged any legal expense that is unrelated to the activities and purposes of the National Marketing and Advertising Fund.

(10) Except as provided in this Section, no funds held in the National Marketing and Advertising Fund will revert to either Servpro or Distributor under any circumstances. All funds contained in the National Marketing and Advertising Fund shall be expended as authorized by this Section, prior to the termination of the National Marketing and Advertising Fund. In the event that Servpro collects past due monies from franchisees or former franchisees, Servpro will apply these amounts to other indebtedness first and to the National Marketing and Advertising Fund last.

(11) Except as expressly provided in this Section, Servpro assumes no direct, indirect or implied duty, liability or obligation to Distributor with respect to the maintenance, direction, use or administration of the National Marketing and Advertising Fund or the Advertising Fees. Servpro has no fiduciary duty with respect to the uses and administration of the National Marketing and Advertising Funds or the Advertising Fees.

F. Dishonored Checks, Interest and Late Fee Assessments. Servpro is not required to accept payments in whole or in part after Distributor's accounts become delinquent or otherwise extend credit to Distributor. Distributor agrees to pay a fee of \$50 for each dishonored check tendered to Servpro by Distributor. If any account is not accurately reported and/or paid in full by the established deadline, Distributor agrees that Servpro may, until such time as the delinquent account is paid in full, assess a late

fee of \$50 for each and every report or payment which is received after its due date; and/or assess interest at the highest applicable legal rate for open business credit, compounded monthly, not to exceed 2% per month, for each month that the reports or payments are delinquent; and/or disallow, for the month in which the delinquency occurs and all subsequent months in which the payment remains delinquent, the Convention Allowance credited to Distributor pursuant to Section 7.C.

G. Accounting, Records and Reporting Requirements. Distributor agrees to install, and maintain at all times, a complete and uniform accounting system, books and records accurately reflecting the results of its operation as a Distributor, the Business and any business of any entities controlled by, controlling or under common control of Distributor or owned in whole or in part by Distributor or its Owners, in accordance with generally accepted accounting principles and meeting the standard operating procedures and specifications prescribed periodically by Servpro. These procedures and specifications may include, without limitation, all sales and cash journal sheets, bank reconciliations, payroll records, invoice logs, and other financial records as required by Servpro and may require the use of computer hardware and software as periodically specified by Servpro. Distributor agrees to maintain complete and accurate records, recommended Chart of Accounts, books, data and reports which shall accurately reflect all particulars relating to or arising out of this section. If Distributor or any Owner transacts business which is not subject to this Agreement, all records connected to such other operation shall be kept in a manner necessary to effect a convenient segregation between the Distributor's Business and the other business. Distributor shall deliver the following reports by mailing the Report or by submitting the Report electronically, as designated by Servpro, within the time limits established by Servpro:

(1) a monthly Report of Gross Volume, in a form approved by Servpro, for the previous reporting period, together with a duplicate invoice of all transactions on which Royalties, Fixed Fees or Advertising Fees are payable, a copy of all voided invoices, and any other information Servpro may reasonably require, together with payment of the Royalty (or Minimum Royalty Fee and Minimum Fixed Fee, as applicable), Fixed Fee and Advertising Fee; and

(2) upon request within 90 days after the close of each fiscal year, a copy of the Balance Sheet and Income Statement for the Business as it stands at the end of such fiscal year; all in reasonable detail and compiled by a certified public accountant or licensed public accountant; and

(3) upon request, within thirty (30) days after filing with the appropriate taxing authority, a copy of the federal and any state income tax returns and all amendments thereto pertaining to or relating to operation of the Business, any and all business returns of Distributor and any business entities controlled by, controlling or under common control of Distributor and any business entities owned in whole or in part by Distributor or any Owner and any spouse or domestic partner of any Owner (excluding any public company in which any Owner owns less than a 5% interest), and all personal tax returns of any Owners and any spouse or domestic partner of any Owners of Distributor ("Returns") and, upon request, a letter stating whether or not: (a) all payroll tax returns have been filed and payroll taxes paid to the end of the fiscal period; (b) all federal income tax returns have been filed and taxes paid; and (c) any state income, franchise, use and sales tax returns have been filed and taxes or fees paid. This information shall also be provided for the most recent calendar year return which the deadline for filing has occurred within 12 months of renewal date. All such Returns must be filed and paid timely as required by law, no later than October 15th of the following year; and

(4) such other reports, forms, records and any other information pertaining to or relating to the Business, Distributor and Owners and any spouse or domestic partner of any Owner as Servpro may require, or as Servpro may periodically specify in writing including, without limitation (a) any and all business bank statements of Distributor and any entities controlled by, controlling or under common control of Distributor or owned in whole or in part by Distributor or its Owners and any spouse or domestic partner of any Owner, and all personal bank statements of any Owners of Distributor and any spouse or domestic partner of any Owner (“Bank Statements”); and (b) any and all business accounting systems, data files from Distributor’s accounting system, such as Quickbooks®, and all accounting data, hard copy and electronic, of Distributor’s and any entities controlled by, controlling or under common control of Distributor’s or owned in whole or in part by Distributor or its Owners and any spouse or domestic partner of any Owner, and all such accounting data of any Owners of Distributor and any spouse or domestic partner of any Owner (“Accounting Data”). Together, the Returns, Bank Statements and Accounting Data are referred to as “Business Records.”

If Distributor becomes aware that any reports or data submitted by Distributor are inaccurate, Distributor shall immediately correct all reports and data, otherwise any such reports by Distributor shall be deemed to be falsification of reports.

H. Examination. To determine whether Distributor is complying with this Agreement, Servpro or its authorized representative shall have the right at any time during normal business hours, upon reasonable prior notice to Distributor, which need not exceed five (5) business days, to enter onto the premises of the Business or any other premises where Distributor is then keeping its Business Records and examine, review, copy and/or audit Distributor’s Business Records or any other records that Servpro reasonably believes may pertain to or be related to the subject matter and terms of this Agreement. In the alternative, at Servpro’s election, Servpro may require Distributor to send to Servpro any designated Business Records in hard copy and/or electronically. Distributor and its employees shall fully cooperate with representatives of Servpro making, conducting, supervising or observing any such Examination. During the term of this Agreement, and for a period of three (3) years after the termination or transfer of rights under this Agreement, Servpro, or its authorized representative, shall have free and full access thereto for the purpose of this Examination and shall have the right to make copies at Distributor’s expense or have copies made by Distributor and sent to Servpro within five (5) business days at Distributor’s expense. Should Distributor fail or refuse to permit an examination or fail or refuse to copy and deliver the Business Records, Servpro may exercise any other rights and remedies available for breach of this Agreement. If an Examination discloses noncompliance with any of the provisions of this Agreement, Servpro may require Distributor to bear all expenses of the Examination, including travel, lodging, wages, legal and accounting fees, and any other ordinary and necessary expenses incurred in connection with the Examination, in addition to the interest charged on all delinquent accounts and the loss of Convention Allowance for the period of noncompliance or any other rights Servpro may have under this Agreement. Distributor further agrees to reimburse Servpro for all Convention Allowance granted for the time period Distributor is found to be in noncompliance. If Distributor does not comply with the record keeping and Examination obligations, in addition to all other amounts required to be paid under this Agreement, Distributor agrees to pay the sum of \$3,000 per month as liquidated damages for each month that accurate records are not kept or made available. This amount is agreed to be an equitable amount for damages due for noncompliance with the record keeping requirements only, and not as a penalty, and does not limit any other rights or remedies that Servpro may have under this Agreement.

I. Training. Distributor agrees that, in order to operate the Business in accordance with Servpro’s standards and the System, it is important that Distributor attend and complete such training as Servpro may periodically require. Distributor (or the individual designated as the Operating Principal on Exhibit A if Distributor is a legal entity) agrees to and shall attend and complete initial training to

Servpro's satisfaction. Initial training currently consists of the New Franchise Training Program ("NFTP"), the Franchise Management Course ("FMC") and the Distributor Training Program ("DTP") and an Applied Structural Drying ("ASD") certification from the Institute of Inspection, Cleaning and Restoration Certification ("IICRC") and designated subrogation training. Water Damage Restoration Technician ("WRT") certification is a prerequisite to ASD. Such initial training may be changed or modified from time to time in Servpro's sole discretion. Owners of Distributor designated by Servpro shall attend all annual conventions, all meetings and seminars conducted by Servpro, Director/Trainer Meetings, typically held during Convention and during the fall of each year, and all meetings which Servpro designates as required, and shall use all educational or instructional materials and programs provided to Distributor by Servpro. Servpro requires that Owners of Distributorships designated by Servpro attend the meetings required by the Trainer Responsibilities or Director Responsibilities. If Distributor chooses to participate in a voluntary program, or if a program is designated as mandatory by Servpro or its affiliates, Distributor agrees to attend all such training at Distributor's expense and to pay all applicable training fees. Distributor agrees to purchase such additional equipment, computer programs and other supplies designated by Servpro to be mandatory for the program. The equipment and supplies must be pre-approved by Servpro and may be purchased from Servpro or other sources. Distributor agrees to use and implement the minimum level of access, data and cyber security protocols and controls Servpro may designate from time to time including, without limitation, password and access management, antivirus, firewalls, data backup, updates and patches and cyber insurance. Distributor agrees to purchase such additional equipment, computer programs and other supplies deemed by Servpro to be mandatory from time to time.

Distributor must be fluent in the English language to own and operate the Business. Servpro agrees to provide training and manuals only in the English language. Distributor must be fluent in the English language to own and operate the Business and complete Servpro's training program. Servpro may, but has no obligation to, translate some of Servpro's written materials into other languages from time to time.

J. Standards of Service. Trainer Responsibilities or Director Responsibilities. After completion of initial training, Distributor shall devote its time and energy to the Business in the Distribution Area. Distributor shall conduct the operation of the Business in accordance with and adhere to Servpro's written standards of general applicability, its operational standards, specifications, systems, procedures, software applications, policies, methods and requirements with respect to Distributor's obligations hereunder. Distributor agrees to comply with the applicable Trainer Responsibilities or Director Responsibilities, which Distributor acknowledges may be supplemented, changed or otherwise periodically modified from time to time at the sole discretion of Servpro, which Trainer Responsibilities or Director Responsibilities are incorporated herein by reference and shall be deemed to be part of this Agreement. If Distributor is a legal entity, Distributor agrees to employ and maintain a sufficient staff of adequately trained employees approved by Servpro, according to Servpro's then-current standard operating procedures for adding staff, to enable Distributor to fulfill its responsibilities in the Distribution Area in accordance with Servpro's standards, including, without limitation, the applicable Trainer Responsibilities or Director Responsibilities. Distributor is solely responsible for hiring of any employees and the terms and conditions of their employment and compensation.

K. Compliance with Laws and Good Business Practices. Distributor shall adhere to the highest standards of honesty, integrity and fair dealing in all dealings with Servpro, other Distributors, Operators, Candidates and the public. Distributor shall comply with all applicable federal, state and local laws, ordinances, rules and regulations. Distributor shall obtain and maintain in force, at Distributor's expense, including, without limitation, license to do business, contractors licenses, fictitious name registration, sales and use tax permit and any and all other required permits, certificates or licenses for the full and proper conduct of the Business, including, without limitation, all permits or authority authorizing

Distributor to recruit Candidates, and shall operate in full compliance with all applicable laws, ordinances and regulations. Distributor shall notify Servpro in writing within five (5) business days after Distributor receives notice or acquires actual knowledge of the commencement of any action, suit, proceeding or investigation, and of the issuance of any summons, order, writ, injunction, award or decree, by any court, agency or other governmental instrumentality which may adversely affect the operation or financial condition of Distributor or the Business.

L. Equipment and Cleaning Products; Distribution. Distributor shall be completely familiar with and up to date on the Franchise and System. Distributor agrees to acquire a thorough knowledge of the equipment and cleaning products sold by Servpro and to know proper use of the equipment and cleaning products utilized in a Franchise. Distributor shall be fully knowledgeable about and able to demonstrate new cleaning products or equipment within three (3) months after introduction in the SERVPRO® cleaning product and equipment line. Distributor has the right to sell SERVPRO®-approved cleaning products, equipment and supplies to Operators in the Distribution Area and to any Operators temporarily assigned to Distributor whose Franchise may be located outside the Distribution Area. Distributor agrees to use and distribute only SERVPRO® cleaning products, equipment and supplies unless otherwise authorized and approved in writing by Servpro prior to sale or distribution. Both parties agree that an Operator may buy cleaning products, equipment and supplies directly from Servpro by any method whatsoever, including, without limitation, electronic orders. Distributor agrees at all times to carry an adequate supply of SERVPRO®-approved cleaning products, equipment and supplies as designated by Servpro from time to time to service the Franchises in the Distribution Area. Servpro may establish minimum inventory and reporting requirements for Distributor for SERVPRO® cleaning products, equipment, literature, and other supplies. These minimum inventory and reporting requirements may be periodically modified by Servpro. Distributor agrees to stock no less than the minimum inventory requirements and furnish all distribution information requested by Servpro. If the stock of Distributor falls below the minimum inventory requirements, Servpro may immediately discontinue Distributor's right to purchase at Distributor prices and may eliminate all commissions set forth in Sections 4.E, until Distributor restocks and documents compliance with the minimum inventory requirements to Servpro's satisfaction. If Distributor does not continuously inventory an adequate amount of supplies and equipment as determined by Servpro, then Servpro may permanently discontinue any Distributor discounts or commissions. If an Operator purchases cleaning products directly from Servpro, Distributor or the Operator may be required to pay all freight charges as may be designated by Servpro from time to time. Servpro may pay freight charges for cleaning products shipped on Distributor's orders subject to published terms and conditions, such as minimum purchases. These terms and conditions for freight prepayment may be changed upon notice to Distributor. Freight charges on all equipment are F.O.B. initial shipping point.

M. Telephone Numbers; Directory Advertising. Distributor shall register all telephone and facsimile numbers utilized by Distributor in the Business with Servpro. No telephone or facsimile numbers shall be obtained or used without Servpro's prior written consent. Distributor shall obtain and use only telephone or facsimile numbers with area codes, exchanges and prefixes that are wholly within or the majority of which are within the Distribution Area. All telephone and facsimile number listings and accounts either in print or on the Internet shall be made only in the authorized Trade Name set forth in this Agreement and not in Distributor's personal name, business entity name, or any other name. Distributor shall obtain Servpro's prior written approval for all listings and directory advertising. Distributor acknowledges that all telephone numbers and web sites utilized in connection with the Business shall be Servpro's property. Distributor shall transfer, relinquish and assign all such listings, directory advertisements and web sites to Servpro upon termination, expiration or non-renewal of the Agreement.

N. Promotion and Advertising. Distributor shall submit all advertising and promotional material, whether print, electronic, audio or visual (including Yellow Pages[®], website, social media and all other electronic postings or Internet advertising) to Servpro prior to use, together with an outline of its proposed use, for Servpro's written approval. Distributor shall not use any advertising or promotional materials that Servpro has not approved or has disapproved. Servpro may revoke its approval, once granted, with written notice to Distributor. Distributor agrees to refrain from any business or advertising practice which may be injurious to Servpro or the goodwill associated with the Marks and the System.

O. Insurance. Distributor shall procure and maintain in full force during the term of this Agreement (and any extensions thereof), policies of insurance as periodically prescribed by Servpro in the Manuals, bulletins, or by other written notice. Servpro shall be an additional named insured or an additional insured, in its sole discretion, in such policies. A certificate of insurance evidencing coverage shall be delivered to Servpro prior to the commencement of the Business and upon each renewal of said policy. All policies shall provide that Servpro shall be given at least 30 days' prior written notice of any termination, amendment, cancellation or modification thereof and shall require the insurer to defend both Distributor and Servpro in any action for recovery of damages based on alleged action or inaction suffered as a result of or arising out of or relating to operation of the Business. Nothing contained herein shall be deemed to constitute an undertaking or representation by Servpro that any such insurance will insure Distributor against any or all insurable risks of loss which may or can arise out of or in connection with the operation of the Business. If Distributor at any time fails or refuses to maintain in effect any insurance coverage required by Servpro, or to furnish satisfactory evidence thereof, Servpro may, at its option and in addition to its other rights and remedies hereunder, obtain such insurance coverage on behalf of Distributor after giving Distributor notice of its intent to do so, and Distributor shall promptly execute any applications or other forms or instruments required to obtain any such insurance and pay to Servpro, on demand, any costs and premiums incurred thereby plus ten percent (10%) interest or processing fee. Distributor's obligation to obtain and maintain the insurance set forth herein shall not be limited in any way by reason of any insurance maintained by Servpro. Distributor's insurance shall be primary and any other insurance maintained by Servpro or its affiliates shall be excess of and non-contributory to any and all insurance provided by or on behalf of Distributor. Servpro reserves the right to require Distributor to purchase tail insurance coverage in the types and amounts designated from time to time by Servpro for up to two (2) years following Transfer, non-renewal, expiration, or termination of this Agreement.

P. Candidates and Development Schedule. Distributor acknowledges and agrees that Distributor does not have the right to sell or negotiate the sale of Franchises and cannot grant a License or enter into any Franchise Agreement with a Candidate. If Distributor signs a Salesperson Contract in the form attached as Exhibit D, Distributor is responsible for actively seeking, recruiting and screening qualified Candidates within the Distribution Area in the manner set forth in the Salesperson Contract to meet the Development Schedule set forth in the Salesperson Contract. Distributor shall submit each Candidate for a License to Servpro for approval. Each application for a License shall be submitted to Servpro with the name, address and other pertinent data, including such financial statements and other information regarding the Candidate as reasonably required by Servpro. Distributor agrees that all Candidates shall be individuals or legal entities with adequate financial resources, meeting Servpro's then-current criteria for Operators.

Q. Developments. All information, data, techniques and know-how developed or assembled or compiled by Distributor or Distributor's employees or agents during the term of the Training and Distribution Agreement shall be owned by Servpro and shall constitute a part of the Confidential Information. If Distributor develops any new concept, process or improvement in the operation or promotion of the Business or the System ("Developments"), Distributor agrees to promptly notify Servpro and provide Servpro with all necessary information concerning the same, without compensation.

Distributor acknowledges that any and all right, title and ownership interest (including without limitation copyright, trademark and patent rights and all extensions and renewals thereof) now known or hereafter derived in all media and form whatsoever in perpetuity in all languages in and to all Developments (including without limitation all computer programs, any source code, object code, enhancements and modifications and all files) shall vest in Servpro and Servpro shall be the exclusive owner. Distributor agrees and intends that to the maximum extent allowed by law all copyrightable Developments shall be deemed to be “works made for hire” under relevant copyright laws; provided, however, to the extent Developments may not be considered a “work made for hire,” and as to any patent rights, Distributor assigns to Servpro all right, title and interest in and to any such Developments, including rights to copyrights in all copyrightable materials and in and to all patent applications and patents that may be issued thereon. If any Developments include items previously developed or copyrighted by Distributor, Distributor hereby grants to Servpro an unrestricted, royalty-free, perpetual, irrevocable license to make, have made, copy, use, modify, distribute, prepare derivative works, perform, display, disclose and sublicense such Developments for any lawful purpose. Distributor agrees to take any actions, which might be reasonably requested by Servpro, to effectuate or evidence such ownership by Servpro or such an assignment. Servpro may utilize or disclose such information without restriction and without payment or compensation to Distributor, including other Servpro franchisees, as Servpro determines in its sole discretion.

R. Background Checks. Distributor agrees to conduct background checks on all Owners and employees annually, unless the Distributor has reason to suspect that any Owner or employee may have been convicted of, or pled guilty to, a felony involving dishonesty or breach of trust, theft or any type of violence against a person, in which case a background check must be conducted immediately. Distributor agrees to inform Servpro immediately if any Owner is convicted of or pleads guilty to any such crimes, which is a default without opportunity to cure under Section 12.D(2). Distributor agrees not to employ anyone with a conviction for or has pled guilty to a felony involving dishonesty or breach of trust, theft or any type of violence against a person. The provisions of this Section 5.R are all subject to applicable law.

S. Administrative Fee. When Distributor asks Servpro to amend this Agreement or when an amendment is required by Distributor's actions, or when Distributor asks Servpro to consent to various transactions or to provide services for which a specific fee is not imposed elsewhere in this Agreement or the System, Distributor will pay the then-current administrative fee in effect.

T. Obligation to Enter Into Franchise License Agreement. After April 1, 2010, Trainer Distributors owning less than three Trainerships and new Director Distributors purchasing a Directorship must also own and operate a model franchise business pursuant to a Servpro Franchise License Agreement providing water, fire and smoke damage cleaning, mitigation and restoration services and mold remediation services.

6. TRAINER ASSIGNMENT TERMS

A. Trainer Assignment; Transfer. The assignment of individual Operators/Franchises to a Distributor as a Trainer (a “Trainer Assignment”) is at the sole discretion of Servpro. Only Servpro may assign or transfer a Trainer Assignment.

B. Performance Standards; Revocation; Termination. Distributor shall provide all training and support services required by Servpro in accordance with the current Trainer Responsibilities or Director Responsibilities to all Trainer Assignments. Servpro may revoke a Trainer Assignment immediately upon notice to Trainer for Trainer’s failure to meet Servpro’s then-current standards for Trainer performance as set forth in the Trainer Responsibilities or Director Responsibilities if such default shall continue for thirty (30) days after Servpro gives written notice of such default to Distributor. If

Servpro revokes a Trainer Assignment under these circumstances, Servpro may, in its sole discretion, revoke any other Trainer Assignment, without notice of deficiency or opportunity to cure, if Servpro determines that it would be in the best interest of any of the Operator/Franchises assigned to Distributor. If a Trainer Assignment is revoked for any reason, all payments and discounts granted to Distributor by reason of the previous Trainer Assignment shall be discontinued as of the date of termination of the Trainer Assignment. Termination of Distribution Rights under this Agreement shall automatically revoke all Trainer Assignments.

C. Temporary Trainer Assignment. A Trainer Assignment with respect to any Operator/Franchise with an Operating Territory located outside of the Distribution Area shall be deemed to be a temporary assignment. Servpro may make a Temporary Trainer Assignment under any other circumstances at its sole discretion. Servpro may revoke a temporary Trainer Assignment for any reason, or no reason, with or without prior notice to Trainer. Distributor's compensation for services performed in connection with a Temporary Trainer Assignment shall be mutually agreed between Servpro and Distributor.

7. SERVPRO'S OBLIGATIONS

A. Assistance. Servpro agrees to assist Distributor by providing Distributor with such information, instruction, techniques, data, instructional materials, forms, brochures, guidance and assistance as Servpro determines is required in connection with the Business to be operated pursuant to this Agreement. Servpro shall provide Distributor with periodic summary reports related to the operations of the Operators in the Distribution Area. Servpro may perform on behalf of Distributor and charge Distributor for all direct and indirect costs associated with such performance.

B. Training. Servpro shall train Distributor in the fundamental marketing and managerial skills necessary to operate a Business in accordance with the System. During the initial training program, Distributor will be instructed in techniques of the Franchise as well as marketing and management of the Business. The cost of initial training is included in the Development Fee. Servpro will provide training for qualified employees with management responsibilities who pay the then-current training fee and sign all required documents as designated by Servpro from time to time, including confidentiality agreements prohibiting competition against Servpro franchisees or unauthorized use of Servpro Marks and System. ~~Written Job Descriptions must be provided to the Field Operations Department as part of the approval process for adding Distributorship staff.~~ Servpro may periodically provide advanced training seminars for Distributor, including an annual eConvention Workshops and Director Training Meeting and annual Director Trainer Meeting ("DTM") typically held in the Fall of each year, at such times and places and for such duration as Servpro may designate in its sole discretion. These meetings are subject to change upon notice from Servpro. Servpro may charge for such seminars, the annual eConvention DTM and DTM in the Fall. Distributor agrees to attend all such training provided by Servpro in its entirety.

C. Convention Allowance. Distributor's attendance at all parts of the SERVPRO National Convention is mandatory and is important. For this reason, Servpro will compensate Distributor each year for attendance at National Convention. Each year, on a monthly basis, Servpro will compute and accrue a sum equal to 10% of the Royalties (not including Fixed Fees or Advertising Fees) paid by Distributor (the "Convention Allowance") provided, if Distributor fails to complete the entire initial training program within 60 days after Servpro's Effective Date of this Agreement, no Convention Allowance shall accrue until such time as Distributor completes the initial training program and further provided that the Convention Allowance will not accrue to Distributor's account for any month in which any of Distributor's accounts with Servpro are not current or in which Distributor is not in compliance with this or any other agreement with Servpro, or in which Distributor's insurance is not in compliance in accordance with Section 5.O. Servpro may choose to treat Distributor's failure to pay for cleaning

products in accordance with Section 5.L. or comply with reporting requirements of Section 5.G. as a non-current account. The accrued Convention Allowance will be paid to Distributor at the next National Convention if Distributor attends all days of the National Convention; provided, however, Servpro may deduct a standard registration fee from the Convention Allowance. If Distributor does not attend the entire National Convention, Servpro is not obligated to pay Distributor the accrued Convention Allowance, which will be forfeited, and Servpro will start a new accrual computation for the next year. Distributors may be suspended from receiving National Accounts referrals if Distributor does not attend 100% of all training classes designated by Servpro.

D. Disclosure Document. In connection with Distributor's solicitation of Candidates on behalf of Servpro in the Distribution Area, subject to timely receipt of required information from Distributor and the obligations outlined in the Salesperson Contract, Servpro shall prepare and maintain the disclosure document in compliance with all applicable federal and state laws and shall update the disclosure document and provide the updated document to Distributor within the time frames required by law.

E. Candidates. Subject to Distributor's obligations under the Salesperson Contract, Servpro shall approve or disapprove the Candidates submitted by Distributor by notice to Distributor within thirty (30) days after receipt by Servpro of a complete application, financial statement, and other materials regarding the Candidate requested by Servpro. If Servpro, in its sole discretion, determines that the Candidate possesses sufficient financial and managerial capability, and meets Servpro's then-current criteria utilized by Servpro in the grant of Franchises, Servpro shall offer to grant the Candidate a License for a new franchise. The grant of the License shall be evidenced by execution of the then-current Franchise Agreement by Servpro and the Candidate. If the Candidate fails to deliver payment of the initial Franchise fee to Servpro upon execution of the Franchise Agreement, Servpro may, at its sole discretion, terminate or refuse to execute the Franchise Agreement. Servpro shall be under no obligation to consider any Candidate during any period in which Distributor is not in compliance with this Agreement or the Salesperson Contract.

F. On-Going Support. Servpro agrees to upgrade, improve and make available equipment, cleaning products, literature, manuals, and software applications and platforms as necessary and advisable for the benefit of the System as determined by Servpro in its sole discretion. If Distributor utilizes any software applications or platforms purchased from Servpro, there may be additional charges. Servpro welcomes suggestions from Distributors. Each idea or development by Distributor will be given consideration. If found to be beneficial to the System, it will be made available to all SERVPRO Distributors and franchisees and be made a part of the System and all rights thereto are hereby irrevocably assigned to Servpro for no further consideration than the rights granted herein.

8. TRANSFER AND ASSIGNMENT PROVISIONS

A. Assignment by Servpro and Distributor Assignment General Provisions. Servpro may, in its sole discretion, assign this Agreement and all of its rights and privileges hereunder to any person or legal entity which expressly agrees to assume and perform Servpro's obligations, including, without limitation, a competitor of Servpro, and such assignment shall be binding upon and inure to the benefit of Servpro's successors and assigns including, without limitation, any entity which acquires all or a portion of the capital stock or ownership interest of Servpro or any entity resulting from or participating in a merger, consolidation or reorganization in which Servpro is involved and to which Servpro's rights and duties hereunder are assigned.

If Distributor is an individual or individuals, Servpro has granted this license in reliance on Distributor's business skills, financial capacity, personal character and reputation. If Distributor is a business entity, this license is granted in reliance on the business skills, financial capacity, personal character and reputation of the Owners. Accordingly, neither Distributor nor any Owner shall sell, assign, transfer, convey, rent, give away, lease, pledge, exchange, mortgage or otherwise encumber any interest in this Agreement, the Business, Distributor or in any entity which holds an ownership in this license ("Transfer"), without Servpro's prior written consent, which consent may be granted, conditioned or denied, in Servpro's sole discretion, and following the provisions in this Article 8. In addition, if any Owner marries, remarries becomes a domestic partner with someone not a spouse or domestic partner at the Effective Date of this Agreement, Distributor and Owners agree to cause such new spouse or domestic partner to sign a document (currently *LIST OF PARTNERS, MEMBERS OR SHAREHOLDERS*) agreeing to be bound by the terms of this Agreement and a personal guarantee. Any purported or attempted Transfer not having Servpro's prior written consent, shall be null and void and shall constitute a material breach of this Agreement, making this Agreement subject to termination without opportunity to cure as provided in Section 12.D.

B. Assignment to and Ownership by a Legal Entity. If Distributor is an individual or individuals, this Agreement may be assigned to a qualified legal entity with Servpro's prior written consent; provided, however, if the approved legal entity is not completely owned by the original individual or individuals making up the Distributor, Servpro may require that the then-current form of SERVPRO Training and Distribution Agreement, which may be materially different than this Agreement, be executed in lieu of an assignment of this Agreement. The legal entity must conduct no business other than owning and operating the Business, must agree to assume the outstanding debts and obligations relating to the Business, and must be actively managed by the individual or individuals who originally signed this Agreement. An assignment shall not relieve the original Distributor from any duties or liabilities imposed by this Agreement. A copy of the organizational documents of such legal entity shall be provided to Servpro and shall recite that the issuance and assignment of any capital stock or other ownership interests thereof are restricted by the terms of this Agreement and shall contain the following: "Any transfer of ownership interest in this business entity is subject to and governed by the transfer provisions in the SERVPRO® Training and Distribution Agreement to which this entity is a party which requirements include, without limitation, written permission from Servpro Industries, Inc." In addition, all issued and outstanding stock certificates of any such corporation shall bear a legend stating: "A transfer of this stock is subject to the terms and conditions of a SERVPRO Training and Distribution Agreement dated _____."

In order for Distributor to be a business entity, each of the "Owners" (defined as including without limitation, all principals, shareholders, members, partners or any other Person with an ownership interest in Distributor permitted by Servpro) and their spouses and domestic partners, must meet Servpro's then-current criteria and shall execute a guaranty agreement, in a form satisfactory to Servpro, guaranteeing all amounts due and all obligations under this Agreement and all other amounts due and obligations owing to Servpro. Distributor shall furnish and keep current with Servpro a certified list of all Owners and their spouses or domestic partners in such form as Servpro may require, reflecting their interest in the business entity, executed by all Owners and their spouses and domestic partners and agreeing to be bound by all of the provisions of this Agreement and a personal guarantee. No trust may hold any ownership interest in the Business or Distributor unless Servpro grants written consent, which consent may be withheld or conditioned in Servpro's sole discretion. The word SERVPRO® may not be used in the name of Distributor's business entity. An entity name may not contain words referencing a geographic area that is larger than or nondescriptive of the territory granted by this Agreement.

C. Assignment Due to Death or Disability. Servpro granted the license to operate this Distributorship in reliance on the business skills, financial capacity, personal abilities and personal character of the Owners. In the event of the death or permanent disability of any Distributor (or the death or permanent disability of the last surviving original Owner, if Distributor is a legal entity other than an individual), Servpro shall not unreasonably withhold its consent to a Transfer or assignment of Distributor's interest herein to either a qualified bona-fide purchaser meeting Servpro's then-current criteria or to a qualified and approved descendant, heir or legatee of the decedent if Servpro is given satisfactory written evidence of succession or entitlement to the rights under this Agreement provided such descendant, heir or legatee meets Servpro's then-current criteria and requirements for owning an interest in Distributor and the Business. In each case, Servpro's consent shall also be based upon compliance with the provisions of Section 8.D. and 8.E. Any consent by Servpro to an assignment or Transfer of any interest in this Agreement or the business to the executor, administrator, or personal representative of the deceased shall not constitute a consent to any subsequent assignment or Transfer thereof from such executor, administrator, or personal representative. Any consent by Servpro to such subsequent assignment or Transfer shall also be subject to compliance with Section 8.D. and 8.E.

D. Sale or Transfer of Any Interest in Business. If Distributor and/or any Owner wishes to Transfer to any individual or business entity ("Transferee"), any such proposed Transferee must exceed the age of majority in their jurisdiction and must meet Servpro's then-current criteria and requirements for owning an interest in Distributor and the Business. Servpro's consent to the Transfer of any such interest shall not constitute a waiver of any claims it may have against Distributor nor shall it be deemed a waiver of Servpro's right to enforce compliance with any of the terms or conditions of this Agreement before, during or following the Transfer. Servpro will not unreasonably withhold its consent to a Transfer, provided Distributor must not be in default of any obligations under this Agreement, such Transferee must meet Servpro's then-current criteria and requirements for owning an interest in Distributor and the Business, which may be materially different than criteria and requirements that applied when Distributor and Owners first signed an agreement with Servpro and which may be materially different than Servpro's current criteria, and further provided Distributor and Transferee must comply with such terms and conditions as may be required by Servpro before the Transfer is completed and before Transferee takes ownership and/or possession of all or any part of the Business, including, without limitation, the following:

(1) Distributor shall submit to Servpro: (1) a written notice setting forth the name and address and request for consideration of the proposed Transferee and any proposed Owner and the price, other consideration, and terms of the proposed Transfer; (2) qualification applications and/or requests for consideration completed by the Transferee; and (3) proof of insurance evidencing compliance with all requirements of Servpro; and (4) such other information as Servpro may request; and

(2) Transferee must demonstrate, to Servpro's satisfaction, that any proposed Transferee: (1) meets Servpro's then-current criteria for granting a new Distributor license, including, without limitation, educational, managerial, business standards, financial criteria, English proficiency and background check; (2) possesses a good business reputation, skills and credit rating; (3) has the aptitude and ability to conduct and operate the Business, which may be evidenced by related business experience; and (4) has adequate financial resources and capital, as determined by Servpro; and

(3) In the event of a proposed Transfer, Distributor shall provide Servpro with a fully-executed copy of the purchase or Transfer agreement, which must: (1) allocate at least ten percent (10%) of the purchase price to the covenant not to compete and at least ten percent (10%) of the purchase price to goodwill; (2) provide that Servpro may require that a portion of the

purchase price be placed in escrow until the Transferee completes training, and (3) not include any provisions that conflict with Servpro's transfer requirements; and

(4) Distributor, its Owners and their spouses or domestic partners must: (1) execute a general release, in a form satisfactory to Servpro, of any and all existing known and unknown claims against Servpro, its affiliates and their respective shareholders, officers, directors, agents, employees, successors, assigns and distributors, in their corporate and individual capacities; (2) affirm that the confidentiality provisions, the post-termination provisions, and the covenant not to compete contained in this Agreement survive as to Distributor, its Owners and their spouses or domestic partners; and

(5) Transferee shall execute the then-current form of SERVPRO Training and Distribution Agreement and associated documents, which may contain materially different terms and conditions than this Agreement and which agreement shall supersede this Agreement in all respects, except as may be provided herein; provided, however, Transferee shall not be required to pay an initial License Fee; and

(6) Servpro shall be paid its then-current non-refundable Transfer Fee, which shall not exceed twenty percent (20%) of the amount charged for purchase of a new SERVPRO Distributorship; and

(7) Prior to completion of the Transfer, Transferee shall attend and complete, to Servpro's satisfaction, any required training, conducted and administered by Servpro, or Servpro's designated representative, within the time period required by Servpro, all in Servpro's sole discretion; provided, however, no training shall be initiated until such time as: (i) Transferee has received Servpro's written approval of the transfer; (ii) Transferee has signed a Confidentiality Agreement; (iii) Transferee has signed and returned to Servpro, in proper form, the original copy of the SERVPRO Training and Distribution Agreement and related documents; (iv) Distributor has signed and returned the General Release required by this Section 8; (v) the Transfer Fee required by Section 8 has been paid; and

(8) Any and all debts, accounts, or monies owed to Servpro or its affiliates by Distributor, any affiliate and any Owner, must be paid in full; and

(9) Distributor shall deliver to Servpro a notice in writing of the identity of the proposed Transferee and any other information requested, together with a copy of any purchase or Transfer agreement or any other document or agreement transferring any interest in Distributor, the Business or this Agreement. Servpro shall have the right, exercisable by delivering written notice to Distributor within 30 days after actual receipt of a final binding purchase or Transfer agreement or any other document or agreement finalizing the terms of any proposed Transfer of any interest in Distributor, the Business or this Agreement, to purchase or assume the Transfer of the Business and/or Distributor or the interest being transferred upon the same terms as the proposed Transferee, or in the case of a Transfer or assignment in connection with death or disability under Section 8.C, on terms negotiated between any such descendant, heir or legatee and Servpro. If Servpro declines, or does not exercise this right of first refusal within this time period, Distributor may Transfer the interest, subject to Servpro's prior written approval as provided herein, but not at a lower price or on more favorable terms than have been provided to Servpro. If Distributor does not Transfer to Transferee, Servpro shall have the same right of first refusal as to any future Transfer and proposed Transferee, and all other requirements of this Article 8.

E. Transfer Fees. If an interest of fifty percent (50%) or more is transferred, the Transfer Fee defined in Section 8.E.(6) must be paid to Servpro. If an interest of less than fifty percent (50%) but more than ten percent (10%) is transferred, one-half (½) of the Transfer Fee must be paid to Servpro. If an interest of ten percent (10%) or less is transferred, one-fourth (¼) of the Transfer Fee must be paid to Servpro. If less than 50% interest is transferred or if more than two individuals purchase an interest greater than 50%, the additional parties must pay Servpro's then-current training fees and all travel expenses. Any additional parties must pay Servpro's then-current training fees and all travel expenses. In the event of a transfer to a direct lineal descendant upon death or disability as set forth in Section 8.C, no Transfer Fees will be charged or paid, but the direct lineal descendant must meet Servpro's then-current criteria and requirements for owning an interest in Distributor and the Business, attend training and pay the then-current training fees, travel and living expenses and comply with Section 8.D.

9. MARKS

A. Servpro's Ownership of the Marks. Distributor agrees that the Proprietary Marks and Trade Indicia are the exclusive property of Servpro and/or Servpro's Licensor and Distributor asserts no claim and will hereafter assert no claim to the ownership thereof or to any goodwill attendant thereto. Distributor further covenants that it will not contest Servpro's and/or Servpro's Licensor's ownership of the Marks or their validity nor will it do or permit any act or thing to be done in derogation of any of the rights of Servpro and/or Servpro's Licensor in connection with the Marks either during the term of this Agreement or thereafter. Nothing in this Agreement shall be construed to give Distributor any right, title or interest in or to any of the Marks except for a revocable privilege and license to display and use the Marks during the term of and pursuant to the terms and conditions contained in this Agreement. Distributor expressly understands and agrees that it had not acquired and will not acquire any ownership interests, equitable rights, goodwill or other interests in any Mark by virtue of this Agreement, its relationship with Servpro, or Distributor's use of any of the Marks and will not represent that it has. Distributor also understands and agrees that following the expiration, termination or non-renewal of this Agreement for any reason, it shall not attribute any monetary amount to any goodwill associated with its use of the Marks or in connection with its operation of the Business. Distributor agrees not to establish a domain name (URL) using the word "Servpro." Servpro alone will register and manage any required Distributor primary domain name. Any other domain names require written approval. Upon request from Servpro, Distributor agrees to surrender any such domain name to Servpro by every reasonable effort available. The domain name (URL) will be registered under the name of Servpro. Distributor is responsible for paying all fees associated with any such domain name (URL). Servpro may require Distributor to cancel Distributor's registration of the domain name if Distributor fails to obtain Servpro's prior written authorization and Distributor agrees to comply with such a requirement. Distributor agrees to use and post Internet advertising templates and a web site developed solely by Servpro, unless otherwise approved in writing by Servpro. Distributor agrees to use Servpro or a third party designated by Servpro to host an approved web site. Distributor agrees to provide links to approved web sites as may be designated by Servpro from time to time. Distributor is not permitted to make use in any internet or electronic advertising, whether in the text of any advertising, in any listing, or in any metadata or code, of any geographic terms that are not located within the Distributor's Distribution Area, including any zip codes, cities, towns, landmarks, or public or private locations of any sort. Distributor acknowledges and agrees that the value of the Servpro trademark and brand are important assets that benefit the entire Servpro franchise system. Accordingly, Distributor agrees to ensure that all website, social media and all other electronic postings on the Internet portray the Servpro franchise system in a positive, dignified and business-like manner; Distributor further agrees to remove or modify, at Servpro's election, any material deemed by Servpro to violate this provision.

B. Modification of the Marks. If Servpro, in its sole discretion, decides to modify or discontinue use of any Mark and/or to adopt or use one or more additional or substituted Marks, Distributor shall promptly conform its use of the Marks as directed, in writing, by Servpro at no cost to Servpro. Distributor waives any claim arising from or relating to any such change, modification or substitution of Marks.

C. Distributor's Use of the Marks. Distributor acknowledges that Servpro's prior written consent is required for the use of any of the Marks except as granted and set forth herein. Distributor will use the Marks and/or any trademark or service mark or trade name adopted by Servpro, or combinations containing the same, strictly in accordance with this Agreement and/or other written instructions periodically received from Servpro, including the form and manner and appropriate copyright, trademark or service mark designation or legends as may be periodically prescribed. All materials, signs or other items which bear the Marks shall be in the form, color, location and manner prescribed by Servpro. Distributor shall not allow or engage in any use of the Marks other than as permitted pursuant to this Agreement. Distributor shall not use the Marks for any purpose other than in connection with the Business. Distributor may not use the Marks or association therewith for the benefit of any business other than the Distributor's Business. Distributor shall not use any of the Marks as part of its entity name if Distributor is or becomes a corporation or other legal entity. Distributor agrees not to use any other trademark, service mark or trade name in combination with any of the Marks without Servpro's prior written consent. Distributor shall permit reasonable inspections of the Business to monitor Distributor's use of the Marks and shall supply Servpro with examplespecimens of all uses of the Marks upon request. Distributor shall not employ any Mark in a manner that is likely to result in liability of Servpro for any indebtedness or obligation of Distributor.

D. Defense of the Marks. If Distributor learns of any claim, suit or demand against Distributor or the Marks on account of any alleged infringement, unfair competition, or similar matter relating to the Marks, or any unauthorized use of the Marks, Distributor shall promptly notify Servpro in writing. Servpro may, but is not obligated to, take such action, if any, as Servpro, in its sole discretion, deems necessary or appropriate in connection therewith. Servpro shall have the sole right to defend, compromise or settle any such claim at Servpro's sole cost and expense, using attorneys of its own choosing. Distributor agrees to cooperate fully with Servpro in connection with the defense of any such claim and hereby irrevocably appoints Servpro to defend or settle all of such claims, demands or suits. Upon obtaining Servpro's prior written consent, Distributor may participate at its own expense in such defense or settlement, but Servpro's decisions shall be final and binding upon Distributor. Distributor shall not settle or compromise any such claim without the prior written consent of Servpro.

10. SYSTEM; CONFIDENTIAL INFORMATION; MANUALS AND COMPETITION COVENANTS

A. System; Trade Secrets; Confidential Information. Distributor recognizes the value of Servpro's knowledge and experience and the value of the System. Distributor does hereby adopt and shall use and become part of the System and agrees to indicate to assigned franchisees that the Business is operated as part of the System. Distributor acknowledges that the System may be supplemented, improved upon and/or otherwise modified periodically at Servpro's sole discretion. In the interest of preserving the integrity and reputation of the System, Servpro shall have full control and discretion over such developments and Distributor shall comply with all requests and requirements of Servpro as a result of such changes to the System. Distributor acknowledges that Servpro has developed, and may continue to develop and revise, the System as it pertains to the Franchise and the Business. Distributor acknowledges that the System involves trade secrets of Servpro which have been developed at the expense of on behalf of or for the benefit of Servpro. Distributor acknowledges that Servpro will be disclosing and transmitting to Distributor confidential and proprietary information in connection with the

System and the sale and development of Franchises in the Distribution Area as a result of this Agreement. During the term of this Agreement or any time thereafter Distributor shall not communicate, divulge or use for itself or for the benefit of any other Person, persons, partnership, association, corporation or entity any Confidential Information except as permitted by this Agreement. Distributor shall divulge such Confidential Information only to those employees of Distributor who must have access to it in order to participate in the operation of the Business. Distributor shall advise its employees and, if Distributor is a corporation or other legal entity, its shareholders, members, officers, directors, partners and Owners of the confidential nature of such information and the obligation not to disclose it. Upon request of Servpro, Distributor shall cause its employees who perform managerial or supervisory functions or who have received training from Servpro and, if Distributor is a corporation or other legal entity, its Owners, officers, and directors to sign a separate agreement to maintain the confidentiality of such information, at Servpro's request.

B. Manuals. In order to protect the reputation and goodwill of Servpro, to maintain uniform standards of service and operation under Servpro's Marks and System, to promote the goodwill of the System, and for the mutual benefit of Servpro and Distributor, following execution of this Agreement, Servpro shall make available to Distributor one copy of or access to each of Servpro's Manuals containing mandatory and suggested standards, specifications, software applications, operating procedures, policies rules and guidelines prescribed by Servpro. Distributor acknowledges that all Manuals in written and electronic form are confidential and Distributor does not acquire any right, title or interest in the Manuals in written and electronic form. The Manuals, and the information contained in them, shall at all times remain the property of Servpro. Distributor shall, at all times, treat the Manuals and the information contained therein as confidential and shall use best efforts to maintain such information as secret and confidential. Distributor acknowledges that the Manuals are confidential and will not at any time contest the confidentiality of the information in them or Servpro's or its licensor's sole ownership of the Manuals or Servpro's or its licensor's ownership of the information contained in the Manuals. Distributor shall not, at any time, duplicate, copy, record, post website links or blogs or otherwise reproduce the Manuals, in whole or in part, nor otherwise make the Manuals available to any unauthorized person. Servpro may make additions to, deletions from or revisions to the Manuals, and such additions, deletions and modifications shall become part of the Manuals and shall be binding upon Distributor immediately after Distributor's actual or deemed receipt of such additions, deletions or modifications; provided, however, that such additions to, deletions from or revisions to the Manuals shall not alter Distributor's status and rights under this Agreement. Distributor shall, at all times, ensure that its copy of the Manuals is current and up to date. In the event of any dispute as to the provisions of the Manuals, the master copies of the Manuals maintained by Servpro at Servpro's home office and/or Servpro's web site(s) shall be controlling. If any Manual is lost or destroyed, the replacement cost will be at the then-current rate per Manual. Upon the expiration or other termination of this Agreement for any reason, Distributor shall return the Manuals and all supplements thereto to Servpro.

C. Competition Covenants. Distributor acknowledges and agrees that Servpro would be unable to protect its Confidential Information and would be unable to encourage a free exchange of ideas and information among Distributors and Servpro if Distributor were permitted to hold interests in a Competitive Business. Distributor therefore agrees that, during the term of this Agreement and for a period of two (2) years following the termination or expiration of this Agreement, except as otherwise approved in writing by Servpro, neither Distributor, nor its shareholders, members or partners, nor any member of their Immediate Families, shall:

(1) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business or perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business located anywhere during the term of this Agreement or following the termination or expiration of this Agreement in the Distribution

Area and a twenty-five (25) mile radius thereof, provided, however, Distributor shall not be prohibited from owning securities in a company engaged in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 5% or less of that class of securities; or

(2) divert or attempt to divert any potential Candidate or business of Servpro to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or

(3) solicit any present or former customers of Servpro or its Operators, or do any other act that directly or indirectly will impair the goodwill of said parties; or

(4) employ or seek to employ, either directly or indirectly, any person who is at that time (or was within the previous six (6) months) employed by Servpro or by any other Operator or Distributor without the prior express permission of such employer, or otherwise directly or indirectly induce any such employee to leave his or her employment.

D. Enforcement of Covenants. The parties agree that each of the foregoing covenants shall be construed as independent of every other covenant or provision of the Agreement. If all or any portion of a covenant in this Section is held unreasonable or unenforceable by a court or agency having valid jurisdiction, Distributor expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section. Distributor expressly agrees that the existence of any claims it may have against Servpro, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Servpro of the covenants herein. Distributor shall pay all costs and expenses (including, without limitation, reasonable legal and accounting fees) incurred by Servpro in connection with the enforcement of this Section if Servpro is successful in the claim. Distributor acknowledges that any failure to comply with requirements of this Section will cause Servpro irreparable injury, for which no adequate remedy at law may be available. Accordingly, Distributor consents to the issuance of an order of specific performance, or an injunction against violation by Distributor, of the terms of this Section.

E. Injunctive Relief. Distributor understands and acknowledges the difficulty of ascertaining monetary damages and the irreparable harm that could result from Distributor's breach of Sections A or C. Servpro shall, therefore, as a matter of course, receive injunctive relief to enforce Sections A or C in addition to any other relief to which Servpro may be entitled at law or in equity, and Distributor consents to the issuance of an injunction prohibiting any conduct by Distributor in violation of Section A or C. Servpro shall receive such injunctive relief without necessity of posting bond or other security, such bond or security being waived, and Distributor agrees to pay court costs and reasonable attorney fees incurred by Servpro to enforce Section A or C, all provisions of which shall survive termination of this Agreement.

11. INDEPENDENT CONTRACTOR; INDEMNIFICATION

A. Independent Contractor. It is understood and agreed that this Agreement and the parties' course of dealing does not, and will not, create a fiduciary or employment relationship, and at all times under this Agreement, Distributor will act as, and shall be, an independent contractor. Distributor further agrees that Distributor will not at any time, directly or indirectly, act as or hold itself out as an agent, servant, employee, subsidiary, joint venturer, or partner of Servpro, or make any commitment, or incur any liability on behalf of Servpro without Servpro's prior written consent. The designation of the performance standards to which Distributor must adhere as "Trainer Responsibilities or Director

Responsibilities” or any periodic performance reviews does not create an employment or agency relationship. Distributor shall conspicuously identify itself at the premises of its Business and in all dealings with Operators, Candidates, lessors, contractors, suppliers, public officers and others as the owner of the Business under this Agreement with Servpro, and shall place such other notices of independent ownership on such signs, forms, stationery, advertising and other materials as Servpro may periodically require. Distributor shall not make any express or implied agreements, guaranties or representations, or incur any debt, in the name of or on behalf of Servpro and Servpro shall not be obligated by or have any liability under any agreements or representations made by Distributor that are not expressly authorized in writing by Servpro. Servpro shall neither assume liability for, be deemed liable hereunder as a result of any action by Distributor, nor be liable by reason of any act or omission by Distributor in its conduct of the Business. All employees of Distributor are hired by, employed by and under the sole supervision and control of Distributor. Distributor employees are not employed by, agents of or under the supervision or control of Servpro in any manner whatsoever. It is expressly understood and agreed that any personnel policies or procedures, forms, guidance or other employment related materials or information offered by Servpro is provided solely for Distributor’s convenience and general information. Distributor’s use of such information is completely optional and should not be construed as any intent or right to control Distributors’ operations, personnel decisions or relationship with its employees. Distributor is expressly advised to consult its own independent counsel for labor and employment advice.

B. Indemnification. For the purposes of this Agreement, “Claims” means all losses, fines, suits, proceedings, claims, demands, debts, obligations, liabilities, judgments, damages and actions of any kind or nature, as well as attorneys’ fees, costs of investigation and discovery, settlement costs, lost profits, charges, expenses and taxes arising out of, relating to or in any way connected with the foregoing. Distributor shall be solely and completely responsible for any and all Claims arising out of, relating to or in any way connected with the operation of the Business whether conducted by Distributor or Distributor’s Owners (shareholders, members and partners), employees, agents, sub-contractors, representatives or any other person or entity affiliated or connected with Distributor. In addition, Distributor agrees to indemnify, defend and hold harmless Servpro, Servpro’s officers, directors, employees, agents and shareholders, Distributors, Directors, Trainers and all persons and entities affiliated with Servpro (the “Indemnitees”), at Distributor’s sole expense, for all Claims arising out of, relating to or in any way connected with (a) the operation of the Business, (b) Distributor’s acts or omissions, and those of Distributor’s Owners, employees, agents, sub-contractors, representatives or any other person or entity affiliated or connected with Distributor, (c) the breach by Distributor of any provision of this Agreement, and (d) any and all relations with Distributor’s assigned franchisees, customers, vendors and insurance company referrals and their insureds. If a Claim is made against any Indemnitee hereunder, even if the Claim contains allegations of any Indemnitee’s independent acts, including, without limitation, training, Manuals, inadequate franchisee supervision, improper franchisee selection, or any other allegation, the duty to defend hereunder shall apply to the entire Claim, including those Claims brought against an Indemnitee, either in whole or in part. Any insurance carried by any Indemnitee shall be excess and non-contributory to this indemnification obligation, including, without limitation, this duty to defend. The Indemnitees have the right to defend and/or settle any such Claim in such manner as they deem appropriate, in their sole discretion, and without the consent of Distributor. Distributor shall also reimburse each Indemnitee for all costs incurred in investigating and defending any such Claim including, without limitation, attorneys’ fees and court costs. This indemnity and all of Distributor’s obligations and duties under this Section shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

12. TERMINATION

A. Termination by Mutual Agreement. Servpro and Distributor may agree in writing to terminate this Agreement at any such time on such terms and conditions as Servpro and Distributor may mutually agree.

B. Voluntary Termination by Distributor. This Agreement may be terminated by Distributor at any time by the sale of the Business in accordance with Article 8 or upon giving Servpro at least one hundred twenty (120) days' prior written notice of Distributor's intent to terminate. This notice will be accepted by Servpro if, prior to termination: (i) Distributor's monetary and other obligations are fully satisfied; (ii) all reports are properly filed; (iii) Distributor executes a general release, in a form satisfactory to Servpro, of any and all Claims against Servpro and its officers, directors, employees, shareholders and agents and any other person and entity affiliated with Servpro, in their corporate and individual capacities; (iv) Distributor cooperates with Servpro and completes an audit as designated by Servpro, which may include an examination as set forth in Section 5; and (v) Distributor signs an agreement affirming that the confidentiality obligations in Section 10, the post-termination obligations in Article 12, and the Covenant Not To Compete in Section 10 survive as to Distributor.

C. Default Without Notice or Opportunity to Cure. It is agreed that in no event shall this Agreement, or any right or interest thereunder, be deemed an asset in any insolvency, receivership, bankruptcy, composition, liquidation or reorganization proceeding. Distributor shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Distributor, if (a) Distributor or any Owner becomes insolvent or makes a general assignment for the benefit of creditors; (b) a petition in bankruptcy is filed by Distributor or any Owner or such a petition is filed against and not opposed by Distributor or any Owner; (c) Distributor or any Owner is adjudicated bankrupt or insolvent; (d) a bill in equity or other proceeding for the appointment of a receiver of Distributor or any Owner or other custodian for Distributor's business or assets is filed and consented to by Distributor or any Owner; (e) a receiver or other custodian (permanent or temporary) of the Business, Distributor's assets, or property, or any part thereof, is appointed by any court of competent jurisdiction; (f) proceedings for a composition with creditors under any state or federal law should be instituted by or against Distributor or any Owner; (g) Distributor or any Owner is dissolved; (h) Distributor or any Owner admits its inability to pay its debts as they come due; (i) a final judgment remains unsatisfied or of record for 30 days or longer (unless a supersedeas bond is filed); (j) execution is levied against Distributor's Business or its property; (k) suit to foreclose any lien against Distributor's equipment is instituted against Distributor or any Owner and not dismissed within thirty (30) days; or (l) the real or personal property of the Business shall be sold after levy thereupon by any sheriff, marshal or constable.

D. Default With Notice; Without Opportunity to Cure. Distributor shall be deemed to be in default of this Agreement upon the occurrence of any of the events set forth below and Servpro may, at its option, terminate this Agreement and all rights granted Distributor hereunder effective immediately upon notice to Distributor, if Distributor (or if Distributor is a corporation, partnership or other legal entity, any Owner of Distributor):

(1) ceases to continuously and actively operate the Business, or otherwise forfeits the right to do or transact business in the jurisdiction where the Business is located for fifteen (15) consecutive days, unless caused by an act of God, Force Majeure Event (as defined in Section 14.Q) or other circumstances beyond Distributor's control, as determined by Servpro; the business telephone number is disconnected at any time, and no new number is installed or reconnected within seventy-two (72) hours; Distributor assigns the operation of the Business to another person or entity without Servpro's prior written consent; or Distributor's conduct is determined by Servpro to constitute an abandonment of the Business;

(2) is convicted of or pleads guilty to a felony involving dishonesty or breach of trust, is convicted of or pleads guilty to any conviction for assault, a fraud, a crime involving moral turpitude or any other crime or offense that Servpro believes is likely to have an adverse effect upon the System, the Marks, the goodwill associated therewith, or Servpro's interest therein, or otherwise engages in conduct that reflects materially and unfavorably upon Distributor and the reputation of the System; or is found liable in a civil claim for fraud or any unfair or deceptive act or practice that Servpro determines is likely to have an adverse effect on the System, the Marks, the goodwill associated therewith or Servpro's interest therein;

(3) fails to maintain adequate working capital to perform its obligations under this Agreement and any other agreements with Servpro;

(4) discloses or divulges any Confidential Information or fails to obtain an executed confidentiality agreement from any Owner, or employee of Distributor, contrary to the terms of Section 10.B. hereof;

(5) is deficient in meeting Servpro's operational standards as set forth in the Trainer Responsibilities or Director Responsibilities and fails to cure such deficiency after notice or otherwise substantially fails to carry out the terms of this Agreement;

(6) defaults in the performance of any of the provisions of this Agreement after Servpro elects a remedy provided in Section 12.D., in which case, Servpro may terminate this Agreement or any of the rights granted hereunder;

(7) purports to transfer any rights or obligations under this Agreement or any interest in Distributor or the Business without complying with Section 8 or uses, sells, or promotes any equipment, supplies or services that have not been previously approved by Servpro and does not cure breach within 30 days' after written notice thereof is delivered to Distributor;

(8) fails to acquire, or to continuously maintain the required minimum levels of insurance, fails to have Servpro as an additional named insured, or fails to provide a current certificate of insurance to Servpro as required by Section 5.O hereof;

(9) fails to correct a default within thirty (30) days after Servpro gives written notice of default as may be specified pursuant to Section 12;

(10) after curing any default or noncompliance in accordance with section, engages in the same default or noncompliance, whether or not such default or noncompliance is corrected after notice;

(11) is provided notice of default under this Agreement for failure to comply with any of the requirements imposed by this Agreement three (3) times in any twelve (12) month period, whether or not cured after notice.

E. Default With Notice and Opportunity to Cure. Distributor shall have a specified number of days after receipt from Servpro of a written Notice of Termination within which to remedy any default and provide evidence thereof to Servpro if Distributor:

(1) is in breach of the Trainer Responsibilities or Director Responsibilities, specifications, standards or operating procedures or rules prescribed by Servpro from time to time

and does not cure such breach within 30 days after written notice thereof is delivered to Distributor;

(2) fails to reach the Development Schedule within the time specified and does not cure such breach within 90 days after written notice is delivered to Distributor;

(3) is in breach of any other provisions of this Agreement not set forth elsewhere in Section 12 and does not cure such breach within 30 days after written notice thereof is delivered to Distributor;

(4) knowingly maintains false books or records; or submits any false reports to Servpro and does not cure such breach within 30 days after written notice thereof is delivered to Distributor.

F. Rights and Remedies of Servpro. Following notice pursuant to Section 12.C. and an opportunity to cure as outlined therein, Servpro, in its discretion, may either: (1) terminate this Agreement, (2) unassign any or all Franchises assigned to Distributor, thereby terminating Distributor's right to receive any compensation associated with those Franchises; (3) reduce the Distribution Area by an amount which Servpro determines in its sole discretion; or (4) avail itself of any other rights or remedies provided under this Agreement or permitted under law or equity. If any such default is not cured within the specified time, and Servpro does not notify Distributor of Servpro's election of another remedy under this Section, this Agreement shall terminate without further notice to Distributor immediately upon the expiration of said period.

All rights and remedies of Servpro herein enumerated shall be cumulative and none shall exclude any other right or remedy allowed by law, and these rights and remedies may be exercised and enforced concurrently and whenever and as often as the occasion arises. Termination, expiration, non-renewal or transfer of this Agreement shall not extinguish any existing indebtedness owed to Servpro or any of Servpro's affiliates unless Servpro otherwise agrees in writing. Upon termination, expiration or non-renewal of this Agreement for any reason, Distributor shall not receive any payment or adjustment whatsoever for any goodwill that Distributor may have established during the operation of the Business and such rights revert to Servpro.

G. Effect of Termination, Expiration or Nonrenewal. Upon the termination, expiration, or nonrenewal of this Agreement for any reason, all of Distributor's rights hereunder shall terminate. In particular, and without limiting the foregoing, Distributor shall not receive any further payments as specified in Section 4 and shall:

(1) not make any further use of any of the Marks and return to Servpro, in good condition, all proprietary or Confidential Information or other printed or electronic material furnished to Distributor, including, without limitation, all Manuals, advertising material, stationery, printed forms and all other materials containing the Marks; and

(2) immediately cease its operations hereunder; comply with the covenant against disclosure of Confidential Information contained in Section 10.A.; comply with the non-competition covenants contained in Section 10.C. and do anything else reasonably required to carry out the effect of disassociation.

(3) Promptly assign and transfer to Servpro each and every telephone number, directory listing, and advertising or web site and URL domain name used in connection with the Business and sign all documents required by the telephone company or service provider to affect

such a transfer. Distributor agrees to discontinue all social media usage, all other electronic postings and advertising associated with Servpro. Distributor agrees to pay any indebtedness that any service provider may require to be paid as a condition of transferring the telephone number, directory listing, advertising or web site; and

(4) Immediately and permanently cease to use, in any manner whatsoever, all Confidential Information, including, without limitation, all confidential and proprietary methods, procedures and techniques associated with the Business, and return to Servpro the complete set of Manuals, and all other manuals, bulletins, all computer software applications and platforms, advertising materials, report forms, customer lists, customer files and other materials of a confidential or proprietary nature developed or adopted by Servpro for use in the System or bearing any of the Proprietary Marks;

(5) Promptly pay all sums owed to Servpro and any of its affiliates and cooperate to complete an audit of Distributor's business if requested by Servpro and pay any amounts shown to be owing;

(6) Pay to Servpro all damages, costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by Servpro subsequent to the termination of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

(7) If Distributor has filed the "SERVPRO[®]" trade name with any governmental agency, Distributor agrees to immediately give written notice to such agency to cancel the filing and take such action as may be necessary to cancel any assumed name or corporate or partnership registration that contains the Marks, the word SERVPRO[®] or any other service mark, trade name or trademark of Servpro and furnish Servpro with written evidence satisfactory to Servpro of compliance with this obligation within five (5) days after termination;

(8) Disable, terminate or assign to Servpro, Distributor's XactNet[®] address assigned for Xactimate and Xactanalysis use, at Servpro's sole election.

13. MEDIATION

A. Agreement to Use Procedure. A controversy or ~~e~~Claim arising out of or relating to this Agreement, the breach thereof or the transaction embodied therein is defined as a "Dispute." If any Dispute arises, the parties agree to utilize the procedures set forth herein before commencing any arbitral or legal action. If a party fails to utilize these procedures prior to commencement of any arbitral or legal action, the other party shall be entitled to at least a sixty (60) day abatement of the legal action upon filing the appropriate procedural motion request in the legal proceeding and to compel mediation by bringing this provision to the attention of the arbitrator, court or other legal authority having jurisdiction over the matter.

B. Initiation of Procedure. The initiating party shall give written notice to the other party, describing the nature of the Dispute, its claim for relief and identifying one or more individuals with authority to resolve the Dispute on such party's behalf. The other party shall have ten (10) business days within which to designate in writing one or more individuals with authority to resolve the Dispute on such party's behalf (the "Authorized Individuals").

C. Direct Negotiations. Authorized Individuals shall be entitled to investigation of the Dispute as they deem appropriate, but agree to meet promptly, and in no event later than thirty (30) days from the date of the initiating party's written notice, to ~~discuss~~ engage in direct negotiations to seek

resolution of the Dispute. Authorized Individuals shall meet and/or confer for such purpose in person or by telephone at such times, places and with such frequency as they may agree. If the Dispute has not been resolved within thirty (30) days from the date of their initial meeting, the parties shall cease direct negotiations and submit the Dispute to mediation in accordance with the following procedure.

D. Parties Represented. Each party shall be represented in the mediation by Authorized Individuals and each party may be represented by counsel.

E. Selection of a Mediator. Within fifteen (15) business days after the parties select a location for mediation, the parties shall make a good faith effort to select a person to mediate the Dispute. If no mediator has been selected under this procedure, ~~the CPR Legal Program, 366 Madison Avenue, New York, New York 10017 at (212) 949-6490~~ each party shall be asked to supply a list of five (5) potential qualified attorney-mediators within ten (10) business days to the other party. Within ten (10) business days after receipt of the list, the parties shall rank the proposed mediators in numerical order of preference, simultaneously exchange such lists, and select the individual receiving the highest combined ranking as the mediator. If such individual is not available to serve, the parties shall proceed to contact the individual who was the next highest in ranking until a mediator is selected.

F. Selection of Location for Mediation. Within fifteen (15) business days after the parties cease direct negotiations, the parties shall make a good faith effort to select a mutually convenient location for a mediation. If the parties cannot agree, the mediation shall be held in Nashville, Tennessee.

G. Time for Mediation. Once a mediator has been selected pursuant to Section 13.E. and a location agreed upon or determined pursuant to Section 13.F., a mutually acceptable date and time shall be set for the mediation. The parties agree that such date and time shall be no later than 30 days after the later of selection of the mediator or selection of the location for the mediation.

H. Fees of Mediator; Disqualification. The fees and expenses of the mediator shall be shared equally by the parties. The mediator shall be disqualified as a witness, expert or counsel for any party with respect to the Dispute and any related matters.

I. Conduct of Mediation; Exchange of Information. The mediator shall determine the format for the meetings, designed to assure that both the mediator and the Authorized Individuals have an opportunity to hear an oral presentation of each party's views on the matter in dispute, and that the Authorized Individuals attempt to negotiate a resolution of the matter in dispute, with or without the assistance of counsel or others, but with the assistance of the mediator. To this end, the mediator is authorized to conduct both joint meetings and separate private caucuses with the parties. The parties agree that the mediation shall be governed by such rules as the mediator shall prescribe, consistent with Tennessee law. If any party to this Agreement has substantial need for information in the possession of another party to this Agreement in order to prepare for the mediation, all parties shall attempt in good faith to agree on procedures for the expeditious exchange of such information, which the help of the mediator if required. Each party will deliver a concise summary of its position on the Dispute to the mediator and the other party(ies) as well as summaries of relevant documentary and electronic evidence and summaries of planned witness testimonies at least seven (7) days before the first scheduled session of the mediation.

J. Confidentiality. The mediation session shall be private. The mediator will keep confidential all information learned in separate private caucus with any party unless specifically authorized by such party to make disclosure of the information to the other party. Mediation is a comprise negotiation for purposes of Federal and State Rules of Evidence and constitutes privileged communication under Tennessee law. The entire mediation process is confidential, and no stenographic,

visual or audio record shall be made. All conduct, statements, promises, offers, views and opinions, whether oral or written, made in the course of the mediation by any party, by their agents, employees, representatives or other invitees and by the mediator are confidential and shall, in addition and where appropriate, be deemed to be privileged. Such conduct, statements, promises, offers, views and opinions shall not be discoverable or admissible in any legal proceeding for any purpose, including impeachment, in any litigation or other proceeding involving the parties, and shall not be disclosed to anyone not an agent, employee, expert, witness, or representative of any of the parties; provided however, that evidence otherwise discoverable or admissible is not excluded from discovery or admission as a result of its use in the mediation.

K. Termination of Procedure. Both parties agree to participate in the mediation to its conclusion. The mediation shall be concluded by either: (1) the execution of a settlement agreement by the parties; (2) a declaration of the mediator that the mediation is concluded or at an impasse; or (3) the mediation process is also concluded at the end of one (1) full day of mediation sessions.

L. Exception. This Article does not apply to, and the definition of “Disputes” in Section 13.A does not include, ~~Service seeking injunctive or provisional remedies for violation of the non-competition provisions set forth in Section 10~~ Disputed Claims Subject to Court Action in Section 15.M.

14. ADMINISTRATIVE PROVISIONS

A. Captions. The paragraph headings used herein are descriptive only and shall have no legal force or effect whatever.

B. Pronouns. All references herein to the masculine, neuter, or singular shall be construed to include the masculine, feminine, neuter, or plural, where applicable.

C. Binding Effect; Joint and Several; No Third-Party Beneficiaries. This Agreement is binding upon the parties hereto and their respective heirs, assigns and successors in interest. All covenants, agreements and obligations assumed herein by Distributor shall be deemed to be joint and several covenants, agreements and obligations of each of the persons named as Distributor, if more than one person is so named, and all Owners. This Agreement shall not be construed to create any third party beneficiary rights in any person or entity.

D. Unavoidable Delays. Delays in the performance of any duties hereunder which are not the fault of, and not within the reasonable preventative control of the party due to perform, including, without limitation: fire, flood, labor disputes, natural disasters, earthquakes or other severe ground movement, acts of God, civil disorders, riots, insurrections, work stoppages, slow-downs or disputes, trade embargo, declared or undeclared war, or other similar events, shall not cause a default in said performance, but the parties shall extend the time for performance for a period of time equivalent to the length of delay, or for other reasonable period of time as agreed to between the parties.

E. Severability. If any provision of this Agreement, or its application to any person or circumstance is deemed invalid or unenforceable, all other provisions of this Agreement, or the application of such provisions to other persons or circumstances, shall remain in full force and effect, and not be affected thereby, and in lieu of such invalid or unenforceable provision, there shall be added automatically as a part of this Agreement, a provision that is valid enforceable and as similar in terms to such invalid or unenforceable provision as may be possible, or, if not possible, any such invalid or unenforceable provisions will be severed from this Agreement.

The phrase “then-current” means the future Training and Distribution Agreement, Trainer Responsibilities or Director Responsibilities, qualification criteria, training requirements and other terms, which may be materially different than those contained in this Agreement and that may be changed or modified in Servpro’s sole discretion.

F. Waiver. Servpro and Distributor may, by written instrument, unilaterally waive any obligation of or restriction upon the other under this Agreement. No acceptance by Servpro of any payment by Distributor or any other person or entity and no failure, refusal or neglect of Servpro or Distributor to exercise any right under this Agreement or to insist upon full compliance by the other with its obligations hereunder, including, without limitation, any mandatory specification, standard or operating procedure, shall constitute a waiver of any provision of this Agreement. No waiver or delay in enforcement of any breach of any term, covenant or condition of this Agreement shall be construed as a waiver of any preceding or succeeding breach or delay in enforcement, or any other term, covenants or conditions of this Agreement.

G. Rights and Remedies of Parties are Cumulative. The rights and remedies of Servpro and Distributor hereunder are cumulative and no exercise or enforcement by Servpro or Distributor of any right or remedy hereunder shall preclude the exercise or enforcement by Servpro or Distributor of any other right or remedy hereunder or which Servpro or Distributor is entitled by law to enforce.

H. Governing Law. This Agreement and the rights granted hereunder shall be governed by the internal laws of the state of Tennessee without regard to its conflicts of law provisions, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051 et seq.).

I. Consent to Jurisdiction and Venue. Distributor agrees that any legal action arising out of or relating to this Agreement or the relationship of the parties hereunder, including, without limitation, any legal entities in which Owners have any ownership interest, shall be brought in the United States District Court for the Middle District of Tennessee in Nashville, Tennessee, or the Circuit Court or Chancery Court of either Davidson or Sumner County, Tennessee and a business court as available. Distributor hereby irrevocably consents and submits to the jurisdiction of such Courts for such purposes and waives any objection it may have to either the jurisdiction or venue of such Courts.

J. Injunctive Relief. Subject to the dispute resolution procedure outlined in Section 13, Servpro may enforce any provision of this Agreement by judicial process, including its right to terminate this Agreement. Distributor and its affiliates, officers, directors, employees and Owners agree that Servpro may seek entry of temporary and permanent injunctions without the necessity of a bond and/or orders of specific performance enforcing any of the provisions of this Agreement. If Servpro secures any such injunctions and/or orders of specific performance, Distributor agrees to pay to Servpro an amount equal to the aggregate of its costs of obtaining any such relief including, without limitation, reasonable attorney’s fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, and any damages incurred by Servpro as a result of any breach.

K. Costs and Attorneys Fees. If a dispute or Claim occurs or an action in law or equity arises between Servpro and Distributor concerning the operation, enforcement, construction or interpretation of this Agreement or the relationship created thereby, Servpro shall be entitled to recover its costs and expenses, including reasonable accounting, travel, legal, expert witness and attorneys’ fees, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding, unless Distributor prevails on all issues.

L. Notices. All written notices and reports permitted or required to be delivered by the provisions of this Agreement shall be deemed so delivered at the time delivered by hand, or one (1)

business day after placed in the hands of a commercial courier service or United States Postal Service for overnight delivery or three (3) days after placed in the U.S. Mail by registered or certified mail, return receipt requested, postage prepaid and addressed to the party to be notified at its last known business address.

M. Amendments. This Agreement shall not be modified or amended except by written agreement executed by all parties; provided, however, only the President of Servpro may sign and effect such a modification or amendment. This Agreement cannot be changed, modified or terminated orally.

N. Entire Agreement. This Agreement is formed and made in Tennessee. All exhibits addenda, schedules attached to this Agreement, and all other agreements between the parties executed contemporaneously herewith, are a part of this Agreement and are fully incorporated into it. This Agreement, including those items incorporated into it, if any, constitute the entire agreement between the parties hereto, and it is acknowledged by both parties that except as expressly provided in this Agreement, there are no representations, warranties, or other agreements expressed or implied, oral or written, in any way relating to the provisions hereof. This Agreement, when fully executed, shall supersede all prior negotiations, understandings, representations and agreements, oral or written, between the parties concerning the subject matter of this Agreement. Nothing in this section is intended to disclaim the representations Servpro made in the franchise disclosure document that Servpro furnished to Distributor.

O. Continuing Obligations. All obligations of Servpro and Distributor that expressly or by their nature survive the expiration, termination or nonrenewal of this Agreement shall continue in full force and effect subsequent to and notwithstanding its expiration, termination or nonrenewal until they are satisfied or by their nature expire. These obligations include, without limitation, indemnification (Section 11), confidentiality (Section 10 and 13.J), non-competition (Section 10.C), choice of law (Section 14.H) and venue (Section 14.I).

P. Cross Default. Any default by Distributor, any Owner of Distributor, or any entity in which any Owner has any ownership interest, in the performance or observance of any of the terms and conditions under any agreement between Servpro and Distributor, any Owner of Distributor, or any entity in which any Owner has any ownership interest, shall be deemed to be an event of default under all other agreements between Servpro and Distributor, any Owner of Distributor, or any entity in which any Owner has any ownership interest.

Q. Force Majeure. Except for monetary obligations hereunder, or as otherwise specifically provided in this Distribution Agreement, if either party to this Distribution Agreement is delayed or hindered in or prevented from the performance of any act required under this Distribution Agreement by reason of strikes, lock-outs and labor troubles (other than ones against the party seeking to invoke this provision), inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war, terrorism or other causes beyond the reasonable control of the party required to perform such work or act under the terms of this Distribution Agreement (the "Force Majeure Event") and not the fault, negligence or failure to perform any contractual or other legal duty of such party, then performance of such act will be excused for the period of the delay, but in no event to exceed 90 days from the occurrence of the Force Majeure Event; provided, however, no changes in the economic conditions at any local, regional or national level will be deemed to be a Force Majeure Event that excuses either party from performance of such party's duties under this Distribution Agreement.

R. Business Judgment. WE HAVE THE RIGHT TO DEVELOP, OPERATE, AND CHANGE THE FRANCHISE SYSTEM IN ANY MANNER. WHENEVER THIS AGREEMENT RESERVES OUR RIGHT TO TAKE OR WITHHOLD AN ACTION, OR TO GRANT OR DECLINE TO GRANT YOU THE RIGHT TO TAKE OR OMIT AN ACTION, OR ACT IN OUR DISCRETION,

SOLE DISCRETION OR THE LIKE, WE MAY, EXCEPT AS THIS AGREEMENT SPECIFICALLY PROVIDES OTHERWISE, MAKE OUR DECISION OR EXERCISE OUR RIGHTS BASED ON INFORMATION THEN AVAILABLE TO US AND OUR BUSINESS JUDGMENT OF WHAT IS BEST FOR US, SERVPRO FRANCHISEES GENERALLY, OR THE SERVPRO FRANCHISE SYSTEM WHEN WE MAKE OUR DECISION, WHETHER OR NOT WE COULD HAVE MADE OTHER REASONABLE OR EVEN ARGUABLY PREFERABLE ALTERNATIVE DECISIONS AND WHETHER OR NOT OUR DECISION PROMOTES OUR FINANCIAL OR OTHER INTEREST.

BECAUSE COMPLETE AND DETAILED UNIFORMITY UNDER MANY VARYING CONDITIONS MIGHT NOT BE POSSIBLE OR PRACTICAL, YOU ACKNOWLEDGE THAT WE RESERVE THE RIGHT AND PRIVILEGE ACCORDING TO OUR BUSINESS JUDGMENT TO VARY BRAND STANDARDS OR OTHER ASPECTS OF THE FRANCHISE SYSTEM FOR ANY FRANCHISEE. YOU HAVE NO RIGHT TO REQUIRE US TO GRANT YOU A SIMILAR VARIATION OR ACCOMMODATION.

S. Jury Trial Waiver. Distributor and Servpro irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either party against the other, whether or not there are other parties in such action or proceeding.

15. ARBITRATION

A. Arbitration. Servpro and Distributor agree that controversies, disputes, or Claims between Distributor and its affiliates and their respective owners, officers, directors, guarantors, agents and/or employees (“Distributor Parties”) and Servpro and its affiliate and their respective owners, officers, directors, agents and/or employees (“Servpro Parties”), arising out of, relating to or in any manner connected with:

- a) this Agreement or any other agreement between Distributor Parties and Servpro Parties;
- b) the relationship with Distributor Parties on the one hand and Servpro Parties on the other;
- c) the scope or validity of this Agreement or any other agreement between Distributor Parties and Servpro Parties (including the validity and scope of the arbitration obligation under this section, which the parties acknowledge is to be determined by an arbitrator and not by a court); or
- d) any system standard;

that cannot be resolved through Mediation pursuant to Section 13, must be submitted for binding arbitration on written demand of either party to the American Arbitration Association (“AAA”). Except as this section otherwise provides, the AAA’s then current commercial arbitration rules apply.

Arbitration Procedure.

B. Number and Selection of Arbitrators. The arbitration proceedings will be conducted by one arbitrator for Claims and disputes where the amount in controversy is alleged to be \$500,000 or less and by three arbitrators where the amount in controversy is alleged to exceed \$500,000. In the event of 3 arbitrators, each party will have 14 days from the date of notice by the AAA of a written list of proposed arbitrators to return the written list with their choice of arbitrators; the arbitrator selected by the Distributor Parties and the Servpro Parties will choose one each and those two will choose the third arbitrator. All 3 arbitrators must be neutral. The arbitration proceedings shall be conducted by an arbitrator who is experienced in the arbitration of disputes in the business format franchise field or distribution law, as available; if none is available, experienced business/commercial arbitrator(s) must be selected.

C. Location. All proceedings will be conducted at a suitable location chosen by the arbitrator that is within forty (40) miles of where Servpro has its principal business address at the time the arbitration demand is filed. The arbitrator will have no authority to select a different hearing locale other than as described in the prior sentence.

D. Governing Law. All matters relating to arbitration will be governed by the United States Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

E. Counterclaims. In any arbitration proceeding, each party must submit or file any claim constituting a compulsory counterclaim (as defined by the United States Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim not submitted or filed as required is forever barred.

F. Settlement Discussions. The arbitrator may not consider any settlement discussions or offers made by either party.

G. Arbitration Expenses. AAA fees and expenses will be split and shared evenly by the two sides. Upon request of a party, a default award may be entered by the arbitrator against a party that does not appear or does not pay its share of fees or otherwise participate in arbitration to its conclusion and award. Either party may, in such party's sole discretion but has no obligation to, advance the other party's share of the AAA fees and expenses (excluding attorneys' fees) of any arbitration proceeding in order for the proceeding to take place and by doing so is not deemed to have waived or relinquished its right to seek the recovery of, and the arbitrator shall award, these costs.

H. Discovery. For Claims and disputes where the amount in controversy is alleged to be \$500,000 or less: The parties agree that pre-hearing discovery will be limited to requests for, and exchange of, documents (paper and electronic) most relevant to the dispute, 15 interrogatories and requests for admission each, and up to four (4) depositions per side, including expert and opinion witnesses. For Claims and disputes where the amount in controversy is alleged to be \$500,000 or more: The parties agree that pre-hearing discovery will be limited to requests for, and exchange of, all documents (paper and electronic) relevant to the dispute and Claim; 20 interrogatories and requests for admission each, and up to six (6) depositions per side, including expert and opinion witnesses. No deposition may exceed eight (8) hours without the parties' agreement or the arbitrator's order upon good cause shown. To the extent not modified herein, the Federal Rules of Evidence shall apply. Any party has the right to file pre-hearing motions with the arbitrator having the ability to dispose of some or all of the claims generally following the Federal Rules of Civil Procedure.

I. Award. The arbitrator(s) shall issue a reasoned award that explains the decision. The arbitrator has the right to award or include in his or her award any relief consistent with the underlying agreements at issue including, without limitation, actual compensatory money damages, specific performance, injunctive relief, and attorneys' fees and costs for Servpro Parties (consistent with our rights under section 14.K above), provided that the arbitrator may not declare any Mark generic or otherwise invalid. In addition, except as expressly provided in subsection 15.N below, the arbitrator has no right to include in his or her award any exemplary, punitive, treble, or other forms of multiple damages against a party and each of the Servpro Parties and Distributor Parties hereby waive to the fullest extent the law permits, except as expressly provided in section 15.N below, any right to or claim for any exemplary, punitive, treble, or other forms of multiple damages against the other.

J. No Collateral Estoppel. No arbitration finding, conclusion or award may be used to collaterally estop either the Distributor Parties or the Servpro Parties from raising any like or similar issue or defense in any other arbitration, litigation, court hearing or other proceeding involving third parties, including other franchisees.

K. No Class or Mass Actions. Distributor Parties and Servpro Parties agree that arbitration will be conducted on an individual basis, and not on a joint, collective, associational, class-wide or any other mass basis, and all parties hereby waive all such bases. An arbitration proceeding under this section may not be consolidated or joined with any other arbitration proceeding between Servpro Parties and any other person or party.

L. Severability. If any court or arbitrator determines that all or any part of the this arbitration agreement or any provision is unenforceable or invalid with respect to a dispute that otherwise would be subject to arbitration under this section, all parties agree that this arbitration clause will not apply to that dispute or portion of the dispute and such dispute or portion of the dispute will be resolved in a judicial proceeding in a court permitted under sections 14.H and 14.I of this Agreement; provided, however, the remaining arbitration portions or provisions will remain valid and enforceable.

M. Disputed Claims Subject to Court Action. The disputes arising out of or relating to the following will be resolved in a judicial proceeding in a court permitted under Section 14.I and will not be resolved through either mediation or arbitration unless both parties so consent: (a) Lanham Act, as may be amended; (b) ownership over the validity, enforceability or protection of intellectual property, Confidential Information or Trade Secrets; (c) enforcement of indemnification obligations; (d) enforcing the parties' obligations to arbitrate or enforce an arbitral award; or (e) temporary restraining orders and temporary or preliminary injunctive relief.

The parties understand that they are waiving their right to a jury trial with respect to arbitration.

N. Waiver of Punitive Damages. EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD PARTY CLAIMS UNDER SECTION 11.B (INDEMNIFICATION), CLAIMS FOR YOUR INFRINGEMENT OF OUR INTELLECTUAL PROPERTY, AND CLAIMS FOR YOUR BREACH OF YOUR OBLIGATIONS UNDER SECTION 10.A (PROTECTION OF CONFIDENTIAL INFORMATION AND TRADE SECRETS) OF THIS AGREEMENT, NEITHER PARTY WILL BE ENTITLED TO RECOVER SPECIAL, CONSEQUENTIAL, EXEMPLARY, OR PUNITIVE DAMAGES UNDER THIS AGREEMENT.

Signed this _____ day of _____, 20__.

DISTRIBUTOR:

By: _____

By: _____

Executed and accepted as of the _____ day of _____, 20__ in Gallatin, Tennessee

SERVPRO INDUSTRIES, INC.:

By: _____
Randall A. Isaacson, President

FOR SERVPRO CENTRAL USE ONLY

License # _____ Franchise # _____

Purchased From: _____

Replaces Agreement dated _____ Replaced by Agreement dated _____

**DESCRIPTION OF DISTRIBUTION AREA, DESIGNATION OF
AUTHORIZED TRADE NAME AND LEVEL OF DISTRIBUTION RIGHTS**

Section 3.A.2:

Level of Distribution Rights:

_____ Trainer Distributor	_____ Director Distributor
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Section 3.C.:

The non-exclusive Distribution Area is set forth as follows:

Section 3.D.:

Distributor's authorized Trade Name is **SERVPRO®** of

_____.

Section 3.F.:

Legal Entity Designation of Distributor:

- sole proprietorship
- partnership
- corporation
- limited liability company
- other: _____

Operating Principals primarily responsible for carrying out Distributor's obligations (must be an Owner):

Section 5.E:

Advertising Fee as of the Effective Date of this Agreement is $\frac{1}{2}$ % of all Gross Volume, exclusive of Gross Volume from Sub-contract Services, plus $2\frac{1}{2}$ % of Gross Volume, exclusive of Gross Volume from Sub-contract Services, on a calendar year basis. The Gross Volume subject to the $2\frac{1}{2}$ % portion of the Advertising Fee is currently "capped" at \$~~700~~750,000. The "cap" will increase \$50,000 per year for the foreseeable future.



TRAINER RESPONSIBILITIES

The overall responsibility of a Trainer Distributor (Trainer) is to provide business consultation assistance, support and training to each Franchisee assigned to the Trainer by Servpro Industries, Inc. ("Servpro"), as well as franchise sales.

Operating Principal is an individual Owner approved by Servpro as primarily responsible for the day-to-day operations of the Distributorship and for fulfilling Trainer Responsibilities or Director Responsibilities. All Operating Principals must meet Servpro's training and qualification requirements as may be designated and/or modified from time to time in Servpro's sole discretion. Each responsibility of a Trainer may be performed by a Franchise Business Consultant, with the exception of those responsibilities specifically designated as required to be personally performed by an Operating Principal of the Trainership. Each permitted task and responsibility performed by an employee Franchise Business Consultant must be supervised and approved by an Operating Principal.

The responsibilities of a Trainer must be performed by individuals approved by Servpro. A Franchise Business Consultant (also referred to as "FBC") is the title of the approved individual fulfilling some or all of the Trainer responsibilities and is engaged in direct consultations and interactions with assigned franchisees of the Trainership. A Franchise Business Consultant may be either an Operating Principal of the Trainer or an employee who is designated by the Trainer to fulfill certain Trainer Responsibilities, has met Servpro's training and qualification requirements as may be revised and/or modified from time to time in Servpro's sole discretion, and is approved by Servpro to provide such support.

This Trainer Responsibilities document is a summary of selected responsibilities required of a Trainer. Detailed information and measurement reports for mandatory responsibilities are found in Servpro's Trainer Standard Operating Procedure Manual and referenced materials, which include, Director Trainer Meeting materials, online Franchise Management System and Bulletins, which may be revised and/or modified from time to time by Servpro in its sole discretion. Servpro may establish additional responsibilities for a particular Trainer by notification in writing.

When no Trainer is appointed for a given area, the Director appointed is responsible for fulfilling the responsibilities in these Trainer Responsibilities.

I. Leadership

A. Area Meeting Planning and Implementation*

Trainers must hold at least three local Area Meetings for assigned Franchisees and within the Trainership by November 30 of each year. Area Meetings provide up-to-date information regarding the Servpro System and must be thoroughly planned, conducted and documented using Servpro's prescribed Area Meeting requirements.

B. Business and Personal Planning: Distributor

A comprehensive Annual Distributorship Business Plan is required no later than December 10 each year for the upcoming year utilizing Servpro's recommended format, which includes key measurements, year-to-date financial statements including a profit and loss statement and balance sheet, prioritized strategic initiatives and long-term goals that are specific, measurable, actionable, realistic and time bound.

C. Business and Personal Franchise Planning: – Conducting the Annual Board Meeting*

Conduct an Annual Board Meeting planning session with each assigned Franchisee prior to February 28 of each year. This Board Meeting includes coaching the Franchisee in preparing for the meeting by completing a Pre-Board Meeting Workbook and completing The Servpro Way Modules; conducting the Board Meeting; reviewing with the Franchisee's their personal goals, long-term business goals and performance summary, including the Franchisee's pre-Board meeting workbook, a current Franchise Financial Analysis and Annual Franchise Review. The final product is a customized annual plan prepared by the Trainer, provided to the Franchisee based on the review and their input. Thereafter, assist the Franchisee in making positive progress towards accomplishing their plan. Trainers must provide management training, mentoring and motivation for each assigned Franchisee.

D. Business Consultations

Personalized Business Consultations must be performed with all assigned Franchisees. Consultations must be documented and reports submitted timely to Servpro utilizing prescribed forms and computer formats. Trainers must spend no less than 24 working hours annually with each assigned Franchisee implementing the Servpro Business Consultation Program. Trainers must document a minimum of eight hours in consultation time during each of three four-month reporting periods during the year. At least sixteen hours of consultation time by a Trainer or FBC must be face-to-face with the Franchisee at the Franchisee's business location. An Operating Principal of the Trainership must meet personally with an Owner of each Franchise at the Franchisee's primary business location at least once per year (4 hour minimum) and this duty may not be delegated. Additional consultations must be conducted if requested by Servpro Corporate.

E. Business Development Program Management

A Trainer has the responsibility to assist, monitor and validate the Franchisees' progress with the Business Development Program (BDP) using Servpro's prescribed format, which includes the following five steps:

1. Prerequisite progress – The Trainer will complete several phone calls to offer assistance and track progress.
2. Prerequisite completion and consultation meeting – Using the validation steps provided on each prerequisite in a meeting at the new franchise location, the Trainer will validate that all prerequisites are complete and provide assistance in these areas new Franchisees are unable to complete on their own. In addition, the Trainer is responsible for setting up three days-in-the-life experiences to include sales, production and office interaction at their direct business or a Franchise in close proximity.
3. New Franchise Training Program (NFTP) – The NFTP will be conducted at Servpro's Corporate office in Gallatin, Tennessee. The Trainer will not be directly involved in this step.
4. Business Set-Up – The Trainer will assist the Franchisee with business set-up following NFTP for five consecutive work days at the franchises business location.
5. Business Consultations – The Trainer will conduct business consultations beginning one month after the last day of set up. There are six predesigned consultation meetings that should be conducted in 30-day intervals.

F. Communication Management

Trainers should review all correspondence from the Corporate office and follow up with each Franchise either in person or by telephone within 30 days to confirm they received it, understand it and act upon it.

G. Continuing Professional Education (CPE)

Trainers operating under a Training and Distribution Agreement are required to meet certain continuing professional education requirements. Operating Principals must complete at least 40 hours of CPE annually in addition to attending mandatory Servpro Trainer & Director meetings. When requested by Servpro, Franchise Business Consultants must also meet these continuing professional education requirements.

H. Franchise Agreement Renewal Management

Prepare assigned Franchisees for renewal by reviewing, creating and/or inspecting the following items:

1. A physical on-site inspection of the Franchisee's current equipment;
2. Validate Franchisee has obtained and submitted proof of required insurance;
3. Validate all Franchisee accounts with Corporate, Distributor and vendors are current;
4. Inspect all assigned Franchisees' production and utility vehicles;
5. Create a current Franchise Financial Analysis and review it to make sure it accurately reflects the Franchisees current financial condition, submit an accurately adjusted profit and loss and balance sheet to the Training Division at least 30 days prior to the scheduled Franchise Management Course (FMC) attendance; and
6. Validate each owner has completed FMC prerequisite review questions.

In addition, for Franchisees with conditional renewals, review conditions with the Franchisee periodically throughout the current term at a minimum of two years, one year, six months and three months prior to current Franchise Agreement expiration. Document these discussions on a business consultation form and the Business Consultation follow-up letter.

Where assigned franchisees have conditions that must be met in order to qualify for renewal:

1. One year prior to renewal, FBC reviews conditions with franchisee and suggests options:
 - a. Put together plan;
 - b. Encourage franchisee to sell the business if conditions clearly not being met.
2. At one year and at 6 months prior to renewal, determine whether FBC believes the franchisee is capable of making necessary changes to meet conditional renewal terms. If not, encourage franchisee to sell.*
3. If at the end of the renewal term the franchisee is in substantial compliance with renewal conditions and FBC recommends that the franchisee stay in the system, propose new conditions for renewal in writing to the Operations Manager assigned. These recommendations are based on written business plans received from the franchisee.

I. Model Business Execution

Trainers with three or more Trainerships are not required to operate a full service Servpro Franchise business pursuant to an associate Franchise License Agreement. Trainers with one or two Trainerships and Trainers that elect to operate a direct business must operate a model Franchise business pursuant to a Servpro Franchise License Agreement providing water, fire and smoke damage cleaning, mitigation and restoration and mold remediation services.

J. National Accounts and Select National Accounts: Program Training

Trainers shall provide Franchise with training on National Accounts and Select National Accounts as designated by Servpro from time to time.

K. National Accounts Program Agreement (“NAPA”) and Commercial Account Program Agreement (“CAPA”) Qualification Inspections

Review each assigned Franchisee’s NAPA and CAPA Dashboard daily and take appropriate action.

Review each assigned Franchisee’s compliance with the NAPA and CAPA and complete the NAPA, CAPA or the Declination Forms, forwarding them to Servpro by November 30th of each year.

L. Production, Marketing and Office Club Meetings Facilitation

Facilitate group training for Franchisees’ production, marketing and office staff. Assist with organization and facilitation of Marketing, Production and Office Clubs within the Distribution Area.

M. Quality Assurance Program Management

Contact dissatisfied customers within 8 business hours of being notified by the Quality Assurance team at the National Call Center to investigate complaints and propose solutions, where possible. Help validate that complaints against assigned Franchisees are resolved as soon as possible, in no event should unresolved complaints continue for longer than 30 days. On site visits to the client or customer’s business or home may be necessary to facilitate a resolution.

N. Relationship Management

The Trainer and FBC, if applicable, must deal with Servpro Corporate, Franchisees, Vendors, Clients and Customers professionally, ethically and in a businesslike manner.

O. Resales

The Trainer must be familiar with all of the procedures outlined in the qualification guidelines and must be able to accurately answer Franchisees’ questions regarding the same. This includes verifying the completeness of: the RFC from prospective buyers, the non-binding tem sheet, the acknowledgement of receipt of FDD and the income statements and balance sheet submitted for preliminary approval. If resale approval is granted, inspect equipment, professional cleaning products and operating supplies; verify accuracy of cash flow and other required financial documents. Details are found in Servpro’s resale qualification guides.

P. STORM and CAT Protocol Management

The Trainer must exercise best efforts to maximize company-wide Gross Volume during STORM and other Catastrophic Events by proactively managing STORM Response, as designated by Servpro from time to time. This includes: assisting assigned Franchisees in identifying storm resources in advance; utilizing Servpro’s web based STORM Program’s Quick Entry when STORM Response has been activated identifying surrounding Trainerships that have production crews established that can respond to Servpro’s Storm Site request for assistance; coaching Franchisees in the Trainership to utilize quick entry screens; staffing the Trainership office in order to assist the Servpro Storm Site leaders with coordination of crews and equipment; and identifying Franchises within the Trainership to be responsible for responding to large loss opportunities 24/7.

The Trainer must exercise best efforts to understand, stay engaged and informed about franchise job capacity, including the volume of jobs and the size of individual jobs. In the event franchises reach capacity limits, the Trainer must exercise best efforts to locate/recruit additional production crews to assist the franchises in need. SERVPRO's initiatives must be utilized, to include: Storm Response, SMART, Large Loss Response Team (LLRT) and Extreme Response Team and others that may be developed in the future.

Q. Tax Obligations Monitoring: Franchise

If requested, Franchisees must provide tax returns to Servpro within thirty (30) days of their completion and in no event greater than eight (8) months after their initial due date to the IRS. Trainers must verify Franchisees' compliance with all federal and state tax obligations including sales, income and payroll tax obligations. Any Franchise not meeting federal and state payment and filing obligations in a timely manner must be communicated to the Operations Manager at Servpro Corporate with a "cc" of the correspondence going to the franchise in question. If requested, the Trainer must assist in the collection of their assigned Franchisees' tax returns.

R. Terminations Management

In the event of termination of any assigned Franchisee, the Trainer must assist Servpro, utilizing bulletins, termination checklist(s) and special instructions designated by Servpro. This includes: recover proprietary materials, assist in transfer of business phone number, verify de-identification of office, vehicles and equipment, recover Servpro's collateral when requested. Voluntary terminations require 120 days' notice. Trainers must meet, discuss and work with Franchisees to complete the termination process.

S. Territorial Policy: Violations, ~~Declarations~~ and Solicitation Approval

Annually hold a Territorial Policy Meeting to help ensure each Franchisee has a clear understanding of ~~€Territorial p~~Policy and signs the ~~Trainership Declaration Form~~. ~~Trainers must Forward original signed Declaration to Servpro no later than November 30th and document this discussion in area meeting minutes submitted to Servpro.~~ The Trainer shall also address Territorial Policy inquiries from Franchisees and attempt to resolve violations of Territorial Policy by making a thorough investigation of possible or alleged violations and determine a resolution. Afterwards, if Trainer believes a Territorial Policy issue should be directed to Servpro Corporate for final resolution, first fully investigate the facts, propose a written resolution and submit to the Operations Division using current forms.

T. Training Seminars and Meeting Attendance

All Operating Principals and employee Franchise Business Consultants must attend all "Mandatory Meetings" defined as Director/Trainer Meetings, all parts of Convention including Workshops, Area Meetings and any other meetings, seminars, tasks or programs designated as mandatory for Trainers by Servpro including, without limitation, those marked with an asterisk (*) herein. An Operating Principal must attend all area meetings hosted by the Trainership.

II. Marketing

A. Advertising Review

Review all forms of advertising in the Trainership territory before publication or posting for conformity with Servpro's guidelines.

B. Continuing Education (CE) Facilitation

By November 30th of each year, perform at least one pre-approved insurance seminar or conduct or audit a Continuing Education Course for insurance personnel and/or other Centers of Influence for each assigned Franchise.

C. Emergency Response Program (ERP) Support for Large Loss Response Team (LLRT) Members

Provide support to each Franchise designated as an LLRT member with their efforts to perform ERPs each quarter as requested or required by Servpro.

D. Franchise Sales

Operating Principals must attempt to sell at least one Servpro franchise per year in the Trainership until the maximum number of licenses designated by Servpro is operating within the Trainership. Trainers must develop and execute a Master Franchise Sales Development Plan for the Trainership Area by December 10th of each year.

E. Marketing: Route Sales Coaching

Each Franchisee assigned must have properly setup and documented Sales Routes pursuant to Servpro's then-current recommendations. Trainer must perform sales calls on no less than 12 to 15 "centers of influence," such as insurance adjusters, etc., per route with the Franchisee or Franchisee's sales representative at the rate of one route per Franchisee operation in the Trainership area in two of three trimesters each year. Routes worked must be documented via a signed Consultation Form with approved contact sales sheets and route designations attached and submitted to Servpro's Operations Division by November 30th. Each route must be in the Operating Territory of each Franchisee and must be properly documented in the Franchisee's contact database.

F. Marketing: WorkCenter Coaching

Trainers must understand, utilize in their direct business if applicable and coach assigned franchise in using the Servpro Marketing WorkCenter.

G. Sales and Marketing: Distributorship

Coordinate the development of regional accounts in the manner designated by Servpro designed to generate volume, which may include state and local government, insurance offices, commercial establishments, real estate and property management companies and other referral sources for franchises located within the Trainership.

III. Production

A. National Accounts, Select National Accounts and Commercial Accounts: Reinspection Visits

Reinspection visits on completed jobs must be completed with each Franchisee pursuant to Servpro's then-current reinspection requirements of insurance company and commercial clients.

B. Cleaning Product Distribution: Review Usage

The Trainer must maximize the Professional Cleaning Product sales by reviewing the Franchisee's cleaning product purchases as a percentage of its operating volume on a bi-annual basis and provide coaching to each associate franchise on the same.

C. Production: WorkCenter™

The Trainer must understand, utilize in their direct business, if applicable, and coach assigned Franchisees in using the SERVPRO DryBook™ Mobile application.

IV. Office

A. Corporate Account Status Management

Review the Servpro account status for each assigned Franchise monthly so that any delinquencies can be addressed quickly. Provide support to the Credit Department to assist in collecting outstanding items such as: royalty reports, invoice logs, or actual invoices from the Franchisee's location.

B. Documentation: Franchise Business Consultations

Use the current Business Consultation Forms, in the on-line consultation system. Forward the entire Business Consultation Form with majority Owner signatures to Servpro within ten working days of the completed consultation.

C. Estimating Coaching: Xactimate®, ~~Sean-ER® XL~~WorkCenter™

The Trainer must verify Franchise has purchased/updated the latest version of ~~Servpro Office Automation~~WorkCenter™ software or/and Xactimate® software. The Trainer should verify Franchisee has completed Xactimate® training and review associate franchisees' estimating and invoicing skills at least annually.

D. Invoice Review: Subcontract Reporting

During the first and second Trimester, review Servpro invoices reporting subcontract and construction services. Trace services to supporting documentation (invoice) from independent third party company invoice(s), if applicable. Any questionable items should be reviewed with the Franchise providing written documentation to Servpro's assigned Field Operations Manager.

E. Job File Audits and Job File Management Scorecard Monitoring

- a. Trainers must review job files timely and accurately according to the Distributor Audit Process Guidelines at least three times per day, preferably at 8:00 a.m., 12:00 p.m. and 4:00 p.m.
- b. Review on-line National Accounts Program Agreement (NAPA) and Commercial Accounts Program (CAP) Dashboard daily for "red-light" (disqualification) trends. Review the active Job Management Monitor results daily to help verify red-lights and verify low overall completed Job Management Monitor Scores are being addressed by the Franchise. Document corrective actions on behalf of the franchise are being taken.

F. Product Distribution Management

Trainers must also function as a Distributor of Servpro professional cleaning products. Each assigned Franchisee must be personally counseled to inform them of new cleaning products and equipment in the Servpro line, no less than once per year. Maintain the minimum inventory of Servpro professional cleaning products, sell and deliver to assigned Franchisees as per standard Servpro policy, and report as designated by Servpro from time to time.

G. ~~Servpro Office: Automation Coaching WorkCenter™~~

~~Provide Franchisee with training on Servpro required software applications, as needed, including, without limitation, Servpro office automation applications and software, Marketing and Office WorkCenter, ManagER®, SeanER® XL, Trainers must understand, utilize in their direct business, if applicable, and coach assigned Franchisees in using the SERVPRO Office WorkCenter the most current version of Xactimate®, QuickBooks Pro®, DryBook, DryBook™ Mobile and CCIS other SERVPRO systems.~~

H. Zip Code Administration

Administer zip code assignments. Zip code assignments must be made to associate franchises in the Trainership only according to Servpro's written policy.

V. Finance

A. QuickBooks® Coaching

Assist the Franchisee as necessary to verify they have upgraded to the latest version of QuickBooks®. Further verify the Franchise is using Servpro's current Chart of Accounts and Recommended Items List. Verify each employee assigned to manage QuickBooks® in the Franchise office is familiar with and is using the Servpro Chart of Accounts Quick Reference Guide.

B. Tax Obligations Compliance: Distributor

Within thirty (30) days after filing with the appropriate taxing authority, Trainer must deliver to Servpro a copy of the federal and state income tax returns filed on behalf of the Trainer and Operating Principals that applies to the operation of the Trainership and includes any and all business returns of the Trainer and any entities controlled by, or under common control of the Trainer or owned in whole or in part by Trainer.

VI. Staff Coaching

A. Employee Training: Franchisee

Hold no less than one Employee Coaching Meeting with each Franchisees' employees each Trimester, which must consist of processes documented in Servpro's Operating System. This meeting may be held with the Franchisee at their location or in an Area Meeting format.

B. Staff Training, Coaching and Evaluations*

Ongoing training of Trainer staff may be achieved through various means. These may include formal Servpro training such as Convention and Director / Trainer Meetings as well as in-house training. Formal evaluations of each Franchise Business Consultant and staff should take place at least annually.



DIRECTOR RESPONSIBILITIES

The overall responsibility of a Director Distributor (“Director”) is to provide advice, assistance, support, training and cleaning product distribution to all assigned SERVPRO Franchisees and assigned Trainer Distributors (“Trainers”). A Director is responsible for overall distributor obligations for all Franchises assigned to Director, whether assigned directly to Director or to a Trainer who is assigned to Director.

Operating Principal is an individual Owner approved by Servpro as primarily responsible for the day-to-day operations of the Distributorship and for fulfilling Trainer Responsibilities or Director Responsibilities, as appropriate. All Operating Principals must meet Servpro’s training and qualification requirements as may be designated and/or modified from time to time in Servpro’s sole discretion.

The responsibilities set forth in this document must be performed by Operating Principals approved by Servpro Industries, Inc. (“Servpro”). These Director Responsibilities may be modified from time to time in the sole discretion of Servpro Corporate. Servpro Corporate will distribute modifications in writing. Servpro Corporate may also establish additional responsibilities for a particular Director by notification in writing.

A Director must work as an independent contractor and not as an agent or employee of Servpro Corporate. In accordance with the Franchise License Agreement (or the Training & Distribution Agreement, as applicable) the Director shall never hold the Director out to the public, to Franchisees, or to prospective Franchisees, as having authority to enter into any agreement which will be binding upon Servpro Corporate. The Director shall also counsel with any Trainers in the Directorship to ensure that Trainers do not hold themselves out as having such authority.

This Director Responsibilities document is a summary of selected responsibilities required of a Director. Detailed information and measurement reports for mandatory responsibilities are found in Servpro’s Distributor Training Program manual, Director SOP Manual, Trainer SOP Manual, Director Trainer Meeting materials and manuals and online Franchise Management System and bulletins, which may be revised and/or modified from time to time by Servpro in its sole discretion.

For any Franchisee assigned directly without a Trainer, the Director must fulfill all Trainer Responsibilities.

Assigned Trainer Management

Directors must completely understand and manage the performance of Trainer Responsibilities and the performance of the tasks in the Trainer SOP Manual by each assigned Trainer. Directors must use best efforts to ensure each assigned Trainer performs Trainer Responsibilities and tasks in the Trainer SOP Manual appropriately and effectively. In addition, Directors must perform the additional tasks and responsibilities in this Director Responsibilities document and in the Director SOP Manual.

Directors must completely understand the Servpro operating system and must be able to effectively answer questions from assigned Trainers and franchisees including all Key Results Areas, software applications and Servpro recommended accounting process. Director must encourage assigned Trainers and franchisees to direct questions to Director in the first instance before asking Servpro Corporate. For any Director that does not have a Trainer assigned, the Director must fulfill the Trainer Responsibilities.

Key Results Areas

I. Leadership

A. Annual Directorship Business Plan

A comprehensive Annual Directorship Business Plan is required no later than December 10 each year for the upcoming year. The plan must include, at a minimum, key measurements, year-to-date financial statements with a profit and loss statement and balance sheet, prioritized strategic initiatives and long-term goals that are specific, measurable, actionable, realistic and time bound. The plan must include goals and objectives for recruitment of new Franchisees while assisting in the business development of all assigned Franchisees. Director must use best efforts to help ensure that revenue growth in their Distribution Area(s) is consistent with Servpro's goals as may be modified or amended from time to time in Servpro's sole discretion. In addition, the plan must include cleaning product sales goals in the Directorship and all of the assigned Trainerships.

B. Annual Assigned Trainer Appraisal

Personally perform an Annual Distributor Appraisal with each assigned Trainer, using the current Annual Distributor Appraisal Form. This appraisal must be summarized in a letter to the Trainer, with an analysis of Trainer's strengths, weaknesses, opportunities and threats their Trainership is facing. The information in this letter must be incorporated into the General Trainer's business plan for the next calendar year. A copy of this letter must be sent to the Field Operations Division. The Annual Distributor Performance Appraisal must be submitted to the Field Operations Division by November 30th of each year. Director is to counsel with Trainer to strengthen any area of weakness highlighted by the Annual Distributor Appraisal.

C. Area Meeting Planning and Implementation*

Actively seek to establish, train, advise, and develop Franchisees in accordance with Servpro's Stages of Development Model, policies, manuals, bulletins and standards. Attend all area meetings held by assigned Trainers, and participate and share in the activities of at least two of these area meetings per year.

D. Business and Personal Planning: Conducting the Annual Board Meeting*

Conduct an Annual Board Meeting planning session with each assigned Trainer prior to February 28th of each year. This Board Meeting includes coaching the Trainer in preparing for the meeting by completing a Pre-Board Meeting Workbook and completing The SERVPRO[®] Way Modules; conducting the Board Meeting; reviewing the Trainer's personal goals, long-term business goals and a performance summary, including the Trainer's prep work and a Franchise Financial Analysis and Annual Franchise Review; and ending with a customized annual plan based on the review and their input. Thereafter, assist the Trainer to accomplish the plan. Directors provide management training, mentoring and motivation.

E. Business Consultations

An Operating Principal of the Distributorship (as defined in Director's Training and Distribution Agreement) must meet personally with an Owner of each Franchise in the Franchisee's primary business location at least once per year. This duty may not be delegated. Perform a consultation review for each assigned Franchisee, using the current Consultation Review Form by November 30th of each year. All Consultation Review Forms must be entered on-line via Servpro's Consultation System and properly register as a Director's Visit to a Trainer's Associate ("DVTA") within 10 days after completion of the consultation. A copy of the Consultation Review Form must be mailed to the Franchisee with a letter emphasizing the Stages of

Development Model, identifying strengths, weaknesses, opportunities, threats and challenges observed or discussed during the consultation, including an action plan to address recommended changes in the Franchisee's operation. This follow-up letter must be provided within three weeks of the actual consultation. The signed Consultation Review Form and a copy of the follow-up letter must be sent within 10 business days of the Consultation to the Field Operations Department at Servpro Corporate. Additional ~~visitations~~ consultations must be conducted if requested by Servpro Corporate.

F. Continuing Professional Education (CPE)

Directors operating under a Training and Distribution Agreement without an operating franchise, are required to meet certain continuing professional education requirements. Operating Principals must complete at least 40 hours of CPE annually in addition to attending mandatory Servpro Trainer & Director meetings. When requested by Servpro, Franchise Business Consultants must also meet these continuing professional education and meeting attendance requirements.

G. Model Business Execution

Maintain a clean, professional and efficiently staffed office and set an example for Trainers and Franchisees in Directorship to follow.

H. Relationship Management

Create positive working relationships, which develop and promote high Franchisee morale within the Directorship. The Director and Franchise Business Consultant, if applicable, must deal with Servpro Corporate and work closely with Trainers, Franchise Business Consultants, Franchisees, Servpro Corporate staff, National Account clients, Vendors and Customers professionally, ethically and in compliance with the Training and Distribution Agreement, Manuals and all other policies and procedures designated by Servpro from time to time.

Evaluate interaction of Franchisees, Trainers and Servpro Corporate employees and inform Servpro Corporate of any action that might be injurious to the SERVPRO Brand.

Quality Assurance Program (QAP) Responsibilities: Verify the Trainer contacts the customer, reviews the customer's job file for proper procedures and billing, if needed, completes a job-site visit to review the quality of work performed, attempts to resolve a customer complaint registered with the Quality Assurance Division, red-lights the franchise for improper procedure or billing and completes a Reinspection Review of the franchisee if quality issues are identified and creates an Action Plan to correct. On site visits to the client or customer's business or home may be necessary to facilitate resolution.

I. STORM and CAT Protocol Management

The Director must use best efforts to maximize company-wide Gross Volume during STORM and other Catastrophic Events in coordination, consultation and cooperation with Trainers by proactively managing STORM Response protocol, as designated by Servpro from time to time. This includes: assisting assigned Franchisees in identifying storm resources in advance; utilizing Servpro's web based STORM Program's Quick Entry when STORM Response has been activated; identifying surrounding Trainerships that have production crews established that can respond to Servpro's Storm Site request for assistance; coaching Franchisees in the Directorship to utilize quick entry screens; staffing the Directorship office in order to assist the Servpro Storm Site leaders with the coordination of crews and equipment; and identifying Franchises within the Directorship to be responsible for responding to large loss opportunities 24/7. The Director must

aggressively solicit and perform storm and large loss work (when Director has an operating franchise) or assist Servpro in doing so within the Directorship.

The Director must exercise best efforts to understand, stay engaged and informed about franchise job capacity, including the volume of jobs and the size of individual jobs. In the event franchises reach capacity limits, the Director must exercise best efforts to locate/recruit in additional production crews to assist the franchises in need. SERVPRO's initiatives must be utilized, to include others that may be developed in the future: Storm Response, SMART, Large Loss Response Team (LLRT) and Extreme Response Team.

J. Territorial Policy

All solicitation, advertising and referral of work shall be done in compliance with Territorial Policy. Resolve Territorial Policy disputes arising among Franchisees in coordination, consultation and cooperation with Trainers and otherwise participate as requested by SERVPRO Corporate in the administration of Territorial Policy. The shall also address Territorial Policy inquiries from Franchisees and attempt to resolve violations of Territorial Policy by making a thorough investigation of possible or alleged violations and determine a resolution. If a Director believes a Territorial Policy issue should be directed to Servpro Corporate for final resolution, first fully investigate the facts, propose a written resolution using current forms.

K. Trainer Development

A Director must work directly with Trainers to manage each Trainer's annual obligations as set forth in the Trainer Responsibilities as reflected in the online commitment tracking system and Trainer Manual and help improve the Trainer's ability to better service Franchisees assigned to the Trainer. An ~~Director~~ Operating Principal must meet with assigned Trainers at least one time per trimester to review Trainer's progress towards completing the Trainer's Annual Business Plan. Any items on this plan not complete must be discussed and memorialized in a follow-up letter to the Trainer requesting complete performance and copying that letter to the assigned Field Operations Manager. Director shall oversee the activities of all Trainers to validate that the objectives of the Directorship Annual Business Plan and Servpro Corporate's policies, Consultation and Commitment Tracking obligations, as set forth in the Trainer Responsibilities and Servpro standards are met. Counsel each assigned Trainer at least semiannually regarding Trainer's compliance with the Trainer Responsibilities. If the Trainer also operates a direct business, the Director must comply with the Trainer Responsibilities for that business. Additional ~~visitations~~ consultations must be conducted if requested by SERVPRO Corporate.

L. Training Seminars and Meeting Attendance: Convention, Director/Trainer Area or any mandatory meetings

Operating Principals of Directors must attend all "Mandatory Meetings" defined as Director/Trainer Meetings, all parts of Convention including Workshops, Area Meetings and any other meetings, seminars or programs designated as mandatory for Directors by Servpro including, without limitation, those marked with an asterisk (*) herein. Servpro may add additional requirements from time to time in its sole discretion, such as industry classes and certifications. If Directors do not attend all such Mandatory Meetings, the Directorship will not be given credit and will be subject to forfeit a portion of royalty overrides as determined by Servpro.

M. Zip Code Administration

Review each assigned Trainer's zip code assignments annually as part of the NAPA and CAPA qualification to ensure they are in accordance with National Accounts Guidelines by November 30th, and communicate any changes in writing to the SERVPRO National Call Center, along with a copy to your Field Operations Manager.

II. Marketing

A. Franchise Sales

Verify assigned Trainers properly complete the requirements for franchise sales for all new and resold Franchisee licenses including BDP and resale guides. Assist Trainer, as needed.

Assist Trainers with new Franchise sales. In addition, Operating Principals must attempt to sell at least three SERVPRO Franchises per year in the Directorship until the maximum number of licenses designated by Servpro is operating within the Directorship. Directors must develop and execute a Master Franchise Sales Development Plan for the Directorship Area by December 10th of each year.

B. Sales and Marketing: Regional Accounts

In coordination, consultation and cooperation with Trainers, develop regional accounts in the manner designated by Servpro designed to generate volume, to include retailers, insurance offices, commercial establishments, referral sources, real estate and property management companies for all Franchises located within the Directorship. Coordinate regional promotional activities to stimulate volume growth, to include state claims associations, golf tournaments, realtors' and property managers' programs.

C. SERVPRO Services

Assist Trainers with market penetration of SERVPRO services.

III. Production

A. Cleaning Product Distribution

Promote and utilize only SERVPRO approved cleaning products, equipment and programs within the Distributorship.

B. Training

Staff must be knowledgeable of production tasks, including cleaning product knowledge and equipment trouble shooting, to provide assistance to assigned Franchises and Trainers. Help with required IICRC certifications.

IV. Office

A. Corporate Account Status Management

Review the Servpro account status for each assigned Trainer monthly so that any delinquencies can be addressed quickly. Provide support to the Credit Department as requested to collect outstanding items, such as outstanding royalty reports, invoice logs, or actual invoices from the Franchisee's location and forward them, including any payments, to the Servpro Credit Department. Report franchisee Action Plan to correct any delinquencies within 10 business days to assigned Field Operations Manager.

B. ~~SERVPRO Office Automation~~WorkCenter™

Utilize all SERVPRO required and recommended software, including, without limitation, ~~ServproNET®~~, ~~Servpro office automation applications and software~~, ~~Marketing and Office WorkCenter~~, ~~ManagER®~~, ~~ScanER® XL~~WorkCenter™, including DryBook™ Mobile, Office and Marketing components, the most current version of Xactimate®, QuickBooks Pro®, CCIS. Directors must provide assigned Trainers and Franchisees with training on Servpro required software, including ~~WorkCenter™~~, including DryBook™ Mobile, Office and Marketing components~~Servpro office and marketing automation applications and software~~, ~~ManagER®~~; ~~ScanER® XL~~, the most current version of Xactimate®, ~~DryBook~~, QuickBooks Pro®, CCIS and must answer questions.

C. Training

Directors must validate assigned Franchisees are trained on the following:

1. NAPA and CAPA Monitor and curing “red-lights”;
2. Jobs Monitor (and any other program monitor designated by Servpro);
3. Job File Content, Audit and Scorecard;
4. Completing job file forms (e.g., monitoring report); and
5. ~~DryBook/DryBook Mobile~~WorkCenter™.

Promote the use of Servpro’s Stages of Development, programs, software applications, approved processes, cleaning products, supplies and equipment by all franchises in the Directorship, as well as support and implement all current Servpro policies and programs along with any future policies and programs that Servpro may introduce.

V. Finance

Tax Obligations

Trainers must provide tax returns to Servpro within thirty (30) days of their completion and in no event greater than eight (8) months after their initial due date to the IRS. If requested by Servpro, the Director must assist in the collection of their assigned Trainer’s tax returns.

Within thirty (30) days after filing with the appropriate taxing authority, Director must deliver to Servpro a copy of the federal and state income tax returns filed on behalf of the Director and Operating Principals that applies to the operation of the Directorship and includes any and all business returns of Director and any entities controlled by, or under common control of Director.

VI. Staff Coaching

Staff, Training, Coaching and Evaluations

Ongoing training of Director staff may be required by Servpro and may include formal Servpro training such as Convention, Area Meetings and Director / Trainer Meetings as well as in-house training. Each permitted task and responsibility performed by an employee FBC must be supervised and approved by an Operating Principal. Formal evaluations of each Franchise Business Consultant and staff must take place at least annually by an Operating Principal.



SALESPERSON CONTRACT

This SALESPERSON CONTRACT is made and entered into by and between **SERVPRO INDUSTRIES, INC.**, a Nevada Corporation having a principal place of business at 801 Industrial Boulevard, Gallatin, Tennessee 37066 (“FRANCHISOR”) and _____ (“SALESPERSON.”)

WHEREAS, FRANCHISOR licenses third parties to operate a business that offers and sells residential and commercial cleaning, deodorization, fire, smoke, water, flood and other mitigation and restoration services and goods and any services or goods related to or connected to the foregoing, including, without limitation: duct cleaning; carpet, drapery and upholstery cleaning; dry cleaning; carpet sales and installation; construction services; mold mitigation and remediation services; carpentry; janitorial services; maintenance; and painting services, and sell certain cleaning related products (the “Franchise”) under the SERVPRO trade name and Marks; FRANCHISOR desires to appoint SALESPERSON to assist FRANCHISOR in soliciting prospective franchisees and SALESPERSON is currently a Distributor in FRANCHISOR’s system who desires to engage in the solicitation of prospective franchisees in accordance with the terms of this Agreement.

NOW, THEREFORE, in consideration of the promises and mutual agreements contained herein, the parties agree as follows:

1. Appointment and Development Area. FRANCHISOR hereby appoints SALESPERSON, on a non-exclusive basis, to solicit prospective franchisees in accordance with the terms of this Agreement in and for the same geographic area as the Distribution Area specified in the Training and Distribution Agreement entered into by and between SALESPERSON and FRANCHISOR. This appointment shall continue until terminated. This Contract may be terminated by either party at any time for any reason effective upon receipt of written notice by the other party.

2. Development Schedule and Materials to be Furnished to SALESPERSON by FRANCHISOR. During the term of this Contract, SALESPERSON agrees to commit to activities recommended by FRANCHISOR in furtherance of achieving at least one (1) new franchise sale per year in the Development Area. FRANCHISOR shall make the following items available to SALESPERSON at prices according to the current Distributor’s price list: (a) Franchise Recruiting Packets including Franchise Disclosure Documents to be delivered to prospective franchisees in the Development Area; (b) Copies of franchise agreements and other materials to be delivered to prospective franchisees in accordance with requirements of law and FRANCHISOR’s policies; (c) Brochures for use by SALESPERSON in marketing SERVPRO franchises and (d) other sales materials that FRANCHISOR may devise for use by SALESPERSON from time to time.

3. FRANCHISOR’s Final Right of Approval. FRANCHISOR reserves the right to refuse to consummate any prospective franchise sale for any reason whatsoever. No sale shall be complete until the Franchise License Agreement is executed and accepted by FRANCHISOR. Franchises may only be offered and sold under such terms and conditions as FRANCHISOR may specify.

4. Expenses. SALESPERSON is responsible for paying all of SALESPERSON’s expenses incurred in performing SALESPERSON’s responsibilities under this Agreement. If FRANCHISOR elects to advance sums to SALESPERSON, SALESPERSON will pay the same to FRANCHISOR upon demand or FRANCHISOR may deduct such advances from commissions otherwise payable to SALESPERSON.

____ Salesperson Initials

5. Compensation. For any qualifying new franchise sale in which FRANCHISOR receives payment of the initial fees in full at the time the Franchise License Agreement is entered, SALESPERSON shall be paid within 30 days after the new franchisee completes Set-Up Training. For any qualifying new franchise sale in which the initial fees are financed through FRANCHISOR, SALESPERSON shall be paid deferred compensation each quarter based on the new franchisee's payments to FRANCHISOR. See "Exhibit A" for the compensation schedule.

6. Training, Licensing & Registration Requirements. SALESPERSON shall conform to such rules and regulations as FRANCHISOR may prescribe and shall comply with the franchise sales and licensing requirements for a SALESPERSON set forth in FRANCHISOR's Manuals. SALESPERSON shall not engage in any franchise sales activity until completion of training in FRANCHISOR's system which, in the judgment of FRANCHISOR, is sufficient to familiarize SALESPERSON with FRANCHISOR's operations. SALESPERSON shall at all times comply with all requirements of law including all franchise disclosure laws. SALESPERSON shall not make any representation to any prospective franchise purchaser that either FRANCHISOR or the purchaser shall have any rights or obligations other than those specifically stated in the Franchise License Agreement and Franchise Disclosure Document. SALESPERSON shall be familiar with and comply with all licensing and registration requirements applicable to the Distribution Area prior to engaging in solicitation of Candidates. SALESPERSON acknowledges being advised that many jurisdictions have enacted laws concerning the sale, renewal, termination and continuing relationship between parties to a Franchise, including without limitation, laws concerning disclosure requirements. SALESPERSON agrees to comply with all such laws and legal requirements in force in the Distribution Area and shall utilize only Franchise Disclosure Documents which Franchisor has approved for use in the applicable jurisdiction and shall refrain from making any representation not contained in the Franchise License Agreement or the Franchise Disclosure Document to induce anyone to enter into a Franchise License Agreement. SALESPERSON agrees that neither SALESPERSON nor any employee of SALESPERSON shall solicit Candidates until FRANCHISOR is registered in the applicable jurisdiction and has provided SALESPERSON with the requisite documents. SALESPERSON acknowledges that SALESPERSON's activities pursuant to this Agreement may require the additional preparation, amendment, registration or filing of information or disclosure or other documents with a state agency having jurisdiction over all or a portion of the Distribution Area. SALESPERSON shall provide any information reasonably required and/or requested by FRANCHISOR for inclusion in the Franchise Disclosure Document and ancillary documents for the offering of Franchises throughout the Distribution Area. SALESPERSON acknowledges and agrees to review all materials prepared in connection with SALESPERSON's development activities hereunder and acknowledges and agrees that FRANCHISOR, or its designee, shall not be liable for any errors or omissions which may occur in the preparation of such materials in reliance on SALESPERSON's information.

7. Independent Contractor Relationship; Indemnity. SALESPERSON will act as, and shall be, an independent contractor, and not an employee of FRANCHISOR. SALESPERSON shall retain sole and absolute discretion in judgment in the matter of the means of carrying out SALESPERSON's soliciting activities, subject to the terms of this Agreement, including compliance with all franchise disclosure laws. This Agreement shall not be construed as a partnership and FRANCHISOR shall not be liable for any obligation incurred by SALESPERSON. SALESPERSON hereby indemnifies and holds FRANCHISOR harmless from all claims demands and liabilities, including costs and attorney's fees, to which FRANCHISOR is subjected by reason of any action taken or omitted by SALESPERSON pursuant to this Agreement.

____Salesperson Initials

8. Competition. During the term of this Agreement and a two year period thereafter, SALESPERSON shall not engage in the sale of franchises which compete with FRANCHISOR's franchises.

9. Construction. This contract shall be construed in accordance with the laws of the State of Tennessee and shall be deemed to be executed in Gallatin, Tennessee.

10. Entire Agreement. This Agreement contains the entire understanding of the parties relating to the subject matter contained herein and supersedes any prior Agreement relating thereto. This Agreement may only be changed or modified in writing signed by both parties.

Signed this _____ day of _____, 20__.

Executed and accepted as of the ____ day of _____, 20 __, at Gallatin, Tennessee.

SERVPRO INDUSTRIES, INC.

By: _____
Randall A. Isaacson, President

Exhibit A

The following compensation structure is effective January 1, 2003; provided, FRANCHISOR may change the compensation for future franchise sales at any time by giving 10 days prior written notice. In the event of any dispute regarding who is to be credited with making a particular sale, FRANCHISOR's determination shall be final.

SALESPERSON Developed Lead: The following applies to new¹ franchise sales in which the source for the prospect is solely SALESPERSON's advertising or solicitation efforts; provided, each transaction with a conversion prospect will be reviewed before the transaction is completed and any adjustments to commissions will be communicated in writing.

	<u>Cash Transaction</u>	<u>Financed Transaction</u>	
	<i>Immediate Commission</i>	<i>Immediate Commission</i>	<i>Deferred Commission</i>
Referral Fee:	\$1,250	\$1,250	
License Commission:	\$2,000	\$1,000	\$1,000
Package Commission:	\$2,500		\$2,500
Set-Up Training ² :	\$1,000	\$1,000	

Associate Referral Lead: The following applies to new¹ franchise sales in which the prospect's Franchise will be located within Your Development Area and the source for the prospect is a referral from an Associate who is assigned to You³.

	<u>Cash Transaction</u>	<u>Financed Transaction</u>	
	<i>Immediate Commission</i>	<i>Immediate Commission</i>	<i>Deferred Commission</i>
License Commission:	\$2,000	\$1,000	\$1,000
Package Commission:	\$2,500		\$2,500
Set-Up Training ² :	\$1,000	\$1,000	

FRANCHISOR Advertising Lead: The following applies to new¹ franchise sales in which the prospect resulted from leads generated from the advertising of FRANCHISOR as documented monthly on the Distributor Franchise Sales Report:

	<u>Cash Transaction</u>	<u>Financed Transaction</u>	
	<i>Immediate Commission</i>	<i>Immediate Commission</i>	<i>Deferred Commission</i>
License Commission:	\$1,000	\$1,000	
Package Commission:	\$1,250		\$1,250
Set-Up Training ² :	\$1,000	\$1,000	

Co-op Advertising Lead: The following applies to new¹ franchise sales in which the prospect resulted from leads generated advertising placed as the result of a written agreement between SALESPERSON and FRANCHISOR in which SALESPERSON commits a minimum of \$500 per month to advertising and FRANCHISOR agrees to match the investment in the Development Area.

_____Salesperson Initials

	<u>Cash Transaction</u>	<u>Financed Transaction</u>	
	<i>Immediate Commission</i>	<i>Immediate Commission</i>	<i>Deferred Commission</i>
Referral Fee:	\$1,250	\$1,250	
License Commission:	\$2,000	\$1,000	\$1,000
Package Commission:	\$2,500		\$2,500
Set-Up Training ² :	\$1,000	\$1,000	

Broker Lead: Because FRANCHISOR is obligated to pay a fee to a Broker on any new¹ franchise sales resulting from prospects supplied by a Broker, the only commissions paid to SALESPERSON on such new¹ franchise sales is the Set-Up Training commission⁵.

Multiple Sale Incentive Commissions: As added incentive for SALESPERSON to generate multiple franchise sales, SALESPERSON shall receive the following incentive commissions, which are calculated on a calendar year basis:

Cumulative ^{1,4,5} Franchise Sales Total for Calendar Year	Payment to SALESPERSON	<u>Comments</u>
1	\$ 0	Qualifying for Incentive Program
2	\$ 500	
3	\$1,000	
4	\$1,500	
5	\$2,000	
6 or more	\$2,500	

¹ No sales commissions or incentive commissions are paid on additional license purchases by existing Associates or previous Franchise owners and the sale is **not** counted in incentive commission cumulative yearly total.

² Set-Up Training Fee is paid **only** if SALESPERSON (Distributor) performs the training. Training is to be completed in a timely fashion as per the Set-Up Training and New Franchise Business Consultation Visit protocols developed by FRANCHISOR which can change from time to time.

³ The Associate Franchisee who makes the referral will receive (1) \$1,250 referral fee; (2) airfare for two to next year's National Convention; and (3) three nights paid hotel room at next year's National Convention. These costs will be shared equally between FRANCHISOR and the SALESPERSON who receives the sales commissions although this policy may be reviewed on a case-by-case basis if necessary due to extenuating circumstances. For Associate referrals which cross Distributorship boundaries, the Distributor to whom the referring Associate is assigned receives the sales commissions but the sale will **not** qualify for incentive commissions and the sale is **not** counted in incentive commission cumulative yearly total. The Distributor to whom the prospect will be assigned as an Associate will receive Royalty Commission Overrides from the new Associate's operations.

_____Salesperson Initials

⁴ License only sales (without an accompanying equipment package sale) do **not** qualify for incentive commission and are **not** counted in incentive commission cumulative yearly total.

⁵ Sales generated through a Broker **are** included for Incentive Commission calculations **only if** SALESPERSON has properly routed all leads to and registered all leads with the Franchise Expansion Department in accordance with current standards. “Properly routed” means the prospect received a minimum of one personal contact, one mail piece and one phone contact from SALESPERSON each quarter. This activity is to be documented, in writing, at least each quarter and routed by the Franchise Expansion Manager to the Operator File.

_____Salesperson Initials

EXHIBIT E TO OUR TRAINING AND DISTRIBUTION AGREEMENT
STATE ADDENDA AND SUPPLEMENTAL STATE INFORMATION

**ADDENDUM TO TRAINING AND DISTRIBUTION AGREEMENT
FOR THE STATE OF CALIFORNIA**

This Addendum to Training and Distribution Agreement is made in recognition of the requirements of the California Business and Professions Code Sections 20000 to 20043 to provide rights to Distributor concerning termination or non-renewal of the Business. The parties to the attached Servpro Industries, Inc. Training and Distribution Agreement (the "Agreement") ~~agree~~ acknowledge as follows:

1. Section 2.B., Renewal, ~~is amended by adding:~~ California Business and Professions Code Sections 20000 to 20043 provide rights to Distributor concerning non-renewal of a Franchise and further provide that if the Agreement is inconsistent with California law, California law will control.

2. Section 10.C., Competition Covenants, is amended by adding: The Agreement contains a covenant not to compete which extends beyond the termination of the Business. This provision may not be ~~unenforceable~~ under California law.

3. Section 12, Termination, is amended by adding: California Business and Professions Code Sections 20000 to 20043 provide rights to Distributor concerning termination of a Franchise. If the Agreement is inconsistent with California law, California law will control.

4. Section 13.F., Place for Mediation, ~~is amended by adding:~~ The Agreement requires mediation and the parties agree to make a good faith effort to select and provides that the mediation will occur at a mutually convenient place location for a mediation and ~~but~~ if the parties cannot agree, the ~~location~~ mediation shall be held in Nashville, Tennessee ~~is subject to the jurisdiction specified in Section 14.I. The mediation will occur at a mutually convenient time and place with the cost being shared equally by the parties.~~ This provision may not be enforceable under California law.

5. Section 14.H., Governing Law, is amended by adding: The Agreement requires application of the law of the State of Tennessee. This provision may not be enforceable under California law.

6. Section 15, Arbitration. The Agreement requires arbitration proceedings be conducted at a suitable location chosen by the arbitrator that is within forty (40) miles of where Servpro has its principal business address at the time the arbitration demand is filed. The arbitrator will have no authority to select a different hearing locale other than as described in the prior sentence. California law states a provision in a franchise agreement restricting venue to a forum outside California is void with respect to any claim arising under or relating to a franchise agreement involving a franchise business operating within California. However, arbitration is governed by the United States Federal Arbitration Act (9 U.S.C. §§ 1 et seq.).

Signed this _____ day of _____, 20__.

DISTRIBUTOR:

By: _____

By: _____

Executed and accepted as of the _____ day of _____, 20__ in Gallatin, Tennessee

SERVPRO INDUSTRIES, INC.:

By: _____
Randall A. Isaacson, President

**SUPPLEMENTAL INFORMATION REQUIRED BY
THE STATE OF HAWAII**

THESE FRANCHISES WILL BE / 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 7 DAYS BEFORE 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, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

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

SUPPLEMENTAL INFORMATION

1. Registration Information

- A. States in which this disclosure document is currently registered.

Hawaii, Minnesota, South Dakota and Wisconsin

States in which Servpro Industries, Inc. is exempt:

California, Florida, Illinois, Indiana, Kentucky, Maryland, Michigan, Nebraska, New York, North Dakota, Rhode Island, South Dakota, Texas, Utah, Virginia and Washington

- B. States in which application for registration has been submitted and is pending.

None

- C. States which have refused to register these franchises.

None

- D. States which have revoked or suspended the right to offer these franchises.

None

E. States from which this offering has been withdrawn.

None

**ADDENDUM TO TRAINING AND DISTRIBUTION AGREEMENT
FOR THE STATE OF HAWAII**

This Addendum to Training and Distribution Agreement is made in recognition of the requirements of the Hawaii Franchise Investment Law. The parties to the attached Servpro Industries, Inc. Training and Distribution Agreement (the "Agreement") ~~agree~~ acknowledge as follows:

1. Section 14.H, Governing Law, ~~is amended by adding:~~ This Agreement requires jurisdiction and venue in the courts of the State of Tennessee. This provision may not be enforceable under the laws of Hawaii.

2. Section 14.I, Consent to Jurisdiction and Venue, ~~is amended by adding:~~ This Agreement requires application of the laws of the State of Tennessee. This provision may not be enforceable under the laws of Hawaii. Any provision in this Agreement for a waiver of Distributor's right to trial by jury may not be enforceable under Hawaii law.

Signed this _____ day of _____, 20__.

DISTRIBUTOR:

By: _____

By: _____

Executed and accepted as of the _____ day of _____, 20__ in Gallatin, Tennessee

SERVPRO:

SERVPRO INDUSTRIES, INC.

By: _____
Randall A. Isaacson, President

SUPPLEMENTAL DISCLOSURE FOR THE STATE OF ILLINOIS

State Cover Page, Risk Factors:

SECTION 705/4 OF THE ILLINOIS FRANCHISE DISCLOSURE ACT PROVIDES THAT ANY PROVISION IN A FRANCHISE AGREEMENT THAT DESIGNATES JURISDICTION OR VENUE IN A FORUM OUTSIDE THE STATE OF ILLINOIS IS VOID BUT WE MAY PROVIDE FOR ARBITRATION IN A FORUM OUTSIDE THE STATE OF ILLINOIS.

Item 1:

If You are a Distributor and You solicit prospective franchisees or otherwise participate in franchise sales on Our behalf in the State of Illinois, You may be a subfranchisor under the Illinois Franchise Disclosure Act. If You are determined to be a subfranchisor under the Illinois Franchise Disclosure Act, You will have to register with the State of Illinois as a subfranchisor before conducting any offers in the State of Illinois.

**ADDENDUM TO TRAINING AND DISTRIBUTION AGREEMENT
FOR THE STATE OF ILLINOIS**

This Addendum to Training and Distribution Agreement is made in recognition of the requirements of the Illinois Franchise Disclosure Act. The parties to the attached Servpro Industries, Inc. Training and Distribution Agreement (the "Agreement") ~~agree~~ acknowledge as follows:

1. Section 14.H., Governing Law, Section 41 of the Illinois Franchise Disclosure Act provides any condition, stipulation or provision purporting to bind any person acquiring any Franchise to waive compliance with any provision of this Act or any other law in this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

2. Section 14.I., Consent to Jurisdiction and Venue, Illinois law provides any provision which designates jurisdiction or venue in a forum outside Illinois is void with respect to any cause of action which is otherwise enforceable in Illinois, provided that an Agreement may provide for arbitration in a forum outside of Illinois. Any condition, stipulation or provision purporting to bind any person acquiring any Franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act is void. However, arbitration is governed by the United States Federal Arbitration Act (9 U.S.C. §§ 1 et seq.).

Signed this _____ day of _____, 20__.

DISTRIBUTOR:

By: _____

By: _____

Executed and accepted as of the _____ day of _____, 20__ in Gallatin, Tennessee

SERVPRO INDUSTRIES, INC.:

By: _____

Randall A. Isaacson, President

**ADDENDUM TO TRAINING AND DISTRIBUTION AGREEMENT
FOR THE STATE OF INDIANA**

This Addendum to Training and Distribution Agreement is made in recognition of the requirements of the Indiana Franchises Act. The parties to the attached Servpro Industries, Inc. Training and Distribution Agreement (the "Agreement") agree as follows:

1. Section 2.B., Renewal, Indiana law at IC 23-2-2.7-1(5) does not permit a prospective release that includes liability imposed by IC 23-2-2.7.

2. Section 8.D.(6), Sale or Transfer of Any Interest in Business, Indiana law at IC 23-2-2.7-1(5) does not permit a prospective release that includes liability imposed by IC 23-2-2.7.

3. Section 10.D., Enforcement of Covenants, is amended by adding: "Pursuant to IC 23-2-2.7-1(10), Distributor may not be compelled to agree to causing Servpro irreparable injury for which there is no adequate remedy at law. Servpro may seek a restraining order, injunction and such other legal or equitable relief as may be appropriate, but Servpro is not automatically entitled to such relief."

4. Section 14.H., Governing Law, IC 23-2-2.7-1(10) provides that the Indiana Franchise Disclosure Law, IC 23-2-2.5 and Indiana Deceptive Franchise Practices Law, IC 23-2-2.7 applies to the Agreement and to the parties' relationship.

5. Section 14.I., Consent to Jurisdiction and Venue, IC 23-2-2.7-1(10) states: Indiana law at IC 23-2-2.7-1(10) provides franchisor may not limiting litigation brought for breach of the agreement ~~in any manner whatsoever~~.

6. Section 14.J., Injunctive Relief, is amended by adding: "Pursuant to IC 23-2-2.7-1(1), Distributor may not be compelled to agree to causing Servpro irreparable injury for which there is no adequate remedy at law. Servpro may seek a restraining order, injunction and such other legal or equitable relief as may be appropriate, but Servpro is not automatically entitled to such relief."

7. Section 14.N., Entire Agreement, is amended to provide that notwithstanding anything to the contrary in this provision, Distributor does not waive any right under the Indiana statutes with regard to prior representations made in the Franchise Disclosure Document.

Signed this _____ day of _____, 20__.

DISTRIBUTOR:

By: _____

By: _____

Executed and accepted as of the _____ day of _____, 20__ in Gallatin, Tennessee

SERVPRO INDUSTRIES, INC.:

By: _____
Randall A. Isaacson, President

MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§ 14-201 through 14-233, the Franchise Disclosure Document for Servpro Industries, Inc. for use in the State of Maryland shall be amended as follows:

1. Item 17, “Renewal, Termination, Transfer and Dispute Resolution,” shall be amended by the addition of the following language:

Maryland statutes provide that the general release required for renewal or transfer will not apply with respect to any claim you may have which arises under the Maryland Franchise Registration and Disclosure Law.

2. Item 17, “Renewal, Termination, Transfer and Dispute Resolution,” shall be amended by the addition of the following language to the summary Provision of “h”:

Termination upon bankruptcy may not be enforceable under federal bankruptcy law, 11 U.S.C. Section 101 et seq.

3. Item 17, “Renewal, Termination, Transfer and Dispute Resolution,” shall be amended by the addition of the following language to the summary Provisions of “v” and “w”:

, except for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Each provision of this addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law (Md. Code Bus. Reg. §§ 14-201 through 14-233) are met independently without reference to this addendum to the Franchise Disclosure Document.

**ADDENDUM TO TRAINING AND DISTRIBUTION AGREEMENT
FOR THE STATE OF MARYLAND**

This Addendum to Training and Distribution Agreement is made in recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§ 14-201 through 14-233. The parties to the attached Servpro Industries, Inc. Training and Distribution Agreement (the "Agreement") agree as follows:

1. Term; Renewal, Section 2.B, Maryland statute does not permit a release from liability under the Maryland Franchise Law as a condition of renewal.

2. Sale or Transfer, Section 8.D, Maryland statute does not permit a release from liability under the Maryland Franchise Law as a condition of sale.

3. Jurisdiction and Venue, Section 14.I, Maryland statute does not permit a waiver of the right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.

Signed this _____ day of _____, 20__.

DISTRIBUTOR:

By: _____

By: _____

Executed and accepted as of the _____ day of _____, 20__ in Gallatin, Tennessee.

SERVPRO INDUSTRIES, INC.:

By: _____
Randall A. Isaacson, President

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT AND TRAINING AND
DISTRIBUTION AGREEMENT FOR
THE STATE OF MINNESOTA**

The Minnesota Department of Commerce requires the following Minnesota-specific language to be included in an exhibit to the Franchise Disclosure Document and also to the Training and Distribution Agreement:

- 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, Minnesota law states 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 jurisdiction.
- 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.
- 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.

Minnesota considers it unfair to not protect the franchisee's rights to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- 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.

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

1. Cover Page

Risk Factors:

THIS FRANCHISE HAS 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 FRANCHISE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE AGREEMENT 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 UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND FRANCHISEE.

Signed this _____ day of _____, 20__.

DISTRIBUTOR:

By: _____

By: _____

Executed and accepted as of the _____ day of _____, 20__ in Gallatin, Tennessee

SERVPRO INDUSTRIES, INC.:

By: _____
Randall A. Isaacson, President

**ADDENDUM TO TRAINING AND DISTRIBUTION AGREEMENT
FOR THE STATE OF NEW YORK**

This Addendum to Training and Distribution Agreement is made in recognition of the requirements of the New York General Business Law. The parties to the attached Servpro Industries, Inc. Training and Distribution Agreement (the "Agreement") ~~agree~~ acknowledge as follows:

1. Section 2.B.(5), Renewal, ~~is amended by adding:~~ New York General Business Law, Section 687.4 and 687.5 provide that Servpro may not require Distributor to waive or release rights under its franchise law.

2. Section 8.D.(6), Sale or Transfer of Any Interest in Business, ~~is amended by adding:~~ New York General Business Law, Section 687.4 and 687.5 provide that Servpro may not require Distributor to waive or release rights under its franchise law in connection with the offer, sale or purchase of any franchise.

3. Section 12.A, Termination By Mutual Agreement, ~~is amended by adding:~~ New York General Business Law, Section 687.4 and 687.5 provide that Servpro may not require Distributor to waive or release rights under its franchise law in connection with the offer, sale or purchase of any franchise.

4. Section 14.H., Governing Law, ~~is amended by adding:~~ The foregoing choice of law shall not be considered a waiver of any right conferred upon either the Franchisor or the Distributor by the provisions of franchise law in Article 33 of the General Business Law of the State of New York.

5. Section 1136 of the New York Tax Law requires franchisors having franchisees in New York to report gross sales of each franchisee, total sales by each franchisee, any income reported to the franchisor by each franchisee and other information, such as the owners' names, physical address and mailing address.

Signed this _____ day of _____, 20__.

DISTRIBUTOR:

By: _____

By: _____

Executed and accepted as of the _____ day of _____, 20__ in Gallatin, Tennessee

FRANCHISOR:

SERVPRO INDUSTRIES, INC.

By: _____
Randall A. Isaacson, President

**ADDENDUM TO TRAINING AND DISTRIBUTION AGREEMENT
FOR THE STATE OF NORTH DAKOTA**

This Addendum to Training and Distribution Agreement is made in recognition of the requirements of the North Dakota Franchise Investment Law. The parties to the attached Servpro Industries, Inc. Franchise License Agreement (the "Agreement") agree as follows:

1. Section 2.B and Section 8.D(4). The North Dakota Securities Commissioner states North Dakota law provides Distributor may not be required to execute a general release in favor of Servpro and its affiliates upon the renewal or transfer of the business.

2. Section 10.C., Competition Covenants. The North Dakota Securities Commissioner states some covenants not to compete following termination of the Agreement are generally unenforceable pursuant to Section 9-08-06 of the North Dakota Century Code."

3. Section 14.H., Governing Law. The North Dakota Securities Commissioner states except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051, et seq.), this Agreement must be governed by the laws of the State of North Dakota."

4. Section 14.I., Consent to Jurisdiction and Venue, ~~is amended by adding:~~ The North Dakota Securities Commissioner states If the Distributor so requests, jurisdiction and venue for any litigation must be in North Dakota. However, arbitration is governed by the United States Federal Arbitration Act (9 U.S.C. §§ 1 et seq.).

5. Section 14.K., Costs and Attorney's Fees. The North Dakota Securities Commissioner states the prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorney's fees, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.

Signed this _____ day of _____, 20____.

DISTRIBUTOR:

By: _____

By: _____

Executed and accepted as of the _____ day of _____, 20__ in Gallatin, Tennessee

SERVPRO INDUSTRIES, INC.:

By: _____
Randall A. Isaacson, President

**ADDENDUM TO TRAINING AND DISTRIBUTION AGREEMENT
FOR THE STATE OF RHODE ISLAND**

This Addendum to Training and Distribution Agreement is made in recognition of the requirements of the Rhode Island Franchise Investment Act. The parties to the attached Servpro Industries, Inc. Training and Distribution Agreement (the "Agreement") agree as follows:

1. Section 14.H, Governing Law, ~~is amended by adding:~~ Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that a provision in a franchise agreement requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.

2. Section 14.I, Consent to Jurisdiction and Venue, ~~is amended by adding:~~ Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that a provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state is void with respect to a claim otherwise enforceable under this Act.

3. Section 14.F, Waiver, ~~is amended by adding:~~ The Rhode Island Franchise Investment Act provides a condition, stipulation or provision requiring a franchisee to waive compliance with, or relieving a person of a duty of liability imposed by, or a right provided by a rule or order under the Act is void. An acknowledgement provision, disclaimer or integration clause or provision having a similar effect in a franchise agreement does not negate or act to remove from judicial review any statement, misrepresentation or action that would violate the Act or a rule under the Act. This paragraph will not affect the settlement of disputes, claims or civil lawsuits arising or brought under the Act.

Signed this _____ day of _____, 20__.

DISTRIBUTOR:

By: _____

By: _____

Executed and accepted as of the _____ day of _____, 20__ in Gallatin, Tennessee

SERVPRO INDUSTRIES, INC.:

By: _____

Randall A. Isaacson, President

**ADDENDUM TO TRAINING AND DISTRIBUTION AGREEMENT
FOR THE STATE OF SOUTH DAKOTA**

This Addendum to Training and Distribution Agreement is made in recognition of the requirements of the South Dakota Franchise Investment Law. The parties to the attached Servpro Industries, Inc. Training and Distribution Agreement (the "Agreement") agree as follows:

1. Section 14.H., Governing Law, South Dakota law provides A provision that requires jurisdiction or venue or governing law other than the State of South Dakota with respect to any cause of action which is otherwise enforceable under the South Dakota Franchise Act may not be enforceable.

2. Section 14.I., Consent to Jurisdiction and Venue, ~~is amended by adding:~~ A provision that requires jurisdiction or venue or governing law other than the State of South Dakota with respect to any cause of action which is otherwise enforceable under the South Dakota Franchise Act may not be enforceable.

3. Section 14.N., Entire Agreement, is amended by adding: SDCL 37-5B-26(8) states Servpro may not require Distributor to disclaim or waive reliance on any representations in the disclosure document or in its exhibits or amendments.

Signed this _____ day of _____, 20__.

DISTRIBUTOR:

By: _____

By: _____

Executed and accepted as of the _____ day of _____, 20__ in Gallatin, Tennessee

SERVPRO INDUSTRIES, INC.:

By: _____
Randall A. Isaacson, President

DISCLOSURES REQUIRED BY THE STATE OF WASHINGTON

The state of Washington 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 of Washington. If you have any questions about this investment, see an attorney before you sign a contract.

**ADDENDUM TO TRAINING AND DISTRIBUTION AGREEMENT
FOR THE STATE OF WASHINGTON**

This Addendum to Training and Distribution Agreement is made in recognition of the requirements of the Washington Franchise Investment Act. The parties to the attached Servpro Industries, Inc. Training and Distribution Agreement (the “Agreement”) agree as follows:

1. Section 2.B., Renewal, is amended by adding: Washington law at RCW 19.100.180 provides franchisor may not refuse to renew a franchise without fairly compensating the franchisee for the fair market value, at the time of expiration of the franchise, of the franchisee's inventory, supplies, equipment, and furnishings purchased from Servpro, and goodwill, exclusive of personalized materials which have no value to Servpro, and inventory, supplies, equipment and furnishings not reasonably required in the conduct of the franchise business: Provided, that compensation need not be made to a franchisee for goodwill if (i) the franchisee has been given one year's notice of non-renewal and (ii) Servpro agrees in writing not to enforce any covenant which restrains the franchisee from competing with Servpro: Provided further, that Servpro may offset against amounts owed to a franchisee under this subsection any amounts owed by such franchisee to Servpro.”

2. Section 2.B., Renewal, is amended by adding Washington Franchise Investment Protection Act Sec. 19.100.180 provides that franchisor may not require Distributor to waive or release rights under its franchise law.

3. Section 8.D., Sale or Transfer of Any Interest in Business, subsection (7) is amended by adding: Washington Franchise Investment Protection Act Sec. 19.100.180 provides that franchisor may not require Distributor to waive or release rights under its franchise law.

4. Section 12, TERMINATION, is amended by adding: Washington law provides at RCW 19.100.180-190 Servpro may terminate a franchise prior to the expiration of its term only for good cause. Good cause shall include, without limitation, the failure of the franchisee to comply with lawful material provisions of the franchise or other agreement between Servpro and the franchisee and to cure such default after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty days, to cure such default, or if such default cannot reasonably be cured within thirty days, the failure of the franchisee to initiate within thirty days substantial and continuing action to cure such default: Provided, that after three willful and material breaches of the same term of the franchise agreement occurring within a twelve-month period, for which the franchisee has been given notice and an opportunity to cure as provided in the subsection, Servpro may terminate the agreement upon any subsequent willful and material breach of the same term within the 12-month period without providing notice or opportunity to cure: Provided further, that Servpro may terminate a franchise without giving prior notice or opportunity to cure a default if the franchisee: (i) Is adjudicated a bankrupt or insolvent; (ii) makes an assignment for the benefit of creditors or similar disposition of the assets of the franchise business; (iii) voluntarily abandons the franchise business; or (iv) is convicted of or pleads guilty or no contest to a charge of violating any law relating to the franchise business. Upon termination for good cause, Servpro shall purchase from the franchisee at a fair market value at the time of termination, the franchisee's inventory and supplies, exclusive of (i) personalized materials which have no value to Servpro; (ii) inventory and supplies not reasonably required in the conduct of the franchise business; and (iii), if the franchisee is to retain control of the premises of the franchise business, any inventory and supplies not purchased from Servpro or on his express requirement; provided, that Servpro may offset against amounts owed to a franchisee under this subsection any amounts owed by such franchisee to Servpro.”

5. Section 12.A., By Mutual Agreement is amended by adding: Washington Franchise Investment Protection Act Sec. 19.100.220 provides that franchisor may not require Distributor to waive or release rights under its franchise law.

6. Section 14.H., Governing Law, is amended by adding: Washington law provides if any of the provisions of this Agreement are inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of the Washington State Franchise Investment Protection Act, the provisions of the Act will prevail over the inconsistent provisions of the Franchise Disclosure Document and the Agreement.

7. Section 14.I., Consent to Jurisdiction and Venue, ~~is amended by adding: Washington law provides in RCW 19.100.180 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." The Securities Administrator finds acceptable an arbitration agreement that provides for the site of arbitration 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. However, arbitration is governed by the United States Federal Arbitration Act (9 U.S.C. §§ 1 et seq.).~~

8. Section 14.K., Costs and Attorney's Fees is amended by adding: "In the event of breach of this Agreement by Servpro, Distributor shall be entitled to reasonable fees, costs, and expenses incurred in enforcing the provisions of this Agreement or securing damages for its breach, including but not limited to, reasonable attorney's fees, and court costs."

Signed this _____ day of _____, 20__.

DISTRIBUTOR:

By: _____

By: _____

Executed and accepted as of the _____ day of _____, 20__ in Gallatin, Tennessee

SERVPRO INDUSTRIES, INC.:

By: _____

Randall A. Isaacson, President

**ADDENDUM TO TRAINING AND DISTRIBUTION AGREEMENT
FOR THE STATE OF WISCONSIN**

This Addendum to Training and Distribution Agreement is made in recognition of the requirements of the Wisconsin Fair Dealership Law. The parties to the attached Servpro Industries, Inc. Training and Distribution Agreement (the "Agreement") agree as follows:

1. Section 14.H., Governing Law, is amended by adding: The Wisconsin Fair Dealership Law, Chapter 135, Wisconsin Statute, provides that it supersedes any provisions of the Agreement when such provisions are in conflict with that law. This law prohibits the termination, cancellation, non-renewal or substantial change of the competitive circumstances without good cause. Except in certain specified cases, the Wisconsin Fair Dealership Law requires that Distributor be given 90 days notice of termination with 60 days to cure.

Signed this _____ day of _____, 20__.

DISTRIBUTOR:

By: _____

By: _____

Executed and accepted as of the _____ day of _____, 20__ in Gallatin, Tennessee

SERVPRO INDUSTRIES, INC.:

By: _____
Randall A. Isaacson, President

EXHIBIT B

ServproNET[®] POLICIES AND PROCEDURES AGREEMENT



ServproNET[®] Policies and Procedures Agreement

This AGREEMENT is entered into by and between **SERVPRO INDUSTRIES, INC.**, a Nevada corporation having a principal place of business at 801 Industrial Boulevard, Gallatin, Tennessee 37066 (“We”, “Us” or “Our”) and _____ (“You”).

1. *ServproNET*[®] Policies and Procedures; Code of Conduct. *ServproNET*[®] is an internet based data communications service that allows all SERVPRO franchisees, Our corporate personnel, and other authorized users to send and receive electronic business correspondence (E-Mail), claim management information, and service bulletins and is designed for the exclusive use of authorized *ServproNET*[®] participants. *ServproNET*[®] is also designed to assist insurance company clients and commercial clients in collecting and transmitting loss notice information from insurance companies and commercial clients to the Servpro National Call Center. You must be a registered user of the *ServproNET*[®] system. You hereby state and affirm that You have read this agreement and specifically understand and agree to the requirements, prohibitions and obligations stated herein. The *ServproNET*[®] data services are intended as a business tool, and as such will be administered accordingly with system performance, data security, privacy and integrity as priorities. Your use of the *ServproNET*[®] system is governed as set forth herein and in Our Code of Conduct attached as Exhibit A. We may modify, delete or append Our Code of Conduct, in whole or part, without prior notice, as We deem necessary to accomplish the goals of the *ServproNET*[®]. You will be notified of any changes which We make. You hereby covenant that You will comply in all respects with the Code of Conduct related to content You ask Us to post in Your Website; content on any Site of Yours to which You request Us to link; content of any of Your Sites linked directly or which You know is linked indirectly to that Site; content modifications that You submit to Us; HTML code, and all modifications thereof, that You supply to Us for posting; and Your communications and transmissions in Your capacity as OPERATOR or DISTRIBUTOR, by E-Mail, through newsgroups, through Your Website or otherwise, to Us or any of Our owners, officers, employees, agents or franchisees and to any third party. In order to protect access to and the functions of the *ServproNET*[®] system, We may revoke all of Your rights and privileges of system access at any time for any reason. You must abide by all of Our procedures regarding system performance issues and cooperate in performing routine system maintenance tasks.

2. Computer Hardware and Software. You agree to utilize only computer components, electronic devices, software, anti-virus and cyber security measures that meet or exceed the minimum requirements which We prescribe. You understand that We do not provide technical support for computer hardware, Internet network systems and/or operating systems. You agree to maintain approved anti-virus and cyber security measures and programs on all Your electronic devices, software computer components and computer workstations by applying updates as available as provided by each vendor. You must take all reasonable and necessary steps to ensure all transmissions are secure and free of viruses. We will maintain virus protection software on the host system at all times. You must not use or distribute unlicensed software or data. Business application programming/development activities must be approved and/or supervised by Us when used in conjunction with *ServproNET*[®] or any software product or service authorized by US. You affirm that You have acquired the necessary computer hardware and software to meet or exceed Our stated minimum requirements.

3. QuickStart Guide, Passwords and Confidentiality. You will receive information including a Quick Start Guide containing a set of installation instructions, passwords and information necessary for utilizing *ServproNET*[®]. We may change Your passwords periodically after giving You prior notice. We may change Your passwords without notice at any time. You agree to follow Our instructions regarding password protocols as we designate from time to time. You may not assign a

password to any person or entity who is not under Your direct supervision and who does not have a need to know such password. You agree to inform all persons under Your supervision who may have access to such password of this obligation of confidentiality and You agree to indemnify and hold Us harmless for any breach of confidentiality by such persons. You are responsible for the employees to whom You distribute passwords. You may not grant access to the *ServproNET*[®] system to any unauthorized party. You agree to use and implement the access and security protocols We establish from time to time including, without limitation, single sign on, which permits You to assign individual passwords to Your employees. You agree to manage the passwords and access to *ServproNET*[®] by Your employees, grant access only to areas appropriate to their positions as recommended by Us from time to time and to deactivate assigned passwords and access upon ending of the employment relationship.

4. E-Mail. You are required to maintain at least one e-mail address. You must follow our naming guidelines for any address which will be published. You are encouraged to maintain an e-mail address specifically for use by the Franchise owner(s) (“Owner e-mail”) and one specifically for use by an office administrator (“Office e-mail”). You will have access to a system-wide e-mail address book which we maintain for all Franchises. We do not provide e-mail service or addresses.

5. Content and Posting of Your Website. We will prepare and post a designated area on Our site on the World Wide Web (“Your Website”) for the purpose of promoting Your Franchise as one of Our authorized OPERATORS or DISTRIBUTORS. We must register and manage Your primary domain name, which conforms to the standard of *Servpro*[anytown].com where anytown is equal to Your Franchise name. We automatically register this domain for You. Upon Our request, You must surrender this domain name to Us by every reasonable effort available. Your Website will be accessible without charge to anyone with access to the World Wide Web. The initial fee for creation and posting of a Basic Website is included in Your Franchise Fee. There is no annual fee for a Basic Website. You may purchase an upgraded Website at Our current fees. We will design the layout of Your Website, including the determination of the number of pages, consideration of alternate pages for graphics or text, and the overall navigation of your Website; create the HTML code for display on the Internet including the encoding of images, the creation of hyperlinks of both text and images, and the creation of E-Mail hyperlinks; and test the HTML code. For subscribers to Our Professional Website Program, You have the ability to upload custom imagery and manage Your own content consistent with Our then-current Advertising Resource Guide by using Our Content Management System. If You have any changes, You must initiate a new change request using Our Content Management System. We do not make any representation regarding the time it will take to post or to modify Your Website. Once Your Website has been posted, We may ask You to verify the content of Your Website from within Our Content Management System at any time, for accuracy or otherwise, and You agree to promptly respond with objections to any such request either in writing or by e-mail. We may modify the format of Your Website periodically without prior notice to You. It is Our intention to make any changes that are required by law promptly, and to make all other requested changes at the times that We update Your Website, which need not be more than once a year during the term of this Agreement. If a third party owns any copyright, trademark or other intellectual property right which relates or pertains to any part of the content delivered by You to Us, You must obtain all necessary rights or licenses, at Your sole cost and expense, so that Our rights in and to such content will be no less than if such intellectual property right belonged to You and were licensed to Us pursuant to Section 8 hereof. All modifications, design work and HTML coding We do will be a derivative work, owned by Us. As such, We will have the right to post a copyright notice in Our name on all pages in Your Website. You may make one print copy of Your Website for Your internal use. Any other copying, redistribution, retransmission or publication of any downloaded material is strictly prohibited without Our express prior written consent.

6. **Links and Advertising.** We will have no duties, obligations or other commitments of any kind with respect to any links from outside sources to Your Website. You agree to notify Us of any Website known to You that features or lists You in Your capacity as an OPERATOR or DISTRIBUTOR and to notify Us of any new Sites as they list You periodically. We own all right, title and interest in and to all advertising space in Your Website. We may advertise and promote Your Website as part of Our promotion of Our Website. We may also advertise and promote Your Website without Your prior approval of any such advertising or promotion. Within Your Website, We may include any advertising or promotion of and links to Sites of any third parties that We deem desirable, as well as any other materials We deem appropriate.

7. **Private Sites; Newsgroups.** In addition to Our public Site on the World Wide Web, We may establish a Web area and newsgroups (or bulletin boards) for OPERATORS or DISTRIBUTORS that can be accessed only by means of user names and passwords. We intend to provide support to OPERATORS or DISTRIBUTORS through this private Web area, and the private newsgroups will allow for a more dynamic means of electronic communication among OPERATORS or DISTRIBUTORS and between OPERATORS or DISTRIBUTORS and Us. Our intention is that this private Web area and these newsgroups would be accessible only to Us and OPERATORS or DISTRIBUTORS, not to the general public. We will monitor the newsgroups and e-mail sent, uploaded or accessed using the user name and password referred to in Section 3. We may remove the content for any reason. We may terminate or suspend Your access to Our private Web area and the private newsgroups for any reason or for no reason, in whole or in part, at any time or periodically, without terminating this Agreement.

8. **Your Grant to Us.** You hereby grant Us a worldwide, perpetual license, without charge or payment of a royalty, to reproduce, distribute, transmit, create derivative works of, publicly display and publicly perform all materials and information You submit to Us for posting in Your Website and all materials and information You submit to Us or any of Our affiliates' private Web areas or newsgroups described in this Agreement, by all means and in any media now known or hereafter developed, including, without limitation, the right to use such materials and information that We deem appropriate on similar Websites of other OPERATORS or DISTRIBUTORS and OPERATORS or DISTRIBUTORS of Our affiliates; and use Your name and any likeness of You that You submit to Us for posting in Your Website or that You submit to Us or any of Our affiliates' private Web areas or newsgroups in connection with all advertising, marketing and promotional materials related to Our Web Site, Your Website or the Web Sites of Our parent company or any companies affiliated with Us, anywhere in the world; and sublicense and to authorize third parties to do any, all or some of the things that We are permitted to do pursuant to this Agreement.

9. **No Expectation of Privacy.** You specifically understand that You have no expectation of privacy with respect to any E-Mail or other data or transmission created, transmitted, retrieved or stored through the *ServproNET*[®] system or otherwise communicated to or from Us. We may access, review and monitor all such transmissions, E-Mail and data, Public or Private Folders, at any time for any reason or no reason, without prior notice to You. All information, data, images and messages contained in and/or created through the *ServproNET*[®] system is Our property and must be surrendered or destroyed upon request. Any unauthorized use, duplication, viewing or transmission of these materials, without Our express written consent, is strictly prohibited. Access to and use of the *ServproNET*[®] system constitutes agreement to this notice.

10. **Security and Cyberspace Jurisdiction.** You agree to follow and implement any Internet, electronic and/or cyber security measures necessary to protect OPERATOR's or DISTRIBUTOR's system and data and that of *ServproNET*[®] and Our data and systems, including those We designate from time to time. While We will endeavor to maintain the security of Your Website and will endeavor to act promptly in the event of a security breach, We shall not be liable to You in the event of any such breach,

whether it results in a modification of Your Website or the shutdown of all or part of the Website or Your Website. You further understand that any e-mail You may send over the Internet may not be secure and that it may be seen by persons other than those to whom it is addressed, and that unauthorized persons may gain access to private areas of the Internet. We shall not be liable for the failure of any e-mail to reach its intended destination or for the lack of security of Internet e-mail. You understand that laws regarding Internet advertising and jurisdiction are uncertain and evolving and that the posting of Your Website pursuant to this Agreement may expose You to unexpected material, adverse consequences, including, without limitation, liability to legal claims and to jurisdiction in remote locations worldwide. We shall not be liable for any such adverse consequence.

11. **Limitation on Liability.** THE PRODUCTS AND SERVICES PROVIDED BY US PURSUANT TO THIS AGREEMENT ARE PROVIDED ON AN "AS IS" BASIS. WE MAKE NO REPRESENTATION OR WARRANTY, EXPRESSED OR IMPLIED, RELATING TO THE PRODUCTS OR SERVICES PROVIDED BY US PURSUANT TO THIS AGREEMENT, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, ANY IMPLIED WARRANTY OF TITLE, AND ANY IMPLIED WARRANTY ARISING FROM COURSE OF DEALING OR COURSE OF PERFORMANCE. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, WE SPECIFICALLY DISCLAIM ANY WARRANTY REGARDING THE EFFICACY OF ANY PROMOTION OF YOUR FRANCHISE BY MEANS OF OUR WEBSITE OR YOUR WEBSITE AND ANY REPRESENTATION OR WARRANTY AGAINST INFRINGEMENT, EXPRESSED OR IMPLIED. IN NO EVENT WILL WE, OUR OWNERS, DIRECTORS OR OFFICERS, BE LIABLE TO YOU FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE, SPECIAL OR OTHER SIMILAR DAMAGES (INCLUDING ANY DAMAGES FOR LOSS OF INFORMATION, LOST PROFITS, SERVER OUTAGES OR BUSINESS INTERRUPTION) ARISING FROM OR IN ANY WAY RELATED TO THE USE OF OR INABILITY TO USE OUR WEBSITE OR YOUR WEBSITE, ANY DELAY OR FAILURE TO POST YOUR WEBSITE OR TO MAKE ANY UPDATE OR MODIFICATION YOU REQUEST, OR ANY OTHER EVENT RELATED TO THIS AGREEMENT, EVEN IF WE OR OUR AUTHORIZED REPRESENTATIVE HAVE BEEN INFORMED, ARE AWARE OR SHOULD HAVE BEEN AWARE OF THE POSSIBILITY OF SUCH DAMAGES.

12. **Dispute Resolution.** All disputes arising out of or relating to this Agreement or the products or services delivered or rendered under this Agreement, or a breach of this Agreement, that cannot be settled amicably, will be resolved in the manner set forth in Your Franchise License Agreement.

13. **Term and Termination.** This Agreement is effective when signed and Your Franchise License Agreement is accepted by Us or Your Training and Distribution Agreement is accepted by Us, if you are a Distributor without an operating franchise. Either party may terminate this Agreement at any time with or without cause upon written notice to the other party. This Agreement will automatically terminate upon termination of Your Franchise License Agreement or Your Training and Distribution Agreement if you are a Distributor without an operating franchise. We will cancel Your passwords and remove Your Website as soon as practicable after termination of this Agreement for any reason.

Signed this _____ day of _____, 20__.

[OPERATOR or DISTRIBUTOR]:

By: _____

By: _____

Executed and accepted as of the _____ day of _____, 20__ in Gallatin, Tennessee

SERVPRO INDUSTRIES, INC.

By: _____
Randall A. Isaacson, President

EXHIBIT A
CODE OF CONDUCT

1. **Business Purposes.** The sole purpose for which You may access the *ServproNET*[®] system, Our private Web area and any private newsgroups is to carry out the legitimate business of your Franchise within the scope of Your Agreement. You must refrain from using the *ServproNET*[®] system to transmit any non-business-related messages or data. The use of interactive games over Our network is strictly prohibited.
2. **E-Mail Guidelines.** The following guidelines apply to your electronic mail communication in your capacity as an OPERATOR or DISTRIBUTOR:
 - A. Keep e-mail brief and informal. Attach any lengthy text as a separate document. Most e-mail is read on screen and should be limited to one screen in length.
 - B. Do not overload recipients with unwanted e-mail. You should not transmit any messages or data to more than 40 recipients in a concurrent transmission without the prior consent of the Administrator.
 - C. Whenever you send e-mail to persons other than Us, indicate in your e-mail (in the signature portion or elsewhere) that your Franchise is an independently owned and operated business and that your views do not necessarily reflect Our policies.
 - D. Remember that you are a representative of the Franchise System. Conduct yourself appropriately and in a way that increases the goodwill of the System, both for your benefit and for the benefit of all OPERATORS or DISTRIBUTORS.
3. **No Infringing Materials.** You are prohibited from creating, reproducing, distributing, transmitting, creating derivative works of, or publicly displaying or performing, any communication, data, file, image, graphics, video clip, audio clip or software in, through or anywhere on the Internet in your capacity as an OPERATOR or DISTRIBUTOR, that might infringe or violate the property rights of others, including any of the following types of property belonging to a person or entity other than Us when such person or entity has not given his, her or its prior written consent or license:
 - A. any text, images, graphics, video clip, audio clip or software protected by copyright or patent law;
 - B. trade secrets or other confidential proprietary information; and
 - C. trademarks or service marks.
4. **General Prohibitions.** If You receive messages or data of the nature described below, you are encouraged to mail a copy of the message/data to Us for proper investigation and disposition. You shall not create, transmit, view, retrieve, maintain or store any electronic communication (e-mail), data, file, image, graphics, video clip, audio clip, or software in or through the *ServproNET*[®] system or the Website or anywhere on the Internet in your capacity as an OPERATOR or DISTRIBUTOR, whether it is intended in a serious manner or as a joke or satire or is otherwise not intended to be taken seriously, that is:

- A. illegal or solicits the performance of any illegal activity, including, without limitation, gambling and to anticompetitive activities, such as price fixing, boycotting of suppliers or allocating markets, or any violation of the securities laws, or a chain letter or message relating to pyramid schemes;
- B. discriminatory, such as referring in a negative manner to an individual's race, age, disability, religion, national origin, physical attributes or sexual preference;
- C. abusive, profane, harassing, sexually harassing, intimidating, threatening, offensive, derogatory, rude, imprecating, hateful or inflammatory;
- D. indecent, obscene, pornographic or otherwise containing sexual content or innuendo;
- E. inaccurate, derogatory, libelous or defamatory relating to Our employees, proprietors, business associates, clients, business practices, procedures or policies or any other content contrary to Our interests;
- F. Our confidential, sensitive or proprietary information, including, without limitation, Manuals, business plans, customer lists, unpublished financial information and the like;
- G. private or personal matters concerning any person without permission of the person;
- H. a virus, worm, "Trojan horse" or any other harmful, contaminating, destructive or disruptive element;
- I. a political message, charity request or petition for signatures;
- J. a testimonial or name or picture of any person for the purpose of advertising or promotion without that person's written permission; or
- K. a password, a credit card number, a social security number, a PIN or the scanned copy of anyone's signature.

EXHIBIT C

SOFTWARE LICENSE

Software License Agreement

THIS SOFTWARE LICENSE AGREEMENT ("Agreement") is dated as of the date signed by Licensee and is between **Servpro Industries, Inc.** (the "**Licensor**"), having its principal place of business at 801 Industrial Boulevard, Gallatin, TN 37066, USA and the licensee signing this Agreement ("**Licensee**").

WHEREAS:

- A. Licensor is the developer and owner of certain proprietary computer software and documentation, including copyrights and other Intellectual Property Rights pertaining thereto.
- B. Licensee wishes to obtain from Licensor the rights and licenses granted herein relating to the Software for use in conjunction with Licensee's own internal business use.

1. DEFINITIONS

Defined Terms. When used in this Agreement, the capitalized terms listed below will have the following meanings:

- (a) "**Computer**" means any single personal computer, such as a desktop computer, notebook, laptop, workstation, or PC tablet, iPad and similar approved electronic devices used in Licensee's business, operated or maintained by Licensee with access and authorization to Use the Software.
- (b) "**Confidential Information**" has the meaning given to that term herein and in Section 6.5 of the Servpro Franchise License Agreement or Section 1.E of the Training and Distribution Agreement.
- (c) "**Documentation**" refers to documentation, electronic or tangible, accompanying the Software and as may be provided by Licensor from time to time.
- (d) "**Intellectual Property Rights**" means patents, patent rights and registrations and applications, renewals and extensions therefor, copyright (including, but not limited to, ownership rights in all computer code, concepts, and methods of operation, moral rights and any related documentation), copyright registrations and applications, renewals and extensions therefor, trademark registrations and applications, renewals and extensions therefor, utility model or industrial design registrations and applications, renewals and extensions therefor, trade secrets and other intellectual property rights;
- (e) "**Internal Purposes**" means only as a part of Licensee's own internal, normal course of business operations including data processing operations.
- (f) "**License Fee**" has the meaning given to that term in Exhibit A.
- (g) "**Licensee Product**" has the meaning given to that term in Exhibit A.
- (h) "**Object Code**" means computer programming code assembled or compiled in magnetic or electronic binary form, which is readable and usable by machines, but not generally readable by humans without reverse assembly, reverse compiling, or reverse engineering.
- (i) "**Software**" means the Object Code for Licensor's computer software known as WorkCenter™ Office, WorkCenter™ Marketing and DryBook Mobile and their successor or replacement programs.
- (j) "**Term**" has the meaning given to that term in Section 10.1.
- (k) "**Use**", "**Used**" or "**Using**" means to access, install, download or otherwise benefit from using the functionality of the Software.
- (l) "**User**" means any employee of Licensee authorized by Licensee to use any Computer.

2. LICENSE GRANT AND RESTRICTIONS

2.1 License Grant. Subject to the terms of this Agreement, and in consideration of the License Fee charged by Licensor, Licensor hereby grants to Licensee a non-exclusive, non-transferable license in and to the Software:

- (a) make, Use, reproduce and distribute the Software internally only for internal business purposes; and
- (b) make, Use, reproduce and distribute the Software internally for employees.

2.2 Restrictions on Use and Distribution.

Licensee agrees to only Use reproduce, all or any part of the Software as expressly contemplated by this Agreement for internal business purposes.

Licensee agrees that it will not under any circumstances:

- (i) reverse-compile or decompile, reverse-engineer, reverse-assemble or disassemble, unlock or otherwise attempt to discover the source code or underlying algorithms of the Software or attempt to do any of the foregoing in relation to the Object Code of the Software;
- (ii) modify, adapt, translate or create any derivative works of the Software; provided, however, ownership of any such unauthorized works will vest in Licensor upon creation of the same;
- (iii) make available in any manner the Software, whether in the Object Code form or otherwise, to any third party;
- (iv) Use or enable the Use of the Software directly or indirectly by, or in association with any other product or service;
- (v) transfer the Software, or any copy thereof, except as expressly permitted by Licensor. Licensee may be permitted to transfer the Software to an authorized purchaser/transferee of Licensee's business that assumes in writing all of Licensee's obligations with respect to the Software by entering into a Software License Agreement. In such an approved event, Licensee's rights in the Software will, despite any other provision of this Agreement, be automatically terminated without limiting any other rights Licensor may have.

2.3 No Implied License. No right or license will be implied by estoppel or otherwise, other than the rights and licenses expressly granted in this Agreement. Licensor retains all ownership right, title, and interest in and to the Software and the Intellectual Property Rights embodied therein, subject only to the rights and licenses specifically granted in this Agreement to use the Software.

2.4 Compliance Verification and Audit Rights. Licensee agrees that upon request from Licensor, Licensee will within thirty days certify in writing to Licensor that Licensee is in full compliance with the terms and conditions of this Agreement, and in particular, the rights and restrictions applicable to the Software set forth herein. If requested, Licensee will permit Licensor and its representatives and agents to conduct periodic audits of records related to performance by Licensee under this Agreement. Such audits will be during Licensee's normal business hours with reasonable advance notice. Licensee will immediately pay to Licensor all additional amounts owed to Licensor and any damages as determined by the audit.

2.5 No Encumbrances. Licensee acknowledges and agrees that the licensing of the Software is personal to Licensee and that the Software will not be encumbered, assigned or transferred to any other person, firm, corporation or entity.

2.6 Derivative Works. If and to the extent Licensee creates any enhancements of, or Derivative Work based on, the Software, Licensee agrees to disclose all such enhancements or Derivative Work to Licensor promptly but in no event more than 90 calendar days after such enhancements or Derivative Work are created. Licensee agrees that upon creation, all right, title and interest in and to any such enhancements of or Derivative Work based on the Software together with the Intellectual Property Rights embodied therein will vest exclusively in and be owned by Licensor.

As used in (a) this Agreement, the term "**Derivative Work**" means (i) for copyrightable or copyrighted material, a work which is based, in whole or in part, upon one or more pre-existing works, such as a revision, modification, translation, abridgement, condensation, expansion, or any other form in which such pre-existing works may be recast, transformed, or adapted; (ii) for patentable or patented material, any improvement thereon; and (iii) for material which is protected by trade secret, any new material derived from such existing trade secret material, including any new material which may be protected by copyright, patent and/or trade secret.

3. REPRESENTATIONS

3.1 Licensee Representations. Licensee represents to Licensor that Licensee has the proper authority to enter into this Agreement and will comply with the provisions herein.

3.2 Licensor Warranty. Licensor warrants that it has all rights necessary for the grant of the rights and licenses effected by this Agreement.

3.3 Acknowledgment. Licensee hereby acknowledges that the Software is licensed, not sold. All Intellectual Property Rights in and to the Software, the Documentation and any copies thereof which Licensee is authorized to make under this Agreement are the property of and owned by Licensor.

4. PROPRIETARY PROTECTION

Cooperation in Enforcement. The parties will, to the extent commercially reasonable under the circumstances, cooperate in the enforcement of all rights in the Software against infringers.

5. CONFIDENTIALITY

Confidential Information. Licensee acknowledges and agrees that the Software, activation code, license key or registration information or any other elements in any manner connected to the Software provided by Licensor to Licensee for use in relation to the Software constitutes confidential information of Licensor (the "**Confidential Information**") and title thereto remains in Licensor. The Confidential Information will remain the exclusive property of Licensor and Licensee will not:

- (a) use the Confidential Information other than as contemplated by this Agreement, or
- (b) disclose or otherwise communicate, directly or indirectly, the Confidential Information to any person, firm, corporation or entity whatsoever.

6. LICENSE FEE AND PAYMENT TERMS

6.1 License Fee. Licensee promises to pay to Licensor a non-refundable license fee ("**License Fee**") for the Software as set out or calculated in accordance with the provisions of Exhibit A. Time will be of the essence with respect to any payments to be made under this Agreement by Licensee. The failure of Licensee to pay any amounts under this Agreement when due will constitute a material default hereunder and under any other agreement with Licensor and be sufficient cause for Licensor to suspend or terminate this Agreement, without affecting any other rights of Licensor arising due to any such breach. The obligation to pay any outstanding amount to Licensor under this Agreement will survive any termination of this Agreement.

6.2 Taxes. Subject to applicable law, the License Fee will be paid to Licensor in United States currency. All taxes payable in any jurisdiction with respect to the License Fee, other than taxes payable on the income of Licensor, will be the sole responsibility of and will be borne by Licensee. In addition to any License Fee, Licensee will also pay any applicable sales tax, goods and services tax, value added tax or similar tax, if any, on the License Fee. Should Licensee be required by any law or regulation to make any deduction or withholding on account of tax or otherwise on any sum payable under this Agreement, Licensee may deduct or withhold such amount from such payment, remit the amount to the proper authorities, and furnish Licensor as soon as reasonably practicable thereafter with an official receipt evidencing such payment.

7. SUPPORT

Support. Licensor agrees to provide ongoing technical support and maintenance services, as well as updates and upgrades, for the Software (the "**Support Services**") in the manner and extent deemed advisable by Licensor, in its sole discretion.

Licensor will provide any such Support Services to Licensee at no additional charge.

8. WARRANTIES AND DISCLAIMER OF WARRANTY

8.1 Ownership. Licensor hereby warrants that, to the best of its knowledge, the Software will not infringe or misappropriate any Intellectual Property Rights of any third party.

8.2 No Warranty. The Software is provided "*as is*" without warranty or condition of any kind, either express or implied, including, without limitation, the implied warranties or conditions of merchantability or fitness for a particular purpose or durability and the warranty against infringement. Licensor does not warrant that use of the Software will be error-free or that use of the Software will meet Licensee's needs. Licensee represents that (a) it has the requisite expertise to evaluate the suitability of the Software and that Licensee has in fact undertaken its own investigation of the suitability of the Software for Licensee's

purposes; and (b) it will install and operate the Software for Licensee's purposes in accordance with and subject to the provisions of this Agreement.

8.3 Disclaimer. LICENSOR DOES NOT MAKE ANY EXPRESS OR IMPLIED WARRANTIES OR CONDITIONS INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OR CONDITIONS OF DESIGN, MERCHANTABILITY, DURABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICE EXCEPT TO THE EXTENT THAT ANY WARRANTIES IMPLIED BY LAW CANNOT BE VALIDLY WAIVED.

8.4 Limitation of Liability. INDEPENDENT OF, SEVERABLE FROM AND TO BE ENFORCED INDEPENDENTLY OF ANY OTHER ENFORCEABLE OR UNENFORCEABLE PROVISION OF THIS AGREEMENT, IN NO EVENT WILL LICENSOR'S AGGREGATE LIABILITY TO LICENSEE (INCLUDING LIABILITY TO PERSON OR PERSONS WHOSE CLAIM OR CLAIMS ARE BASED ON OR DERIVED FROM A RIGHT OR RIGHTS CLAIMED BY LICENSEE), WITH RESPECT TO ANY AND ALL CLAIMS AT ANY AND ALL TIMES ARISING FROM OR RELATED TO THE SOFTWARE, IN CONTRACT, TORT (INCLUDING NEGLIGENCE OR BREACH OF ANY DUTY) OR OTHERWISE EXCEED THE CONSIDERATION PAID BY LICENSEE TO LICENSOR UNDER THIS AGREEMENT. IN NO EVENT WILL LICENSOR BE LIABLE TO LICENSEE FOR ANY CONSEQUENTIAL, INDIRECT, SPECIAL, PUNITIVE, EXEMPLARY OR INCIDENTAL DAMAGES, LOSS OF GOODWILL OR BUSINESS PROFITS, EVEN IF LICENSOR HAS BEEN ADVISED OF THE POSSIBILITY OF ANY SUCH LOSS OR DAMAGES. THE FOREGOING LIMITATION OF LIABILITY AND EXCLUSION OF CERTAIN DAMAGES WILL APPLY TO THE EXTENT PERMITTED BY APPLICABLE LAW REGARDLESS OF THE SUCCESS OR EFFECTIVENESS OF OTHER REMEDIES.

9. INDEMNIFICATION

Indemnification by Licensee. The indemnification provision of Licensee's then-current Servpro Franchise License Agreement and/or Training and Distribution Agreement is incorporated herein by this reference.

10. TERM AND TERMINATION

10.1 Term. This Agreement is effective for the longer of five years or until the end of the term of any Servpro Franchise License Agreement and/or Training and Distribution Agreement that is in effect between Licensor and Licensee; provided, however, that it expires automatically any time that Licensee is no longer a party to a valid, binding Servpro Franchise License Agreement and/or Training and Distribution Agreement. When Licensee renews any Servpro Franchise License Agreement and/or Training and Distribution Agreement, Licensor has the option to (a) continue the five-year term of this Agreement through the term of the renewed Servpro Franchise License Agreement and/or Training and Distribution Agreement or (b) require Licensee to enter into a new Software License Agreement that may contain materially different terms and conditions. Licensor may terminate this Agreement at any time upon thirty days written notice, and Licensor may terminate this Agreement immediately in the event Licensee materially breaches this or any other agreement it has with Licensor or any affiliate of Licensor.

10.2 Performance. If Licensee fails to comply with any of the terms and conditions of this Agreement, Licensor may terminate this Agreement upon thirty (30) calendar days written notice to Licensee specifying any such breach, unless within such period of such notice, all breaches specified therein will have been remedied (if capable of being remedied), or unless Licensee has undertaken immediate, good faith efforts toward remedying the breach within such period and continues to use prompt, good faith and diligent efforts to promptly remedy the breach.

10.3 Immediate Termination. Despite any other provision of this Agreement, the license and rights hereby granted will terminate and be deemed to terminate one day prior to the occurrence of any of the following: in the event Licensee files for bankruptcy, is adjudicated bankrupt or insolvent, makes an assignment for the benefit of creditors, or seeks protection from creditors under any statute, law or regulation, or if Licensee discontinues its business or dissolves its business, or if a receiver is appointed for Licensee or its business. In the event of any such termination, neither Licensee nor any person or entity claiming any rights under Licensee will be entitled to the benefits of this Agreement or the license hereby granted.

10.4 Effect of Termination. If this Agreement is terminated for any reason whatsoever, the rights and licenses granted by Licensor to Licensee herein will terminate.

11. GENERAL

11.1 Exclusion of Convention. The parties hereto agree that the application of the *United Nations Convention on Contracts for the International Sale of Goods* will not apply to any part of any transaction which may result from any negotiations, discussions or agreements, including this Agreement, between the parties and the same is hereby strictly excluded.

11.2 Severability. If any provision of this Agreement is determined to be illegal or unenforceable, then such provisions are hereby waived to the extent necessary for this Agreement to be otherwise enforceable. However, if in Licensor's opinion, deletion of any provisions of this Agreement by operation of this Subsection unreasonably compromises the rights or increases the liabilities of Licensor, Licensor reserves the right, despite any other provision of this Agreement, to terminate this Agreement and refund the License Fee paid by Licensee, as Licensee's sole and exclusive remedy.

11.3 Freedom of Action. Nothing in this Agreement will be interpreted as restricting or limiting the right of Licensor to grant others any further non-exclusive right or license in all or any part of the Software in any jurisdiction on such terms and conditions as Licensor, in its sole discretion.

11.4 No Rights in Third Parties. This Agreement is made solely for the benefit of the parties hereto.

11.5 Headings. The headings to, and the division of this Agreement into Sections, Subsections, Paragraphs and Subparagraphs are for ease of reference only and will not in any way affect or be used in interpreting any of the provisions of this Agreement.

11.6 Entire Agreement. This Agreement constitutes the entire agreement between Licensor and Licensee with respect to the subject matter hereof (licensing of the Software), and supersedes and replaces all prior or contemporaneous representations, statements, understandings or agreements, written or oral, regarding such subject matter. Unless otherwise provided herein, this Agreement may not be modified, amended, rescinded, or waived, in whole or part except by a written instrument signed by the duly authorized representatives of both parties and expressly referring to this Agreement.

11.7 Assignment. Neither this Agreement nor any of the rights and duties of Licensee will be assigned, transferred or conveyed by Licensee, by operation of law or otherwise, nor will this Agreement or any rights of Licensee enure to the benefit of any trustee in bankruptcy, receiver, creditor, trustee, whether by operation of law or otherwise, and any attempt to do so will be void and entitle Licensor to terminate this Agreement as provided herein.

11.8 No Waiver. Failure or delay of or by either party to exercise any right or remedy under this Agreement or to require strict performance by the other party of any provision of this Agreement shall not be construed to be a waiver of any such right or remedy or any other right or remedy hereunder. All of the rights of each party under this Agreement shall be cumulative and may be exercised separately or concurrently.

11.9 Currency. Any payments to be made by Licensee to Licensor under this Agreement will only be in lawful currency of the United States of America unless specified otherwise in writing by Licensor.

11.10 Relationship. The parties confirm and acknowledge that their relationship under this Agreement is that of independent contractors. No partnership or joint venture is intended to be created by this Agreement and no principal-agent or employer-employee relationship. Neither party will have any authority and will not represent that it has any authority to assume or create any obligation, express or implied, on behalf of the other party under this Agreement.

11.11 Enurement. This Agreement and all of the covenants, conditions, rights, licenses and restrictions set forth in this Agreement will be binding upon and enure to the benefit of the parties and their permitted assigns and successors.

11.12 Survival and Incorporation by Reference. Despite any termination of this Agreement, the provisions that by their nature and subject matter should survive, will survive termination of this Agreement.

This Agreement and Licensee's performance under this Agreement are subject to the terms and conditions of Licensee's Servpro Franchise License Agreement including, without limitation, Articles 3 (Initial and On-Going Fees), 4 (Accounting; Record Keeping), 7 (Covenants of Operator), 8 Covenants of Franchisor), 9 (Independent Contractor; Indemnification), 10 (Default and Termination) and 11 (Operator's Obligations Upon Termination, Expiration or Non-Renewal; Franchisor's Option to Purchase) and/or Training and Distribution Agreement, including, without limitation, Articles 5 (Initial and On-Going Fees; Distributor's Obligations and Operating Standards), 11 (Independent Contractor; Indemnification) and 12 (Termination), which Servpro Franchise License Agreement and/or Training and Distribution Agreement is incorporated herein by this reference, except as may be modified herein.

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed by its duly authorized representatives effective as of the date set forth above.

LICENSEE:

_____ **Business entity d/b/a:**

SERVPRO of _____

By: _____
Name

Date: _____

By: _____
Name

Date: _____

EXHIBIT A

Software

1. Product names

WorkCenter™ Office

WorkCenter™ Marketing

Drybook Mobile

2. Product Description

WorkCenter™ is comprised of two applications, WorkCenter™ Office and WorkCenter™ Marketing. WorkCenter™ is web-based allowing the integration with other Franchise Technology (DryBook™ and DryBook™ Mobile), Corporate Systems (Claims Entry, Job File Audit, etc.) and third party applications (i.e. Xactimate®).

WorkCenter™ is a web based application which can be accessed on any PC or tablet where an Internet connection is available, permitting users to perform their work tasks from remote locations.

WorkCenter™ Office functionality includes, but is not limited to the following: Claims Entry integration to capture job data, job and crew scheduler, DryBook™ and DryBook™ Mobile job documentation integration, QuickBooks® integration for billing, collections and marketing, estimating and tracking system to manage equipment. WorkCenter™ Marketing functionality includes, but is not limited to the following: set-up sales routes, identify the top prospects, set specific goals for each Sales Marketing Representative ("SMR"), view SMR activity real time, review the notes from each days marketing efforts, quickly search for a contact or business and works on tablets where an Internet connection is available.

3. Product Naming and Functionality

Licensor reserves the right to change the name of the Software and functionality. Licensor shall provide notice to Licensee of any planned Software changes, updates, upgrades and enhancements.

4. License Fee Payable to Licensor

Licensee promises to pay to Licensor the License Fee for the Term in the amount set forth below plus all applicable taxes such that Licensor will receive the License Fee payable hereunder on a completely net basis.

The monthly License fee is \$175.00 for the first sixty (60) months.

After the first sixty (60) months of the term of this Agreement, the monthly fee is \$108.00.

The number of months of the 60 month term of higher fee payments will be reduced as follows:

- a. For Licensees converting from ManagER®, the number of months paid on the original ManagER software license.
- b. For Licensees entering into this Agreement as part of the acquisition of one or more existing Servpro franchises through a resale where the seller has a ManagER® software license or a WorkCenter software license, the number of months the seller paid on the original software license.

For example, if a Licensee has already made timely and full payments under a ManagER software license for 72 months, that Licensee would automatically begin paying at the reduced amount when converting to a WorkCenter software license. As a further example, if a Licensee purchases a resale Servpro franchise where the seller paid on a WorkCenter software license for 54 months, the buyer would pay the higher fee for 6 more months.

Notwithstanding anything in the foregoing provisions, for Licensees who are parties to a Franchise License Agreement and/or Training and Distribution Agreement executed prior to 1986, the monthly license fee is \$158.00 per month in perpetuity.

Whenever any one of the required monthly payments has not been timely paid, Licensee agrees to pay Licensor a late fee of fifty (\$50.00) dollars on any monthly fee which has become due and remains unpaid for a period in excess of five (5) days.

For all Licensees entering into this Agreement as part of an acquisition of one or more existing Servpro Franchises through a resale where the prior Licensee has an approved Agreement dated 2015 or thereafter, the Licensee's monthly payments shall be as specified in that Agreement.

Licensee shall be entitled to receive one (1) licensed copy of the Software to be used at one business location for Agreement and each monthly payment made. Multiple franchise licenses with common ownership operating out of the same business location may utilize the same Agreement as long as they operate from one common business location. One Agreement can be used for WorkCenter and DryBook Mobile on multiple devices such as IPAD's and Workstations for each such business location.

Licensor reserves the right to and may change the software, the fees and/or services in this Agreement upon prior written notice to Licensee as Licensor may deem to be necessary or beneficial to Licensee or the system from time to time in its sole discretion. Licensor reserves the right to and may charge an initial fee and/or an ongoing fee for the use of additional or replacement software that is not included in this Agreement or is unavailable on the effective date of this Agreement, which fees shall be set forth in writing.

5. **Support**

A toll-free telephone number will be provided for support regarding the Software Monday through Friday from 7:00 a.m. to 6:00 p.m. Central Time. Additional internet-based Software training will be made available at no additional fee to Licensee.

EXHIBIT D

PERSONAL RESPONSIBILITY STATEMENT



PERSONAL RESPONSIBILITY STATEMENT DISTRIBUTOR

In this Personal Responsibility Statement, “We,” “Us” or “Our” means Servpro Industries, Inc. “You” means the Distributor and its Owners (if applicable), as indicated at the end of this Statement. All capitalized terms not otherwise defined herein shall have the meaning as defined in the underlying Training and Distribution Agreement of even date. While considering the information contained in Our Franchise Disclosure Document (“FDD”) and other information obtained from visits and discussions with Us, with any of Our Distributors and with any SERVPRO franchisees and/or former franchisees, We recommend that You consider the following factors in deciding whether to purchase a SERVPRO® Distributorship. We want You to understand that the purchase of a SERVPRO® Distributorship is a business decision, complete with risks associated with starting or operating any business.

1. Establishment of New Business. The purchase of Our Distributorship is primarily the purchase of a license to establish and operate a business under the SERVPRO® trademark and trade name. You must operate Your Distributorship in accordance with Our pre-established business format. You understand that the creation and operation of a new business involves a number of business risks, which exist in connection with the purchase of any business. These business risks make the success or failure of Your Distributorship subject to many variables, including Your skills and abilities, Your efforts, the hours You work, competition, interest rates, the economy, inflation, operation costs and the marketplace. You understand and acknowledge that We cannot guarantee that Your Distributorship will ever achieve profitability. You hereby acknowledge Your willingness to undertake these business risks.

2. Ability to Operate a SERVPRO® Distributorship. The ability to operate a profitable SERVPRO® Distributorship requires some level of business and management skills and the capability of providing good customer service. We stress that Our Distributors must provide excellence in customer service. How You treat Your assigned franchisees is critical to the successful operation of Your Distributorship.

3. Importance of Your Effort. Starting and operating a business is a complicated undertaking and will require both a financial investment and a commitment of personal time to work at and on the business a substantial number of hours per week. Although We will provide assistance and advice, We cannot guarantee Your success as a SERVPRO Distributor. Your earnings and profits as a SERVPRO Distributor will depend upon Your own individual efforts in operating Your Distributorship. Your failure to follow Your Trainer Responsibilities or Director Responsibilities may have a negative effect on the profitability of Your Distributorship, may lead to franchisees being unassigned, new franchisees not being assigned to You, and may even lead to the termination of Your Training and Distribution Agreement.

4. Working Capital and Financial Requirements. In Our FDD, We have disclosed an ESTIMATE of the amount of working capital that You should have available to invest in the Distributorship in the start-up phase of the operation of Your Distributorship. However, no amount of investment can guarantee that You will have a profitable Distributorship.

5. Training and Support. We produce and distribute various training materials, programs, manuals and newsletters to Our Distributors, and We facilitate the holding of local, area and/or national conferences and meetings, both in-person and electronically, in order to encourage networking and the exchange of ideas among Our Distributors for the purpose of promoting and making Your Distributorship

more productive. It is up to You to avail Yourself of and use the information, ideas, recommendations and suggestions We provide.

6. Competition. Each of the services Servpro franchisees provide are provided by others and new competitors may appear at any time within Your Territory.

7. Taxes, Fees and Governmental Regulations. Your Distributorship is a business operation and will be required to pay all existing and any new taxes and fees imposed on businesses by governmental entities. Your Distributorship will be subject to a variety of federal, state, and local laws and governmental regulations, including, without limitation, laws and regulations concerning health, safety, environmental matters, toxic and hazardous materials, privacy and use of customer data, compliance with the Americans with Disabilities Act (ADA), the Occupational Safety and Health Administration (OSHA) laws and regulations, the Equal Employment Opportunity (EEO) laws and regulations and any new or proposed legislation, such as health insurance and related programs. You understand that We cannot advise You with regard to any such laws and regulations, and that Our legal department cannot and does not provide you with legal advice.

8. Litigation and Liability Insurance. You may, from time to time, receive complaints from or be served with lawsuits by customers or franchisees alleging breach of contract or other misconduct resulting from Your operation of the Distributorship. A number of our franchisees have been sued for mold related claims. This has occurred when franchisees performed water damage restoration services and the property owner alleged that it was done improperly. You are required to carry pollution liability insurance, commercial general liability and other insurance and to name Us and our affiliates as additional insureds.

9. Renewal Option at End of Term. Your Training and Distribution Agreement gives You a license to operate for an initial term of five (5) years. At the end of the five (5) year term, if You have complied with the terms of the Training and Distribution Agreement, You may renew Your Distributorship pursuant to the terms of your Training and Distribution Agreement. If We refuse to renew Your Training and Distribution Agreement because You have not complied with the Training and Distribution Agreement or our then-current renewal requirements or if You choose not to renew Your Training and Distribution Agreement, You may be required to transfer and assign Your telephone numbers to Us, and/or You may be prohibited from operating Your Distributorship or any similar business that competes with Us or Our Distributors for a period of two (2) years in Your Territory or within a twenty five (25) mile radius thereof.

10. Use of Independent Professional Advisors. We recommend that You consult with Your own independent advisors in order to satisfy Yourself concerning Your ability to establish and operate a profitable business, taking into account the amount of working capital You have available, Your anticipated debt service, Your monthly expenses and Your other financial obligations.

11. Application Materials. Our decision to grant You the Distributorship was based to a significant degree, on the Request For Information form and other information and documents You submitted to Us during the time leading up to Your signing the Training and Distribution Agreement. You confirm that all information and documents You submitted to Us were complete and accurate when made and that there have been no material changes in that information or other changes in material circumstances, between the time of submittal and the date you signed the Training and Distribution Agreement.

12. Distributor Entity. If the Distributor under the Training and Distribution Agreement is an entity, each of You signing below confirm that: (i) You are an Owner or a duly authorized officer, partner or manager, member, (if a limited liability company), as applicable, with full power and actual authority to act for the Distributor entity with respect to all matters covered by this Statement and the Training and Distribution Agreement; (ii) You have full power and actual authority to sign the Training and Distribution Agreement on behalf of the Distributor entity; (iii) the Distributor entity is legally and properly formed, and operating in compliance with all applicable laws, and is in good standing in the state of its formation; and (iv) all organizational documents for the Distributor entity have previously been provided to Us, and such documents were complete and accurate.

13. Prior Contracts. If you have previously worked in Our industry, You may have entered into a contract with a former employer, business partner, or another franchisor in our industry, which contract would have prevented you from lawfully entering into Our Training and Distribution Agreement due to a non-competition clause or some other provision of the contract. You confirm that any such contracts that would have prevented You, and Distributor entity if applicable, from entering into the Training and Distribution Agreement, have either expired or been lawfully terminated prior to your execution of the Training and Distribution Agreement, without You or Distributor entity, if applicable, having breached any of such contracts to effect termination.

14. International Laws. The United States has enacted a variety of laws to ensure that foreign governments and terrorist groups do not launder money through United States businesses or otherwise improperly impact United States businesses. You confirm that: (i) You have had a full and adequate opportunity to be advised by legal counsel regarding the laws and regulations that prohibit unfair, fraudulent or corrupt business practices, including, without limitation, the United States Foreign Corrupt Practices Act and the International Money Laundering Abatement and Anti-Terrorist Financing Act, otherwise known as the Patriot Act; (ii) no governmental authority or body, official of an international organization, political party or official of any political party or candidate for public office, has any direct or indirect ownership in the Distributorship, or Distributor entity if applicable, or any interest in the revenues or profits of the Distributorship; (iii) neither You nor any other Owner of the Distributorship, officer, director, manager, governor, employee or other person affiliated with the Distributorship is named or will be named as “Specially Designated Nationals” or “Blocked Persons,” as designated by the U.S. Department of the Treasury’s Office of Foreign Assets Control; and (iv) neither You nor any owner of the Distributorship has acted or will act, directly or indirectly on behalf of any governmental authority or body that is subject to an United States embargo.

15. FDD and Training and Distribution Agreement. You confirm that Our possession of a signed Receipt Page acknowledges that You received the FDD and its attachments, including the Training and Distribution Agreement, at least 14 days before you signed a binding agreement or made payment to Us or an affiliate of Ours in connection with the Franchise sale, with the following exceptions:

(i) in the State of Iowa, where the disclosure document was provided to you the earliest of: (a) the first personal meeting; (b) 14 business days before you paid any money; or (c) 14 business days before you signed any binding contract;

(ii) in the States of New York and Rhode Island, where the disclosure document was provided to you the earliest of: (a) the first personal meeting; (b) 10 business days before you paid any money; or (c) 10 business days before you signed any binding contract; and

(iii) in the State of Michigan, where the disclosure document was provided to you the earlier of:
(a) 10 business days before you paid any money; or (b) 10 business days before you signed any binding contract.

You confirm that the date you wrote on the Training and Distribution Agreement is the actual date that you signed the Training and Distribution Agreement. You understand that the Training and Distribution Agreement governs Our relationship. You may have Your own independent advisors explain any terms of the Training and Distribution Agreement, which You do not understand. You acknowledge that You have had an opportunity to do so.

16. No Representations of Earnings or Profits. We have a policy of not making any earnings claims to persons interested in purchasing a SERVPRO® Distributorship. Instead, We encourage You to contact existing SERVPRO Distributorship owners and inquire about their respective business volumes and income levels. You acknowledge that Your decision to enter into this business relationship with Us is not based upon any written or oral representations, assurances, warranties, guarantees or promises made by Us and/or any of Our Distributors and/or anyone else as to the likelihood of success of the Distributorship. You further acknowledge that You have not received any information from Us and/or any of Our Distributors and/or anyone else concerning actual, average, projected or forecasted Distributorship sales, profits, earnings, or expenses, other than the information contained in Our FDD. You further acknowledge that You have not been offered a “side deal” or promise or commitment that contradicts, expands upon or is inconsistent with Our FDD, the Training and Distribution Agreement or any Addendum or Amendment. To ensure that Our policies have been carried out, please completely note any exceptions here:

(If none, prospective Distributor shall write "NONE" in his/her own handwriting.)

17. Acknowledgment. If any earnings claim, financial performance representations or “side deals” have been made to You by any person associated with Us, please contact Our General Counsel immediately at (615) 451-0200. Otherwise, by signing below, You hereby indicate that You FULLY UNDERSTAND AND ACCEPT ALL OF THE BUSINESS RISKS described above and all other risks that may affect Your ability to profitably operate Your SERVPRO® Distributorship; ~~provided, however, the foregoing representations are not intended to, and they shall not act as a release, estoppel or waiver of any liability under the Illinois Franchise Disclosure Act or the Maryland Franchise Registration and Disclosure Law. Any questions or doubts which You have about Us or the Training and Distribution Agreement are stated as follows:~~

By Your signature below, You represent, warrant and certify that the above statements are true and accurate.

Signature

Signature

Signed this _____ day of _____, 20__.

ACCEPTED BY SERVPRO this _____ day of _____, 20__.

SERVPRO INDUSTRIES, INC.

By: _____
Randall A. Isaacson, President

EXHIBIT E

TERRITORIAL POLICY

SERVPRO INDUSTRIES, INC.

TERRITORIAL POLICY

25003

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Section 1. Introduction and Purpose.

- 1.1 **Introduction.** The SERVPRO Franchise License Agreement requires that an OPERATOR comply with a territorial working agreement or “Territorial Policy” which prescribes the conditions under which an OPERATOR may advertise, solicit and perform services whether inside or outside its Operating Territory. Servpro will modify and amend Territorial Policy in its sole discretion, usually annually. OPERATOR agrees that FRANCHISOR may enforce this Territorial Policy in its sole discretion. The modified or amended Territorial Policy may contain materially different terms and conditions than the current Territorial Policy. You must comply with the most recent version of Territorial Policy.
- 1.2 **Purpose.** Each OPERATOR should concentrate its efforts on developing and performing work within its Operating Territory. To supplement an OPERATOR’s promotional efforts, FRANCHISOR allows each OPERATOR to advertise, solicit and perform services outside its Operating Territory under certain circumstances. This allows SERVPRO OPERATORS to act as a network, providing better service than offices operating independently.

Section 2. Definitions.

The following terms are defined specifically for this Territorial Policy. Terms defined in the Franchise License Agreement have those meanings.

- 2.1 Adjuster - Any individual who is employed by or represents the insurance industry for the primary purpose of evaluating and settling insurance claims.
- 2.2 Advertising - Any form of media contact through newspapers, mailings, telephone directories or other directories, trade journals, radio, television, flyers, pamphlets, electronic mail, web pages or domain names, or other means, about cleaning, restoration and related services.
- 2.3 Agent - Any individual who is employed by or represents the insurance industry for the primary purpose of selling or writing policies of insurance.
- 2.4 Catastrophic Loss - Any Insurance Work where restoration services, including Sub-contract Services, managed by a Servpro franchisee exceeds \$50,000 (individual loss or multiple losses combined).
- ~~2.5 Declaration - The method by which all OPERATORS in a Trainership establish the amounts of Referral Fees, Estimating Fees and Territory Commissions each OPERATOR will pay and/or receive from other OPERATORS in the Trainership. (see Section 9.)~~
- 2.65 Direct Work - Any work not defined as Insurance Work or Sub-contract Services (generally cleaning). This includes (a) commercial and real estate work (b) residential work, and (c) work received from national, regional or local retail or wholesale organizations, not associated with fire, water or other damage cleaning or restoration.
- 2.76 Director - A person licensed by FRANCHISOR to provide certain services to OPERATORS and Trainers. Trainers and Directors are also referred to as Distributors.
- 2.87 Estimating Fee - A fee of up to 5% paid by one OPERATOR to another OPERATOR for performing an estimate, scope or survey on Insurance Work when another OPERATOR performs the production work.

- | 2.98 Franchise Business Consultant - A person who serves the same function as a Trainer Distributor, but is employed by FRANCHISOR, or a General Trainer or Director.
- | 2.409 Franchise - The business operated by an OPERATOR pursuant to a Franchise License Agreement using FRANCHISOR's Marks and the Servpro System.
- | 2.410 Initial Contact - The OPERATOR who generates and receives a lead for Insurance Work. (See Appendix BA.)
- | 2.421 Insurance Work - Cleaning and restoration services which arise as a result of an occurrence relating to fire, water, storm, soot, smoke, vandalism, sewage or other damage restoration for which insurance is available, whether or not an actual insurance policy was in force, and any work requested to be performed for the same customer at the same time. Acts of God specifically excluded by some underwriters, for example, such as tornado, earthquake, flood, hurricane or hail, are included in this definition. (See APPENDIX BA.)
- | 2.4312 National Accounts and Commercial Accounts - Any work designated as a National or Commercial Account by FRANCHISOR, including a RAM Program working with and providing requested reports to the National Accounts Division.
- | 2.4413 New OPERATOR - The operator of a new Franchise who has completed Set Up Training whose license has been issued for less than 12 months and whose individual owners, officers, partners, members, shareholders, or spouses have not previously held an interest in a Franchise. Individuals or entities purchasing existing licenses (resales) are not New OPERATORS for the purpose of this Territorial Policy.
- | 2.4514 Open Territory - Any territory that is outside the Operating Territory of any OPERATOR.
- | 2.4615 Operating Territory - Any territory which is assigned and licensed to an OPERATOR.
- | 2.4716 Primary Place of Business - The location where the majority of the business transactions take place for the operation of the Franchise servicing the Operating Territory. These include, without limitation, receipt of customer calls at the location; location of vehicles, equipment and crews servicing the Operating Territory; office and/or warehouse location; product inventory and personnel on site; and a separate business license.
- | 2.4817 Production Office - The OPERATOR who produces Insurance Work as a result of a referral from an Initial Contact.
- | 2.4918 RAM Program - A Regional Accounts Manager Program authorized by FRANCHISOR.
- | 2.2019 Referral Fee - A fee of up to 5% retained by the Initial Contact for referring Insurance Work to a Production Office.
- | 2.2420 Select National Accounts or Commercial Accounts - Insurance carriers, commercial properties designated as such by FRANCHISOR or an affiliate that typically require indemnification and/or work guarantees pursuant to a written agreement with Franchisor or an affiliate for the work produced by OPERATORS and their subcontractors as a condition of serving their insureds.
- | 2.2221 Servpro Marketing Manager ("SMM") – Manages and implements the Servpro marketing program and supervises sales and marketing staff.

- | 2.2322 Servpro Marketing Representative (“SMR”) – Performs all aspects of marketing and sales of Servpro System Services.
- | 2.2423 Solicitation - Any promotion by or on behalf of an OPERATOR, other than Advertising, to potential customers or to any other persons or entities who may have the ability to refer work. Solicitation includes attending business, trade association, and other meetings of any type at which marketing is or may be performed. If performed within thirty (30) days after work has been completed, the following are not solicitation: Delivery of Certificates of Satisfaction, Add-on sales, customer or COI satisfaction call-backs, and “thank you” letters to customers, or customer recalls or other customer contact to promote services. If any of the foregoing are performed more than thirty (30) days after work has been performed, they constitute solicitation and are prohibited in another OPERATOR’s Operating Territory.
- | 2.2524 Sub-contract Services - See Section 3.2(b) of the then-current Franchise License Agreement. (Please see the Franchise License Agreement and the most current Bulletin for examples of what qualifies as Sub-contract Services for Royalty reporting purposes.)
- | 2.2625 Territory Commission - A commission of up to 5% paid from one OPERATOR to another OPERATOR for performing Insurance Work in the other OPERATOR’s Operating Territory.
- | 2.2726 Trainer Distributor - The person who provides training and support services to OPERATORS as assigned by FRANCHISOR.
- | 2.2827 Trainership - The geographic area licensed to a Trainer Distributor or managed by a Franchise Business Consultant.

Section 3. Advertising and Promotion.

- 3.1 The Franchise License Agreement requires that all Advertising by an OPERATOR, whether in or outside the Operating Territory, must comply with FRANCHISOR’s standards and must be approved by FRANCHISOR in writing before its use or publication. All Advertising must be in the “SERVPRO® of _____” licensed business name specified in OPERATOR’s Franchise License Agreement. All advertising must comply with current advertising requirements, including the Brand Identity Guide (“BIG”), as amended from time to time by Franchisor.
- 3.2 Most SERVPRO Franchise License Agreements provide that OPERATORS may only utilize business telephone or facsimile area codes and exchanges that are wholly within or mostly within their Operating Territories. At no time is an OPERATOR allowed to use a telephone or facsimile area code or exchange outside the Operating Territory of the Franchise for business purposes. OPERATORS are limited to publishing only telephone or facsimile numbers with telephone or facsimile area codes and exchanges wholly within or mostly within their Operating Territories.
- 3.3 An OPERATOR may only advertise in publications or media where the circulation of the media or directory is partially outside the Operating Territory if the regular circulation of the publication or medium includes the majority of the Operating Territory. An OPERATOR may only advertise in Yellow Pages or other telephone directories where the circulation of the directory includes the majority of the Operating Territory. If OPERATOR and other Servpro franchisees wish to place Yellow pages cooperative advertising, each Franchise must separately qualify for each proposed Yellow Pages book. This means that each proposed Yellow Pages book must include a majority of the Operating Territories of each Servpro Franchise participating in the cooperative advertising. A majority is considered to be approximately fifty percent (50%) of the geographical

area of the franchise or coverage area of the media or a majority of population within the Operating Territory. (See Appendix BA.)

- 3.4 If an OPERATOR can control the circulation of the advertising, the advertisement may only be sent to locations in the Operating Territory. Advertising in Open Territory is permissible if any single advertising vehicle/campaign does not last more than two weeks and otherwise complies with this Territorial Policy and the BIG. Permanent or semi-permanent advertising vehicles/campaigns, such as yellow pages ads, are prohibited in Open Territory. If you have any questions, please contact the Servpro Legal Department before you proceed. If the OPERATOR cannot control the circulation of the advertising, OPERATOR must obtain FRANCHISOR's prior written approval. FRANCHISOR may require OPERATOR to contact other OPERATORS whose Operating Territories are included in the advertising area in order to extend them the opportunity to participate in the advertisement on a cooperative or cost-sharing basis, as a condition to granting approval. Any such cooperative advertising may list all licensed franchise names ("Servpro of _____") of the franchisees participating in the ad, -along with their telephone numbers on file with the Servpro Legal Department or may use Servpro and 1-800-SERVPRO. If the other Operators decline to participate, permission will generally be granted and the requesting OPERATOR may advertise their own franchise names but may only use 1-800 SERVPRO as their contact number.
- 3.5 Participation in promotional events, except for those governed by sections 3.14 and 3.15 of this Territorial Policy, will generally be treated the same as advertising where the OPERATOR cannot control the circulation of the advertising. OPERATOR must obtain Franchisor's prior written approval and Franchisor may require OPERATOR to contact other OPERATORS whose Operating Territories are impacted in order to extend them the opportunity to participate in the event on a cooperative or cost-sharing basis.
- 3.6 Any Internet advertising and listings in cell phone directories, when available, need prior written approval from the Legal Department of FRANCHISOR. As a general rule, local Internet directories, such as Chambers of Commerce sites, will be treated the same as advertising where the OPERATOR cannot control the circulation of the advertising. OPERATOR must obtain FRANCHISOR's prior written approval and FRANCHISOR may require OPERATOR to contact other OPERATORS whose Operating Territories are included in the advertising area in order to extend them the opportunity to participate in the advertisement on a cooperative or cost-sharing basis. Email solicitations may only be conducted in compliance with applicable law and only where OPERATOR can verify that the emails are being sent to addresses in OPERATOR's Territory or Open Territory.

OPERATORS are permitted to make use in any internet or electronic advertising, whether in the text of any advertising, in any listing, or in any metadata or code, search terms, or adwords of any geographic terms that are located within the OPERATOR's Operating Territory, including any zip codes, cities, towns, landmarks, or public or private locations of any sort. All internet or electronic advertising must be directed to customers located within the OPERATOR's Operating Territory if possible. OPERATORS are required to:

(a.) notify in writing any publishers of any online directories or other companies or persons offering internet advertising or marketing, or search engine optimization of these restrictions;

(b.) provide such publishers or other companies notice of the specific geographic locations or descriptions the OPERATOR wishes to use, which are located within

OPERATOR's Operating Territory, as search terms, and confirm that no other geographic locations or descriptions will be used. If the internet publisher or other company is unable to comply with these restrictions, the Operator may not place the advertisement, or use the search terms or adwords.

3.6 OPERATOR agrees to follow all policies and requirements, as found in the Brand Identity Guide, Bulletins, or as otherwise communicated by FRANCHISOR from time to time, if OPERATOR wishes to engage in electronic and Internet advertising and marketing, including, without limitation, search engine marketing. These policies and requirements may include, without limitation, using only approved marketing and advertising firms and paying their associated fees.

3.7 OPERATORS with a business location in another OPERATOR'S Operating Territory or in Open Territory must use a post office box or other mailing address located in their Operating Territories. This address must be used on all advertising and solicitation materials, in whatever form of media, including business cards, checks and stationery. OPERATORS may display the Servpro house logo on such a business location, but they may not display their "Servpro of _____" licensed business names or telephone numbers, park their vehicles on the street, or in any way identify their Franchises. This is the only time the Servpro logo may be used by OPERATORS without the "Servpro of ___" licensed business name. Vehicles that must be parked outside the warehouse or other business location are to be parked at the rear of the building or in an area in which they will attract the least amount of attention and publicity. Operators may not park their vehicles permanently or semi-permanently in another OPERATOR'S Operating Territory in any location other than their business location and only as stated in this section. Operators must have their business location within their Operating Territory.

3.8 OPERATORS may not display advertising signage or list telephone or facsimile numbers outside any business location of the OPERATOR which is located in the Operating Territory of another OPERATOR. This restriction does not include the display of signage, telephone or facsimile numbers on service vehicles or other equipment which are moving through or otherwise temporarily within another OPERATOR's Operating Territory.

3.93.9 National Referral Companies and Government Agencies – When OPERATORS enter into agreements directly with national referral companies such as Alacrity, Contractors Connection and similar companies, they may designate any geographic area within which they can reasonably provide services directly by their Franchises and may perform the work without restriction and without payment of territorial fees to other OPERATORS. This applies when FRANCHISOR has no way to control the call/lead dispatch process; i.e., the lead is not coming in through 1-800-SERVPRO. This includes OPERATOR's Operating Territory, Open Territory and the Operating Territories of other OPERATORS. The same is true of contracts with government agencies. When any of these entities request that an OPERATOR submit a list of serviceable zip codes, OPERATOR may accurately list all zip codes that OPERATOR is able to directly service with OPERATOR's own direct franchise business. OPERATORS are prohibited from entering into agreements for work in areas more than 4 hours from their Primary Place of Business because this would likely not allow OPERATORS to meet FRANCHISOR's 1-4-8 service guidelines. No estimating or referral fees are payable to other OPERATORS when performing work for these types of entities. OPERATORS may not violate the advertising and solicitation provisions of this policy or their Franchise License Agreements in obtaining these agreements. In no event may OPERATOR refer such work to others; i.e., OPERATOR may not act as a third party administrator or referral source for such work and refer such work for a fee.

3.10 Service Contracts for Work Outside of OPERATOR's Operating Territory – If requested by a ~~business within OPERATOR's Operating Territory~~customer, OPERATOR may enter into an agreement with that ~~business~~customer to provide ~~service for that business~~services in OPERATOR's -own Operating Territory, or in the Territory of another OPERATOR or within four (4) hours thereof. OPERATORS may not violate the advertising and solicitation provisions of this policy or their Franchise License Agreements in obtaining these agreements. In no event may OPERATOR refer such work to others; i.e., OPERATOR may not act as a third party administrator or referral source for such work and refer such work for a fee

3.11 OPERATORS may not place their own toll free numbers on any vans or other vehicles. Only local numbers and 1-800-SERVPRO may be so displayed.

3.12 When using a corporation, partnership or LLC for the purpose of owning a Servpro Franchise, certain criteria must be met:

The word SERVPRO® is a registered trademark licensed to Servpro Industries, Inc. and may NOT be used in the name of OPERATOR'S corporation, partnership or LLC.

An entity name may not contain words referencing a geographic area that is larger than the Operating Territory granted by OPERATOR'S Franchise License Agreement. FRANCHISOR attempts to differentiate each Servpro Franchise by relating the Franchise name to the geographic area in which it is located. Example: "Servpro of Gallatin" would represent a Franchise whose geographical territory is the Gallatin city limits. References to geographic areas and entity names that do not specifically identify the Operating Territory as provided in the License Agreement are not permitted. Examples of types of names to avoid: Greater Boston Cleaning Services LTD, Central Illinois Restoration, Inc., Minnesota Contractors LTD, West Coast Cleaners LLC, Great Lakes Restoration, etc.

3.13 OPERATORS may not share office space or employees with other OPERATORS.

3.14 Trade Shows. OPERATORS may attend trade shows in any territory, subject to the provisions of this Section 3.14. The term "trade show" refers to (a) gatherings of industry or professional groups, such as real estate professionals, builders and construction industry groups, building owners and managers (including BOMA), organizations of tradesmen, risk management and insurance associations, or associations of restaurant and hotel owners, organized for the purpose of presenting goods and services of interest to those groups, and (b) expositions and exhibits organized around a central theme and open to the general public, such as home and garden shows. The term "trade show" does not include attendance at meetings or events sponsored by chambers of commerce, networking groups or civic associations located outside of an OPERATOR's territory. If the Trade Show is being held outside the OPERATOR's Operating Territory, notice must be provided to the effected OPERATOR of the intended participation in the Trade Show. If more than one OPERATOR wishes to sponsor a booth at the trade show, FRANCHISOR encourages all OPERATORS to sponsor a single booth and to share the costs of the booth on a pro rata basis. If OPERATORS do not wish to jointly sponsor a booth, the OPERATOR in whose territory the trade show is being held may sponsor a booth and may display that OPERATOR's telephone number on the booth and on marketing materials. Any other OPERATORS may sponsor a booth, either jointly or individually, but they may only display on their booths and distribute approved materials bearing the telephone number "1-800-SERVPRO" instead of their own business telephone numbers. All OPERATORS may distribute business cards bearing their own franchise names and business numbers. If the OPERATOR in whose Operating Territory the trade show is held chooses not to participate in the trade show, other OPERATORS may do so and display their individual telephone numbers on a booth.

3.15 Tournament Sponsorship. OPERATORS may attend and sponsor tournaments in any territory, such as golf tournaments, fishing tournaments and bowling tournaments, at which it is customary for persons or organizations to pay for advertising in the form of sponsorships, subject to the provisions of this Section 3.15. The term “tournament” does not include sponsorship of teams, at any level of competition, that are located outside of an OPERATOR’s territory or advertising or sponsorship at other sporting events held outside of an OPERATOR’s territory, such as professional football games or collegiate basketball playoffs, except to the extent otherwise permitted by this Territorial Policy. If the tournament is being held outside the OPERATOR’s Operating Territory, notice must be provided to the effected OPERATOR of the intended participation in the tournament. If more than one OPERATOR wishes to have a sponsorship at the event, FRANCHISOR encourages all OPERATORS to cooperate in any ~~sponsorships~~ sponsorship and to share the costs of the sponsorships on a pro rata basis. If OPERATORS do not wish to have a joint sponsorship, the OPERATOR in whose territory the tournament is being held may have its own sponsorship, may display that OPERATOR’s telephone number, and may make use of that OPERATOR’s telephone number in approved marketing materials. Any other OPERATORS may have a sponsorship, either jointly or individually, but they may only display on their booths and distribute approved materials bearing the telephone number “1-800-SERVPRO” instead of their own business telephone numbers, and they all must display their “SERVPRO of” trade names on any banners, signs or other marketing materials in connection with the sponsorship. If the OPERATOR in whose Operating Territory the tournament is being held chooses not to participate in the tournament, other OPERATORS may do so and display their business telephone number on a booth and other tournament-specific marketing materials, in addition to their “SERVPRO of” trade name. All OPERATORS may distribute business cards bearing their own franchise names and business numbers.

3.16 Industry Association Meetings. OPERATORS may attend association meetings in their own territories or in the territories of any other OPERATORS, and all OPERATORS may distribute business cards bearing contact information specific to their franchises at those meetings, but they may only solicit those attendees at those meetings for work that is to be performed in their own territories. Only the OPERATOR in whose territory the industry association meeting occurs may distribute approved marketing materials. The term “industry association meeting” includes gatherings of industry or professional groups, such as real estate professionals, builders and construction industry groups, building owners and managers, organizations of tradesmen, risk management and insurance associations, or associations of restaurant and hotel owners, but the term does not include chambers of commerce, networking groups or civic associations located outside of an OPERATOR’s territory.

3.17 OPERATORS may attend, sponsor or teach Continuing Education classes (“C.E. classes”) in any territory, subject to the provisions of this Section 3.17. The term “Continuing Education” means gatherings of industry or professional groups such as insurance adjusters, agents or other business professionals that, as part of the licensing or association requirements, must attend approved yearly or semi-yearly education classes. OPERATORS soliciting attendees, sponsoring or teaching C.E. classes outside their Operating Territory must do so in a manner consistent with Section 4.2 of Territorial Policy-Solicitation of Insurance Work, unless the licensing body or association requires the C.E. class to be made available to all in the field.

3.18 Networking Groups. ~~OPERATORS may not attend meetings of Networking Groups held outside of their~~ OPERATORS may be members and/or attend meetings of Networking Groups held outside of their territory and may solicit attendees for work to be performed inside their territories. In no event may OPERATORS be members or attend meetings of networking groups located more than 30 miles from their Operating Territory. The term “networking groups”

includes BNI and other organizations to increase business opportunities through building relationships with business professionals, but the term does not include chambers of commerce industry association groups as defined in Section 3.16, or civic associations located outside of an OPERATOR's territory.

- 3.19 The preparation of an Emergency Response Plan ("ERP") for facilities in another OPERATOR's Operating Territory is permitted as long as the franchise producing the ERP has not violated the advertising and solicitation provisions of this agreement in obtaining the contact. A property manager or other building owner/manager located in OPERATOR's territory may request that OPERATOR prepare an ERP for another building that owner/manager owns or manages in another franchise's Operating Territory, as long as the property manager or other building owner/manager has the authority to authorize OPERATOR to perform an ERP in the building outside OPERATOR's Operating Territory. A referral to contact an individual located outside the OPERATOR's Operating Territory to merely solicit an ERP is prohibited. The use of a real estate agent, broker or other professional for purposes of preparing an ERP as a means to solicit additional business outside OPERATOR's Operating Territory is prohibited.
- 3.20 OPERATOR agrees not to employ or seek to employ, either directly or indirectly, any person who is at that time (or within the previous six (6) months) was employed by FRANCHISOR or by any other SERVPRO Franchisee or Distributor without the prior express permission of such employer, or otherwise directly or indirectly induce any such employee to leave his or her employment. Further, OPERATOR agrees to include such a provision in employment agreements with all of its employees.

Section 4. Solicitation.

- 4.1 Solicitation of Direct Work. An OPERATOR may NOT Solicit Direct Work in another OPERATOR's Operating Territory except as may be expressly provided in this Territorial Policy. An OPERATOR may Solicit Direct Work in Open Territory, but this solicitation must be of a short duration of the type described in Section 3.4 and must stop in the event the Open Territory is sold to another OPERATOR. (See Appendix BA.) No OPERATOR may solicit Direct Work if the person being solicited does not have a physical location within the Operating Territory of the OPERATOR. This physical location may be a temporary structure, such as a construction trailer on a job site.
- 4.2 Solicitation of Insurance Work: Adjusters, Agents and Property Managers. OPERATORS may only Solicit Insurance Work which will be performed in their Operating Territories. FRANCHISOR does not believe that any single OPERATOR is able to manage the work generated by all Adjusters that may service a particular Operating Territory. Therefore, OPERATORS may solicit any Adjuster, regardless of the Adjuster's location, for Insurance Work to be performed in their Operating Territories. OPERATORS may only solicit Agents and other centers of influence who are located in their Operating Territories, with the following three exceptions:
- a. If the volume of work controlled by an Agent or an Agent's settlement authority resembles that of an Adjuster, FRANCHISOR ~~or the Trainer/Director~~ may determine that an Agent should be treated as an Adjuster; and
 - b. OPERATORS may solicit Agents and Adjusters of Select National Account or Commercial Account clients in Open Territory and in the Operating Territories of other OPERATORS that do not qualify to receive Select National Account or Commercial

Account work for a period of thirty (30) days or longer. OPERATORS must obtain written confirmation from their Trainers before soliciting Select National Accounts or Commercial Accounts Agents in another OPERATOR'S Operating Territory; Trainers must obtain written confirmation from their Field Operations Manager. Approval will only be granted when proper consulting regarding SMRs has been properly documented in writing -to the franchisee by their Director or Trainer. This does not apply to a franchise owner in business for less than twelve (12) months where the owner is making sales routes in place of an SMR and properly documenting those routes in ManagER or Marketing WorkCenter. OPERATORS shall cease- doing so upon further written confirmation from their Trainer or from FRANCHISOR. Solicitation must be approved in advance by the Distributor.

- c. Franchisees who have one SMR in each Operating Territory and are fully marketing centers of influence in their own Operating Territory(ies) as demonstrated by documented activity within ManagER or Marketing WorkCenter and verified in writing by their Trainers, may solicit and market centers of influence in the Operating Territory of franchisees without at least one SMR properly utilizing and documenting the use of the Servpro operating system. Any such solicitation and marketing must be approved in advance by Trainers or Directors, in writing, with a copy to the Operations Manager at Servpro and may only continue for twelve (12) months, but may be renewed or terminated with the written permission of the Trainer. This must be discussed with and approved in writing by the Operations Manager. The Trainer must document their intentions by using the Solicitation Approval Form, attached as Appendix CB to this Territorial Policy. Each SMR must perform specific marketing activities identified in writing from time to time in Servpro's operating system which will include, without limitation, those contained in the ManagER Marketing Center or Marketing WorkCenter, Servpro's Marketing Services Center available on *ServproNet*, Route Sales Program, Bulletins and manuals. This requirement does not apply to newly licensed territories where the Operator has been in business for less than twelve (12) months or the territory which Operator intends to solicit is located outside of the Trainership or Directorship in which their Operating Territory is located.

If a property management company manages two or more properties located in an OPERATOR'S Operating Territory but the property management company does not maintain its offices in that OPERATOR'S Operating Territory, the OPERATOR may solicit the property management company for Insurance Work and Direct Work to be performed inside that OPERATOR'S Operating Territory.

- 4.3 An OPERATOR may become a member of any Chamber of Commerce, association of realtors or other, similar organization that includes within the geographic boundaries of the organization any part of an OPERATOR'S Operating Territory. An OPERATOR who is a member of any such organization may be listed as a member in any directory, whether print or electronic, of that organization's members but may not place any advertisements in that directory unless the requirements of section 3.3 of this Territorial Policy are met.
- 4.4 Franchisees who do not have at least one Sales Marketing Representative ("SMR") will not be assigned any open territory for the purpose of receiving jobs through Servpro's National Call Center. An owner of the franchise does not qualify to be an SMR.

Section 5. Trainer Invoice Copy Requirement.

- 5.1 OPERATORS must send the Trainer invoice copies to their assigned Trainer at the same time the green invoice copies and royalty reports are sent to FRANCHISOR. FRANCHISOR reserves the right to require invoices to be sent by hard copies, electronically, QuickBooks and/or retained by OPERATOR in the event of audit. The Trainer invoice copy shall list the same information required on all invoices, including customer name, address, zip code, job location (if the job location is not the customer's address, the job location is also to be clearly identified), telephone number, Insurance Company and any Adjuster or Agent name. OPERATORS must check the box labeled "outside territory" on each invoice identifying all work performed outside their Operating Territories.
- 5.2 Trainers are required to review Trainer invoice copies each month.
- 5.3 When a Trainer is functioning in the capacity of an OPERATOR, any Trainer invoice copies for work performed by the Trainer's Franchise shall be sent to the Trainer's assigned Director and the Director shall review the Trainer invoice copies each month.

Section 6. Direct Work in another OPERATOR's Operating Territory.

- 6.1 If an OPERATOR receives a referral for Direct Work located in the Operating Territory of another OPERATOR, the OPERATOR receiving the referral is not required to refer the work to the OPERATOR in whose Operating Territory the work is located and may perform the work so long as the work was not received as a result of improper Advertising or Solicitation.
- 6.2 If Direct Work is referred, the referral procedures outlined in Section 7 must be followed, with the exception that no Referral Fees, or Estimating Fees, ~~or Territory Commissions~~ may be charged or incurred unless the OPERATORS have agreed otherwise in writing. If a dispute arises between OPERATORS regarding the amount of the Referral Fee, or Estimating Fee, ~~or Territory Commission~~ on Direct Work, the written agreement between them will govern the dispute. If there is no written agreement, no Referral Fee, or Estimating Fee, ~~or Territory Commission~~ may be charged.
- 6.3 In some cases, a retail concession contract will require payment of a fee to the retailer based on work produced. If production work is referred to another Operator, the Operator with the concession contract may deduct the concession fee from the amount paid to the Operator producing the work and paying royalties. At no time are any fees associated with retail contracts to be deducted when calculating gross receipts for royalty reporting.

Section 7. Insurance Work in Another OPERATOR's Operating Territory.

- 7.1 An OPERATOR may periodically receive Insurance Work which lies in another OPERATOR's Operating Territory. This Section applies to Insurance Work performed in the Operating Territory of another OPERATOR that has completed Set Up training. OPERATORS are to consult the SERVPRO Roster, the Trainer that services the area in question, or FRANCHISOR to determine in whose Operating Territory a job is located.
- 7.2 ~~When an Initial Contact receives a referral for Insurance Work located in another OPERATOR's Operating Territory, FRANCHISOR encourages the Initial Contact to refer the entire job to that OPERATOR, subject to the exceptions contained in Section 7.7. Referrals of Insurance Work located in another OPERATOR'S Operating Territory- are not mandatory as long as the referral~~

was not received as the result of improper Advertising or Solicitation. If the job is referred, the entire job, less Sub-contract Services, must be referred. ~~If the job is referred, the Initial Contact must make sure the job is referred first to the OPERATOR in whose Operating Territory the job is located, if qualified, regardless of who performs the estimate.~~ If the Production Office determines that other OPERATORS will be needed to produce the job, the Production Office shall notify the Initial Contact. The Initial Contact, in conjunction with the Trainer, is responsible for deciding which other OPERATORS will participate. This provision does not apply to any program established by FRANCHISOR pursuant to Section 13.

~~7.3 Subject to Section 9.4, if the Initial Contact does not refer the job to the OPERATOR in whose Operating Territory the job is located, and the territory commission declaration applicable to the initial contact is greater than zero, the Initial Contact is required to pay the Territory Commission to the OPERATOR in whose territory the job is located. The Initial Contact may only refer work out to another OPERATOR or Subcontractor that meets FRANCHISOR's criteria. This section applies when both OPERATORS are located in the trainership.~~

~~7.4 The Production Office must meet the time limits contained in Section 7.7.3. If this does not occur, the Initial Contact may refer the job to any other OPERATOR and no Territory Commission is due.~~

7.5 The Initial Contact must perform the following on a referred job:

- a. Secure the customer's signature on the SERVPRO work authorization and other required forms. The only exception is on water damage jobs, when the Production Office may secure these signatures; provided, however, this exception does not apply to work being performed outside the Trainership in which the OPERATOR is located.
- b. Contact the Production Office, prior to performing the estimate, to determine when work may commence on the job. The Initial Contact may perform the estimate, or may use any other OPERATOR to perform the estimate, so long as the other OPERATOR agrees to do so. The other OPERATOR performs the estimate as a representative of the Initial Contact and must follow the Initial Contact's instructions. The estimate shall be performed according to such standards as the Initial Contact may establish and must be consistent with FRANCHISOR's standards
- c. Cooperate with the Production Office and the customer to facilitate scheduling of the job.
- ~~d. If the Production Office does not perform the estimate, and the estimate is accepted, the OPERATOR for the Operating Territory shall be given the first opportunity to perform the production work if the job is referred.~~
- ed. Provide the Production Office with a copy of the estimate within 16 business hours of estimating the job or notifying the Production Office when to schedule the work if time is of the essence.
- fe. Monitor the Production Office's job performance.
- gf. Referral work must be performed and customer relationships handled in compliance with FRANCHISOR's standards. The terms of the job must be those agreed upon by the Initial Contact, customer and Adjuster.

hg. Obtain the customer's signature indicating completion of the work in a satisfactory manner on an approved work authorization, certificate of satisfaction and any other forms required by the insurance company.

ih. Invoice the Insurance Company or customer on the Initial Contact's invoice for the entire price of the job, including Sub-contract Services and work performed by the Initial Contact and the Production Office. This invoice must be sent within 3 days after receipt of all necessary documentation from the Production Office and any Subcontractors.

7.64 The Production Office shall do the following on a referred job:

- a. Respond to the Initial Contact within 30 minutes with acceptance and scheduling information. If requested by the Initial Contact and the Adjuster, have a Production Office representative on site within applicable National Accounts or Commercial Accounts Guidelines (if none, within 2 hours.) There may be cases where a Production Office may be required to start immediately. If the Production Office does not comply or cannot schedule the job within a period that is acceptable to the customer, the job will be deemed to have been turned down. If the job is turned down, the Initial Contact may refer the job to another OPERATOR or perform it themselves ~~without being obligated to pay a territory commission.~~
- b. Work as a production worker for the Initial Contact. All dealings, including business cards and other material furnished to the customer, shall be made in the name of and on behalf of the Initial Contact.
- c. Perform the work and handle customer relationships in compliance with SERVPRO job process standards and the terms agreed to by the Initial Contact, customer and Adjuster. For example, many insurance companies have their own forms which must be completed. These must be completed in accordance with the Initial Contact's instructions. Only the work actually authorized may be performed, unless the insured agrees to personally pay for the additional work, or the insured or the Initial Contact obtains authorization from the Adjuster.
- d. Communicate with the Initial Contact on a regular basis during the job and report any problems as soon as possible.
- e. When the job is completed, invoice the Initial Contact for all of the production work performed. The Initial Contact's name should appear in the upper left hand corner of the invoice and the pink and gold invoice copies should be sent to the Initial Contact, who bills the Insurance Company or customer.
- f. The Initial Contact will perform the call back to establish the insured's satisfaction with the work, in accordance with SERVPRO job process standards.

~~7.7 Following are exceptions which will override the Annual Trainership Declaration:~~

- ~~a. The Initial Contact has a letter from FRANCHISOR stating a probationary period has been implemented as to the other OPERATOR. This is generally done to enforce and promote quality control by Franchises for the benefit of customers and give the Trainer the opportunity to work with the OPERATOR in order to cure the problem.~~

- ~~1. The Trainer must have documentation of specific problems experienced with the OPERATOR. The Trainer shall provide written documentation to FRANCHISOR specifying the problems to be addressed, a recommendation as to how they can best be addressed and a recommended time (a probationary period) within which to accomplish them. If the problems involve a Trainer, this information is furnished to the Director or FRANCHISOR. If the problems involve a Director, this information is furnished to FRANCHISOR.~~
 - ~~2. Each OPERATOR in the Trainership will be notified by FRANCHISOR of any probationary period for the OPERATOR in question. During a probationary period, the OPERATOR will be excluded from receiving work from other OPERATORS, National Accounts or Commercial Accounts until such time as the problem has been cured to the satisfaction of FRANCHISOR and/or the customer or insurance personnel. Until further notice from FRANCHISOR, no work is to be referred to this OPERATOR.~~
 - ~~3. During this probationary period, no Territory Commissions are due this OPERATOR for work performed within the Operating Territory by other OPERATORS.~~
- ~~b. The Initial Contact receives Insurance Work which is too large for the Production Office to handle in a timely fashion.~~
- ~~1. The Initial Contact should contact the Trainer assigned to the OPERATOR in whose Operating Territory the job is located in order to obtain permission to refer less than the entire job.~~
 - ~~2. Under the Trainer's direction, the Initial Contact shall give the Production Office an opportunity to perform as much of the job as can be handled with its own personnel in a timely fashion.~~
 - ~~3. The OPERATOR in whose Operating Territory the job is located is required to pay Referral and Estimating Fees to the Initial Contact (see Section 9), associated with the amount of the job that OPERATOR produced.~~
 - ~~4. The Initial Contact may produce the portion of the job not referred to the OPERATOR in whose Operating Territory the job is located, subject to the following: The Initial Contact shall pay the OPERATOR in whose Operating Territory the job is located a Territory Commission equal to the difference between 5% of the gross volume associated with this job produced by other OPERATORS, excluding Sub contract Services and one half of the gross amount of work referred to that OPERATOR to produce, not to exceed 5% of the gross volume less Sub contract Services. This Territory Commission requirement will override any Territory Commission arrangement covered in Section 9 for this individual job only.~~
 - ~~5. If there is disagreement between OPERATORS regarding what constitutes a job "too large" for the Production Office, the following guide should be used: A job is designated as being too large for a Production Office to handle if it exceeds 20% of the prior 12 months reported insurance volume; provided, however, for a~~

~~New OPERATOR, "too large" is the greater of 20% of the prior 12 months insurance volume or \$25,000.~~

- ~~6. The remaining work shall be performed by other OPERATORS selected by the Initial Contact. In such cases, each Production Office will pay royalties on their production work.~~
- ~~e. An Adjuster requests that the Initial Contact perform work in the territory of another OPERATOR because the Adjuster does not want the other OPERATOR to do the job. If the Initial Contact confirms in writing to the Initial Contact's Trainer before starting the job that the Adjuster has made this request, the Initial Contact may perform the work or refer the work to another OPERATOR and no Territory Commission will be due to the Operator in whose Operating Territory the work is located.~~
- ~~d. If an insurance company establishes a written vendor program or preferred vendor list with FRANCHISOR that contains specific requirements an OPERATOR must follow in order to receive work and an OPERATOR does not meet those requirements or is not on the list or is otherwise excluded from receiving the work from the insurance company, other qualified OPERATORS may perform work from the insurance company in the Operating Territory of that excluded OPERATOR and no Territory Commissions will be due until further notice.~~

Section 8. Performing Services in Open Territory/Multiple Franchises.

- 8.1 Insurance Work. Section 7 applies to referrals in Open Territory if the Initial Contact chooses to refer work to another OPERATOR. If there is any doubt as to whether the job is or is not in Open Territory, the Initial Contact must contact FRANCHISOR or the Trainer for the area where the job is located before work begins to determine whether or not the job is in Open Territory.
- 8.2 Direct Work. Section 6.2 applies to referrals in Open Territory if the Initial Contact chooses to refer work to another OPERATOR. Direct Work in Open Territory may be performed by the Initial Contact as though it were in the Initial Contact's Operating Territory so long as the work is not as a result of improper Solicitation inside another OPERATOR'S Operating Territory.
- 8.3 Royalty Reporting for Multiple Franchise Owners. For OPERATORS owning multiple Franchises, the Gross Volume for work performed must be reported by the Franchise in closest proximity to the work performed within the Trainership where the work is performed. If the work is produced outside the boundaries of any Trainership, the work may be reported under the Franchise in closest proximity to the work.

Section 9. ~~Trainership Referral Fees, Estimating Fees and Territorial Commissions and Annual Declaration.~~

- ~~9.1 The Referral Fee, Estimating Fee and Territory Commission are covered by an annual Declaration for each Trainership. (see APPENDIX A.) These fees and commissions are calculated by multiplying the appropriate percentage by the total amount collected from the customer or insurance company for services rendered. Subcontract services are not subject to fees and commissions.~~

9.2 ~~Each of the 1 Any Referral Fee and/or Estimating Fee or Territory Commission is negotiable between individual franchises pursuant to a written signed agreement up to the following maximum percentages:~~

Referral Fee	5%
Estimating Fee	5%
Territory Commission	5%

~~Provided, however, the following default amounts apply in the absence of either a Declaration to the contrary, or a written agreement between franchisees in accordance with this Section 9.2:~~

Referral Fee	0%
Estimating Fee	0%
Territory Commission	0%

9.3 ~~Each Trainer must conduct a Trainership wide declaration meeting each year. The Trainer must send a notice to all Franchises in the Trainership at least 2 weeks before the meeting. OPERATORS are encouraged to personally attend the meeting and sign the Declaration Form. An OPERATOR who is unable to attend the meeting can declare via proxy by sending a signed written confirmation of Declaration preference to the Trainer. Each Operator is entitled to one vote for each License owned within the Trainership. A vote of 2/3rds or more of the Franchises in the Trainership will determine the Declaration for the entire Trainership. An OPERATOR who owns multiple Franchises, but has a single Primary Place of Business must vote the same on all Declarations if any of the Franchises are in different Trainerships. OPERATORS that do not either attend the Declaration meeting or vote by proxy are bound by a 2/3rds majority Declaration.~~

9.4 ~~An OPERATOR who attended the declaration meeting and signed the Declaration Form may elect out of the Declaration and have the lower of the default amounts set forth in Section 9.2 or the Trainership's Declared amounts apply, subject to the qualifications herein and those set out in Sections 7 and 12.3. Any OPERATOR electing out of the Declaration in a given Trainership must elect out: (i) of all Franchises within the Trainership for which the OPERATOR has an ownership interest; and (ii) for all the Trainership's Declarations with respect to the Referral Fee, Estimating Fee and Territorial Commissions. To make the election, OPERATOR must notify the Trainer in writing within 5 days after the meeting, stating OPERATOR's intent to elect out of the Declaration and be bound by the lower of the Declared amounts or the default amounts. If the election is made in a timely manner, it will apply to Referral Fees, Estimating Fees and Territory Commissions received from and paid to other Franchises in the Trainership.~~

9.5 ~~Each Trainer must send a notice to all franchises with the final Declaration results as it applies to all Franchises and OPERATORS in the Trainership.~~

9.6 ~~The Declaration Form attached as APPENDIX A is to be used to document declared commissions within a Trainership. The Trainer must notify all OPERATORS each time there is a change in the Declaration.~~

9.7 ~~Any Trainership without a Declaration on file at FRANCHISOR by January 15 of each year must use and will be bound by the default provisions of Section 9.2, subject to the qualifications in Sections 7 and 12.3.~~

~~9.8 All Franchises and OPERATORS in the Trainership are bound by the Declaration through the end of the following year.~~

~~9.9 An exception applies to Territory Commissions for New OPERATORS for the first 12 months.~~

~~9.2 Any New OPERATOR is automatically entitled to receive a 5% Territory Commission from any OPERATOR producing work in the New OPERATOR's Operating Territory subject to the qualifications found in Sections 7 and Section 12.3 of Territorial Policy. Any New OPERATOR must pay Territory Commissions of 5% for work produced in other OPERATOR's Operating Territory regardless of the Trainership Declaration in effect. Provided, however, a New OPERATOR may elect out of this mandatory Territory Commission arrangement during the first 12 months by providing the Trainer with written notification. This mandatory Territory Commission arrangement does not apply across Trainership boundaries.~~

The following are exceptions which will override this Territory Commission:

a. The Initial Contact has a letter from FRANCHISOR stating a probationary period has been implemented as to the New OPERATOR. This is generally done to enforce and promote quality control by Franchises for the benefit of customers and give the Trainer the opportunity to work with the OPERATOR in order to cure the problem.

b. An Adjuster requests that the Initial Contact perform work in the territory of the New OPERATOR because the Adjuster does not want the New OPERATOR to do the job. If the Initial Contact confirms in writing to the Initial Contact's Trainer before starting the job that the Adjuster has made this request, the Initial Contact may perform the work or refer the work to another OPERATOR and no Territory Commission will be due to the Operator in whose Operating Territory the work is located.

c. If an insurance company establishes a written vendor program or preferred vendor list with FRANCHISOR that contains specific requirements an OPERATOR must follow in order to receive work and the New OPERATOR does not meet those requirements or is not on the list or is otherwise excluded from receiving the work from the insurance company, other qualified OPERATORS may perform work from the insurance company in the Operating Territory of that excluded OPERATOR and no Territory Commission will be due until further notice. These fees and commissions are calculated by multiplying the appropriate percentage by the total amount collected from the customer or insurance company for services rendered. Subcontract services are not subject to fees and commissions.

d. OPERATORS may desire to verify the amount of Territory Commissions that may be due from other OPERATORS. Upon written request, OPERATORS may review other OPERATORS' invoices by requesting a meeting with their Trainer to review copies of the invoices or by visiting FRANCHISOR's offices. The Trainer is responsible for providing invoice copies, which are furnished for review only. An OPERATOR is not permitted to copy invoices of another OPERATOR. If copies are not available at the Trainer location, copies can be provided to the Trainer from FRANCHISOR and Trainer must pay FRANCHISOR at the then-current photocopy charge. In no event will invoices more than 3 years old be made available for review. 9.10 If the Trainership Declaration for the previous two years has not changed and the Territory Commission has been zero (0), the Trainer is not required to hold a Declaration Meeting. In this case, the last declaration on file with Franchisor will apply for the current year. Any Associate in the

~~Trainership may request a Declaration Meeting. The Associate must “carbon copy” the written request to a Corporate Field Operations Manager. In the event an Associate requests a Declaration Meeting, the Trainer must follow Sections 9.3, 9.5, 9.6 and 9.9.~~

~~OPERATORS performing work in another Trainership will be bound by the lower of the declared amounts of the Trainership where the work is performed and default provisions of Section 9.2, subject to the exceptions set out in Sections 7 and 12.3.~~

Section 10. Billing, Deduction of Referral and Estimating Fees, Payment of Territory
Commissions and Royalty Reporting where Where Initial Contact is Primary
Contact.

- 10.1 When Insurance Work is referred, the Production Office invoices the Initial Contact for work performed by the Production Office on the Production Office's invoice.
- 10.2 The Initial Contact bills the insurance company or customer on the Initial Contact's invoice for the entire price of the job, including any Sub-contract Services and any work performed by the Initial Contact and Production Office within 3 days of receipt of all necessary documentation from the Production Office and subcontractors.
- 10.3 The Initial Contact is entitled to a Referral Fee and an Estimating Fee for performing the estimate. See Section 9 for information on fee amounts. These fees do not apply to Sub-contract Services performed in relation to the work being invoiced.
- 10.4 When the Initial Contact is paid, the Referral Fee and the Estimating Fee if applicable are deducted and the amounts due the Production Office and any subcontractors shall be paid within 10 days of receipt of payment. If the Initial Contact receives a partial payment, a prorated payment shall be made.
- 10.5 The Production Office will report and pay royalties on the entire amount received from the Initial Contact. Royalty payments must be made for the months in which any payment or partial payment is received. The Initial Contact includes the invoice sent to the Insurance Company or customer with the royalty report and notes on the green copy of the invoice that the production work was referred to “SERVPRO® of _____” (the Production Office) and attaches a copy of the Production Office's invoice (gold copy). The Initial Contact reports and pays royalties on any Sub-contract Services, any work that was performed by the Initial Contact, as well as any Referral and Estimating Fees withheld from the Initial Contact's payment to the Production Office. Any amounts retained by individuals or entities other than SERVPRO Franchises associated with leads, sales, territory commissions or other forms of compensation for referring work are not deducted from the gross amount invoiced by the Production Office for royalty reporting purposes. Examples are retailer fees, RAM fees, Xactimate fees, ERnet fees, and Alacrity-type program fees.
- ~~10.6 If the Initial Contact performs Insurance Work in another OPERATOR's territory, any Territory Commission due (excluding Sub-contract Services) shall be paid within 10 days of receipt of payment. The Initial Contact shall include a copy of the invoice with the Territory Commission. The Initial Contact is not obligated to pay Territory Commissions until the Initial Contact has been paid. If the Initial Contact receives a partial payment, a prorated payment shall be made. The Initial Contact will pay royalties on the entire job.~~

10.710.6 If the Initial Contact is unable to secure payment from the customer within 6 months after billing, so long as Initial Contact initiates legal collection proceedings, the Initial Contact may pay the Production Office the lesser of actual costs incurred by the Production Office or 35% of the Production Office's invoiced amount plus the cost of any carpet, pad or materials provided by the Production Office. If the Initial Contact has not initiated legal collection proceedings by the 7th month after billing, the Initial Contact must pay the Production Office's invoice in full. If legal collection procedures are initiated, reasonable costs of collection may be deducted pro rata based upon the referral percentages. Any error on the Initial Contact's part regarding the job is the Initial Contact's responsibility and the Initial Contact must pay the Production Office in full.

10.87 A franchise has 30 days from the date final payment is received to dispute in writing the amounts received. If the written dispute notice is not received by the Trainer within 30 days from receipt of payment, the franchise is bound by the amount received and gives up any right to dispute the amount received.

Section 11. Quality Control Where Initial Contact is Primary Contact.

11.1 A major purpose of the Territorial Policy is to promote customer satisfaction. Both the Initial Contact and the Production Office must ensure complete customer satisfaction and perform work conforming to FRANCHISOR's standards.

11.2 If the Production Office becomes aware of a problem or a need for reservicing, the Production Office must communicate this to the Initial Contact immediately. Likewise, the Initial Contact must immediately advise the Production Office of any customer dissatisfaction, failure to meet FRANCHISOR's standards, or failure to meet the requirements of the particular job.

11.3 If reservicing is required, the Production Office should perform the reservicing. Occasionally, due to a personality conflict or other reason, the customer or insurance company personnel may prefer that another production person handle the reservicing. In this case, a reservicing charge shall be deducted from the amount due to the Production Office.

11.4 The Initial Contact's right to deduct for reservicing is subject to the following limitations:

- a. The Initial Contact may deduct only an amount which reflects a reasonable charge for the amount of additional service reasonably required to reservice the customer.
- b. The Initial Contact shall in each instance notify the Trainer of the reservicing charge.
- c. The amount of the reservicing charge may not be in excess of 35% of the job, unless the Trainer determines, with FRANCHISOR's concurrence, that the circumstances merit an additional amount.
- d. The Initial Contact must still remit payment to the Production Office within 10 days. (See Appendix BA.)

11.5 The Initial Contact should notify the Trainer of any customer dissatisfaction with the Production Office or failure to meet SERVPRO job process standards or specific job standards. Remedial action should be taken by the Trainer. If substandard work continues, the Trainer should communicate in writing to FRANCHISOR the problems encountered, the steps taken to date to correct the problem and a recommendation for further training by FRANCHISOR. If this does not resolve the problem, then FRANCHISOR will review the situation to determine whether a

default notice should be sent to the Production Office for failure to comply with the Franchise License Agreement. FRANCHISOR may also eliminate the Production Office from receiving referral work, National Accounts or Commercial Accounts referrals. This is important in order to protect the SERVPRO® name and the reputation of each OPERATOR.

Section 12. Insurance Requirements.

- 12.1 As a condition of accepting referrals under Territorial Policy, the Production Office agrees to accept full responsibility for all acts and omissions of the Production Office or the Production Office's employees or agents. This responsibility extends to all injury or damage caused by the Production Office or any employees or agents of the Production Office, and includes all negligent and intentional acts.
- 12.2 When work is referred to the Production Office, the reputation and credibility of the SERVPRO® System and the Initial Contact may be affected by the Production Office. Therefore, an OPERATOR must meet certain minimum insurance requirements in order to receive referrals under Territorial Policy. Proof of minimum coverage requirements MUST be on file at FRANCHISOR; Franchisor's current insurance requirements will be communicated to Operator from time to time.
- a. SERVPRO Industries, Inc. must be named as an additional insured on your CGL and pollution liability policies. SERVPRO Industries, Inc. must be listed as a certificate holder on your other policies. The liability policies must contain a provision that Your insurance coverage is primary to any insurance coverage maintained by us. If you own multiple licenses, each franchise owned must be listed individually on the policies.
 - b. The policies may not be canceled or modified without at least 30 days prior written notice to us. A currently effective Certificate of Insurance reflecting full compliance with the requirements must be on file with FRANCHISOR at all times for each of Your Franchises.
 - c. Any subcontractors hired by OPERATOR must provide OPERATOR with proof of insurance coverage according to Franchisor's current requirements, as communicated to Operator from time to time. An OPERATOR who provides coverage on behalf of the subcontractor will be deemed to have met this provision.
- 12.3 If an OPERATOR fails to maintain proof of satisfactory coverage on file with FRANCHISOR and if FRANCHISOR notifies Trainer of this failure, Trainer shall inform the other OPERATORS in the Trainership that they should not refer work to the non-complying OPERATOR and no Territory Commissions will be due. The Initial Contact may perform the work or refer the work to any other OPERATOR. If a coverage lapse occurs, reinstatement of referral and commission eligibility can be expected to take up to 30 days from receipt of proof of coverage at FRANCHISOR.

Section 13. National Accounts, Commercial Accounts, Catastrophic Losses and Zip Code Assignments.

- 13.1 National Account, Select National Accounts and Commercial Account programs are subject to the terms and conditions established by FRANCHISOR and as may be modified from time to time, in FRANCHISOR's sole discretion. In such event, the terms of the individual programs as designated by FRANCHISOR shall apply, may differ significantly from this Territorial Policy and any such terms shall govern. When and if OPERATOR qualifies and chooses to participate, FRANCHISOR may charge OPERATOR a fee totaling up to 5% of the gross billed price of the job for referring certain commercial losses to OPERATOR.
- 13.2 From time to time there will be storms, hurricanes, fires, micro-bursts, catastrophic events, commercial large losses, and the like ("Catastrophic Events"), which may exceed the capacities of individual franchisees and/or franchisees in the affected areas. Franchisor may establish programs from time to time to address these capacity issues and will communicate the terms to Operator, which programs may be modified from time to time, in FRANCHISOR's sole discretion. The programs may include, without limitation:
- a. Establishing STORM teams comprised of franchisees from across the country registered in advance under a Storm Team Leader to respond to storms and Catastrophic Events around the country;
 - b. Establishing Servpro Mobilized Associate Response Teams ("SMART") to service large commercial losses within Distributorships;
 - c. Establishing Large Loss Response Teams ("LLRT") to handle large commercial losses around the country, generally between \$50,000 and \$750,000. Insurance companies may request a list of qualified Franchises that will work under a pre-arranged set of criteria in servicing their commercial losses. Servpro's Commercial Large Loss Division ("CLLD") may manage such referred losses for compliance with those pre-arranged criteria. Participating, qualified Franchises will be required to work under the terms of a participation agreement;
 - d. Establishing Extreme Response Teams ("ERT") to handle very large commercial losses, generally over \$750,000. The ERT are mobilized to a Storm or catastrophic event at the request of CLLD. A Franchisee may bring in an ERT member to deal with increased volume (too large for their capacity, but they want to produce the loss); or the ERT may work outside of their Operating Territory at the request of Servpro's CLLD.

These programs are represented under the umbrella term Servpro Disaster Recovery Team.

In order to be able to participate with one or more of these programs, each franchisee's qualifications must be reviewed and approved in advance by the Franchisor's Large Loss Division.

In such events, the terms of the individual programs, as designated by Servpro, will apply, may differ from the terms of this Territorial Policy and any such terms will govern. Franchisor will encourage the use of the local franchise to assist in producing the loss or to be available to observe and learn from the program participants.

13.3 OPERATOR may not travel outside the Operating Territory to solicit or perform work for Catastrophic Events unless:

- a. They are working with a local franchise ~~to assist in doubling capacity, assisting another franchisee with an individual loss for a specific client, or working with a~~ Servpro Storm Site manager pursuant to a written participation agreement;
- b. Authorized by Franchisor's Large Loss Division to be working in the Catastrophic Event area; or
- c. Directed or requested by an insurance adjuster, other than a Public Adjuster, property manager or other center of influence to go into the Catastrophic Event area to perform work for specific customers. In such an event, OPERATOR must notify the local franchisees in whose Operating Territory OPERATOR is performing work ("Local Franchisees") and Servpro Storm Site manager, if and when a Storm Site is established ("Storm Site Manager"), of their presence in the area and activities. If no Servpro Storm Site is setup, ~~then~~ OPERATOR must contact Franchisor's Large Loss Division via telephone and email. If OPERATOR is unable to establish personal phone contact, OPERATOR must report via email. OPERATORS are prohibited from performing any other jobs in the area other than the original specific referrals without working in conjunction with a local franchisee or Servpro Storm Site Manager pursuant to a written participation agreement.

13.34 Pursuant to the Franchise License Agreement, OPERATORS are licensed to operate the Franchise on a non-exclusive basis in and from the Operating Territory described and identified in the Franchise License Agreement executed between the OPERATOR and FRANCHISOR. In its sole discretion, FRANCHISOR may assign zip codes or other designated geographical markers to franchisees who are qualified to receive National Accounts, Select National Accounts and Commercial Accounts jobs and are otherwise eligible to receive job referrals from FRANCHISOR's National Call Center. This process may be modified from time to time in FRANCHISOR's sole discretion. If qualified, all jobs located in an OPERATOR'S territory are assigned to that OPERATOR. Trainers are responsible for assigning open area zip codes in their Trainerships to be serviced by the OPERATOR using the following criteria.

- a) Qualifying OPERATORS that have the service capacity and can service open area zip codes, within the assigned Trainership boundaries, within four hours may be given the opportunity to service such open territory zip codes. The Trainer is responsible for assigning open area zip codes in their Trainership.
- b) Open area zip codes that border only one OPERATOR territory are assigned to the bordering OPERATOR, provided the OPERATOR can and does service all Call Center referrals within four (4) hours.
- c) Open area zip codes that border more than one OPERATOR'S territory are assigned to a single OPERATOR by the assigned Trainer with agreement of all affected OPERATORS. If the OPERATORS and Trainer involved cannot come to an agreement, the Trainer will assign the open area zip codes in accordance with FRANCHISOR's policies and with the approval of FRANCHISOR, subject to Sections 13.45, 13.56 and 13.67 below. First year OPERATORS will not qualify for open area zip codes assignments until the next scheduled zip code realignment or lottery in November.
- d) Franchisees must have at least one SMR in each Operating Territory to receive open area zip code assignments.

The Trainer has authority to assign open area zip codes only within their assigned Trainership boundaries in accordance with this Section of Territorial Policy. Zip codes for open territories outside of any assigned Trainer's area must be requested in writing to the SERVPRO Field Operations Division Manager.

13.45 In the event any OPERATOR in the Trainership does not agree with the Trainer's open area assignments, a lottery type drawing will be used to assign open area zip codes. Only OPERATORS qualified for National Accounts ~~and~~ Select National Accounts and have at least one SMR per Operating Territory may request a lottery. This lottery drawing will take place on an annual basis each December. All such requests must be received by the Trainer no later than November 15th of each year. In the lottery process, the Trainer is responsible to make sure only one Operator is assigned to each open area zip code.

13.56 All OPERATORS must be notified two weeks in advance of the December zip code drawing meeting time. The new assignments will be effective January 1st of each year and are to be provided to the SERVPRO National Call Center prior to December 24th.

13.67 The lottery will be held in the following manner:

- a) All open area zip codes are written on an individual piece of paper and placed in a container.
- b) In alphabetical order, by last name, each OPERATOR will draw an unassigned open area zip code until all are distributed. Franchises are able to exchange zip codes among themselves for one hour after the conclusion of the lottery.

Any franchise that is unable to service all Call Center referrals within FRANCHISOR's 1-4-8 service guidelines will be subject to having open area zip codes reassigned by Trainer. This provision does not apply in the event Servpro identifies a Servpro Storm Site.

- c) After the lottery and any exchange of zip codes among the OPERATORS, each number is noted with the OPERATOR name and provided to the Trainer. The Trainer will summarize the assignments and submit the Zip Code Assignment Form to the SERVPRO National Call Center with a copy to all OPERATORS.

New OPERATORS placed into a Trainership will be immediately assigned those zip codes which fall within their operating territory upon completing the New Franchise Training Program, Business Development Program and Business Consultation Visits. The new OPERATOR will not qualify to have open area zip codes assigned to their franchise until the next scheduled lottery.

Section 14. Enforcement Measures.

14.1 OPERATORS are prohibited from violating Territorial Policy or entering into any agreements inconsistent with Territorial Policy and OPERATORS may not structure fees in such a manner as to evade Territorial Policy. If Territorial Policy or the Franchise License Agreement is violated, FRANCHISOR may suspend or eliminate various rights under Territorial Policy or the Franchise License Agreement. This may be done only by FRANCHISOR in writing.

14.2 Falsification of any invoice copies will be deemed conduct which reflects materially and unfavorably upon the SERVPRO[®] System and may result in loss of Convention Allowance,

Royalty Volume Discounts, notices of default of the applicable Franchise License Agreements, and other corrective action deemed appropriate by FRANCHISOR.

~~When the Trainership Declaration is greater than zero for any OPERATOR in the Trainership, the following applies:~~

- 14.3 OPERATORS are required to pay fees and commissions to other OPERATORS when due. OPERATORS are provided a monthly report from their Trainer which summarizes, to the best of the Trainer's ability, Insurance Work performed by an OPERATOR in the Operating Territories of other OPERATORS. ~~This report notifies OPERATORS that Insurance Work may have been produced in their Operating Territories by another OPERATOR and there may be amounts due them.~~ Each OPERATOR is responsible for collecting any commissions due from other OPERATORS. OPERATORS have 30 days from the date Trainer reports are issued or they are otherwise made aware that another OPERATOR has performed a job in their Operating Territory to notify their Trainer that they have been unsuccessful in collecting amounts which have been confirmed due. The OPERATOR requesting payment of unpaid Territory Commissions must provide the Trainer with a copy of the letter requesting payment sent to the OPERATOR that owes Territory Commission. If this communication is not made in writing within 30 days, OPERATOR gives up its right to receive fees and/or Territory Commissions on that job.
- 14.4 If Trainer invoice copies are required under Section 75 and not submitted on a timely basis, the Trainer may, with FRANCHISOR's prior written approval, revoke OPERATOR's right to receive work from National Accounts, Select National Accounts and Commercial Accounts ~~and from other OPERATORS and also halt the payment of Territory Commissions otherwise due to OPERATOR.~~ Trainer may also revoke OPERATOR's privilege to solicit outside OPERATOR's Operating Territory.
- 14.5 If an OPERATOR is required under Section 75 and fails to send Trainer invoice copies, the Trainer may ask FRANCHISOR to make copies of invoices and royalty reports for Trainer. The photocopying will be charged to the delinquent OPERATOR at the then-current rate charged by FRANCHISOR. OPERATOR's refusal or failure to furnish Trainer invoice copies is a default under many Franchise License Agreements.
- ~~14.6 OPERATORS may desire to verify the amount of Territory Commissions that may be due from other OPERATORS. Upon written request, OPERATORS may review other OPERATORS' invoices by requesting a meeting with their Trainer to review copies of the invoices or by visiting FRANCHISOR's offices. The Trainer is responsible for providing invoice copies, which are furnished for review only. An OPERATOR is not permitted to copy invoices of another OPERATOR. If copies are not available at the Trainer location, copies can be provided to the Trainer from FRANCHISOR and Trainer must pay FRANCHISOR at the then-current photocopy charge. In no event will invoices more than 3 years old be made available for review.~~
- 14.7 ~~For review periods requested in excess of 12 months, the OPERATOR requesting the review must compensate the person performing the review at the rate of \$25 per hour. This amount is required to be paid in advance of the review based on estimated time required to perform the review. If actual review time exceeds the estimate, an additional payment will be required to continue the review.~~
- 14.8 The possibility that OPERATORS may be entitled to receive fees and/or commissions does not excuse OPERATORS from their obligations under this Territorial Policy to pay fees or commissions to other OPERATORS. If an invoice audit is requested, simultaneous audits will ordinarily be conducted on the invoices of the Franchises whose payment of fees or commissions

is being questioned as well as the Franchise(s) of the OPERATOR requesting the audit. If, during this review, it is determined there are unpaid fees and/or commissions owed by the OPERATOR requesting the review, the review will be denied or stopped. The reviewer is to contact FRANCHISOR for a final determination as to whether or not the review is to be permitted to continue. If the review is canceled or denied due to the discovery that the requesting OPERATOR owes and has not paid Territory Commissions due other Franchises, there will be no fees or Territory Commissions due this OPERATOR from other OPERATORS for any prior periods and for the duration of the current ~~Declaration~~ period.

14.97 If an OPERATOR is delinquent in any moneys owed to FRANCHISOR, FRANCHISOR may instruct other OPERATORS in the area that when they are the Initial Contact and refer work to the delinquent OPERATOR, payment for the work shall be withheld and paid to FRANCHISOR, to be applied toward the delinquencies. This may be done in writing only by FRANCHISOR, with a copy of the notice sent to the delinquent OPERATOR.

14.408 If an OPERATOR violates this Territorial Policy by using unapproved Advertising, circulating advertising and/or conducting Solicitation activities in a manner that violates this Territorial Policy, the actual fact of the occurrence of damages and the actual amount of the damages which FRANCHISOR would suffer as a result of the violation are dependent upon many circumstances and conditions which could prevail in various combinations, and, therefore, it would be impracticable and extremely difficult to fix the actual damages. Damages which FRANCHISOR would suffer in the event of such a violation by an OPERATOR include, without limitation, potential impairment of goodwill associated with its Franchise System, the costs of administration of this Territorial Policy, and the inspection and supervision of actions resulting from, or required to remedy, violations of this Territorial Policy. Accordingly, if so elected by Franchisor, each OPERATOR agrees that it shall pay to FRANCHISOR, as liquidated damages and not as a penalty or forfeiture, a sum of up to \$5,000 as a result of each act or omission by the OPERATOR in violation of this Territorial Policy. OPERATOR agrees that this amount is a reasonable estimate of FRANCHISOR's actual damages and is a just and reasonable sum under the circumstances. In addition, FRANCHISOR may deny Convention Allowance for the reporting month in question and take such other measures as it, in its sole discretion, believes are warranted in order to ensure compliance with this Territorial Policy.

14.449 If any OPERATOR violates this Territorial Policy by failing to report and pay any Referral Fees, Estimating Fees or Territory Commissions as required by this Territorial Policy, FRANCHISOR may deny Convention Allowance for the reporting month in question. In addition, in the event of such a violation, the actual fact of the occurrence of damages and the actual amount of the damages which FRANCHISOR would suffer as a result of the violation are dependent upon many circumstances and conditions which could prevail in various combinations, and, therefore, it would be impracticable and extremely difficult to fix the actual damages. Damages which FRANCHISOR would suffer in the event of such a violation by an OPERATOR include, without limitation, costs of administration of this Territorial Policy, inspection and supervision of actions resulting from or required to remedy violations of this Territorial Policy. Accordingly, each OPERATOR agrees that, if so elected by Franchisor, it shall pay to FRANCHISOR, as liquidated damages, and not as a penalty or forfeiture, a sum of up to 2 times the amount due as a result of OPERATOR's failure to report and/or pay such fees. OPERATOR agrees that this amount is a reasonable estimate of FRANCHISOR's actual damages and is a just and reasonable sum under the circumstances.

14.4210 FRANCHISOR may, in its sole discretion and is in no way obligated to, accept a smaller amount of liquidated damages and use any other enforcement measures consistent with this Territorial

Policy. In determining whether to accept a smaller amount, or use other enforcement measures, FRANCHISOR may consider the nature of the violation, the damage done to the SERVPRO® System and other OPERATORS and the number of previous violations. Any violation of this Territorial Policy is also a violation of the OPERATOR's Franchise License Agreement.

Section 15. Modification, Interpretation and Administration of Territorial Policy.

- 15.1 FRANCHISOR may modify Territorial Policy in whole or in part at any time or FRANCHISOR may discontinue Territorial Policy at any time. Any modifications will be made in writing only by FRANCHISOR and distributed to affected OPERATORS. FRANCHISOR may make modifications in specific cases where deemed necessary to further the goals of the SERVPRO® System. (See Appendix → A)
- 15.2 Successful programs have periodically been organized in cooperation with retailers, property managers, property owners, or insurance companies. These programs often involve sharing of advertising costs, advertising of prices, and meeting specific requirements of retailers or insurance companies. To facilitate such programs, FRANCHISOR may approve limited modifications to this Territorial Policy, for programs organized with retail stores, property managers, property owners, or insurance companies and other programs. (See Appendix.)
- 15.3 Trainers monitor compliance with this Territorial Policy on behalf of FRANCHISOR and attempt to assure compliance by investigating possible violations and discussing them with the OPERATORS concerned. OPERATORS must cooperate with Trainers and follow their instructions. In the event OPERATORS feel Trainers' instructions are not consistent with this policy, OPERATORS are to contact their Operations Managers in writing identifying the instructions they feel are inappropriate and requesting clarification.
- 15.4 Questions on interpretation of this Territorial Policy should be directed to Trainers. Trainers should direct any questions or issues they cannot resolve to FRANCHISOR's Legal Department. Administrative decisions of Trainers may also be appealed to FRANCHISOR. FRANCHISOR'S interpretations of this Territorial Policy and its review of administrative decisions and other decisions are final.



Declaration Form

Referral Fees, Estimating Fees and Territory Commission For the 12 Month Period Beginning January 1, _____

Of _____
 Trainership/Directorship

Franchise Name and Owner's Signature	Fee and/or commissions due for Insurance Work my office performed in another franchise territory and Insurance Work other franchises perform in my territory.		
	Referral Fee % (maximum allowable 5%)	Estimating Fee % (maximum allowable 5%)	Territory Commission % (maximum allowable 5%)
SERVPRO® of _____ Signature _____			
SERVPRO® of _____ Signature _____			
SERVPRO® of _____ Signature _____			
SERVPRO® of _____ Signature _____			
SERVPRO® of _____ Signature _____			
SERVPRO® of _____ Signature _____			
SERVPRO® of _____ Signature _____			
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SERVPRO® of _____ Signature _____			
SERVPRO® of _____ Signature _____			
SERVPRO® of _____ Signature _____			
SERVPRO® of _____ Signature _____			
SERVPRO® of _____ Signature _____			

This form is to be used to declare Franchise intentions regarding fees and compliance.

The form is to be completed by each Franchise license in the Trainership. 2/3rds of the Franchise licenses declaring the same percentages will create a Trainership wide Declaration. Franchise license holders are to complete their SERVPRO® of name, list their % of declaration for each franchise owned and pass the form to next owner. Multiple license owners with one Primary Place of Business will be required to vote the same Declarations in the event they own licenses which are located in different Trainerships. In the event 2/3rds of the Franchise licenses do not consistently declare, the following apply: Referral Fee 0%, Estimating Fee 0%, and Territory Commission 0%.

APPENDIX BA

This APPENDIX contains examples which illustrate specific provisions of Territorial Policy. FRANCHISOR may update this Appendix periodically for clarification purposes without modifying Territorial Policy. Sections in this Appendix ~~BA~~ correspond to those in the Territorial Policy.

2.11 Initial Contact - The OPERATOR that generates and receives a lead for Insurance Work.

A complication arises when one OPERATOR is contacted, but the adjuster or customer intended to contact another OPERATOR. The OPERATOR contacted by the adjuster or customer will be treated as the Initial Contact, unless there is compelling evidence to suggest this OPERATOR was not intended to receive the call.

An insurance adjuster calls SERVPRO® of B. The adjuster explains he is trying to reach SERVPRO® of A. SERVPRO® of B gives SERVPRO® of A's telephone number to the adjuster. SERVPRO® of A is the Initial Contact, because the adjuster intended to reach SERVPRO® of A, not SERVPRO® of B.

SERVPRO® of A was calling on and receiving work from Adjuster X. SERVPRO® of B received a call from one of Adjuster X's insureds, stating "SERVPRO" was one of several recommended firms. SERVPRO® of B is the Initial Contact because the insured contacted SERVPRO® of B. SERVPRO® of A's prior work does not make SERVPRO® of A the Initial Contact. The caller's intent is controlling.

2.12 Insurance Work - Cleaning and restoration services, other than routine cleaning not performed at the time of the restoration services, which arise as a result of an extraordinary occurrence relating to fire, water, storm, soot, smoke, vandalism, sewage or other damage restoration for which insurance is available, whether or not an actual insurance policy was in force, and any work requested to be performed for the same customer at the same time. Acts of God specifically excluded by some underwriters are included in this definition, for example, tornado, earthquake, flood, hurricane, hail, etc.

SERVPRO® of A refers a fire loss to SERVPRO® of B. When SERVPRO® of B arrives, the customer asks SERVPRO® of B to clean her sofa that became soiled through use (not damaged by the fire). The cleaning of the sofa is also Insurance Work.

The customer calls back a year later. She states the sofa has become soiled and she would like SERVPRO® of A to clean it again. At this point, the sofa cleaning is not Insurance Work.

A construction company contacts SERVPRO® of A to perform damage restoration. Even though an insurance company is not involved, this is Insurance Work.

The customer pays SERVPRO® of A directly for restoration work and does not turn the loss into the insurance company. This is Insurance Work.

SERVPRO® of A performs damage restoration for a customer that is less than the customer's deductible. This is Insurance Work.

3.3 Advertising and Promotion. A telephone directory serving a major metropolitan area may cover more than one Operating Territory. There are several Operating Territories in this metropolitan area and the directory includes all of the Operating Territories. Each of the OPERATORS may advertise in the directory as it meets the test of covering approximately 50% of their Operating

Territory. A small publication services two franchise operating territories. The publication is not large enough to cover the majority of either franchise territories. So long as the majority of the publication's coverage area is in a franchisee territory, that franchisee is permitted to advertise in that publication. A second test can be utilized which measures the population within the franchise territory serviced by the publication. In the event approximately 50% of the population in the territory is serviced by the publication, it will be deemed acceptable. This provision allows franchises with large geographic areas to utilize publications that service a major city within their Operating Territory which does not necessarily encompass approximately 50% of their geographic territory as compared to the population within the territory.

- 3.19 SERVPRO[®] of A receives a call from a property management company headquarters or management office. The caller has the authority to authorize A to produce an ERP for buildings the property management company manages that are located outside of A's Operating Territory. A may produce an ERP for those building regardless of where they are located.

SERVPRO[®] of A receives a call from an individual property manager located in their Operating Territory. This property manager requests A produce an ERP for buildings the property management company manages or owns in another Operating Territory. This referral source does not have authority to authorize you to perform the ERP for the other property, but gives the name of another individual property manager to contact (solicit) about performing the ERP. Because the first property manager does not have the authority to authorize the ERP, only the ability to introduce Servpro of A to a contact person at the other property, A may not produce the ERP for the individual property manager located outside of A's territory because A will have to solicit permission outside of A's Operating Territory in order to do so.

SERVPRO[®] of A has an insurance agent or broker located in their territory. The insurance agent or broker requests that A solicit an ERP for some or all of the agent or broker's clients including those outside of OPERATOR's Operating Territory. OPERATOR A may not solicit an ERP for clients of the insurance agent or broker located outside of their Operating Territory.

- 4.1 Solicitation of Direct Work. No OPERATOR may solicit for Direct Work in another OPERATOR's Operating Territory except as may be expressly provided in this Territorial Policy. Solicitation in Open Territory is allowed but must stop in the event the Open Territory is sold to another OPERATOR.

SERVPRO[®] of A receives a call from a homeowner who wishes to have her carpets cleaned. SERVPRO[®] of A has not made an effort to solicit this customer. The home is in the Operating Territory of SERVPRO[®] of B. There is no Insurance Work involved. This work may be estimated and performed by SERVPRO[®] of A.

There may be situations that warrant solicitation of a major retailer located in the Operating Territory of another OPERATOR. This solicitation must have prior written authorization from FRANCHISOR and the Trainer.

SERVPRO[®] of A has an agreement with Retailer R to be Retailer R's in-home cleaning division. A homeowner located in SERVPRO[®] of B's Operating Territory, contacts SERVPRO[®] of A and communicates he is calling to inquire about Retailer R's cleaning services or as a result of a referral from Retailer R. Authorized solicitation took place establishing the retailer account between Retailer R and SERVPRO[®] of A. SERVPRO[®] of A may perform services on behalf of the arrangement with Retailer R in another OPERATOR's Operating Territory.

7.7.c Executive Y of XYZ Insurance Company tells FRANCHISOR that it does not want SERVPRO® of B to do any Insurance Work for XYZ Insurance Company. FRANCHISOR or its Trainer or Director, with FRANCHISOR's written approval, may notify all OPERATORS in the area that when they refer work, the work from XYZ Insurance Company should not be referred to SERVPRO® of B and no Territory Commissions are due to SERVPRO® of B for the work performed for XYZ Insurance Company in SERVPRO® of B's Operating Territory until further notice.

SERVPRO® of A receives a job in SERVPRO® of B's Operating Territory. Part of the job requires a contractor's license in order to perform the services. SERVPRO® of B does not currently have a contractor's license and SERVPRO® of A has confirmed this with the assigned Trainer for SERVPRO® of B. SERVPRO® of A either performs the job or refers the job to another OPERATOR. For the portion of the job that requires a contractor's license, no Territory Commission will be due to SERVPRO® of B. However, for the portion of the job that does not require a contractor's license, a Territory Commission will be due to SERVPRO® of B on that portion of the job provided a Territory Commission is in effect for the Trainership.

11.4.d The Initial Contact or the insurance company refers a \$1,000 insurance job to the Production Office and writes the estimate. After the Production Office does the job, the Initial Contact or the Insurance Company telephones the customer. The customer is unhappy with the job and requests that the Production Office not be sent back. The Initial Contact now handles the reservicing. The cost of the reservicing to please the customer was \$140 using ScanER or Xactimate estimating programs. The following calculations should be used to handle this situation: Assuming the amount of the insurance job is \$1,000 and the default fee for estimating and referral apply, the Initial Contact would normally receive 10% or \$100 and the Production Office would normally receive 90% or \$900. In this case, the Initial Contact may deduct the reservicing costs of \$140 from the amount which would be paid the Production Office and the Production Office receives \$760.

APPENDIX €B

SOLICITATION APPROVAL FORM

Pursuant to Section 4.2 of Servpro's Territorial Policy, I am authorizing Servpro of _____
_____ to solicit Centers of Influence located in your territory for Servpro of
_____.

Based on my observations, your franchise is electing not to follow Servpro's recommended marketing program. You do not have the recommended number of SMRs based on Servpro's Stages Model or at least one SMR for each of your franchise Operating Territories. We understand this is a personal decision you have made regarding the business plan for you territory. We hope you will understand that Servpro Industries, Inc.'s goal is that each franchise is following its recommended and proven operating system. We do not believe it is appropriate for Centers of Influence in your Operating Territory to remain unsolicited.

This approval is being granted for a six (6) month period from the date of this letter and will be renewed for additional six (6) month periods of time until such time as you hire and train sales representatives for your territory as recommended by Servpro Industries, Inc.'s operating system criteria. We will continue to support your efforts to develop your Operating Territory to the best of our ability utilizing your business plan as our guide.

Should you have any questions, please contact me directly.

[Trainer]

cc: Servpro franchise being granted permission
Operations Manager, Servpro Industries, Inc.
Operator File

EXHIBIT F

SECURED PROMISSORY NOTE AND SECURITY AGREEMENT

SECURED PROMISSORY NOTE

\$ _____
_____ % per Annum

Gallatin, Tennessee

FOR VALUE RECEIVED, the undersigned makers, jointly and severally, promise to pay to the order of Servpro Industries, Inc. ("Servpro"), a Nevada Corporation, with its principal place of business located at 801 Industrial Boulevard, Gallatin, Tennessee 37066, or at such other place as holder may designate from time to time, the principal sum of _____ AND 00/100 DOLLARS (\$ _____) with interest to accrue on unpaid principal and interest at the rate of _____ PERCENT (_____%) per annum, payable in _____ (____) equal monthly installments of _____ (\$ _____), payable on the _____ (____) day of each month, commencing the third (3rd) month following execution of a Franchise License Agreement or Training and Distribution Agreement by the President of Servpro, with any remaining sums owing under this note, including unpaid balance of principal and interest, all due and payable on or before eight calendar years (96 months) thereafter.

At holder's election, holder may apply all sums and fees owing by holder to makers under any Franchise License Agreement or Training and Distribution Agreement, or any other agreement or obligation, against the monthly principal, interest and other payments due hereunder. The undersigned shall all be deemed makers and will be jointly, severally and individually liable as makers. Makers agree that amounts charged constitute a Time-Price Differential as defined in TCA §47-14-101 et seq.

Makers may prepay principal in any amount from time to time without penalty. Should any payment not be paid when due, it shall thereafter bear like interest as the principal. Payments shall first be credited against any outstanding fees and expenses, then against interest, and finally against principal. Should default be made in any payment due hereunder or in any other agreement between makers and holder, the whole sum of principal and interest shall, at the option of the holder of this note, become immediately due and payable; provided, however, that holder may not so declare the whole sum of principal and interest payable until after thirty (30) days of nonpayment have elapsed from the due date of the payment in question.

If makers default on any payment of this note, makers agree to pay all costs and expenses of collection, including reasonable attorney's fees. Whenever any one of said installments, the maturity of which has not been accelerated, is not paid on the date as above agreed, the undersigned, jointly and severally, promise to pay to the holder hereof a late fee of fifty dollars (\$50) on any installment which has become due and remains unpaid for a period in excess of five (5) days. Payee may assess said late fees at its discretion.

In addition to other rights and remedies of holder contained herein, the holder of this note may, at its option, accelerate the maturity of all amounts due hereunder upon the happening of any of the following events, in which event the unpaid balance of the note (including unpaid principal, accrued and unpaid interest to the date of payment, any advances made by holder pursuant to this note and any other charges or fees to which holder is entitled hereunder) shall become immediately due and payable without demand or notice: insolvency or commission of any act of insolvency; filing of a petition in bankruptcy, either voluntary or involuntary; institution of any proceeding under any bankruptcy or insolvency laws relating to the relief of debtors; entry of judgment; appointment of a receiver; issuance of a right of attachment; order of garnishment or subpoena in supplementary proceedings, execution or other similar process; assignment, mortgage or pledge of accounts receivable or other property without the written consent of the holder hereof; if at any time the holder shall consider the security of the loan unsatisfactory or insufficient and the undersigned shall not on demand furnish such further collateral or such payment on account as shall be satisfactory to the holder; if at any time, in the sole opinion of the holder hereof, the financial responsibility of the undersigned becomes impaired or unsatisfactory to the holder; any of the undersigned commits a material breach of any agreement with Servpro Industries, Inc., or ceases to be a franchisee or distributor of Servpro Industries, Inc.; or failure to pay any financial obligation whatsoever owing to Servpro Industries, Inc. or to holder; or application is made by any judgment creditor for an order directing the holder hereof to pay over any money.

No extension of time for payment of all or any part of the amount owing herein at any time or times shall affect the liability of the undersigned or any guarantors. No failure or delay by the holder in exercising any right under this Note shall operate as a waiver of such right, nor shall any single or partial exercise of any right exclude the further exercise thereof or the exercise of any other right. Makers waive demand, presentment for payment, notice of nonpayment, notice of protest of this Note and the right to assert in any action or proceeding with regard to this Note any setoffs or counterclaims which the makers may have. In addition, after default of this Note by Makers, Makers consent to the foreclosure and disposition of Collateral described in the Security Agreement without notice, and Makers waive all objections, claims, defenses, affirmative matters and errors that may exist to the benefit of Makers.

This note is secured by a Security Agreement. Should the undersigned or their successors in interest sell, contract to sell, lease, sublease or otherwise dispose of or transfer the collateral therein described or any interest therein; or should the undersigned not remain a franchisee of Servpro Industries, Inc.; or should the undersigned default under any Franchise License Agreement or Training and Distribution Agreement or any other obligation to Servpro Industries, Inc. or to holder, at holder's election, all sums hereby secured will be immediately due and payable.

In the event any provision (or any part of any provision) contained in this Note is for any reason held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision (or remaining part of the affected provision) of this Note but this Note shall be construed as if such invalid, illegal or unenforceable provision (or part thereof) has never been contained herein but only to the extent it is invalid, illegal or unenforceable.

Regardless of any provisions contained herein, holder shall never be entitled to receive, collect, or apply as interest on any note, any amount in excess of the maximum permitted by law, if any, and, in the event holder ever receives, collects or applies as interest any such excess, such amount which would be excessive interest shall be deemed a partial prepayment of principal and treated as such, but if the principal of the note is paid in full, any remaining excess shall forthwith be paid to makers. In no event shall holder be subject to any penalties, if any, provided by any laws for contracting for, charging or receiving interest in excess of the maximum permitted by law.

[Entity]:

By: _____
Signature, Individually and on behalf of [entity]

Date

By: _____
Signature, Individually and on behalf of [entity]

Date

SECURITY AGREEMENT

SECURITY AGREEMENT ("Security Agreement") dated _____, 201520, executed by

(individually and collectively, if more than one, "Debtor"), in favor of SERVPRO INDUSTRIES, INC., a Nevada corporation with its principal place of business located in Gallatin, Tennessee (sometimes herein called "Servpro," "Secured Party" or "Franchisor"). Debtor hereby agrees to the following terms and conditions:

1. Creation and Attachment of Security Interest

Debtor hereby grants and assigns to Secured Party first, prior, and superior security interests in and to all the collateral described in paragraph 2 of this Security Agreement, to secure full and prompt payment of all royalty fees, fixed fees, advertising fees, credit sales in the form of trade receivables, performance of all other covenants pursuant to any Franchise License Agreements and Training and Distribution Agreements executed by Debtor and Secured Party as Franchisor and any extensions and renewals thereof (individually and collectively "Franchise Agreements"), equipment leases or sales, promissory notes, and all other agreements and obligations now due Franchisor or hereafter incurred (collectively, the "Obligations").

The security interest created hereby secures the full and prompt payment of all Obligations whether now existing or hereafter incurred. Should Debtor or its successors in interest sell, contract to sell, or otherwise dispose of or transfer the Collateral described below, or any interest therein, except for the sale of inventory or stock in trade in the ordinary course of business, all outstanding Obligations will, at the option of Secured Party, be immediately due and payable. Debtor further agrees to notify Secured Party within the time period stated in any Franchise Agreements prior to any attempted transfer by Debtor and to comply with the transfer provisions of these agreements including completion and approval by Secured Party of the then current Servpro Industries, Inc. transfer package.

In the event that any Collateral requires perfection by possession and such Collateral is not presently or hereafter delivered to Secured Party, it will nevertheless be deemed to be Collateral.

2. Description of Collateral

The Collateral covered by this Security Agreement and in which a security interest is hereby granted and transferred to Secured Party is as follows: All interests in any Servpro Industries, Inc. franchises and the businesses operated under such franchises either now owned or in which Debtor gains rights in the future, all of Debtor's tangible and intangible personal property comprising such Servpro franchised businesses including all accounts, accounts receivable, cash, cash deposits, amounts owed by other than customers, chattel paper, collateral, deposit and checking accounts, equipment (including computers, peripherals, and software), goods, instruments, inventory, note proceeds, royalties or sales fees owed to Debtor by Servpro, stock in trade, trade receivables, contract rights, including all interests in any Servpro Franchise Agreements, general intangibles including business trade name and goodwill, and all of the above, wherever located, whether now owned or hereafter acquired, including the products and proceeds thereof, all replacements and substitutions therefor, and all additions, replacements, attachments and accessions in which Debtor now or hereafter has an interest (collectively, the "Collateral").

In the event that Debtor purchases a vehicle from Secured Party or if Secured Party finances the purchase of a vehicle, Debtor agrees to register the vehicles that comprise part of the Collateral in their state according to state laws and regulations, listing Servpro Industries, Inc. as first priority Lienholder. If the original recorded titles to the vehicles are returned to Debtor, Debtor agrees to promptly forward the original recorded titles to Secured Party, and Secured Party shall hold said titles until such time as the indebtedness for the vehicle is paid in full. Any failure to either record Secured Party as a first priority lienholder on the title, or failure to promptly forward the vehicle titles to Secured Party will be deemed a breach and default of the promissory note and this security agreement.

3. Representations, Warranties and Covenants of Debtor

Debtor hereby represents and warrants to and covenants with Secured Party that:

- a. Except for the security interest created by this Security Agreement, Debtor is the legal and equitable owner of all the Collateral, and no other person or entity has any right, title, interest or claim in or to the Collateral or any part of the Collateral, other than a purchase money security interest in specific tangible Collateral of which Debtor has given Secured Party at least five (5) days' prior written notice.
- b. The Collateral is and will be located at Debtor's franchise location(s) except to the extent such collateral is a general intangible or contract such as any Franchise Agreements, and will not, during the continuance of this Security Agreement, be removed from those premises without the prior written consent of Secured Party other than in the ordinary course of business in serving customers.
- c. If a business entity, Debtor has been duly formed and exists as a business entity in good standing under the laws of its jurisdiction of organization and has authority to enter into and perform this Security Agreement.
- d. Debtor utilizes no trade names in the conduct of its business except as stated above and in its Franchise Agreements with Secured Party, and has not changed its name, been the surviving entity in a merger, or acquired any other business.
- e. Debtor will not change its name or trade name, or transfer its interest in the same, without notifying Secured Party five (5) business days prior to such event and shall not violate any obligations of any Franchise Agreements with respect thereto.
- f. Debtor will not to take any action that would delay, diminish, frustrate, or void this Security Agreement. Debtor understands that time is of the essence regarding all actions to be taken under this Security Agreement.

g. Debtor will pay (i) promptly when due, all costs of and taxes on the filing of financing statements, continuation statements, termination statements and any other publicly filed documents with respect to the security interests created hereby, (ii) prior to delinquency, all taxes, assessments, governmental charges and levies upon the Collateral or incurred in connection with the use or operation of such Collateral or incurred in connection with this Security Agreement, (iii) upon demand by Secured Party, any and all expenses, including reasonable attorneys' fees and disbursements, incurred or paid by Secured Party in protecting, preserving or enforcing Secured Party's rights under or in respect of this Security Agreement, any of the Obligations or any of the Collateral, and (iv) upon demand by Secured Party, interest on any amounts due and owing from Debtor to Secured Party hereunder, from the date due until paid, at the maximum rate allowed by law (the "Interest Rate").

4. Maintenance and Repair of Collateral

To the extent such collateral is tangible; Debtor shall maintain the Collateral, and each part of the Collateral, in good order and repair at Debtor's own cost and expense and shall never use the Collateral, or any part of the Collateral, in a manner resulting, or likely to result, in waste or unreasonable deterioration of the Collateral.

5. Insurance

To the extent the Collateral is tangible, and until full and final satisfaction of the Obligations and termination of this Security Agreement by Secured Party, Debtor, at Debtor's own cost and expense, shall keep the Collateral, and all parts of the Collateral, insured for its full value against damage or loss resulting from any and all risks to which it might foreseeable be exposed and risks designated by Secured Party. Each such policy of insurance shall be issued by an insurance company acceptable to Secured Party and shall provide for the loss payable under it being paid to Debtor and Secured Party as their interests may appear. A duplicate copy of each such policy shall be delivered by Debtor to Secured Party.

6. Taxes and Assessments

Debtor shall pay from its own funds, as they become due, any and all taxes and assessments levied or assessed against the Collateral, or any part of the Collateral, prior to the full and final satisfaction of the Obligations and termination of this Security Agreement by Secured Party.

7. Disposition of Collateral

Debtor shall keep the Collateral separate and identifiable from other property owned by Debtor or located on the same premises as Collateral, and Debtor shall not, without the prior written consent of Secured Party, sell, encumber or otherwise dispose of any portion of the Collateral, except as authorized in this Security Agreement.

Debtor shall take all necessary steps to preserve the liability of account debtors, obligors and secondary parties whose obligations are part of the Collateral; transfer possession of all instruments, documents, and chattel paper that are part of the Collateral to Secured Party immediately, or as to those hereafter acquired, immediately following acquisition; notify Secured Party of any change occurring in or to the Collateral, or in any fact or circumstance warranted or represented by Debtor in this Security Agreement or furnished to Secured Party or if any Event of Default occurs.

8. First and Prior Lien

This Security Agreement grants to Secured Party a first and prior lien and security interest to secure the prompt payment of all Obligations. If Secured Party disposes of all or any part of the Collateral following default by Debtor, all proceeds from such disposition shall be applied first against all monetary obligations to Secured Party incurred under any promissory notes and equipment leases, in the order in which such indebtedness was incurred, and thereafter to the payment of monetary obligations due Secured Party pursuant to any Franchise Agreements, and lastly to satisfy any other Obligations. For the purpose of this paragraph, extended, amended, or renewed Franchise Agreements will be considered executed on the date(s) of the original Franchise Agreements.

9. Inspection Rights

Secured Party, either in person or by agent, shall have the right at any and all reasonable times and at reasonable intervals to enter the premises where any tangible Collateral is located or the records relating to any intangible Collateral are maintained and inspect the same.

10. Payment by Secured Party

Secured Party may, at its option, but shall not be required to, pay on behalf of Debtor and on the account of Debtor any taxes, assessments, liens, insurance premiums, repair costs or maintenance costs or other amounts that, pursuant to the terms of this Security Agreement, should have been but were not paid by Debtor. Secured Party shall also have the right, at its option, to enter the premises where the Collateral or any part of the Collateral is located, and cause to be performed, as agent and on the account of Debtor, any such acts as Secured Party may deem necessary for the proper repair or maintenance of the Collateral or any part of the Collateral if applicable. Any moneys expended or expenses incurred by Secured Party under this paragraph shall be a part of the Obligations, shall be secured by the security interest created by this Security Agreement and shall be due and payable by Debtor to Secured Party, together with interest at the Interest Rate, on demand.

11. Power of Attorney.

a. Debtor hereby irrevocably constitutes and appoints Secured Party and any officer or agent thereof, with full power of substitution, as its true and lawful attorneys-in-fact with full irrevocable power and authority in the place and stead of Debtor or in Secured Party's own name, for the purpose of carrying out the terms of this Security Agreement, to take any and all appropriate action and to execute any and all documents and instruments that may be necessary or desirable to accomplish the intent and purposes of this Security Agreement and, without limiting the generality of the foregoing, hereby gives said attorneys the power and right, on behalf of Debtor, without notice to or assent by Debtor, to do the following:

- (1) to the extent that Debtor's authorization given in paragraph 15 is not sufficient, to file such financing statements with respect hereto, with or without Debtor's signature, or a photocopy of this Security Agreement in substitution for a financing statement, as Secured Party may deem appropriate and to execute in Debtor's name such financing statements and amendments thereto and continuation statements that may require Debtor's signature; and

(2) at any time or from time to time upon the occurrence and during the continuance of an Event of Default, and at Debtor's expense, generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral in such manner as is consistent with the UCC of any jurisdiction and as fully and completely as though Secured Party were the absolute owner thereof for all purposes, and do all other acts and things that Secured Party deems necessary to protect, preserve or realize upon the Collateral and Secured Party's security interest therein, or in order to effect the intent and purposes of this Security Agreement, all as fully and effectively as Debtor might do, including:

- (A) sending requests for verifications of accounts to customers;
- (B) notifying account debtors and other persons obligated on Collateral to make payments in respect thereof direct to Secured Party, and take control of all proceeds thereof;
- (C) notifying postal authorities to change the address for delivery of Debtor's mail to an address designated by Secured Party;
- (D) receiving, opening and disposing of mail addressed to Debtor;
- (E) endorsing Debtor's name on any checks, notes, acceptances, money orders, drafts or other forms of payment or security that may come into Secured Party's possession;
- (F) signing Debtor's name on any invoice or bill of lading relating to any account, on drafts against customers, on schedules of assignments of accounts, on verification of accounts and notices to customers and on notices of assignment, applications for noting of liens on certificates of title and other public records or documents of any kind as necessary or desirable to insure perfection or enforceability of Secured Party's security interests in Collateral;
- (G) filing and prosecuting registration and transfer applications with the appropriate federal or local agencies or authorities with respect to trademarks, copyrights and patentable inventions and processes;
- (H) exercising voting rights with respect to voting securities, which rights may be exercised, if Secured Party so elects, with a view to causing the liquidation in a commercially reasonable manner of assets of the issuer of any such securities; and
- (I) executing, delivering and recording, in connection with any sale or other disposition of any Collateral, endorsements, assignments or other instruments of conveyance or transfer with respect to such Collateral.

b. To the extent permitted by law, Debtor hereby ratifies all that said attorneys lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable until the Obligations have been fully and finally satisfied.

- c. The powers conferred on Secured Party hereunder are solely to protect its interests in the Collateral and shall not impose any duty upon it to exercise any such powers. Secured Party shall be accountable only for the amounts that it actually receives as a result of the exercise of such powers and neither it nor any of its officers, directors, employees or agents shall be responsible to Debtor for any act or failure to act, except for Secured Party's own gross negligence or willful misconduct.

12. Assignment by Secured Party

Secured Party may assign its rights under this Security Agreement and the security interest created by this Security Agreement. Should Secured Party assign its rights under this Security Agreement or the security interest created by this Security Agreement, Secured Party's assignee shall be entitled, on written notice of the assignment being given by Secured Party to Debtor, to all performance required of Debtor by this Security Agreement and all payments, moneys and other performance secured by this Security Agreement including compliance with the Franchise Agreements.

13. Default

The following occurrences or any one or more of the following events shall constitute an Event of Default hereunder:

- a. Failure to pay any royalty fee, fixed fee, advertising fee, credit sale, or other charges in respect to any obligations under any Franchise Agreements or failure to pay any principal, interest, or other charges due under any promissory note or equipment lease now or hereafter made by Debtor in favor of Secured Party.
- b. Breach of any covenant or agreement set forth herein or in any Franchise Agreements or in any other agreement, heretofore, now, or hereafter executed by Debtor with or in favor of Secured Party.
- c. Breach of any of the Obligations.
- d. Any representation, warranty, certificate, or other information made or furnished to Secured Party by or on behalf of Debtor under this Security Agreement is false or misleading in any material respect, either now or at any time made or furnished.
- e. Loss, theft, damage, or destruction of any material portion of the Collateral for which there is either no insurance coverage or for which, in the opinion of Secured Party, there is insufficient insurance coverage.
- f. The making of any levy, seizure, attachment or lien upon the Collateral.

- g. Debtor or any of its subsidiaries or guarantors (1) terminate or suspend the operation of any portion of its business as presently conducted; (2) apply for or consent to the appointment of a receiver, trustee, or liquidator of itself or of all or a substantial part of its assets; (3) be unable, or admit in writing its inability to pay its debts as they fall due; (4) make a general assignment for the benefit of its creditors; (5) be adjudicated a bankrupt or insolvent; or (6) file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any insolvency law or an answer admitting the material allegations of a petition filed against it in any bankruptcy, reorganization, or insolvency proceeding, or any action shall be taken by it for the purpose of effecting any of the foregoing.
- h. The Collateral declines in value or becomes unsatisfactory to Secured Party.

14. Remedies

Should Debtor fail to perform any provision of this Security Agreement to be performed on its part, or should Debtor fail to pay any obligation secured by this Security Agreement or the security interest created by this Security Agreement as it becomes due, or should there occur an Event of Default, then Debtor shall be in default of this Security Agreement and Secured Party shall have all the rights and remedies of a secured party under the Uniform Commercial Code of Tennessee or other applicable jurisdiction and, in addition, shall have the following rights and remedies:

- a. Accelerate the maturity of any or all Obligations, without notice;
- b. Enter on Debtor's premises to assemble and take possession of the Collateral;
- c. Require Debtor to assemble the Collateral and make it available to Secured Party at a place designated by Secured Party that is reasonably convenient to both Debtor and Secured Party;
- d. Enter Debtor's premises and dispose of the Collateral in the manner provided by the Uniform Commercial Code of Tennessee or other applicable jurisdiction, on Debtor's premises or elsewhere;
- e. Sell, assign and deliver the whole, or any part of the Collateral at one or more public or private sales, without demand, advertisement or notice to the undersigned, which are hereby expressly waived and released, except as required by applicable law. Secured Party will first deduct from the proceeds all costs and expenses of such sale including preparing the tangible collateral for sale, storing and handling the Collateral, advertising the sale and then deducting the primary indebtedness secured by and through this Security Agreement. At any such sales, Secured Party may purchase any or all of the property sold free from any claim or right of redemption of the undersigned, which are hereby waived and released to the extent permitted by applicable law; and
- f. To the extent permitted by applicable law, take over the franchised business designated above free and clear of all rights and claims of any other party. In order to facilitate the transfer of the franchised business, Debtor shall fully and promptly cooperate with Secured Party to prepare and sign any and all documents that Secured Party might deem reasonably necessary to effect the transfer from Debtor to Secured Party.

15. Financing Statements; Further Assurances.

Debtor hereby irrevocably authorizes Secured Party at any time and from time to time to file, in any jurisdiction, financing statements (including any amendments thereto) that cover the Collateral and that (a) indicate the Collateral as all assets of Debtor or words of similar effect, or as being of an equal or lesser scope or with greater detail, and (b) contain any other information required by the UCC for the sufficiency or filing office acceptance of any initial financing statement or amendment, including (i) whether Debtor is an organization, the type of organization and any organization identification number issued to Debtor and, (ii) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, a sufficient description of the real property to which the Collateral relates. Debtor agrees to furnish any such information to Secured Party promptly upon request. Debtor also ratifies its authorization for Secured Party to have filed in any jurisdiction any like initial financing statements or amendments thereto if filed prior to the date hereof.

16. Waiver

Neither the acceptance of any partial or delinquent payment by Secured Party nor Secured Party's failure to exercise any of its rights or remedies on default by Debtor shall be a waiver of the default, a modification of this Security Agreement or Debtor's obligations under this Security Agreement, or a waiver of any subsequent default by Debtor. To the extent permitted by applicable law, Debtor consents to the foreclosure and disposition of Collateral after default without notice, and Debtor waives all objections, claims, defenses, affirmative matters and errors that may exist to the benefit of Debtor.

17. Notices

Except as otherwise expressly provided in this Security Agreement or by law, any and all notices or other communications required or permitted by this Security Agreement or by law to be served on, given to, or delivered to either party to this Security Agreement shall be in writing and shall be deemed duly served, given, delivered and received when personally delivered to the party to whom it is directed, or in lieu of such personal delivery, when deposited in the United States mail, certified or registered, postage prepaid, addressed to Secured Party at 801 Industrial Drive, Gallatin, TN 37066, or to Debtor at the address listed in Secured Party's files as the location of Debtor's Servpro franchise. Either party, Debtor or Secured Party, may change their address for the purpose of this paragraph by giving written notice of such change to the other party in the manner provided in this paragraph.

18. Binding on Heirs, Successors and Assigns

This Security Agreement and each of its provisions shall be binding on and shall inure to the benefit of the respective parties hereto and their respective representatives and heirs, executors, administrators, successors and assigns. Nothing contained in this paragraph, however, shall be deemed a consent to the sale, assignment or transfer of the Collateral or its obligations under this Security Agreement by Debtor.

19. Entire Agreement

This Security Agreement, and all other writings referred to herein, including any promissory notes or equipment leases as may be executed by Debtor, constitute the sole and only agreements between the parties respecting the Collateral or the security interests granted in the Collateral. This Security Agreement correctly sets forth the rights, duties and obligations of each party to the other party with respect to the Collateral and the security interest hereby created in the Collateral as of this date. Any prior written or oral agreements, alleged promises, negotiations or representations concerning the subject matter of this Security Agreement not expressly set forth herein or in the writings referred to herein, including any promissory notes or equipment leases, are of no force or effect.

20. Venue and Governing Law

Debtor hereby consents that any legal action arising out of or relating to this Security Agreement and the relationship of Debtor with Secured Party shall be brought in the United States District Court for the Middle District of Tennessee in Nashville, Tennessee, or the Circuit Court or Chancery Court of either Davidson or Sumner County, Tennessee. Debtor hereby irrevocably submits to the jurisdiction of such Courts and waives any objection it may have to either the jurisdiction or venue of such Courts.

This Security Agreement and any promissory note(s), the rights granted and the relationship created hereunder shall be governed, interpreted and construed in all respects in accordance with the internal laws of the State of Tennessee without reference to its conflicts of laws principles.

21. Severability

Any provision of this Security Agreement that is prohibited or unenforceable with respect to any person or circumstance or in any jurisdiction shall, as to such person, circumstance or jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Security Agreement or affecting the validity or enforceability of such provision with respect to other persons or circumstances or in any other jurisdiction.

22. Miscellaneous.

- a. If Debtor is comprised of more than person or entity, the Obligations and the obligations of Debtor hereunder shall be joint and several obligations of all such persons or entities.
- b. Neither this Security Agreement nor any provision hereof may be altered, amended, modified or changed orally, but may be so altered, amended, modified or changed only by an instrument in writing signed by the party against whom enforcement of such alteration, amendment, modification or change is sought.
- c. The headings in this Security Agreement and the usage herein of defined terms are for convenience of reference only, and shall not be construed as amplifying, limiting or otherwise affecting the substantive provisions hereof.
- d. Any reference herein to any instrument, document or agreement, by whatever terminology used, shall be deemed to include any and all past, present or future amendments, restatements, modifications, supplements, extensions, renewals or replacements thereof, as the context may require.
- e. The words "hereof", "herein" and "hereunder" and words of similar import, when used in this Security Agreement, refer to this Security Agreement as a whole and not to any particular provision of this Security Agreement.
- f. When used herein, (i) the singular shall include the plural, and vice versa, and the use of the masculine, feminine or neuter gender shall include all other genders, as appropriate, (ii) "include", "includes" and "including" shall be deemed to be followed by "without limitation" regardless of whether such words or words of like import in fact follow same, and (iii) unless the context clearly indicates otherwise, the disjunctive "or" shall include the conjunctive "and".

- g. Any reference herein to any law shall be a reference to such law as in effect from time to time and shall include any rules and regulations promulgated or published thereunder and published interpretations thereof.

We accept and agree to the terms and conditions contained in this Security Agreement on behalf of ourselves as individuals, on behalf of Debtors and any other company or business entity in which we may have an ownership interest, either now or in the future.

IN WITNESS WHEREOF, Debtor has executed this Security Agreement or has caused this Security Agreement to be executed as of the date first above written.

DEBTOR:

Signature, Individually and on behalf of [entity]

Signature, Individually and on behalf
of [entity]

EXHIBIT G

LIST OF PARTNERS, MEMBERS OR SHAREHOLDERS

LIST OF PARTNERS, MEMBERS OR SHAREHOLDERS

Distributor (as named below) and Servpro Industries, Inc. (Servpro) intend to enter into a Training and Distribution Agreement (the “Agreement”) pursuant to which Servpro will grant Distributor a non-exclusive license to use the Marks and the System in connection with the Business in and from the Distribution Area, all as defined therein; and

WHEREAS, the undersigned, being all of the partners, members or shareholders of Distributor and the spouses or domestic partners of such partners, members or shareholders acknowledge that they shall benefit from the Agreement, and in consideration for the execution by Servpro of the Agreement, by their signatures below, they do hereby execute this List of Partners, Members or Shareholders in accordance with Section 1.L. of the Training and Distribution Agreement for the purpose of binding and obligating themselves to adhere to all of the provisions of the Agreement in the manner provided for therein.

Any transfer of ownership interest in this business entity is subject to, and governed by, the transfer provisions in the Agreement to which this entity is a party, which requirements include, without limitation, obtaining the prior, written permission from Servpro.

Name of Distributor: _____

Form of Distributor: _____

Signature of All Partners, Members or Shareholders (and their Respective Spouses or Domestic Partners):

Percentage Ownership

_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

This List of Partners, Members or Shareholders is effective as of the _____ day of _____, 20____. Any change in the information of this form is subject to Section 8 of the Agreement and must be submitted to SERVPRO for prior written approval.

EXHIBIT H

GUARANTY AGREEMENT

GUARANTY AGREEMENT

This GUARANTY AGREEMENT is entered into by and between SERVPRO INDUSTRIES, INC., a Nevada corporation having a principal place of business at 801 Industrial Boulevard, Gallatin, Tennessee 37066 (“Servpro”) and _____ (“Guarantor”).

WHEREAS, Franchisor intends to or has entered into a Training and Distribution Agreement (the “Distribution Agreement”) with _____ (“Distributor”), whereby Distributor is obligated to pay Servpro certain fees and accounts pursuant to the terms of the Distribution Agreement; and

WHEREAS, Servpro requires security for the performance of the obligations of Distributor to Servpro under the Distribution Agreement, and will enter into the Distribution Agreement with Distributor only if Guarantor guarantees the performance of the Distributor under the Distribution Agreement and guarantees the payments of any amounts owed to Servpro by Distributor; and

WHEREAS, Guarantor is a shareholder, partner, member or other individual interested in fostering the relationship between Servpro and Distributor and Guarantor is willing to give such security to Servpro.

NOW, THEREFORE, for and in consideration of the execution by Servpro of the Distribution Agreement, Guarantor hereby agrees as follows:

1. Guarantor hereby guarantees the timely performance by Distributor of its obligations under any Distributor Agreement or any other agreement between Servpro and Distributor, including the prompt payment when due of all fees and all other obligations, direct or indirect, owed by Distributor to Servpro.

2. This Guaranty and every part thereof shall be binding upon the undersigned Guarantor, jointly and severally, and upon their respective heirs, legal representatives, successors and assigns. It is expressly agreed that Servpro may at any time make demand for payment on, or bring suit against Guarantor, jointly or severally. If there is more than one Guarantor, Servpro may release any of the undersigned from all further liability to Servpro without impairing the rights of Servpro in any respect to demand and collect the balance of the indebtedness from any of the remaining undersigned.

3. Servpro is hereby expressly authorized to periodically make, without notice, any extensions, renewals, compromises, settlements, releases, or dispositions of all or any part of said indebtedness, and the liability of the undersigned shall not be in any manner affected, diminished, or impaired thereby, nor shall the liability of the undersigned be affected, diminished or impaired by the failure, neglect or omission on the part of Servpro to make any demand or protest or give any notice of dishonor or default. Servpro shall be under no obligation at any time to first resort to, make demand on, or make claim against, or exhaust its remedies against Distributor, any one or more of the undersigned, or any other person or corporation, or to resort to, or exhaust its remedies against any collateral, security or other rights whatsoever.

4. In the event of the death, incompetency, dissolution, liquidation, insolvency of, or the institution of bankruptcy or receivership proceedings by or against Distributor, all the indebtedness of Distributor to Servpro, (including, without limitation, any indebtedness of Distributor that results from termination of any of the Distribution Agreement) then existing shall, for purposes of this Guaranty, and at the option of Servpro, immediately become due and payable from Guarantor.

5. This Guaranty shall be a continuing, absolute and unconditional Guaranty and shall remain in full force and effect as to the obligations under any Distribution Agreement and all other obligations owed by Distributor to Servpro until all such obligations have been satisfied.

6. The failure, omission, or delay by Servpro in exercising its rights hereunder in the event of default by Distributor shall not constitute the waiver of any such default, or of any of the rights or remedies to which Servpro is entitled under the Distribution Agreement, this Guaranty Agreement or any other instrument.

7. The terms of this Guaranty, the rights granted and the relationship created hereunder shall be governed, interpreted and construed in all respects in accordance with the laws of the State of Tennessee without reference to its conflict of laws principles.

8. Guarantor and Servpro agree that any litigation or legal action to enforce or relating to this Agreement shall be filed in the United States District Court for the Middle District of Tennessee in Nashville, Tennessee, or the Circuit Court or Chancery Court of Sumner County or Davidson County, Tennessee. Guarantor and Servpro hereby consent to the jurisdiction of such Courts and further agree to waive any rights or objections to the jurisdiction or venue of any such actions when filed in such Courts.

9. If any legal proceeding is commenced to enforce or interpret any provisions of this Guaranty, the prevailing party will be entitled to recover reasonable attorney's fees in addition to costs and disbursements allowed by law.

10. Severability. If any provision of this Guaranty, or its application to any person or circumstance is deemed invalid or unenforceable, all other provisions of this Guaranty, or the application of such provisions to other persons or circumstances, shall remain in full force and effect, and not be affected thereby, and in lieu of such invalid or unenforceable provision, there shall be added automatically as a part of this Guaranty, a provision that is valid, enforceable and as similar in terms to such invalid or unenforceable provision as may be possible.

Signed this _____ day of _____, 20__.

GUARANTOR:

We sign on our own individual behalf and on behalf of any business in which we have an interest, now or in the future.

Signature

Signature

State of _____)
) ss.
County of _____)

On _____, 20____, before me, _____, personally appeared _____ who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument, the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of _____ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary: _____

Address:

My commission expires:

[Notary's Seal]

Accepted at Gallatin, Tennessee this _____ day of _____, 20____.

SERVPRO INDUSTRIES, INC.

By: _____
Randall A. Isaacson, President

EXHIBIT I

CONFIDENTIALITY AGREEMENT

CONFIDENTIALITY AGREEMENT

This AGREEMENT is entered into by and among SERVPRO INDUSTRIES, INC., a Nevada Corporation having an address and principal place of business located at 801 Industrial Boulevard, Gallatin, Tennessee 37066 (“Servpro”); _____ (“Distributor”) and _____ (“Spouse”).

WHEREAS, Distributor (or a legal entity owned and/or controlled by Distributor) and Servpro intend to enter into a Training and Distribution Agreement (the “Distribution Agreement”) and Servpro has undertaken, at considerable expense, to create the System which will be revealed to Distributor pursuant to the Distribution Agreement and Spouse does not intend to hold an ownership interest in the Business operated pursuant to the Distribution Agreement and will not be actively involved in the operation of the Business but through association with Distributor, will be exposed to and learn many procedures, techniques and other matters which are either marked or identified and treated by Servpro as confidential, proprietary or trade secret, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of Servpro and the System, which are beyond Spouse’s present skills and experience (“Confidential Information”).

NOW, THEREFORE, the parties agree as follows:

1. Acknowledgment of Confidentiality Obligation. Spouse acknowledges that through association with Distributor, Spouse will receive valuable Confidential Information which provides a competitive advantage in the development of the Business. Spouse acknowledges and agrees that the Confidential Information and any Manuals are confidential or proprietary in nature and contain trade secrets belonging to Servpro and that all such tangible evidence of Confidential Information is a property right of great value to Servpro. Spouse agrees to be bound by the provisions of the Distribution Agreement related to confidentiality or protection of trade secrets, including, without limitation, Section 10, the same as if a party to the Distribution Agreement.

2. Non-Use. Spouse agrees not to use Confidential Information except as authorized or intended by Servpro in the course of employment for Distributor without prior written approval from Servpro and shall not divert or attempt to divert any business or customer of the Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

3. Non-Disclosure. Spouse agrees not to disclose, communicate or divulge any Confidential Information for Spouse's personal benefit or for the benefit of any third party, except as required in the course of employment for Distributor, without prior written approval from Servpro.

4. Exclusions. Confidential Information does not include and this Agreement does not apply to: (a) information that is previously known to the recipient, (b) information that is or becomes part of the public domain other than through a wrongful act of the recipient, (c) information that is independently developed by the recipient, (d) information that is otherwise in the hands of the recipient by a means other than breach of this Agreement, or (e) information that is sought pursuant to a subpoena or written discovery ("Process") provided that the owner of the Confidential Information shall be immediately notified of the receipt of the Process, whereupon such owner has the right to request that the person on whose behalf the Process was issued delete the Confidential Information from the scope thereof, and if such person refuses, then such owner may seek any and all available remedies, including, without limitation, commencing proceedings to enjoin the disclosure of Confidential Information or intervening impending proceedings to seek the entry of protective orders or other appropriate relief.

Nothing in this Agreement shall be construed to interfere with a party's obligations to comply with lawful court orders; however, no disclosure of Confidential Information by a party pursuant thereto shall be deemed to place the Confidential Information in the public domain or to relieve the party from the future performance of all of its confidentiality obligations under this Agreement, absent express orders of the court to the contrary.

5. Covenant Not to Compete. Except as otherwise approved in writing by Servpro, during the term of the Distribution Agreement and for a period of two (2) years, commencing with the earlier of the termination of the Distribution Agreement or the date on which Spouse ceases to be married to Distributor, which period shall be extended by any period of non-compliance, Spouse shall not, directly or indirectly, through, on behalf of, or in conjunction with, any other person, partnership, or legal entity, own, maintain, operate, engage or participate in, or have any financial interest, either as a officer, agent, employee, principal, partner, director, shareholder or in any other individual or representative capacity, in any corporation, partnership or legal entity which engages in any business which is the same or similar to the Franchise or the Business (as defined in Servpro's then-current Training and Distribution Agreement and Franchise License Agreement), or which provides cleaning, deodorization, damage restoration or related services, or is otherwise in competition with the business of Servpro or other SERVPRO franchisees or which engages in distribution of similar products and equipment and is located anywhere during the term of the Distributor Agreement or post-term, in the Distribution Area of the Distributor Agreement and a twenty-five (25) mile radius thereof. Spouse further agrees that Spouse shall make his/her personal and business records available for inspection by Servpro to determine Spouse's compliance with this provision upon request. Spouse agrees to be bound by the provisions of Section 5 of the Distribution Agreement the same as if a party to the Distribution Agreement.

6. Choice of Law and Jurisdiction. This Agreement, the rights granted and the relationship created hereunder shall be governed, interpreted and construed in all respects in accordance with the internal laws of the State of Tennessee without reference to its conflicts of laws principles. The parties agree that any litigation or legal action to enforce or relating to this Agreement shall be filed in the United States District Court for the Middle District of Tennessee in Nashville, Tennessee, or the Circuit Court or Chancery Court of Sumner County or Davidson County, Tennessee. The parties hereby consent to the jurisdiction of such Courts and further agree to waive any rights or objections to the jurisdiction or venue of any such actions when filed in such Courts.

7. Legal Fees and Costs. Any unauthorized disclosure following execution of this document may be cause for suit for injunctive relief and damages. If a party breaches this Agreement, the defaulting party shall pay the reasonable attorney's fees and other costs incurred by the other party in enforcing or commencing to enforce the provisions of this Agreement. If any legal proceeding is commenced to enforce or interpret any provisions of this Agreement, the prevailing party will be entitled to recover reasonable attorney's fees in addition to costs and disbursements allowed by law.

8. Entire Agreement. This Agreement sets forth the entire understanding of the parties and cannot be changed except by written statement signed by both parties. There are no representations of any kind except as contained herein. This Agreement will be binding upon and inure to the benefit of the parties, their legal representatives, successors and assigns.

Signed this _____ day of _____, 20__.

DISTRIBUTOR

SPOUSE

Signature

Signature

Accepted at Gallatin, Tennessee this _____ day of _____, 20__.

SERVPRO INDUSTRIES, INC.

By: _____
Randall A. Isaacson, President

EXHIBIT J

OUR AUDITED FINANCIAL STATEMENTS

~~AND OUR UPDATED UNAUDITED FINANCIAL STATEMENTS THROUGH MAY 31, 2015~~

SERVPRO INDUSTRIES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF
SERVPRO HOLDING COMPANY, INC.)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2015, 2014 AND 2013

SERVPRO INDUSTRIES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF SERVPRO HOLDING COMPANY, INC.)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2015, 2014 AND 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Servpro Industries, Inc.
Gallatin, Tennessee

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Servpro Industries, Inc. (the "Company") (a wholly-owned subsidiary of Servpro Holding Company, Inc.), which comprise the balance sheets as of December 31, 2015, 2014 and 2013, and the related statements of income, changes in stockholder's 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 financial statements that are free of 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 of 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.

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Servpro Industries, Inc. as of December 31, 2015, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

KraftCPAs PLLC

Nashville, Tennessee
March 11, 2016

SERVPRO INDUSTRIES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF SERVPRO HOLDING COMPANY, INC.)

BALANCE SHEETS

DECEMBER 31, 2015, 2014 AND 2013

	2015	2014	2013
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	\$ 17,296,257	\$ 14,552,168	\$ 11,635,503
Certificates of deposit	1,799,898	1,792,868	4,769,079
Receivables, net - Note 3	24,992,636	21,571,817	18,770,161
Income taxes receivable	123,527	-	92,877
Inventories - Note 4	13,677,284	14,813,728	12,757,424
Prepaid expenses	1,489,926	1,415,399	952,056
Prepaid advertising credits	642,633	804,700	987,405
TOTAL CURRENT ASSETS	60,022,161	54,950,680	49,964,505
RECEIVABLES, less current portion - Note 3	14,465,189	10,999,990	8,107,201
PROPERTY AND EQUIPMENT, net - Note 5	19,428,236	19,278,224	19,097,596
OTHER ASSETS			
Purchased franchise licenses, net - Note 6	12,287,396	10,315,994	10,010,533
Deferred income taxes - Note 8	3,861	117,888	62,693
Deposits	11,255	11,255	11,255
TOTAL OTHER ASSETS	12,302,512	10,445,137	10,084,481
TOTAL ASSETS	\$ 106,218,098	\$ 95,674,031	\$ 87,253,783
<u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>			
CURRENT LIABILITIES			
Current portion of deferred compensation - Note 10	\$ 87,668	\$ 85,697	\$ 83,201
Convention allowance payable	6,479,908	6,035,744	5,319,508
Accounts payable and accrued expenses	20,068,007	19,852,372	18,879,838
Income taxes payable	-	170,498	-
Dividends payable	5,347,495	3,473,446	2,649,724
TOTAL CURRENT LIABILITIES	31,983,078	29,617,757	26,932,271
LONG-TERM LIABILITIES, less current portion			
Accrued franchise sales commissions	379,257	423,174	448,409
Deferred compensation - Note 10	348,622	350,593	353,089
TOTAL LONG-TERM LIABILITIES	727,879	773,767	801,498
TOTAL LIABILITIES	32,710,957	30,391,524	27,733,769
STOCKHOLDER'S EQUITY			
Common stock - \$.10 par value; authorized 10,000,000 shares; issued and outstanding 2,386,132 shares	238,614	238,614	238,614
Retained earnings	73,268,527	65,043,893	59,281,400
TOTAL STOCKHOLDER'S EQUITY	73,507,141	65,282,507	59,520,014
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 106,218,098	\$ 95,674,031	\$ 87,253,783

The accompanying notes are an integral part of these financial statements.

SERVPRO INDUSTRIES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF SERVPRO HOLDING COMPANY, INC.)

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

	<u>2015</u>	<u>2014</u>	<u>2013</u>
REVENUES			
Royalties	\$ 89,797,780	\$ 85,738,329	\$ 74,194,779
Product and equipment	46,586,914	46,234,710	31,613,509
Franchise fees	2,351,338	2,968,558	2,734,324
Interest	989,273	939,204	868,760
Other	<u>11,188,487</u>	<u>9,534,742</u>	<u>8,605,986</u>
TOTAL REVENUES	<u>150,913,792</u>	<u>145,415,543</u>	<u>118,017,358</u>
COST OF REVENUES			
Royalty commissions	27,560,282	26,117,255	23,568,283
Product and equipment	<u>37,334,823</u>	<u>36,856,048</u>	<u>25,071,720</u>
TOTAL COST OF REVENUES	<u>64,895,105</u>	<u>62,973,303</u>	<u>48,640,003</u>
GROSS PROFIT	86,018,687	82,442,240	69,377,355
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>54,929,753</u>	<u>49,991,113</u>	<u>45,153,908</u>
OPERATING INCOME	<u>31,088,934</u>	<u>32,451,127</u>	<u>24,223,447</u>
NONOPERATING INCOME (EXPENSES)			
Advertising revenue	29,215,630	26,889,818	23,721,711
Advertising expenses	(29,215,630)	(26,889,818)	(23,721,711)
Investment income	13,206	19,865	25,358
Gain on sale of property and equipment	128,754	140,134	22,027
Interest expense	<u>(778)</u>	<u>-</u>	<u>(168)</u>
NONOPERATING INCOME	<u>141,182</u>	<u>159,999</u>	<u>47,217</u>
INCOME BEFORE INCOME TAXES	31,230,116	32,611,126	24,270,664
INCOME TAXES - Note 8	<u>1,073,141</u>	<u>1,052,352</u>	<u>583,992</u>
NET INCOME	<u>\$ 30,156,975</u>	<u>\$ 31,558,774</u>	<u>\$ 23,686,672</u>

The accompanying notes are an integral part of these financial statements.

SERVPRO INDUSTRIES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF SERVPRO HOLDING COMPANY, INC.)

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
BALANCE - JANUARY 1, 2013	\$ 238,614	\$ 67,060,460	\$ 67,299,074
Net income	-	23,686,672	23,686,672
Dividends to Parent	-	<u>(31,465,732)</u>	<u>(31,465,732)</u>
BALANCE - DECEMBER 31, 2013	238,614	59,281,400	59,520,014
Net income	-	31,558,774	31,558,774
Dividends to Parent	-	<u>(25,796,281)</u>	<u>(25,796,281)</u>
BALANCE - DECEMBER 31, 2014	238,614	65,043,893	65,282,507
Net income	-	30,156,975	30,156,975
Dividends to Parent	-	<u>(21,932,341)</u>	<u>(21,932,341)</u>
BALANCE - DECEMBER 31, 2015	<u>\$ 238,614</u>	<u>\$ 73,268,527</u>	<u>\$ 73,507,141</u>

The accompanying notes are an integral part of these financial statements.

SERVPRO INDUSTRIES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF SERVPRO HOLDING COMPANY, INC.)

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

	<u>2015</u>	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES			
Net income	\$ 30,156,975	\$ 31,558,774	\$ 23,686,672
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	3,120,847	2,887,211	2,234,041
Amortization	1,308,116	1,233,247	1,149,571
Provision for doubtful receivables	250,000	62,537	250,000
Gain on sale of equipment	(128,754)	(140,134)	(22,027)
Provision for (benefit of) deferred income taxes	114,027	(55,195)	(50,414)
Net realized loss on sale of securities	-	-	23,113
Changes in operating assets and liabilities:			
Receivables	(7,136,018)	(5,756,982)	284,162
Income taxes receivable	(123,527)	92,877	73,333
Inventories	1,136,444	(2,056,304)	1,046,344
Prepaid expenses	(74,527)	(463,343)	(283,295)
Prepaid advertising credits	162,067	182,705	201,561
Convention allowance payable	444,164	716,236	597,099
Accounts payable and accrued expenses	215,635	972,534	(846,022)
Income taxes payable	(170,498)	170,498	-
Accrued franchise sales commissions	(43,917)	(25,235)	(32,147)
TOTAL ADJUSTMENTS	<u>(925,941)</u>	<u>(2,179,348)</u>	<u>4,625,319</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>29,231,034</u>	<u>29,379,426</u>	<u>28,311,991</u>
INVESTING ACTIVITIES			
Purchases of property and equipment	(3,296,655)	(3,108,000)	(6,903,957)
Proceeds from sale of equipment	154,550	180,295	87,350
Purchases of certificates of deposit	(1,799,898)	(1,792,868)	(6,783,339)
Proceeds from maturities of certificates of deposit	1,792,868	4,769,079	4,743,550
Purchases of securities available-for-sale	-	-	(5,176)
Proceeds from sale of securities available-for-sale	-	-	1,617,747
Purchases of franchise licenses	(3,279,518)	(1,538,708)	(544,200)
NET CASH USED IN INVESTING ACTIVITIES	<u>(6,428,653)</u>	<u>(1,490,202)</u>	<u>(7,788,025)</u>
FINANCING ACTIVITIES			
Cash dividends	(20,058,292)	(24,972,559)	(29,072,394)
NET CASH USED IN FINANCING ACTIVITIES	<u>(20,058,292)</u>	<u>(24,972,559)</u>	<u>(29,072,394)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,744,089	2,916,665	(8,548,428)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>14,552,168</u>	<u>11,635,503</u>	<u>20,183,931</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 17,296,257</u>	<u>\$ 14,552,168</u>	<u>\$ 11,635,503</u>
SUPPLEMENTAL CASH FLOW INFORMATION			
Interest expense paid	<u>\$ 778</u>	<u>\$ -</u>	<u>\$ 168</u>
Income taxes paid	<u>\$ 1,253,139</u>	<u>\$ 1,060,089</u>	<u>\$ 759,419</u>

The accompanying notes are an integral part of these financial statements.

SERVPRO INDUSTRIES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF SERVPRO HOLDING COMPANY, INC.)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Servpro Industries, Inc. (the “Company”) is a wholly-owned subsidiary of Servpro Holding Company, Inc. (the “Parent”). The Company is a franchisor of “SERVPRO” franchises located throughout the United States. Franchisees provide cleaning and restoration services for residential and commercial customers. Principal operations of the Company include sales of franchises, cleaning equipment and products, as well as providing franchisee consulting support services in the areas of marketing, production, finance, management, human resources and office administration.

Basis of Presentation

The accounting principles followed and the methods of applying those principles conform with accounting principles generally accepted in the United States of America (“GAAP”) and to general practices in the franchise industry.

Revenue and Expense Recognition

Revenue from sales of individual franchises is recognized when substantially all of the initial services for new franchisees have been performed by the Company. These services consist primarily of training. During the years ended December 31, 2015, 2014 and 2013, the Company sold rights to 35, 53 and 47 franchises, respectively. Royalty revenues and national advertising fees are computed and recognized monthly as a percentage of gross receipts of each franchisee. Product and equipment sales are recognized in the period shipped. Interest income on notes receivable from franchisees is considered part of principal operations and reported under revenues. Income from the temporary investment of cash and certificates of deposit is reported as nonoperating.

Royalty commissions paid to distributors on royalty revenues are expensed in the period royalty revenues are recognized.

Accrued royalty commissions are included in accounts payable and accrued expenses. Accrued commissions on franchise sales are paid as the related notes receivable from franchisees are collected and are reported as long-term liabilities, except for the current portion, which is included in accounts payable and accrued expenses.

SERVPRO INDUSTRIES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF SERVPRO HOLDING COMPANY, INC.)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments that are readily convertible to cash, with maturities of three months or less from the date of purchase.

Certificates of Deposit

Certificates of deposit with a financial institution range in value from approximately \$184,000 to approximately \$482,000 and are reported at cost plus accrued interest which is recognized monthly. Maturities range from 6 to 12 months. Certificates of deposit, including accrued interest, may generally be liquidated at any time without significant penalty or restriction.

Receivables

Notes receivable from franchisees relating to the sale of equipment, supplies, vehicles or franchise licenses are stated at the original principal amount less applicable franchisee principal payments. On a monthly basis, the Company sells directly to an affiliate a participation interest in a portion of newly originated loans, at cost. Trade receivables are reported at gross sales price plus billable costs, less applicable franchisee payments or adjustments. Interest is charged on trade receivables outstanding for more than 30 days or 60 days past the invoice due date, depending on the customer. Interest is recognized as charged. Royalty receivables are recognized based on a specified percentage of monthly gross receipts of franchisees less applicable franchisee payments or adjustments. The Company generally does not charge interest on royalty receivables.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is provided on receivables which, in management's opinion, may not be fully collectible. Receivables are continually assessed for collectability and receivables determined by management to be uncollectible are charged off against the allowance for doubtful accounts in the period of determination. Subsequent recoveries of previously charged off accounts are credited to the allowance.

Inventories

Inventories consist principally of cleaning equipment, supplies and vehicles which the Company sells to its franchisees and are reported at the lower of cost or net realizable value, with cost determined by actual costs for equipment and vehicles and the first-in, first-out ("FIFO") method for supplies.

SERVPRO INDUSTRIES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF SERVPRO HOLDING COMPANY, INC.)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are reported at cost, net of accumulated depreciation, and include improvements that significantly add to productive capacity or extend useful lives of the assets. Costs of maintenance and repairs are charged to expense. The cost and related accumulated depreciation of disposed depreciable assets are removed from the accounts, and any gain or loss is included in nonoperating income (expenses) for the period. Depreciation is computed using the straight-line method over the estimated useful lives of depreciable assets, as follows:

Leasehold improvements	5 to 39 years
Equipment	3 to 10 years

Purchased Franchise Licenses

The Company has reacquired certain existing franchise licenses. The related costs are capitalized and amortized using the straight-line method over the estimated periods of economic benefit, ranging from 15 to 40 years.

Long-Lived Assets

Management reviews the carrying value of its investment in long-lived assets whenever events or changes in circumstances indicate the carrying value of the assets may not be recoverable. If a long-lived asset is determined to be impaired, the amount recognized for impairment is equal to the difference between the asset's carrying value and fair value.

Convention Allowance Payable

Franchisees accrue a 10 percent convention allowance if royalty fees are paid by the due date and the franchisee is current on all obligations to the Company. Convention allowance is reported as a current liability. Convention allowance is reimbursed to franchisees who attend the annual convention and fulfill certain other requirements.

SERVPRO INDUSTRIES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF SERVPRO HOLDING COMPANY, INC.)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Fees, Expenses and Prepaid Advertising Credits

Franchises subject to SERVPRO Franchise License Agreements, dated October 1985 and later, are assessed a fee of 3 percent of the franchise's gross revenues, subject to certain deductions, as a contribution to a marketing and advertising fund for the benefit of the franchisees.

Advertising fees of \$3,321,093, \$2,813,983 and \$3,992,938 not expended for marketing and advertising as of December 31, 2015, 2014 and 2013, respectively, are reflected in the Company's balance sheets as a current liability under the caption "Accounts payable and accrued expenses."

The Company expenses advertising costs as they are incurred. Advertising expenses for the year ended December 31 totaled \$29,215,630, \$26,889,818 and \$23,731,711 in 2015, 2014 and 2013, respectively.

During 2010, the Company engaged in advertising barter transactions in which the Company exchanged property and equipment for advertising credits and recorded the transaction based on the carrying value of the assets transferred. The Company purchased additional credits as part of other transactions with a company. Such credits are reported as "prepaid advertising credits" in the accompanying balance sheets. Gains recognized on barter credits used for the year ended December 31, amounted to \$698,163, \$787,067 and \$868,295 in 2015, 2014 and 2013, respectively. Barter credits used and charged to expense for the year ended December 31 totaled \$162,067, \$182,705 and \$201,561 in 2015, 2014 and 2013, respectively. The Company evaluates the recoverability of the credits annually, but expects to either utilize all credits or extend the terms prior to expiration on December 31, 2016.

Income Taxes

In 2004, the Company, with the consent of its stockholder, elected under the Internal Revenue Code to be taxed as an "S" corporation. An "S" corporation pays no federal income tax at the corporate level, with certain exceptions, but passes income through to the stockholder to report on its partnership income tax returns. The Company is taxed on its income in certain states.

Deferred income tax assets and liabilities are computed annually for temporary differences between the financial statements and tax bases of assets and liabilities. Such differences will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the 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.

SERVPRO INDUSTRIES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF SERVPRO HOLDING COMPANY, INC.)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Company's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined no positions were taken that do not meet the "more likely than not" standard. Accordingly, no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions were made in the accompanying financial statements.

Sales Taxes Collected

Sales taxes collected and remitted to governmental authorities are excluded from sales and costs and are presented on a net basis in the financial statements.

Shipping and Handling

The Company records all amounts billed to customers related to shipping and handling as revenue. The related costs associated with shipping and handling are included in cost of product and equipment sold.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

Events Occurring After Reporting Date

The Company evaluated events and transactions that occurred between December 31, 2015 and March 11, 2016, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year's presentation. Such reclassifications had no effect on the results of operations or retained earnings as previously reported.

SERVPRO INDUSTRIES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF SERVPRO HOLDING COMPANY, INC.)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent authoritative accounting guidance

In November 2015, Financial Accounting Standards Board ("FASB") issued guidance requiring deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The guidance of this standard is effective for financial statements issued for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. The amendments may be applied prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Company adopted the guidance of the standard during 2015. It did not have a material impact on the Company's financial statements.

In July 2015, the FASB issued guidance that requires entities that measure inventory using the first-in, first-out or average cost methods to measure inventory at the lower of cost and net realizable value. Net realizable value is defined as estimated selling price in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation. This Accounting Standards Update ("ASU") will be effective for fiscal years beginning after December 15, 2016. Early adoption of the ASU is permitted. The Company adopted the guidance of the standard during 2015. It did not have a material impact on the Company's financial statements.

In May 2014, the FASB issued guidance on revenue from contracts with customers, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Company has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Company maintains cash balances at financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. Certain of the Company's depositor accounts exceeded FDIC insurance limits as of December 31, 2015. The Company considers credit risk periodically by evaluating the stability of its financial institutions. The Company has not experienced any losses in such accounts and management considers this to be a normal business risk.

SERVPRO INDUSTRIES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF SERVPRO HOLDING COMPANY, INC.)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015, 2014 AND 2013

NOTE 2 - CONCENTRATION OF CREDIT RISK (CONTINUED)

Assets held in broker/dealer accounts are insured by the Securities Investor Protection Corporation ("SIPC"), up to \$500,000 per broker/dealer, in certain circumstances such as fraud or failure of the institution. Accounts held by one broker/dealer, to the extent they exceed SIPC limits, are covered by an additional \$1.9 million in insurance. The SIPC and additional protection do not insure against market risk.

The Company performs ongoing credit evaluations of its customers' financial condition and may require collateral to support customer receivables. The Company establishes an allowance for doubtful accounts based on factors surrounding the credit risk of specific customers, historical trends and other information. Credit risk is further mitigated since the Company's customer base is spread over a large geographical area among a diverse group.

NOTE 3 - RECEIVABLES

A summary of receivables at December 31, follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Notes	\$ 24,986,460	\$ 21,736,220	\$ 18,476,561
Royalties	12,803,967	11,144,506	10,167,399
Trade accounts	<u>6,285,359</u>	<u>5,258,289</u>	<u>4,375,772</u>
	44,075,786	38,139,015	33,019,732
Less: Allowance for doubtful accounts	(868,596)	(714,083)	(697,228)
Less: Participations	<u>(3,749,365)</u>	<u>(4,853,125)</u>	<u>(5,445,142)</u>
Receivables, net	<u>\$ 39,457,825</u>	<u>\$ 32,571,807</u>	<u>\$ 26,877,362</u>

Receivables are classified in the accompanying balance sheets at December 31, as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current	\$ 24,992,636	\$ 21,571,817	\$ 18,770,161
Noncurrent	<u>14,465,189</u>	<u>10,999,990</u>	<u>8,107,201</u>
Total	<u>\$ 39,457,825</u>	<u>\$ 32,571,807</u>	<u>\$ 26,877,362</u>

SERVPRO INDUSTRIES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF SERVPRO HOLDING COMPANY, INC.)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015, 2014 AND 2013

NOTE 3 - RECEIVABLES (CONTINUED)

Notes receivable are generally collateralized by equipment, supplies or franchise licenses. Monthly installments are due over 90 days to eight years and include interest at rates ranging from 0 percent to 13.5 percent per annum.

The Company services the participation loans for an affiliate of the Parent and receives a fee as compensation based on the outstanding principal balance of the participated loans. The Company earned fees for such services in the amount of \$127,109, \$156,693 and \$184,409 for the years ended December 31, 2015, 2014 and 2013, respectively.

A summary of future principal maturities of notes receivable as of December 31, 2015, follows:

Year Ending December 31,

	<u>Total Notes Receivable</u>	<u>Total Notes Participated</u>	<u>Total Notes Receivable, net</u>
2016	\$ 7,082,994	\$ (837,629)	\$ 6,245,365
2017	6,235,697	(771,626)	5,464,071
2018	5,333,123	(669,211)	4,663,912
2019	3,800,243	(551,413)	3,248,830
2020	1,760,988	(410,768)	1,350,220
Thereafter	<u>773,415</u>	<u>(508,718)</u>	<u>264,697</u>
	<u>\$ 24,986,460</u>	<u>\$ (3,749,365)</u>	<u>\$ 21,237,095</u>

NOTE 4 - INVENTORIES

A summary of inventories at December 31, follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Equipment	\$ 7,204,748	\$ 10,871,163	\$ 8,964,736
Supplies	2,850,185	2,264,053	2,015,967
Vehicles	3,423,365	1,463,720	1,697,215
Other	<u>198,986</u>	<u>214,792</u>	<u>79,506</u>
Total inventories	<u>\$ 13,677,284</u>	<u>\$ 14,813,728</u>	<u>\$ 12,757,424</u>

SERVPRO INDUSTRIES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF SERVPRO HOLDING COMPANY, INC.)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015, 2014 AND 2013

NOTE 5 - PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 16,539,832	\$ 16,537,874	\$ 16,423,580
Machinery and equipment	3,863,238	3,524,354	2,943,876
Transportation equipment	1,599,870	1,282,858	936,725
Office equipment	14,361,223	11,814,036	10,480,375
Construction-in-process	<u>-</u>	<u>265,654</u>	<u>24,527</u>
	36,364,163	33,424,776	30,809,083
Less: accumulated depreciation	<u>(16,935,927)</u>	<u>(14,146,552)</u>	<u>(11,711,487)</u>
Property and equipment, net	<u>\$ 19,428,236</u>	<u>\$ 19,278,224</u>	<u>\$ 19,097,596</u>

Depreciation expense amounted to \$3,120,847, \$2,887,211 and \$2,234,041 for the years ended December 31, 2015, 2014 and 2013, respectively.

The Company leases certain software to franchisees under revocable operating leases. Aggregate rentals are included in other revenues over the life of the leases. Lease income related to these leases amounted to \$922,609, \$1,026,336 and \$1,048,660 for the years ended December 31, 2015, 2014 and 2013, respectively.

NOTE 6 - PURCHASED FRANCHISE LICENSES

A summary of purchased franchise licenses as of December 31 follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cost	\$ 26,508,876	\$ 23,229,358	\$ 21,690,650
Less: accumulated amortization	<u>(14,221,480)</u>	<u>(12,913,364)</u>	<u>(11,680,117)</u>
Licenses, net	<u>\$ 12,287,396</u>	<u>\$ 10,315,994</u>	<u>\$ 10,010,533</u>

SERVPRO INDUSTRIES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF SERVPRO HOLDING COMPANY, INC.)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015, 2014 AND 2013

NOTE 6 - PURCHASED FRANCHISE LICENSES (CONTINUED)

Amortization expense amounted to \$1,308,116, \$1,233,247 and \$1,149,571, respectively, for the years ended December 31, 2015, 2014 and 2013, and is included in selling, general and administrative expenses.

A summary of future amortization expense on purchased franchise licenses as of December 31, 2015, follows:

<u>Year Ending December 31,</u>	
2016	\$ 1,413,906
2017	1,325,311
2018	1,301,996
2019	1,272,392
2020	1,227,626
Thereafter	<u>5,746,165</u>
	<u>\$ 12,287,396</u>

NOTE 7 - LINE-OF-CREDIT

During May 2014, the Company renewed a \$4,000,000 revolving line-of-credit agreement with a financial institution. The line matures on June 30, 2016 and bears interest at LIBOR plus 125 basis points. No borrowings were made on the line during 2015, 2014 and 2013.

NOTE 8 - INCOME TAXES

The provision for income taxes for the years ended December 31, consists of the following:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current tax expense	\$ 959,114	\$ 1,107,547	\$ 634,406
Deferred tax (benefit) expense	<u>114,027</u>	<u>(55,195)</u>	<u>(50,414)</u>
Total provision for income taxes	<u>\$ 1,073,141</u>	<u>\$ 1,052,352</u>	<u>\$ 583,992</u>

SERVPRO INDUSTRIES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF SERVPRO HOLDING COMPANY, INC.)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015, 2014 AND 2013

NOTE 8 - INCOME TAXES (CONTINUED)

Principal temporary differences and their deferred tax effects consist of the following at December 31:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Deferred tax assets:			
Accrued expenses	\$ 54,873	\$ 134,501	\$ 58,416
Inventories	21,961	22,827	24,411
Allowance for doubtful accounts	52,116	42,845	41,834
Deferred compensation	26,177	26,177	26,177
Purchased franchise licenses	<u>12,901</u>	<u>10,485</u>	<u>9,711</u>
Total deferred tax assets	<u>168,028</u>	<u>236,835</u>	<u>160,549</u>
Deferred tax liabilities:			
Property and equipment	<u>(164,167)</u>	<u>(118,947)</u>	<u>(97,856)</u>
Total deferred tax liabilities	<u>(164,167)</u>	<u>(118,947)</u>	<u>(97,856)</u>
Net deferred tax asset	<u>\$ 3,861</u>	<u>\$ 117,888</u>	<u>\$ 62,693</u>

NOTE 9 - LEGAL MATTERS

The Company is involved in various claims and litigation arising during the normal course of business. Management, after consulting with legal counsel, believes the ultimate outcome of these matters will have no material adverse effect on the financial position of the Company. Accordingly, no provision for loss, if any, has been made in the financial statements.

NOTE 10 - DEFERRED COMPENSATION

The Company is obligated under a retirement agreement with a former officer under which monthly deferred compensation payments began July 1, 1992, and will continue for the retiree's lifetime. Thereafter, if the retiree predeceases his spouse, the payments continue for her lifetime at a reduced rate of 75 percent. The monthly payments are adjusted annually based on the change in the Consumer Price Index. The estimated present value of the deferred compensation approximates \$436,000 at December 31, 2015, 2014 and 2013. Deferred compensation expense recognized amounted to \$86,683, \$84,449 and \$80,948 for the years ended December 31, 2015, 2014 and 2013, respectively.

SERVPRO INDUSTRIES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF SERVPRO HOLDING COMPANY, INC.)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015, 2014 AND 2013

NOTE 11 - EMPLOYEE BENEFIT PLAN

The Company has a defined contribution 401(k) plan covering substantially all employees. The Plan provides for the Company to make matching contributions equal to 25 percent of the participants' salary reductions up to a maximum of 8 percent of the participants' salary. The Company's total contribution to the plan amounted to \$402,185, \$346,339 and \$286,191 for the years ended December 31, 2015, 2014 and 2013, respectively.

NOTE 12 - RELATED PARTY TRANSACTIONS

ERnet Property Resources Group LLC ("ERnet[®]"), a third-party administrator owned by three stockholders of the Parent, provides referral of emergency response services to commercial clients. The Company performs certain administrative services for ERnet[®] and, in exchange, qualified SERVPRO franchisees receive the first right of referral to provide emergency services for ERnet[®] commercial clients.

The Resource Center, owned by three stockholders of the Parent, negotiates contracts with national vendors to provide SERVPRO franchisees discounted prices on goods and services based on the aggregate buying power of the franchise system.

On February 29, 2012, the Company entered into letter-of-credit agreements in the total amount of \$2,500,000 with a financial institution on behalf of a related corporation with a nonrelated vendor as the beneficiary. The agreements were renewed in October 2015 with an expiration date of January 31, 2017. On December 29, 2015, the Company entered into additional letter-of-credit agreements in the total amount of \$3,000,000 with an expiration date of December 29, 2017. In management's opinion, the Company will not be called upon to perform under these agreements, and no such liability has been recognized.

The Company has receivables from related parties totaling approximately \$974,000, \$505,000 and \$187,000 as of December 31, 2015, 2014 and 2013, respectively, which are included in current receivables.

Purchases from related parties in the normal course of business amount to approximately \$2,055,000, \$1,997,000 and \$1,814,000 as of December 31, 2015, 2014 and 2013, respectively. Sales to related parties in the normal course of business amount to approximately \$25,000, \$0 and \$0 as of December 31, 2015, 2014 and 2013, respectively.

SERVPRO INDUSTRIES, INC.
(A WHOLLY-OWNED SUBSIDIARY OF SERVPRO HOLDING COMPANY, INC.)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015, 2014 AND 2013

NOTE 12 - RELATED PARTY TRANSACTIONS (CONTINUED)

The Company leases three facilities located at 801 Industrial Boulevard, Gallatin, TN from an affiliated company with an effective date of July 1, 2013 through February 2023. Cumulative annual rent under the lease for 2016 will amount to \$956,151. The lease agreement provides for lease payments to be adjusted annually for changes in the Consumer Price Index based on the most recent publication date prior to the lease anniversary date. In addition, the Company also leases certain intellectual property owned by an affiliated company. Terms of the intellectual property lease agreement are January 1, 2004 through December 7, 2032 with a fixed annual licensing fee of \$10,000.

Future minimum payments required under these agreements are as follows:

Year Ending December 31,

2016	\$ 966,151
2017	966,151
2018	966,151
2019	966,151
2020	966,151
Thereafter	<u>2,190,826</u>
	<u>\$ 7,021,581</u>

The amounts paid in 2015, 2014 and 2013 in connection with these lease/license agreements totaled \$966,151, \$966,151 and \$821,631, respectively. In addition to the minimum annual rent, the Company is required to pay additional rent based on a proportionate share of all costs and expenses incurred for real estate taxes and operating expenses for the real property leased. The Company is also required to pay an amount equal to all fees and expenses in excess of base fees incurred by the licensor in protecting the rights to intellectual property.

EXHIBIT K

**LIST OF STATE ADMINISTRATORS AND
LIST OF STATE AGENTS FOR SERVICE OF PROCESS**

LIST OF STATE ADMINISTRATORS

California: Department of Business Oversight
1515 K Street, Suite 200
Sacramento, California 95814
916/445-7205

Hawaii: Franchise & Securities Division
Hawaii Department of Commerce
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
808/586-2722

Illinois: Office of Attorney General
Franchise Division
500 South Second Street
Springfield, Illinois 62706
217/782-4465

Indiana: Indiana Securities Division
Secretary of State
302 W. Washington, Room E-111
Indianapolis, Indiana 46204
317/232-6681

Maryland: Office of Attorney General
Securities Division
200 Saint Paul Place – 20th Floor
Baltimore, Maryland 21202-2020
410/576-6360

Michigan: Michigan Department of Attorney General
Consumer Protection Division
Antitrust and Franchise Unit
G. Mennen Williams Building, 7th Floor
525 W. Ottawa Street
Lansing, Michigan 48913
517/373-7117

Minnesota: Minnesota Department of Commerce
Franchise Division
85 7th Place East, Suite 500
St. Paul, Minnesota 55101
651/539-1638

New York: New York State Department of Law
Bureau of Investor Protection and Securities
120 Broadway – 23rd Floor
New York, New York 10271
212/416-8222

North Dakota: North Dakota State Securities Commissioner
Office of Secretary Commissioner
600 East Boulevard Avenue, 5th Floor
Bismarck, North Dakota 58505
701/328-2910

Oregon: Department of Consumer & Business Services
Division of Finance & Corporate Securities
Labor & Industries Building
350 Winter Street, N.E., Room 410
Salem, Oregon 97301-3881
503/378-4140

Rhode Island: Department of Business Regulation
Division of Securities
Building 69-1
1511 Pontiac Avenue
Cranston, Rhode Island 02920-4407
401/462-9527

South Dakota: South Dakota Securities Division
Franchise Office
124 S. Euclid Avenue, Suite 104
Pierre, South Dakota 57501-3185
605/773-4823

Virginia: State Corporation Commission
Division of Securities and Retail Franchising
1300 E. Main Street, 9th Floor
Richmond, Virginia 23219
804/371-9051

Washington: Department of Financial Institutions
Securities Division
150 Israel Rd., SW
Tumwater, Washington 98501
360/902-8760

Wisconsin: Department of Financial Institutions
Division of Securities/Franchise Office

201 W. Washington Ave., Suite 300
Madison, WI 53703
608/267-9140

LIST OF STATE AGENTS FOR SERVICE OF PROCESS

California: Department of Business Oversight
1515 K Street, Suite 200
Sacramento, California 95814-4052

Hawaii: Commissioner of Securities
State of Hawaii
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

Illinois: Office of Attorney General
500 South Second Street
Springfield, Illinois 62706

Indiana: Indiana Secretary of State
302 W. Washington, Room E111
Indianapolis, Indiana 46204

Maryland: Maryland Securities Commissioner
200 Saint Paul Place
Baltimore, Maryland 21202-2020

Michigan: Michigan Department of Commerce
Corporations and Securities Bureau
G. Mennen Williams Building, 7th Floor
525 W. Ottawa Street
Lansing, Michigan 48913

Minnesota: Minnesota Commissioner of Commerce
133 East Seventh Street
St. Paul, Minnesota 55101

Nevada: The Corporation Trust Company of Nevada
6100 Neil Road, Suite 500
Reno, Nevada 89511

New York: Secretary of State of the State of New York
One Commerce Plaza
99 Washington Avenue
Albany, New York 12231

North Dakota: North Dakota State Securities Commissioner
600 East Boulevard Avenue, 5th Floor
Bismarck, North Dakota 58505

Oregon: Department of Commerce & Business Services
Division of Finance & Corporate Securities
Labor & Industries Building
350 Winter Street N.E., Room 410
Salem, Oregon 97301-3881

Rhode Island: Director of Department of Business Regulation
Division of Securities
Building 69-1
1511 Pontiac Avenue
Cranston, Rhode Island 02920-4407

South Dakota: South Dakota Securities Division
124 S. Euclid Avenue, Suite 104
Pierre, South Dakota 57501-3185

Virginia: Clerk of the State Corporation Commission
1300 E. Main Street, 9th Floor
Richmond, Virginia 23219

Washington: Washington Department of Financial Institutions
Business License Services – Securities Division
150 Israel Rd., SW
Tumwater, Washington 98501

Wisconsin: Department of Financial Institutions
Division of Securities
101 East Wilson Street
Madison, Wisconsin 53701-1768

EXHIBIT L

LIST OF OUR DISTRIBUTORS

LIST OF OUR DISTRIBUTORS

ALABAMA

David Wilson - David Wilson became a Servpro franchisee in Tuscaloosa, Alabama in October 1984 and became a Trainer for central Alabama in December 1994, for northern Alabama in February 1997, for the State of Mississippi in August 1997 and south Alabama in April 2010.

CALIFORNIA

Ron and Michelle Hebdon - Mr. and Mrs. Hebdon became Servpro franchisees in Fair Oaks, California in August 1970 and Trainers in June 1975 for San Diego County, California. They became Directors for Orange County, California in November 1990. In December 2001, they became Directors for San Bernardino County, Riverside County and Southern Los Angeles County, California.

Veronica L. Hebdon Hallauer - Ms. Hallauer was an Operations Manager for a Servpro franchise in July 1990 to December 1995. She has been a Franchise Business Consultant for the following Trainerships and Directorships since 2001: San Diego County, Orange County, San Bernardino, Riverside, & SE Los Angeles Counties. Ms. Hallauer became a minority owner of these Trainerships and Directorships in November 2009.

Dan and Connie Pederson - Mr. and Mrs. Pederson became Servpro franchisees in Portland, Oregon and Trainers for northern Oregon in March 1988. They became Trainers for the State of Oregon in November 1992. Mr. and Mrs. Pederson became Directors for the State of Oregon, certain counties in northern California and Washoe, Douglas, Storey and Lyon Counties in the State of Nevada in July 1999.

Stephen and Penny Schaeffer - Mr. and Mrs. Schaeffer became Servpro franchisees in Citrus Heights, California in March 1977 and Trainers for Riverside County/San Bernardino, California in March 1980.

David and Dee Dee Tronson - Mr. and Mrs. Tronson became Servpro Franchisees in Chatsworth, California in March 1987. In January 1991, they became General Trainers for northern Los Angeles County, California and subsequently the San Gabriel Valley in January 1998.

CONNECTICUT

Fred Cohn - Mr. Cohn became a Servpro franchisee in Stamford, Connecticut in June 1983 and a Director in July 1985. He is currently a Director for the States of Connecticut, Rhode Island, New Jersey, New York, and a Trainer for the State of Massachusetts.

DELAWARE

Charles and Christine Nunan - Mr. and Mrs. Nunan became Servpro franchisees in Wilmington, Delaware in January 1980. They became the Trainers for the State of Delaware in October 1981. Mr. and Mrs. Nunan became Directors for eastern Pennsylvania and the State of Delaware in November 1982. They became Directors for the rest of the State of Pennsylvania in June 1995. Mr. and Mrs. Nunan became Directors for the States of North Carolina and South Carolina in July 1998. They became Trainers for eastern North Carolina in January 2000, Southern New Jersey in February 2000, Western South Carolina in October 2010 and Chester and Delaware Counties in Pennsylvania in October 2011.

DISTRICT OF COLUMBIA

Richard and Kathleen Hargrove - Richard Hargrove became a Servpro Franchisee in Rockville, Maryland and a Trainer in April 1974. Mr. Hargrove and his wife, Kathleen, became Directors for Maryland in April 1985. They became Trainers for suburban and western Maryland in October 1992 and northern Virginia and the District of Columbia in June 1994. They are currently Directors for Maryland.

GEORGIA

Ricky and Cathy Wilson – Mr. & Mrs. Wilson became Servpro franchisees in Douglasville, Georgia in March 1993 and Trainers for Central and Northwest Georgia in January 2011.

ILLINOIS

William Negro - Mr. Negro became a Servpro franchisee in Springfield, Illinois in April 1986 and a Trainer for southern and central Illinois in March 1989.

INDIANA

Mike and Gloria Johnson - Mr. and Mrs. Johnson became Servpro franchisees in Anderson, Indiana in June 1983 and Directors for Indiana in August 1984.

IOWA

Mike and Cathy Fuller - Mr. and Mrs. Fuller became Servpro franchisees in Davenport and Bettendorf, Iowa in February 1995 and Trainers for eastern Iowa in February 1998. Mr. and Mrs. Fuller became Regional Development Consultants for Western Iowa in January 2013.

KANSAS

~~Jack and Clo Whitaker – Clo Whitaker became a Servpro franchisee in Sedalia, Missouri in June 1995 and a Trainer in Western Missouri/Metro Kansas City (Kansas and Missouri) in March 1996. Jack Whitaker became a Servpro franchisee in September 1997 and a Trainer in June 1998. Jack Whitaker was employed as a Certified Management Consultant by Luftig and Warren International, Inc., located in Detroit, Michigan, from 1994 to September 1997.~~

KENTUCKY

William and Joan Wells – Mr. and Mrs. Wells became Servpro franchisees in Louisville, Kentucky in May 1991 and Trainers for Kentucky in February 1993.

LOUISIANA

Kent and Kathy Stone - Mr. and Mrs. Stone became Servpro franchisees in Houston, Texas in May 1977, Directors for Northwest Texas in December 1980, Regional Development Consultants for Louisiana in July 2009 and Directors for South Texas in December 2009.

Raymond Stone – Mr. Stone became a Servpro franchisee in Dallas, Texas in December 1997 and a Director for Northwest Texas in July 2009. Mr. Stone also became a Regional Development Consultant for Louisiana in July 2009 and a Director for South Texas in December 2009.

Jeff Stone – Mr. Stone was a Production Manager for a Servpro franchise from December 2003 to March 2006. Mr. Stone was an Operations Manager for the Servpro Directorship from March 2006 to July 2009, and became a Director for Northwest Texas in July 2009. Mr. Stone also became a Regional Development Consultant for Louisiana in July 2009 and a Director for South Texas in December 2009.

Bryan Stone - Mr. Stone was a Sales and Marketing Representative for Servpro of Park Cities from 1998 to 2000 and from 2002 to 2005. Mr. Stone became a Servpro franchisee in March 2005 and a Director for Northwest Texas and a Regional Development Consultant for Louisiana in July 2009. He also became a Director for South Texas in December 2009.

MAINE

Scott and Debra Carter - Mr. and Mrs. Carter became Servpro franchisees in Portland Maine in November 1980 and Trainers for Maine in April 1981. Mr. and Mrs. Carter sold their operating franchise in February of 2004 and their Trainership in August of 2013. They became Regional Development Consultants for the State of Maine in August 2013.

MARYLAND

Richard and Kathleen Hargrove - see listing under District of Columbia.

MASSACHUSETTS

Eric White and Gregg White – Eric and Gregg are second generation Servpro franchise owners who began working for their family business, Servpro of Lawrence, in May of 1992. They currently own and operate two Servpro franchises in Massachusetts and one in New Hampshire. They began working as Trainers in Northeastern Massachusetts in November of 2005.

Fred Cohn - see listing under Connecticut.

MICHIGAN

Ronald Brunink - Mr. Brunink became a Servpro franchisee in Grand Rapids, Michigan in April 1992. He became a Trainer for western Michigan in October 1994.

~~Kristian Popp - Mr. Popp became a Servpro franchisee in north Calhoun County, Michigan in September 1999. He became a Trainer for central Michigan in September 1999.~~

MISSISSIPPI

David Wilson - see listing under Alabama.

MISSOURI

Richard Bilbrey – Mr. Bilbrey became Servpro franchisees in St. Charles County, Missouri in January 1988 and Trainer for St. Louise Metro, Missouri in November 2007.

Richard and Sandy Hastings - Mr. Hastings became a Servpro franchisee in Sussex County, Delaware in October 1980, and a Director for Missouri in May 1983. Mr. Hastings operated a franchise in St. Louis, Missouri in May 1983 to August 1992. Mr. and Mrs. Hastings relocated to Cape Girardeau, Missouri in 1992 where they currently operate a Servpro franchise and Directorship.

~~Jack and Clo Whitaker - see listing under Kansas.~~

NEVADA

Dan and Connie Pederson - see listing under California.

Kevin Edgar – Mr. Edgar became a franchisee in Las Vegas, Nevada in 1997 and a Trainer for Las Vegas in 2002.

NEW JERSEY

Fred Cohn - see listing under Connecticut.

Larry Hackney - Mr. Hackney became Operations Manager for Fred Cohn, Our Director for Southern New England, New York, New Jersey and Rhode Island in November 1995. He became a Servpro franchisee and Trainer for northern New Jersey in December 1995.

Charles and Christine Nunan - see listing under Delaware.

NEW YORK

Fred Cohn - see listing under Connecticut.

Michael and Donna Necci - Mr. and Mrs. Necci became Servpro franchisees in Amherst-Clarence, New York in June 1979 and Trainers in western New York in September 1991.

NORTH CAROLINA

Charles and Christine Nunan - see listing under Delaware.

Britt and Stacy Holcomb – Mr. and Mrs. Holcomb became Servpro franchisees in Greensboro, North Carolina in October 1998 and Trainers for Central North Carolina in February 2002.

OREGON

Dan and Connie Pederson - see listing under California.

PENNSYLVANIA

Charles and Christine Nunan - see listing under Delaware.

RHODE ISLAND

Fred Cohn - see listing under Connecticut.

SOUTH CAROLINA

Charles and Christine Nunan - see listing under Delaware.

TEXAS

Kent and Kathy Stone - see listing under Louisiana.

Raymond Stone – see listing under Louisiana.

Jeff Stone – see listing under Louisiana.

Bryan Stone – see listing under Louisiana.

UTAH

Elizabeth Hamann – Mrs. Hamann became a Servpro franchisee in North Utah County, Utah in December 1980. In February 1982, she became Trainer for Salt Lake City and the surrounding area.

VIRGINIA

Richard and Kathleen Hargrove - see listing for Maryland.

Robert and Margaret Simeone - Mr. and Mrs. Simeone became Servpro franchisees in Annandale, Virginia in March 1989 and Trainers for southeastern Virginia in September 1991.

EXHIBIT M

LIST OF OUR CURRENT TRAINERS AND DIRECTORS

AS OF MARCH 1, ~~2015~~2016

(DISTRIBUTOR ROSTERS BY STATE) AND

LIST OF OUR DISTRIBUTORS WHO HAVE LEFT THE SYSTEM AS OF

DECEMBER 31, ~~2014~~2015

This numeric Distributor Roster is intended for the personal use of franchisees of SERVPRO Industries, Inc., and for use by prospective franchises in contacting SERVPRO operators. Any commercial or other use of this Roster is prohibited without the advance written approval of SERVPRO Industries, Inc.



STATE ROSTER

March ~~2015~~2016

NATIONAL HEADQUARTERS
P.O. BOX 1978
GALLATIN, TN 37066
(615) 451-0200

******* Alabama *******

2196 2196 3000 CM 2226
 Central Alabama
 Wilson, David F. & Christie & Wilson, David Benj
 11063 Highway 280
 Westover, AL 35147
 B (205)678-2224
 Fax (205)678-2226
 Central Alabama
 Servpro Central Headquarters

******* California *******

2087 2087 3081
 Indian Wells
 Schaeffer, Steve & Penny
 81785 Trader Place, Suite A
 Indio, CA 92201
 B (760)345-5210
 Fax (760)775-7488
 Indian Wells
 San Bernardino/Riverside and SE Los Angeles C

******* Georgia *******

2272 2272 3000
 Central and Northwest Georgia
 Wilson, Ricky & Cathy Joyce
 505 Berry Dr. Ste 100
 Villa Rica, GA 30180
 B (770)489-7406
 Fax (770)489-4480
 Central and Northwest Georgia
 Servpro Central Headquarters

******* Maryland *******

2251 2251 3062 CM 3062
 Suburban and Western Maryland
 Hargrove, Richard & Kathleen
 8626 Brooks Drive, Sute 206
 Easton, MD 21601
 B (410)200-9500
 Fax (410)822-4136
 Suburban and Western Maryland
 Maryland

******* Alabama *******

2226 2226 3000
 Central Alabama II
 Wilson, David F. & Christie & Wilson, David Benj
 11063 Highway 280
 Westover, AL 35147
 B (205)678-2224
 Fax (205)678-2226
 Central Alabama II
 Servpro Central Headquarters

******* California *******

2206 2206 3000
 L. A. County North
 Tronson, David & Dee Dee
 12847 Arroyo Street
 Sylmar, CA 91342
 B (818)842-1400
 Fax (818)450-0421
 L. A. County North
 Servpro Central Headquarters

******* Illinois *******

2190 2190 3000
 Sangamon County
 Negro, Bill
 2450 Colt Road
 Springfield, IL 62707
 B (217)528-7775
 Fax (217)522-0200
 Sangamon County
 Servpro Central Headquarters

******* Massachusetts *******

2064 2064 3000 CM 2084
 Lawrence
 White, Kenneth J. & White, Eric & White, Gregg
 P.O. Box 328
 Lawrence, MA 01842
 B (978)688-2242
 Fax (978)687-7706
 Lawrence
 Servpro Central Headquarters

******* Alabama *******

2233 2233 3000 CM 2226
 Northern Alabama
 Wilson, David F. & Christie & Wilson, David Benj
 11063 Highway 280
 Westover, AL 35147
 B (205)678-2224
 Fax (205)678-2226
 Northern Alabama
 Servpro Central Headquarters

******* California *******

2001 2001 3000 CM 3081
 San Diego County
 Hebdon, Ron & Michelle & Hallauer, Veronica
 10959 San Diego Mission Rd.
 San Diego, CA 92108
 B (619)280-8082
 Fax (619)280-1680
 San Diego County
 Servpro Central Headquarters

******* Iowa *******

2238 2238 3000
 Eastern Iowa
 Fuller, Michael & Cathy
 7208 Jebens Avenue
 Davenport, IA 52806
 B (563)386-3540
 Fax (563)388-6077
 Eastern Iowa
 Servpro Central Headquarters

******* Massachusetts *******

2084 2084 3000
 Lawrence-Three
 White, Kenneth J. & White, Eric & White, Gregg
 P.O. Box 428
 Windham, NH 03087
 B (978)688-2242
 Fax (603)898-7227
 Lawrence-Three
 Servpro Central Headquarters

******* Alabama *******

2269 2269 3000
 South Alabama
 Wilson, David F. & Christie & Wilson, David Benj
 11063 Highway 280
 Westover, AL 35147
 B (205)678-2224
 Fax (205)678-2226
 South Alabama
 Servpro Central Headquarters

******* California *******

2249 2249 3076 CM 3081
 South Orange County
 Hebdon, Ron & Michelle & Hallauer, Veronica
 10959 San Diego Mission Road
 San Diego, CA 92108
 B (619)280-8082
 Fax (619)280-1680
 South Orange County
 Orange County

******* Maryland *******

2268 2268 3062 CM 3062
 Northeast Maryland
 Hargrove, Richard & Kathleen
 8626 Brooks Drive, Sute 206
 Easton, MD 21601
 B (410)200-9500
 Fax (410)822-4136
 Northeast Maryland
 Maryland

******* Massachusetts *******

2083 2083 3000 CM 2084
 Lawrence-Two
 White, Kenneth J. & White, Eric & White, Gregg
 P.O. Box 428
 Windham, NH 03087
 B (978)688-2242
 Fax (603)898-7227
 Lawrence-Two
 Servpro Central Headquarters

******* Massachusetts *******

2264 2264 3000 CM 2265
 Southeastern Massachusetts
 Cohn, Fred
 One Bishop Street
 Norwalk, CT 06851
 B (203)847-4950
 Fax (203)847-4456
 Southeastern Massachusetts
 Servpro Central Headquarters

******* Missouri *******

2267 2267 3034
 St. Louis Metro
 Bilbrey, Richard C.
 470 St. Peters-Howell Road
 St. Charles, MO 63304-7116
 B (314)220-0508
 Fax (636)926-3991
 St. Louis Metro
 Missouri

******* New Jersey *******

2247 2247 3071 CM 2273
 Southern New Jersey
 Nunan, Charles R. & Christine
 P.O. Box 482
 Toughkenamon, PA 19374
 B (610)268-2124
 Fax (610)268-8629
 Southern New Jersey
 New Jersey

******* New York *******

2198 2198 3072
 Westchester/Nassau County
 Cohn, Fred
 One Bishop Street
 Norwalk, CT 06851
 B (203)847-4950
 Fax (203)847-4456
 Westchester/Nassau County
 Southern New England and New York

******* Massachusetts *******

2265 2265 3000
 The South Shore
 Cohn, Fred
 One Bishop Street
 Norwalk, CT 06851
 B (203)847-4950
 Fax (203)847-4456
 The South Shore
 Servpro Central Headquarters

******* Nevada *******

2259 2259 3000
 Southeast Nevada
 Edgar, Kevin
 791 Middlegate Road
 Henderson, NV 89011
 B (702)564-8508
 Fax (702)453-8871
 Southeast Nevada
 Servpro Central Headquarters

******* New York *******

2260 2260 3080
 Binghamton/Greater Albany
 Necci, Michael & Donna
 60 N. Lincoln Rd.
 E. Rochester, NY 14445-1336
 B (585)641-0042
 Fax (585)641-0044
 Binghamton/Greater Albany
 Upstate New York

******* North Carolina *******

2258 2258 3077
 Central North Carolina
 Holcomb, Britt & Stacy
 2902 Manufacturer Drive
 Greensboro, NC 27406
 B (336)379-1772
 Fax (336)691-1018
 Central North Carolina
 The Carolinas

******* Michigan *******

2227 2227 3000
 Western Michigan
 Brunink, Ronald & Karri L.
 2051 Pineridge Dr.
 Jenison, MI 49428-9228
 B (616)662-9700
 Fax (616)662-0603
 Western Michigan
 Servpro Central Headquarters

******* New Jersey *******

2187 2187 3071 CM 3072
 Bergen/Passaic Counties
 Cohn, Fred & Hackney, Larry & Melanie
 One Bishop Street
 Norwalk, CT 06851
 B (203)847-4950
 Fax (203)847-4456
 Bergen/Passaic Counties
 New Jersey

******* New York *******

2252 2252 3072 CM 3072
 Rockland/Orange Counties
 Cohn, Fred
 One Bishop Street
 Norwalk, CT 06851
 B (203)847-4950
 Fax (203)847-4456
 Rockland/Orange Counties
 Southern New England and New York

******* North Carolina *******

2246 2246 3077 CM 2273
 Eastern North Carolina
 Nunan, Charles R. & Christine
 P.O. Box 482
 Toughkenamon, PA 19374
 B (610)268-2124
 Fax (610)268-8629
 Eastern North Carolina
 The Carolinas

******* Mississippi *******

2235 2235 3000 CM 2226
 Mississippi
 Wilson, David F. & Christie & Wilson, David Benj
 11063 Highway 280
 Westover, AL 35147
 B (205)678-2224
 Fax (205)678-2226
 Mississippi
 Servpro Central Headquarters

******* New Jersey *******

2188 2188 3071 CM 2198
 Essex/Morris Counties
 Cohn, Fred
 One Bishop Street
 Norwalk, CT 06851
 B (203)847-4950
 Fax (203)847-4456
 Essex/Morris Counties
 New Jersey

******* New York *******

2211 2211 3080 CM 2260
 The Fingerlakes
 Necci, Michael & Donna
 60 N. Lincoln Rd.
 E. Rochester, NY 14445-1336
 B (585)482-9390
 Fax (585)641-0044
 The Fingerlakes
 Upstate New York

******* Oregon *******

2179 2179 3078 CM 3078
 Oregon
 Pederson, Danny W. & Connie
 P.O. Box 247
 Corbett, OR 97019
 B (503)695-5701
 Fax (503)695-6397
 Oregon
 Oregon/Northern CA/Western NV

SERVPRO INDUSTRIES, INC - STATE ROSTER

******* Pennsylvania *******

2273 2273 3048
Chester and Delaware Counties
Nunan, Charles R. & Christine
P.O. Box 482
Toughkenamon, PA 19374
B (610)268-2124
Fax (610)268-8629
Chester and Delaware Counties
Penn-Del

******* Utah *******

2105 2105 3000
Utah
Hamann, Thomas & Libbie
967 W. 240 N.
Lindon, UT 84042
B (801)226-1363
Fax (801)785-8867
Utah
Servpro Central Headquarters

******* Rhode Island *******

2253 2253 3072 CM 3072
Rhode Island
Cohn, Fred
One Bishop Street
Norwalk, CT 06851
B (203)847-4950
Fax (203)847-4456
Rhode Island
Southern New England and New York

******* Virginia *******

2224 2224 3000 CM 3062
Nova
Hargrove, Richard & Kathleen
8626 Brooks Drive, Sute 206
Easton, MD 21601
B (410)200-9500
Fax (410)822-4136
Nova
Servpro Central Headquarters

******* South Carolina *******

2271 2271 3077 CM 2273
Western South Carolina
Nunan, Charles R. & Christine
P.O. Box 482
Toughkenamon, PA 19374
B (610)268-2124
Fax (610)268-8629
Western South Carolina
The Carolinas

******* Virginia *******

2250 2250 3000 CM 3062
Shenandoah Valley/Harrisonburg
Hargrove, Richard & Kathleen
8626 Brooks Drive, Sute 206
Easton, MD 21601
B (410)200-9500
Fax (410)822-4136
Shenandoah Valley/Harrisonburg
Servpro Central Headquarters

******* Texas *******

2209 2209 3067 CM 3067
East Texas
Stone, Kent & Kathy & Stone, Raymond & Stone
2920-A National Court
Garland, TX 75041
B (972)840-8660
Fax (972)840-8659
East Texas
Northwest Texas

******* Virginia *******

2210 2210 3000
Southeastern Virginia
Simeone, Robert B. & Margaret
2633 Production Road
Virginia Beach, VA 23454
B (757)431-1400
Fax (757)431-1516
Southeastern Virginia
Servpro Central Headquarters

SERVPRO INDUSTRIES, INC - STATE ROSTER

***** California *****

3076 3076 CM 3081
Orange County
Hebdon, Ron & Michelle & Hallauer, Veronica
10959 San Diego Mission Road
San Diego, CA 92108
B (619)280-8082
Fax (619)280-1680

Orange County

***** Maryland *****

3062 3062
Maryland
Hargrove, Richard & Kathleen
8626 Brooks Dr, Ste 206
Easton, MD 21601
B (410)200-9500
Fax (410)822-4136

Maryland

***** North Carolina *****

3077 3077
The Carolinas
Nunan, Charles R. & Christine
P.O. Box 482
Toughkenamon, PA 19374
B (610)268-2124
Fax (610)268-8629

The Carolinas

***** Texas *****

3082 3082
South Texas
Stone, Kent & Kathy & Stone, Raymond & Stone
2920-A National Court
Garland, TX 75041
B (972)840-8660
Fax (972)840-8659

South Texas

***** California *****

3081 3081
San Bernardino/Riverside and SE Los Angeles C
Hebdon, Ron & Michelle & Hallauer, Veronica
10959 San Diego Mission Road
San Diego, CA 92108
B (619)280-8082
Fax (619)280-1680

San Bernardino/Riverside and SE Los Angeles C

***** Missouri *****

3034 3034
Missouri
Hastings, Richard & Sandy
166 La Salle Street
Cape Girardeau, MO 63701-9178
B (573)339-1948
Fax (573)339-7338

Missouri

***** Oregon *****

3078 3078
Oregon/Northern CA/Western NV
Pederson, Danny W. & Connie
P.O. Box 247
Corbett, OR 97019
B (503)695-5701
Fax (503)695-6397

Oregon/Northern CA/Western NV

***** Connecticut *****

3072 3072
Southern New England and New York
Cohn, Fred
One Bishop Street
Norwalk, CT 06851
B (203)847-4900
Fax (203)847-4456

Southern New England and New York

***** New Jersey *****

3071 3071 CM 3072
New Jersey
Cohn, Fred
One Bishop Street
Norwalk, CT 06851
B (203)847-4950
Fax (203)847-4456

New Jersey

***** Pennsylvania *****

3048 3048
Penn-Del
Nunan, Charles R. & Christine
P.O. Box 482
Toughkenamon, PA 19374
B (610)268-2124
Fax (610)268-8629

Penn-Del

***** Indiana *****

3049 3049
Indianapolis North
Johnson, Mike & Gloria
15231 Herriman Blvd.
Noblesville, IN 46060
B (317)846-5282
Fax (317)774-2133

Indianapolis North

***** New York *****

3080 3080
Upstate New York
Cohn, Fred
One Bishop Street
Norwalk, CT 06851
B (203)847-4950
Fax (203)847-4456

Upstate New York

***** Texas *****

3067 3067
Northwest Texas
Stone, Kent & Kathy & Stone, Raymond & Stone
2920-A National Court
Garland, TX 75041
B (972)840-8660
Fax (972)840-8659

Northwest Texas

EXHIBIT N
NATIONAL ACCOUNTS PROGRAM AGREEMENT

NATIONAL ACCOUNTS PROGRAM AGREEMENT (NAPA)

Participation Year: _____	New Franchise: <input type="checkbox"/> YES <input type="checkbox"/> NO
Owners: _____	1st Month of Operation: _____
SERVPRO of: _____	Franchise No. _____
	Franchise No. _____

To be eligible to participate in the **SERVPRO® National Call Center Program** (including the National Accounts Insurance Programs), all items below must be answered **YES**. **Please Note:** Failure may result in a red light and no referrals from the Call Center; repeated failures may result in removal from Program participation.

The following qualifications are met:	
1) Franchisee meets all insurance requirements, maintaining current insurance coverage as required by the SERVPRO Franchise License Agreement and National Accounts participation criteria, including: commercial general liability; pollution liability; limited <u>Service and Repair</u> liability; vehicle liability; <u>bailees / inland marine; cyber liability insurances</u> ; and workers' compensation coverage (or worker's' compensation waiver on file if not applicable). (Attach proof of coverage.)	<input type="checkbox"/> Yes <input type="checkbox"/> No
2) Franchisee maintains a current Certificate of Insurance on file for all subcontractors listing Franchisee as additional insured evidencing a minimum of \$250,000 in general liability coverage and workers' compensation of not less than \$500,000. A signed Agreement between Independent Contractor and the Franchisee is on file for each subcontractor in the Franchisee's office. (Reference Form Number 28548-)	<input type="checkbox"/> Yes <input type="checkbox"/> No
3) Background checks for Franchise Owner and employees are must be performed annually, and background checks for Franchise Owners must be performed at least every three (3) yearson file in the Franchise office. Subject to applicable law, the Franchisee agrees not to employ any individual convicted of or <u>who</u> has plead guilty to a felony involving dishonesty or breach of trust, theft, or any type of violence against a person. Individual Select National Accounts may have additional criteria. <u>If a Franchisee has reason to suspect an employee may have been charged with a crime, a background check for that employee should be conducted immediately. Franchisee must notify Franchisor of any conviction of the Owner or employee for a felony or physical assault.</u>	<input type="checkbox"/> Yes <input type="checkbox"/> No
4) Franchisee is in good financial standing with Corporate, General Trainers, Directors and vendors and all valid financial obligations are current and paid timely. Franchisee provides required reports and documents.	
a. Franchise has provided Corporate with all required reports and supporting documentation.	<input type="checkbox"/> Yes <input type="checkbox"/> No
b. Franchisee has provided Trainer or Franchise Business Consultant with the necessary personal and business tax returns required to determine all tax filing and payment of obligations are current and paid timely.	<input type="checkbox"/> Yes <input type="checkbox"/> No
<u>b. Franchisee has provided all documents requested by the SERVPRO Audit Department for completion of an audit. Tax returns are provided on an annual basis upon request.</u>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<u>c. Franchisee has provided General Trainer / Franchise Business Consultant with the necessary personal and business tax returns required to determine all tax filings and payments of obligation are current and paid timely.</u>	
5) Franchisee files a timely and <u>has an accurate Business Resume on file.</u>	<input type="checkbox"/> Yes <input type="checkbox"/> No

6) Franchisee adheres to SERVPRO's minimum required computer <u>hardware</u> standards, utilizes the most current version of all SERVPRO required software, data and cyber security, and electronic communication systems <u>and/or</u> those required by <u>Bulletin guidelines</u> . Franchisee has current required network and broadband connectivity.	<input type="radio"/> Yes	<input type="radio"/> No
7) Franchisee maintains an average monthly <u>J</u> job <u>M</u> management <u>P</u> performance score of greater than or equal to the established minimum score, <u>as published by SERVPRO</u> .	<input type="radio"/> Yes	<input type="radio"/> No
8) Franchisee resolves all customer complaints following Servpro's <u>SERVPRO's</u> current Quality Assurance Program and any applicable National Accounts <u>or bulletin G</u> guidelines or guidelines prescribed by Bulletin . Franchisee further ensures all creditors and vendors are paid timely.	<input type="radio"/> Yes	<input type="radio"/> No

SERVPRO of: _____	Franchise No. _____
Franchise No.	
9) Franchisee attends all of SERVPRO meetings designated as mandatory, including, without limitation, Convention, Area Meetings, Business Review Consultations and required SERVPRO <u>Television</u> V <u>s</u> Sessions. Convention attendance is not mandatory for Franchisees in business less than 12 months prior to Convention. <u>Any absence must be approved in writing by the Field Operations Manager and General Trainer / Franchise Business Consultant.</u>	<input type="radio"/> Yes <input type="radio"/> No
10) Zip <u>C</u> ode <u>A</u> ssignments for Franchisee's territory <u>are amended when warranted and</u> is on file with the SERVPRO Call Center.	<input type="radio"/> Yes <input type="radio"/> No
<u>The following claim dispatch / administration is adhered to:</u>	<input type="radio"/> Yes <input type="radio"/> No
11) Phone is answered between the hours of 8:00 a.m. and 5:00 p.m., local time, Monday through Friday by a Franchisee employee in the Franchisee's office.	<input type="radio"/> Yes <input type="radio"/> No
<u>Franchisee commits to a 24-hour Emergency Response, including:</u>	<input type="radio"/> Yes <input type="radio"/> No
12) Franchise commits to 24-hour Emergency Response —Accepts all losses from the SERVPRO National Call Center.	<input type="radio"/> Yes <input type="radio"/> No
13) Franchise commits to 24-hour Emergency Response —Responds to all calls from the SERVPRO National Call Center.	<input type="radio"/> Yes <input type="radio"/> No
14) Franchise commits to 24-hour Emergency Response —Maintains active status for job lead acceptance from the SERVPRO National Call Center.	<input type="radio"/> Yes <input type="radio"/> No
15) Franchise uploads 1-800-SERVPRO initial storm job files which include <u>initial customer</u> contact time and on-site arrival time within 3 business days from time of dispatch.	<input type="radio"/> Yes <input type="radio"/> No
16) Non-ScanER[®]XL uploads: Franchise uploads completed standard water job file within 7 business days of job dispatch and completed job file for all other service types within 25 business days of job dispatch, unless otherwise prescribed by <u>Bulletin guidelines</u> , and/or Select Account's contractual requirements. Uploaded job file must pass self-audit. 17) ScanER[®] uploads: Franchise uploads completed standard water job file within 7 business days of job dispatch and completed job file for all other service types within 25 business days of job dispatch, unless otherwise prescribed by Bulletins, and/or Select Account's contractual requirements. Uploaded job file must pass self audit.	<input type="radio"/> Yes <input type="radio"/> No
17) Franchise corrects all rejected <u>returned</u> job files by the end of the next business day. Please Note: Uploading a job file without correcting the file for all identified errors may result in a red light; repeated failures may result in removal from Program participation.	<input type="radio"/> Yes <input type="radio"/> No

19) Franchise Owner and employees follows all job processes, including:-				
18) Franchisee vehicles are in accordance with the SERVPRO vehicle appearance policy.	<input type="radio"/>	Yes	<input type="radio"/>	No
19) Franchisee adheres to the SERVPRO Uniform policy.	<input type="radio"/>	Yes	<input type="radio"/>	No
20) Franchisee uses only SERVPRO-approved cleaning products and equipment.	<input type="radio"/>	Yes	<input type="radio"/>	No
21) Franchisee completes all training programs and maintains certifications required by Servpro Industries, Inc.	<input type="radio"/>	Yes	<input type="radio"/>	No
23) Franchisee adheres to price guidelines as prescribed by National Accounts <u>or Bulletin</u> Guidelines or Bulletin Guidelines .	<input type="radio"/>	Yes	<input type="radio"/>	No

Our signatures acknowledge that all information listed on the SERVPRO National Accounts Program Agreement is true and a correct representation of the operation of the Franchise.

<i>Signature of Franchise Owner</i>	<i>Date</i>	<i>Signature of Distributor / Franchise Business Consultant</i>	<i>Date</i>

EXHIBIT O

COMMERCIAL ACCOUNTS PROGRAM AGREEMENT

COMMERCIAL ACCOUNTS PROGRAM AGREEMENT (CAPA) FORM

Participation Year: _____	New Franchise: <input type="radio"/> YES <input type="radio"/> NO
Owners: _____	1st Month of Operation: _____
SERVPRO of: _____	Franchise No. _____
	Franchise No. _____

Franchisee meets all qualification criteria in Select National Accounts Program Agreement (“SNAPA”), which includes the NAPA criteria and Franchisee has a signed Commercial Accounts Participation Agreement on file.

To participate in CAPA - Level I for Commercial Losses up to \$25,000, all items on Page 1 below must be answered YES. Please Note: Failure may result in a red light and no referrals from the Call Center; repeated failures may result in removal from Program participation.

A. <u>Franchisee maintains a minimum Job Management Score of 80%.</u>	<input type="radio"/> Yes <input type="radio"/> No
B. <u>Franchisee has an established protocol to accept warm transfers 24/7 for commercial losses (not an answering service). Franchisee has an emergency contact on file with the SERVPRO® National Call Center.</u>	<input type="radio"/> Yes <input type="radio"/> No
C. <u>Franchisee has completed a minimum of two (2) ERPs and agrees to complete at least twelve (12) ERPs per year to maintain qualified status.</u>	<input type="radio"/> Yes <input type="radio"/> No
D. <u>Franchisee must show the ability to mobilize within 15 minutes of dispatch for all 1-800-SERVPRO commercial referrals. Turn-downs are discouraged and generally only acceptable in storm mode to maintain program eligibility.</u>	<input type="radio"/> Yes <input type="radio"/> No
E. <u>Franchisee agrees to adhere to any revisions requested by the CLLD to comply with industry standards, norms, and sound business practices and applicable SERVPRO policies if CLLD determines it necessary or proper for a particular job.</u>	<input type="radio"/> Yes <input type="radio"/> No
F. <u>Franchisee can show proof of temporary labor and additional equipment resources pre-arranged with after-hours contact numbers available.</u>	<input type="radio"/> Yes <input type="radio"/> No
G. <u>Franchisee has proof of participation in local, regional, or national industry events two (2) times per year. Examples of industry events are PLRB, RIMS, PRIMA, BOMA, local claims associations, or property management associations.</u>	<input type="radio"/> Yes <input type="radio"/> No

To participate in CAPA - Level 2 for Commercial Losses \$25,000 - \$50,000, the following qualifications must also be met:

<p>H. <u>Franchisee meets, at a minimum, Stage 1, Year 3, Month 1, of the Stages of Development Model. For the Franchise to be eligible, the threshold is of \$76,000 per month total gross volume (\$912,000 annual gross volume).</u></p> <p>a. <u>Including the following non-owner minimum staffing requirement:</u></p> <ul style="list-style-type: none"> i. <u>Two (2) SERVPRO Marketing Representatives (SMR or SMM).</u> ii. <u>One (1) Production Manager.</u> iii. <u>Two-Three (23) Crew Chiefs.</u> iv. <u>Two (2) Office Administrators.</u> <p>b. <u>Including the following requirements for working capital and debt:</u></p> <ul style="list-style-type: none"> i. <u>Cash at 2 times monthly expenses or at least greater than \$100,000 including current accounts receivable (less than 90 days without commercial). Owner personal savings in excess of current debt, credit cards, lines-of-credit, and 12-month debt service on long-term debt may be used to supplement business' financial statement. Retirement funds do not qualify. Owner must show bank statements evidencing savings account balances on deposit for at least 3 months.</u> ii. <u>Less than a 50% debt ratio, excluding loans to owners.</u> <p>c. <u>Including minimum commercial equipment requirements:</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"><u>Air Movers</u></td> <td style="width: 20%; text-align: right;"><u>125</u></td> </tr> <tr> <td><u>Dehumidifiers</u></td> <td style="text-align: right;"><u>25</u></td> </tr> <tr> <td><u>Extractors</u></td> <td style="text-align: right;"><u>4</u></td> </tr> <tr> <td colspan="2"><u>Scrubbers – individual filtration devices totalling a minimum of 5,000 cfm, when combined.</u></td> </tr> </table>	<u>Air Movers</u>	<u>125</u>	<u>Dehumidifiers</u>	<u>25</u>	<u>Extractors</u>	<u>4</u>	<u>Scrubbers – individual filtration devices totalling a minimum of 5,000 cfm, when combined.</u>		<p style="text-align: right;"><input type="radio"/> Yes <input type="radio"/> No</p> <p style="text-align: right;"><input type="radio"/> Yes <input type="radio"/> No</p> <p style="text-align: right;"><input type="radio"/> Yes <input type="radio"/> No</p> <p style="text-align: right;"><input type="radio"/> Yes <input type="radio"/> No</p> <p style="text-align: right;"><input type="radio"/> Yes <input type="radio"/> No</p> <p style="text-align: right;"><input type="radio"/> Yes <input type="radio"/> No</p> <p style="text-align: right;"><input type="radio"/> Yes <input type="radio"/> No</p> <p style="text-align: right;"><input type="radio"/> Yes <input type="radio"/> No</p>
<u>Air Movers</u>	<u>125</u>								
<u>Dehumidifiers</u>	<u>25</u>								
<u>Extractors</u>	<u>4</u>								
<u>Scrubbers – individual filtration devices totalling a minimum of 5,000 cfm, when combined.</u>									
<p>I. <u>Franchisee has completed on-the-job training (OJT) with an approved CAPA Mentor and has observed one (1) large commercial loss with an initial reserve over \$50,000, or with the possibility of exceeding \$50,000. Franchisee has presented a written practice/sample scope, action plan, and reserve/estimate to the CAPA Mentor for review. The CAPA Mentor has confirmed the Franchise has the ability to accurately reserve and set up a valid action plan for a large commercial loss. The CAPA Mentor has forwarded a copy of this exercise to the Commercial Large Loss Department at Corporate. This requirement will be reviewed in the fall of 2016 to be effective for the calendar year of 2017.</u></p> <p><i><u>*For Franchisees who have previously completed one or more large commercial losses over \$50,000, in lieu of OJT with an LLRT or ERTM, Franchisee has submitted the written scope, action plan, and estimate from a previous large commercial loss to CLLD demonstrating proficiency in the above criteria satisfying this requirement.</u></i></p>	<p style="text-align: right;"><input type="radio"/> Yes <input type="radio"/> No</p>								
<p>J. <u>Franchisee has identified a Large Loss Response Team Member or Extreme Response Team Member whom they will contact as a CAPA Mentor for any commercial job with an initial reserve over \$50,000, or with the possibility of exceeding \$50,000, and register with their General Trainer or FBC. The reason for this requirement is to have an experienced Franchise available to review these types of jobsites and confirm Franchisees are following commercial guidelines and industry standards in producing the loss (there is no intent to remove Franchisees from the jobsite).</u></p>	<p style="text-align: right;"><input type="radio"/> Yes <input type="radio"/> No</p>								

<p>K. Franchisee agrees to enter First Notice of Loss (FNOL) data for all Commercial Losses received, regardless of source (includes local jobs), into DryBook™ Mobile or WorkCenter™ Office within 24 hours of first notice of loss. Franchisee also agrees to contact CLLD by phone or e-mail at CommercialLoss@servpronet.com within 24 hours of on-site arrival for all commercial jobs, regardless of referral source, with a potential reserve figure over \$50,000. Any deviation from the initial reserve in excess of five (5) percent for these losses must be communicated to the client and copied to the CLLD when identified. For LLRT and ERTM, the initial reserve required for contacting CLLD is \$100,000 and \$250,000, respectively.</p>	<p><input type="radio"/> Yes <input type="radio"/> No</p>
<p>L. Franchisees agrees that for any loss with an initial reserve figure over or with the possibility of exceeding \$50,000, CLLD may, at its discretion, engage a qualified General Trainer, FBC, LLRT, or ERTM to visit the jobsite to verify industry standards, norms, standards of sound business practices, and applicable SERVPRO® policies are being followed and to help confirm that the Franchise has the capacity (personnel/experience, equipment, and finances) to produce the job in accordance with such standards. CLLD may assign an independent Large Loss Response Team member, Extreme Response Team member or others to coordinate, lead and/or guide production of any of such jobs or portions if CLLD determines the job may exceed Franchisee's expertise or capacity.</p>	<p><input type="radio"/> Yes <input type="radio"/> No</p>
<p>M. Franchisee agrees to perform a site visit of all commercial losses with an initial reserve figure over \$50,000, or with the possibility of exceeding \$50,000, regardless of referral source. For losses under \$100,000 for LLRT, and \$250,000 for ERT, this obligation can be met by an approved qualified project manager.</p>	<p><input type="radio"/> Yes <input type="radio"/> No</p>
<p>N. Franchisee agrees to complete required Training/Certifications as they become available. This requirement will be reviewed in the fall of 2016 to be effective for calendar year 2017. Franchises are encouraged to complete current modules as they become available.</p>	<p><input type="radio"/> Yes <input type="radio"/> No</p>

Our signatures acknowledge that all information listed on this SERVPRO CAPA Form is true and a correct representation of the operation of the Franchise.

Signature of Franchise Owner Date Signature of Distributor Dare

Note: Franchise Business Consultant is responsible for forwarding the CAPA Form to Corporate.

EXHIBIT OP
RECEIPTS

RECEIPT

This disclosure document summarizes certain provisions of the Training and Distribution Agreement and other information in plain language. Read this disclosure document and all agreements carefully. If Servpro Industries, Inc. offers You a distributorship, it must provide this disclosure document to You 14 days before You sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed distributorship sale.

The State of Iowa requires this disclosure document be provided to You the earlier of: a) the first personal meeting; (b) 14 business days before paying any money; or (c) 14 business days before signing any binding contract.

Following are states that require this disclosure document be provided to You the earlier of: (a) the first personal meeting; (b) 10 business days before paying any money; or (c) 10 business days before signing any binding contract: New York and Rhode Island.

The State of Michigan requires this disclosure document be provided to You the earlier of: (a) 10 business days before paying any money; or (b) 10 business days before signing any binding contract.

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

| Date of Issuance: April 1, ~~2015~~2016

See Exhibit K for Our registered agents authorized to receive service of process.

| I have received a disclosure document dated April 1, ~~2015~~2016 that included the following Exhibits:

- | A Our Training and Distribution Agreement with Exhibits
- | B ServproNET[®] Policies and Procedures Agreement
- | C Software License
- | D Personal Responsibility Statement
- | E Territorial Policy
- | F Promissory Note and Security Agreement
- | G List of Partners, Members, or Shareholders
- | H Guaranty Agreement
- | I Confidentiality Agreement
- | ~~J Our Audited Financial Statements and Our Updated Unaudited~~
~~Financial Statements through May 31, 2015~~
- | K List of State Administrators and List of Agents for Service of Process
- | L List of Our Distributors
- | M List of Our Current Distributors and List of Our Distributors Who Have Left The System
- | N National Accounts Program Agreement
- | O Commercial Accounts Program Agreement

Dated: _____

PROSPECTIVE or RENEWING DISTRIBUTOR:

**All individuals must sign,
including spouses:**

If a business entity, all must also sign:

(Print Name)

(Name of Business Entity)

(Signature)

(Print Name & Title)

(Print Name)

(Signature)

(Signature)

(Print Name & Title)

(Print Name)

(Signature)

(Signature)

(Print Name & Title)

(Print Name)

(Signature)

(Signature)

(Print Name & Title)

(Print Name)

(Signature)

(Signature)

New Franchise Sales Only: Please fill in the following Addendum to Receipt to identify individuals with whom You had significant contact during the distributorship sales process. Please return the Addendum with Your Receipt.

KEEP THIS COPY FOR YOUR RECORDS. This disclosure document is also available in pdf format on Our website, www.servpro.com. You will need to obtain a password from Our Franchise Expansion Department for new sales.

**Addendum to Receipts, Item 23 Exhibit O-P of the
Franchise Disclosure Document for SERVPRO Industries, Inc.**

The following individuals had significant contact with me/us during the sales process and acquisition of a SERVPRO distributor license.

Please check all that apply:

- Kevin D. Brown, Assistant VP of Marketing
SERVPRO Industries, Inc.
801 Industrial Blvd.
Gallatin, TN 37066
615-451-0200

- Laura Williams, Franchise Expansion Division Manager
SERVPRO Industries, Inc.
801 Industrial Blvd.
Gallatin, TN 37066
615-451-0200

- Todd Wilson, Regional Franchise Expansion Manager
SERVPRO Industries, Inc.
801 Industrial Blvd.
Gallatin, TN 37066
615-451-0200

- ~~Denise Upchurch~~ Lura Powers, Assistant Franchise Expansion Manager
SERVPRO Industries, Inc.
801 Industrial Blvd.
Gallatin, TN 37066
615-451-0200

Additional parties with significant contact during the sales and acquisition process.

Servpro Distributor (if applicable):

Other (if applicable):

Name: _____
 Servpro of _____
 Address: _____
 City, State, Zip: _____
 Phone: _____

Name: _____
 Company: _____
 Address: _____
 City, State, Zip: _____
 Phone: _____

 (Print Name)

 (Print Name)

 (Signature)

 (Signature)

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 (Print Name)

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- L List of Our Distributors
- M List of Our Current Distributors and List of Our Distributors Who Have Left The System
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- | O Commercial Accounts Program Agreement

Dated: _____

PROSPECTIVE or RENEWING DISTRIBUTOR:

**All individuals must sign,
including spouses:**

If a business entity, all must also sign:

(Print Name)

(Name of Business Entity)

(Signature)

(Print Name & Title)

(Print Name)

(Signature)

(Signature)

(Print Name & Title)

(Print Name)

(Signature)

(Signature)

(Print Name & Title)

(Print Name)

(Signature)

(Signature)

(Print Name & Title)

(Print Name)

(Signature)

(Signature)

New Franchise Sales Only: Please fill in the following Addendum to Receipt to identify individuals with whom You had significant contact during the distributorship sales process. Please return the Addendum with Your Receipt.

Please sign this copy of the receipt, date Your signature, and return it to Servpro Industries, Inc., 801 Industrial Boulevard, Gallatin, Tennessee 37066. This disclosure document is also available in pdf format on Our website, www.servpro.com. You will need to obtain a password from Our Franchise Expansion Department for new sales.

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Other (if applicable):

Name: _____
 Servpro of _____
 Address: _____
 City, State, Zip: _____
 Phone: _____

Name: _____
 Company: _____
 Address: _____
 City, State, Zip: _____
 Phone: _____

 (Print Name)

 (Print Name)

 (Signature)

 (Signature)

 (Print Name)

 (Print Name)

 (Signature)

 (Signature)